

NINETY-EIGHTH REPORT
PUBLIC ACCOUNTS COMMITTEE
(1981-82)

(SEVENTH LOK SABHA)

**WASTEFUL EXPENDITURE ON PROCUREMENT
OF IMPORTED AIRCRAFT SPARES AND
INFRUCTUOUS EXPENDITURE ON
PROCUREMENT OF DEFECTIVE AMMUNITION**

(MINISTRY OF DEFENCE)

[Action Taken on 37th Report (Seventh Lok Sabha)]



Presented in Lok Sabha on.....

Laid in Rajya Sabha on.....

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INTRODUCTION

1. I, the Chairman of the Public Accounts Committee as authorised by the Committee do present on their behalf this Ninety-Eighth Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their Thirty-Seventh Report (Seventh Lok Sabha) on Wasteful Expenditure on procurement of imported aircraft spares and infructuous expenditure on procurement of defective ammunition.

2. In the 37th Report, the Committee had commented upon a case of wasteful expenditure of Rs. 40 lakhs in the injudicious procurement of gear pumps and other spares for the Allison Propeller system of the Packet aircraft. In this Report the Committee reiterated the need for revamping the procedure for assessment of requirement of spares and stores.

The Committee have also stressed that the lapses earlier pointed out by them should be investigated in detail with a view to fixing responsibility.

3. The Committee considered and adopted this Report at their sitting held on 16 April, 1982. Minutes of the sitting form Part II of the Report.

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

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

NEW DELHI ;

April 17, 1982

Chaitra 27, 1904(S)

SATISH AGARWAL,

*Chairman
Public Accounts Committee.*

CHAPTER I

REPORT

1.1 The Report of the Committee deals with the action taken by Government on the Committee's recommendations and observations in their 37th Report (7th Lok Sabha) on Paragraphs 26 and 27 of the Report of the Comptroller and Auditor General of India for the year 1978-79, Union Government (Defence Services) on wasteful expenditure on procurement of imported aircraft spares and infructuous expenditure on procurement of defective ammunition.

1.2 The 37th Report which was presented to Lok Sabha on 28 April, 1981 contained 40 recommendations. Action Taken notes have been received in respect of at the recommendations/observations and these have been broadly categorised as follows :—

- (i) *Recommendations and observations that have been accepted by Government :*
1, 2, 4, 8, 10, 11, 12, 13, 18, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38 and 39.
- (ii) *Recommendations and observations which the Committee do not desire to pursue in the light of the replies received from Government :*
3, 5, 6, 7, 9, 17 and 19.
- (iii) *Recommendations and observations replies to which have not been accepted by the Committee and which require recitation :*
14, 15, 16, 20, 21 and 40.
- (iv) *Recommendations and observations in respect of which Government have furnished interim replies.*

—Nil—

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

Wasteful expenditure on procurement of imported spares—
(Serial Nos. 14, 15, 16, 20 and 21—Paragraphs 1.86, 1.87, 1.88, 1.92 and 1.93).

1.4 On the basis of a special provision review of spares required for the Packet aircraft over the five year period ending June 1979, a requisition for 99 items of spares relating to the Allison Propeller System (total estimated cost Rs. 80.16 lakhs), was placed in February, 1975 on the USAF through the US Embassy in India. As pointed out by Audit, this resulted in wasteful expenditure of about Rs. 15 lakhs. Besides, other items of spares valuing about Rs. 25 lakhs became redundant due to change over to the Hamilton Propeller System.

1.5 Commenting upon the extent of check exercised by the Ministry/Air Headquarters in processing the inflated requirements submitted by the lower formations, the Committee had in Paragraph 1.86 of their 37th Report observed as follows :—

“According to the Ministry, this was necessitated because the utilisation plans for the Packet aircraft upto 1980-81 were then under finalisation (Finally approved in August, 1974). The Ministry have also contended that “it is not practicable to review the major policy issues like replacement of propeller system every time the requirements of spares are reviewed for routine replenishment of approved MPE (Maximum Potential Establishment)”. Both these arguments are not quite convincing since the need for switching over to the Hamilton propeller system had already been recognised and the proposal would in fact have been implemented but for the embargo placed by the US Government. The Committee consider that the Ministry of Defence should have proceeded in the matter of procurement of spares with caution. It is evident that the check which the Ministry/Air Headquarters were expected to exercise in this case was not applied and the inflated requirements submitted by the lower formations were approved. How defective the assessment of requirements of spares was, is seen from the succeeding paragraphs.”

1.6 Action Taken Note dated 9 March, 1982 furnished by the Ministry of Defence reads as follows :

“As is evident from the statement of Defence Secretary (Para 1.33) it is not a fact that the proposal for switching over to Hamilton propeller system would have been implemented but for the US embargo. The fact is that right upto 1974, when the requirements of spare were being processed, the thinking was that we could carry on with the Allison Propeller System. The was based on cost benefit ratio. Air HQ were very cautious in the processing of requirements of Alison Propeller spares. The requirements as worked out by the OSL were critically scrutinised. Even though the requirements were correctly calculated as per the approved procedure, the matter was taken up by the Director of Engineering ‘B’ with General Manager (Overhaul), HAL (BC) for re-examination of the requirements personally at his level and it was only after reiteration by the General Manager (Overhaul), HAL that the requirements were further processed. Notwithstanding the reiteration by the General Manager, HAL (BC), the requirements of Gear Pump were reduced by Air HQ to Qty. 600 as against Qty. 1034 projected by HAL.”

1.7 Dealing with the question of reduction of order for Gear Pump assembly from 600 Nos. to 200 Nos. in June, 1975 and total cancellation

of the order for this item in February, 1976, the Committee had, in Paragraph 1.87 of their 37th Report observed as follows :

“The Committee find that the above stated order (February, 1975) for spares contained an order for 600 Nos. of gear pump assembly. In June, 1975 *i.e.* within a short period of 4 months the order for this item was reduced to 200 Nos. and cancelled in to to in February, 1976. It is surprising that “the reduction of order Qty. from 600 to 200 was sought purely as an extra precautionary measure to avoid any possible non-utilisation of this costly item with large Qty. even though the requirements had been calculated correctly”. The contradiction is too obvious to merit comment.

During evidence, it transpired that it was on the initiative of a Junior Officer in the Air Headquarters that the original order was brought down from 600 to 200.

The Ministry's note goes on to say that “the cancellation of the balance Qty. 200 in February, 1976 was based on the proposal for change-over of propeller system then under consideration.”

1.8 In the action taken note furnished by the Ministry of Defence on 9 March, 1982, it has been stated :—

“The overhaul agency had calculated the requirements (as per the laid down formula) of Gear Pump as 1034. However, considering the huge financial implication, only Qty. 600 was indented. Since the Qty. 600 indented was still large enough and involved substantial amount in FE, the Qty. was further reduced to 200 as an extra precautionary measure, notwithstanding the reiteration of HAL (BC) at GM(O) level to order large Qty.”

1.9 Emphasising the need for revamping the procedure for assessment of requirements of spares and stores and their scrutiny at higher level, the Committee had recommended :

“The conclusion that emerges is that factors having a vital bearing on the provisioning of spares were ignored at levels charged with taking an overall view of the situation. The Committee would emphasise the imperative need for revamping the procedure for assessment of requirements of spares and stores and their scrutiny at higher levels so that such glaring case of over-provisioning could be avoided.”

1.10 Action taken note dated 9 March, 1982 furnished by the Ministry of Defence reads as follows :

“The requirements of spares in this case had been examined and approved at higher level. As explained earlier, the requirements were critically examined at the level of Director of Engineering ‘B’ who took up the matter with the General

Manager (Overhaul), HAL(BC). The requirements were subsequently examined and approved by ACAS(Engg.) and AOM.

There is no apparent deficiency in the procedure for assessment of requirement. The spares provisioned would have been utilised, had the Packet fleet continued to operate with Allison Propeller System for 5 years as then planned. It were the unforeseen circumstances (alarming deterioration in the reliability of the propeller system which had aged) that forced a situation necessitating immediate replacement of the system as a flight safety measure which resulted in the larger redundancy including the items in the pipe line.

Nevertheless, the provisioning procedures are under constant review for suitable improvements based on the experience gained."

1.11 The Committee further observed in Paragraph 1.92 of the 37th Report that the failure of the concerned authorities to review the requirements of 98 other items of spares both at the time of curtailing the requirements of gear pump assembly in June 1975 and subsequently while cancelling the item in February, 1976 resulted in spares of the value of Rs. 25 lakhs becoming redundant.

1.12 Action Taken note dated 9 March, 1982 on the aforesaid observation of the Committee furnished by the Ministry of Defence reads as follows :—

"As explained before the PAC, the curtailment of the requirement of Gear Pumps from Qty. 600 to 200 in June 1975 was only an extra precautionary measure to avoid any possible infructuous expenditure. It was not based on the change over to propeller system since at that stage the proposal had not yet been formulated. At this stage there were no specific reasons for review of all the items indented.

The proposal initiated in October 1975 envisaged modification of 44 Packet aircraft with Hamilton Standard propellers by September 1978 and retention of remaining 15 aircraft with Allison Propeller system. Since Dues—in of 98 Allison Propeller items under observation were required for sustaining the Packet fleet till 44 aircraft were progressively modified with Hamilton Standard propeller and also for 15 aircraft thereafter with Allison propellers till phased out, no reviews of the Dues—in-Ex-U.S.A.F. was called for either in June, 1975 or February, 1976.

Action to cancel the Dues—in was taken immediately after it was decided in January, 1977 to modify all 59 Packet aircraft with Hamilton Standard Propeller System."

1.13 In Paragraph 1.93 of their 37th Report, the Committee recommended that the above lapses call for detailed investigation with a view to fixing responsibility and also desired that the results of the investigation should be reported to the Committee.

1.14 Action taken* note dated 9 March, 1982, furnished by the Ministry of Defence on the above recommendation of the Committee, reads as follows :—

“As explained in the comments against the preceding paragraphs, Ministry of Defence/Air HQ have been alert in tackling the problems as they arose since the induction of the Packet fleet in the IAF. If a replacement aircraft could not be inducted, it was purely because of non-availability of the same/national constraints and priorities. As regards indenting of spares, every possible scrutiny of the requirements, was done before placing of the order and even subsequently the order for Gear Pump was substantially curtailed as extra precaution. No bulk order/orders were placed after the initiation of proposal for change over of propeller system. The scrutiny/action taken by Air HQ resulted in a reduction of the requirements from 1034 to 200 of Gear Pump, a net savings of nearly Rs. 60 lakhs. Further even out of the 99 items ordered at an estimated cost of Rs. 80 lakhs, stores only worth approximately Rs. 40 lakhs (including Qty. 200 Gear Pumps worth Rs. 15 lakhs) were received. The remaining items worth Rs. 40 lakhs were cancelled (nearly 50% of the indented cost) either at our request or as a result of rejection by USAF.”

1.15 Commenting upon the wasteful expenditure of Rs. 40 lakhs in the injudicious procurement of gear pumps and other spares for the Allison propeller system of the Packet aircraft, the Committee had in their 37th Report observed that factors having a vital bearing on the provisioning of spares were ignored at levels charged with taking an overall view of the situation. The Committee had emphasized the imperative need for revamping the procedure for assessment of requirements of spares and stores and their scrutiny at higher levels so that such glaring case of over-provisioning could be avoided. The Ministry have informed the Committee that “there is no apparent deficiency in the procedure for assessment of requirement. Nevertheless, the provisioning procedures are under constant review for suitable improvements based on the experience gained.”

1.16 The Committee consider that since the need for replacing the Allison propeller by the Hamilton propeller system had already been recognised the Ministry of Defence should have proceeded in the matter of procurement of spares with caution. As pointed out in the Report, the requirements of gear pumps were reduced from 600 to 200 numbers within a period of four months and then cancelled in toto after another 8 months. Considering the circumstances of the case, the Ministry's reply appears to be an exercise in evading the issue. The Committee would therefore reiterate

* Not vetted in Audit.

the need for revamping the procedure for assessment of requirements of spars and stores in the light of the said experience in this case. The Committee would like to know the specific steps taken in this regard.

1.17 The Committee had further observed in their earlier Report that the failure of the concerned authorities to review the requirements of 98 item of spares other than gear pumps, both at the time of curtailing the requirements of gear pump assembly in June 1975 and subsequently while cancelling the item in February, 1976 resulted in spares of the value of Rs. 25 lakhs becoming redundant. As no fresh evidence has been brought to their notice the Committee reiterate that the lapses earlier pointed out by them call for detailed investigation with a view to fixing responsibility.

Organisational changes in the supply wing attached to Indian Missions abroad.

(Sl. No. 40—Paragraph 2.98)

1.18 • Dealing with a case of infructuous expenditure on procurement of defective ammunition, where service ammunition procured at a cost of Rs. 72.56 lakhs, through an Indian Mission abroad, had to be down-graded for practice purposes because of the defects resulting in an infructuous expenditure of Rs. 9.67 lakhs, the Committee had in Paragraph 2.98 of their 37th Report recommended as follows :—

“The Committee have been given to understand by the Ministry of Defence that the poor performance of Indian Supply Wings abroad in meeting the needs and aspirations of the Services Headquarters has of late become a matter of anxiety to the Chiefs of Staff. The Committee view with great concern that due to “the unhelpful attitude of our Supply Wings abroad, high value defence weapon and equipment systems have become non-operational for want of low cost spares.” While the setting up of a small cell for processing low value indents as decided recently, may be of help to meet the immediate requirements of the Services Headquarters for the present, the Committee consider that the question of processing of defence requirements, big or small, with a view to eliminating the delays which may prove costly, is a matter which calls for immediate attention. The Committee, therefore, recommend that the Ministries concerned should go into the matter in the light of the difficulties experienced and the organisational changes that may be called for in the existing set up of the supply wing attached to Indian Missions abroad, should be carried out without loss of time in the interest of the country's defence requirements.”

1.19 Action taken note dated 30 November, 1981 furnished by the Ministry of Defence reads as follows :—

“The question regarding the functioning and administrative control of India Supply Wing, London has been under consideration of the Committee of Secretaries for some time past. This matter was last considered at the meeting of the Committee of

Secretaries held on 7-7-1981 when certain broad conclusions were reached. A group comprising representatives of the Ministries of External Affairs, Supply and Defence was required to prepare a detailed paper regarding optimal staffing pattern of ISW (L) etc. Since then, two meetings of the Group have been convened by the Ministry of External Affairs on the 7th August and 16th September, 1981. It is expected that the recommendations of the inter-Ministry Group with regard to staffing pattern of ISW (London) and steps necessary to streamline the expeditious procurement of stores will be finalised shortly for submission to the Committee of Secretaries."

1.20 Dealing with a case involving an infructuous expenditure of Rs. 9.67 lakhs, on procurement of defective ammunition, through an Indian Mission abroad, the Committee had in their 37th Report recommended that the Ministries concerned should go into the matter in the light of the difficulties experienced and the organisational changes that may be called for in the existing set up of the Supply Wings attached to Indian Missions abroad, should be carried out without loss of time in the interest of the country's defence requirements. The Committee have been informed that the question regarding the functioning and administrative control of India Supply Wing, London has been under consideration of the Committee of Secretaries. A group comprising representatives of the Ministries of External Affairs, Supply and Defence was required to prepare a detailed paper regarding optimal staff pattern of the Supply Wing, London.

1.21 The Committee would urge that the matter should be finalised without further loss of time. The Committee need hardly point out that since the Supply Wings both in London and Washington cater mostly to our defence requirements, the system that is devised, should be capable of meeting these requirements particularly of critical items with expedition and in a manner that is cost effective. The Committee would like to be apprised of the steps taken in this direction.

CHAPTER II

RECOMMENDATIONS AND OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

A number of new transport aircraft known as Packet Aircraft were acquired from USA by the Indian Air Force in 1954. Further additions to the fleet were made in 1960 and 1963. The 1960 batch consisted of old aircraft in 'as is where is' condition as also those procured in 1963 which were received under the military assistance programme in the wake of Chinese aggression.

[Sl. No. 1 (para 1.73) of Appendix to 37th Report of Public Accounts Committee (Seventh Lok Sabha)]

Action Taken

No specific action is warranted.

This has been seen by Audit.

[Ministry of Defence O.M. No. 58(1)/81/D(Air-I) dated 9-3-1982]

Recommendation

This Committee find that the new aircraft procured in 1954 met with a series of accidents/incidents right from the time of their induction into service. Of the number of accidents/incidents in which these aircraft were involved during each of the years 1954 to 1959 (*i.e.* before procurement of the second batch of old aircraft), as many as 8 incidents were attributable to the failure of the Allison Propeller System. During the years 1960 to 1962 *i.e.* before procurement of the third batch, the rate of accidents/incidents rose sharply and two of the incidents were caused by the failure of the propeller. The history of operation of this aircraft right through 1976 when the entire fleet was grounded unfolds an unfortunate chapter of accidents/incidents on a large scale which took a toll of as many as 131 precious lives and 22 aircrafts. Loss of three of these, aircraft was attributable to the failure of the propeller system. Over 5 per cent of accidents and 24.9 per cent of incidents occurring during the years 1954 to 1976 were on account of the Allison propeller.

[Sl. No. 2 (Para 1.74) of Appendix to 37th Report of Public Accounts Committee (Seventh Lok Sabha)]

Action Taken

No specific action is warranted.

This has been seen by Audit.

[Ministry of Defence O.M. No. 58(1)/81/D(Air-I) dated 9-3-1982]

Recommendation

The Committee consider that before taking the decision to procure old transport aircraft which were meant for ferrying the troops over difficult terrain, a careful evaluation of its performance and deficiencies should have been undertaken. This is a serious lapse. The Committee expect that, in future, whenever new type of aircraft are acquired, their suitability in the Indian conditions particularly in the context of the role envisaged for them would be carefully considered before bulk purchases are made.

[Sl. No. 4(Para 1.76) of Appendix to 37th Report of Public Accounts Committee (Seventh Lok Sabha)]

Action Taken

Min. of Def/Air HQ had very carefully examined the known performance/deficiencies of the aircraft with particular reference to our operational requirements. The Committee's view point has been noted for future guidance.

This has been seen by Audit.

[Ministry of Defence O.M. No. 58(1)/81/D(Air-I) dated 9-3-1982]

Recommendation

Three and a half years later *i.e.* in October, 1975 the Air Headquarters, after detailed examination, felt the necessity of replacement of their propeller system on Packet aircraft to improve its reliability and long-term utilisation. A proposal to replace the propeller system on some aircraft was approved by Government in May 1976 but it was only in December, 1976 "after a serious flying accident and alarming deterioration in the reliability/serviceability of Allison propeller system that Air Headquarters finally concluded that replacement of Allison propeller system on entire Packet fleet was no longer avoidable". The proposal to replace the propellers on the entire fleet was approved by Government in January, 1977.

[Sl. No. 8 (Para 1.80) of Appendix to 37th Report of Public Accounts Committee (Seventh Lok Sabha)]

Action Taken

No specific action is required.

This has been seen by Audit.

[Ministry of Defence O.M. No. 58(1)/81/D(Air-I) dated 9-3-1982]

Recommendation

The Committee find that the Super-Constellation aircraft of the IAF which has the same basic engine as the Packet, is fitted with the Hamilton standard propeller and that during the last 13 years of operation of the

Super-Constellation fleet by the IAF, the propeller system has proved to be extremely reliable. It is, therefore, obvious that matters were allowed to drift till the flash point was reached.

[Sl. No. 10(Para 1.82) of Appendix to 37th Report of Public Accounts Committee (Seventh Lok Sabha)].

Action Taken

It was the reliability of the Hamilton propellers of Super-Constellation that encouraged Air HQs to believe that this could be a better system and to go for that when a decision to change the Allison propeller was taken.

This has been seen by Audit.

[Ministry of Defence O.M. No. 58(1)/81/D(Air-I) dated 9-3-1982].

Recommendation

The Committee find that the search for a successor to the Packet aircraft which started as early as in 1959, is still on. The Defence Secretary stated in evidence that "many of these aircraft we are using have technically outlived their life and somehow we are still carrying on. If we want to have a satisfactory service, we ought to have replaced it much earlier..... We are putting up a very brave face with the antiquated aircraft..... even from these old, antiquated aircraft, they still try to get best". The Committee were however given to understand that the successor aircraft had since been identified and the proposal was at the final stage of consideration.

[Sl. No. 11(Para 1.83) of Appendix to 37th Report of Public Accounts Committee (Seventh Lok Sabha)].

Action Taken

AN-32 aircraft has been selected as the successor aircraft. Contract has been concluded for the sale and supply of this aircraft.

This has been seen by Audit.

[Ministry of Defence O.M. No. 58(1)/81/D(Air-I) dated 9-3-1982].

Recommendation

The Committee note with concern that the Ministry of Defence have been unable over the last as many as 22 years to locate a suitable transport aircraft in replacement of the Packet aircraft which have far outlived their utility. The Committee expect that the decision in this regard would be announced without any further delay.

[Sl. No. 12(Para 1.84) of Appendix to 37th Report of Public Accounts Committee (Seventh Lok Sabha)].

Action Taken

A transport aircraft in replacement of Packet aircraft has since been selected (AN-32) and contract for acquiring the same has been signed on 22 May 1981.

This has been seen by Audit.

[Ministry of Defence O.M. No. 58(1)/81/D(Air-I) dated 9-3-1982].

Recommendation

The Committee learn that on the basis of a special provision review of spares required for the Packet aircraft over the five year period ending June 1979, a requisition for 99 items of spares relating to the Allison propeller system (total estimated cost Rs. 80.16 lakhs), was placed in February, 1975 on the USAF through the US Embassy in India. As pointed out by Audit, this resulted in wasteful expenditure of about Rs. 15 lakhs. Besides, other items of spares valuing about Rs. 25 lakhs became redundant due to change over to the Hamilton propeller system.

[Sl. No. 13(Para 1.85) of Appendix to 37th Report of Public Accounts Committee (Seventh Lok Sabha)].

Action Taken

Statement of fact. No specific action is required.

This has been seen by Audit.

[Ministry of Defence O.M. No. 58(1)/81/D(Air-I) dated 9-3-1982].

Recommendation

The Committee find that the communication dated 6th February, 1976 cancelling the item in toto was not endorsed to the US Embassy through whom the initial order was placed. Further, the telex message sent by the Supply Wing, Washington to USAF on 20 February, 1976 cancelling the order was not followed up with a formal communication in confirmation of the message. Accepting that there was a failure of communication in this case, the Ministry have stated that instructions have since been issued that a written confirmation from USAF should be invariably obtained in all cases of cancellation of order.

[Sl. No. 18(Para 1.90) of Appendix to 37th Report of Public Accounts Committee (Seventh Lok Sabha)].

Action Taken

This precaution is adopted.

This has been seen by Audit.

[Ministry of Defence O.M. No. 58(1)/81/D(Air-I) dated 9-3-1982].

Recommendation

Yet another unhappy aspect of the case is procurement of obsolete and defective spares. The Committee are given to understand that M/s. HAF., has been experiencing insurmountable difficulties in overhauling regulators since the spares received from abroad were not new and large number failed during final test. The representative of the Ministry admitted in evidence that "they (USAF) had started cannibalisation of spares from ~~out of the aircraft taken as destroyed..... the reason was that~~ their production line had stopped. In this particular case, the possibility is that because the spares taken are ~~from cannibalised~~ parts and they have been put to a lot of overhaul etc. the quality of spares was not as good as one would like that to be". The Committee find from the Ministry's reply that ~~the supplies were obtained from USAF under FMS (Foreign Ministry Sales) arrangements and that as per FMS procedure, the USAF are to make supply to items in fully serviceable condition. The Defence Secretary stated in the evidence that the question whether there was any possibility of claiming compensation could be examined. The Committee would like the Ministry of Defence to take up the question of reimbursement for the defective supplies with the US Government in all earnestness.~~

[Sl. No. 22(Para 1.94) of Appendix to 37th Report of Public Accounts Committee (Seventh Lok Sabha)].

Action Taken

The USAF did not supply either any obsolete or defective spares. The spares supplied by them met fully the qualitative requirements as clarified by Defence Secretary during the deliberation of the PAC meeting (Para 1.65). It was the major Assy C2 Regulator Assy, which when assembled with the Sub-Assy components received from USAF, did not pass the requisite tests. However, all discrepancies revealed in the supplies made by USAF are reported to USAF on a requisite format and the same are adjusted in the normal manner by giving a credit, if accepted. This is a routine exercise.

This has been seen by Audit.

[Ministry of Defence O.M. No. 58(1)/81/D(Air-I) dated 9-3-1982].

Recommendation

~~The Committee observe large quantities of an ammunition (16000 rounds of service ammunition and 11000 rounds of its practice version) required for Vijayanta tanks were procured from a foreign government during January 1968—October 1969 through an Indian Mission abroad at a total cost of Rs. 2.5 crores. The service ammunition consisted of 8000 rounds of old stock and an equal number of new stock—the price differential between the two being £ 5 per round. Although the extent regulations require that purchases where the amount involved is more than Rs. 1 crore, should be made with the approval of the Minister/Minister of State for Defence and Finance Minister, the decision in the instant case was taken in the Ministry of Defence at the level of Defence Secretary.~~

Further, even though the initial decision to make the purchases was taken in consultation with the Ministry of Finance (Defence), the latter were not consulted while taking the final decision to accept the offer of the Foreign Government which declined to accept any condition in the nature of a warranty clause in the agreement.

[SI. No. 23 (para 2.81) of Appendix to 37th Report of PAC (Seventh Lok Sabha)].

Action Taken

The observations of the Committee have been noted for guidance.

[Ministry of Defence OM 6(2)/79/D (Proc) dt. 30th November 81]

Recommendation

The Committee find from the correspondence exchanged on the subject between the Indian High Commission and the foreign government that subsequent to discussions between the representatives of the two sides in November/December 1966, the Indian authorities notified their desire to reconsider the suggestion that they might take a quantity of ammunition from Army Stocks of the foreign Government in lieu of similar ammunition from new production.... While affirming that "the Department is glad to reopen the negotiations", the foreign government in their letter dated 21st December 1966 had warned that it would not be possible for them to give any warranty as the life of ammunition depended so much upon factors over which the Department had no control when the ammunition had been sold. However, the communication had added that "such rounds as your authorities might decide to accept from army stocks of the foreign government would be supplied from the most recent available stocks and since they were produced they have been kept in storage of the same standard as used for similar ammunition to be retained for use by the foreign government. In fact, the rounds would have been so retained had not the foreign government decided to adopt the tank with its 120 mm Gun. As you will see, a generous allowance has been made for the age of this ammunition in the price quoted above", * (Italics added).*

[SI. No. 24 (para 2.82) of Appendix to 37th Report of PAC (Seventh Lok Sabha)].

Action Taken

In view of the urgent requirement of the ammunition by Army Headquarters, there was no choice but to accept the same from the foreign government on conditions laid down by them. However, the observations of the Committee have been noted for guidance.

[Ministry of Defence OM 6(2)/79/D (Proc) dt. 30th November 81]

Recommendation

How old was the stock offered had been made clear in an earlier communication date 8th August, 1966 which stated *inter alia* :

"It is not possible to meet your authorities condition that the ammunition to be provided from army stocks of the foreign government should be not more than two years old at the time of issue. Investigation has shown that the quantity of 16,000 rounds would have to come from stocks of this type of ammunition that were manufactured in 1961. These are the most recent rounds held in stocks and are upto Service standards."

The communication further stated :—

"... the rounds of 1961 manufacture can be expected to last for a further ten years with satisfactory storage such as they would have in the Service.

Tracer may fail to ignite after about ten years or less in unsatisfactory storage conditions"

[Sl. No. 25 (para 2.83) of Appendix to 37th Report of PAC (Seventh Lok Sabha)].

Action Taken

In view of the urgent requirement of the ammunition there was no choice but to accept the same from the foreign government on conditions laid down by them. However, the observations of the committee have been noted for guidance.

[Ministry of Defence OM 6(2)/79/D (Proc) dt. 30th November 81]

Recommendation

The Ministry of Defence went ahead with the purchase of old ammunition on the plea that "Army Headquarters who were consulted, stated that in view of the urgent requirement there was no choice but to accept the ammunition." The Ministry did not also consider it necessary to obtain any samples for trial "because it was a standard ammunition. Whatever be the condition, they were in no mood to subject themselves to any kind of stipulation . . . At that time, we were relying on everything that had come from sources of the foreign government as it proved to be of standard quality because we had also participated in the War."

[Sl. No. 26 (para 2.84) of Appendix to 37th Report of PAC (Seventh Lok Sabha)].

Action Taken

In view of the urgent requirement of the ammunition there was no choice but to accept the same from the foreign government on conditions laid down by them. However, the observations of the committee have been noted for guidance.

[Ministry of Defence OM 6(2)/79/D (Proc) dt. 30th November 81]

Recommendation

The Committee further observe that in the letter dated 29 September, 1965 addressed by the Indian Mission abroad to the foreign government, it was stipulated that "the ammunition will be inspected by your Inspecting authorities prior to issue and a certificate to that effect will be forwarded to this office alongwith the other documents and proof reports."

[Sl. No. 27 (para 2.85) of Appendix to 37th Report of PAC (Seventh Lok Sabha)].

Action Taken

Noted.

[Ministry of Defence OM 6(2)/79/D (Proc) dt. 30th November 81]

Recommendation

The ammunition which was received from the foreign Government gave details showing the age of the tubes, the primers etc. During evidence it was admitted by the Director of Ordnance Services, "It is not a certificate. It is a document which shows the batch and the lot of the fuze, the igniter, everything and it says they were all serviceable." The Ministry have since confirmed in written reply that "We have not received any quality test certificates."

[Sl. No. 28 (Para 2.86) of Appendix to 37th Report of PAC (Seventh Lok Sabha)].

Action Taken

Noted.

[Ministry of Defence OM 6(2)/79/D (Proc) dt. 30th November 81]

Recommendation

The Committee consider it strange that on the pleas of urgency, the Ministry of Defence rushed in to make large scale purchases of old ammunition by short-circuiting the established procedure which not only required concurrence of the Ministry of Finance (Defence) but also the approval of the Minister of Defence and the Minister of Finance. It is indeed amazing that in the face of clear refusal by the foreign authorities to include a warranty clause in the agreement, the Army Headquarters neither called for any samples for test firing nor did they insist on the quality test certificates which the supplier was contractually bound to furnish. The fact that the foreign government had no use for such ammunition since it had decided to adopt the... tank with its 120 mm gun, casts a grave doubt in the mind of the Committee regarding the entire deal.

[Sl. No. 29 (para 2.87) of Appendix to 37th Report of PAC (Seventh Lok Sabha)].

Action Taken

The Observations of the Committee have been noted for guidance.

[Ministry of Defence OM 6(2)/79/D (Proc) dt. 30th November 81]

Recommendation

The Committee are of the view that the decision of the Government to procure old ammunition without first obtaining samples or quality test certificates from the foreign government was a serious lapse. But for the fact that it is an old case, the Committee would have directed an enquiry with a view to find out the circumstances in which the deal was finalised and whether the officers concerned had any vested interest in the matter. The Committee, nevertheless, feel concerned that such a serious lapse has occurred and hope that sufficient care will be taken in future in purchasing defence stores from abroad.

[Sl. No. 30 (Para 2.88) of Appendix to 37th Report of PAC (Seventh Lok Sabha)].

Action Taken

The observations of the Committee have been noted for guidance.

[Ministry of Defence OM 6(2)/79/D (Proc) dt. 30th November 81]

Recommendation

On receipt of the ammunition in India, it was found on check proof inspection during April 1968 that the tracers had been fitted during 1958—1961 and as such their normal shelf life of 7 years had already expired. Much more serious defects however came to notice during firing at Armoured School, Ahmednagar in August 1973. During discussions with the representative of the supplier in September 1973, it was pointed out that "a considerable proportion of rounds, especially those fired from guns in their last quarter of life, show instability in flight and range excessively short. In some cases, the front sheath of the projectile separates from the rear... Reports have been received to the effect that foreign ammunition has recorded inaccuracy and successive short ranging were observed on excessive occasions. Three barrels were found to have been damaged....

"Generally, the nature of common defects in rounds are as follows :—

- (i) Inaccuracy, (ii) Disersion of 1.5 m at 100 m range against specified average dispersion between 0.2 to 0.45 m at 900 m, (iii) Segments of the shot falling off during flight at ranges between 800—100 m, (iv) Tracers falling off during flight at ranges between 600—700 m, (v) Missing the target, (vi) damage to the barrels."

[Sl. No. 31 (para 2.89) of Appendix to 37th Report of PAC (Seventh Lok Sabha)].

Action Taken

The observations of the Committee have been noted.

[Ministry of Defence OM 6(2)/79/D (Proc) dt. 30th November, 1981]

Recommendation

Trials were again conducted in August 1974 in the presence of a team of representatives of the foreign supplier which attributed the defects mainly to moisture. The Secretary, Ministry of Defence stated during evidence that the plea of the foreign supplier that the defect was due to moisture "was not accepted by us" as it was felt that "if there were any soggy band, they may contribute to some extent, but not materially. It will not give that much of defect of misbehaviour." On the other hand, it came to be realised that "the design itself was defective." Even they had improved the design and we had improved our design (for indigenous manufacture)."

[Sl. No. 32 (para 2.90) of Appendix to 37th Report of P.A.C. (Seventh Lok Sabha)]

Action Taken

The observations of the Committee have been noted.

[Ministry of Defence OM 6(2)/79/D (Proc) dt. 30th November, 1981]

Recommendation

While the Committee would not like to hazard a guess whether the defects were due to defective design or on account of ingress of moisture, they would like to express their apprehension that the possibility of ingress of moisture cannot altogether be ruled out. A Study Group of the Public Accounts Committee which visited the Armoured Corps Centre and School, Ahmednagar, in October 1980, had in fact found certain ammunition lying under tents. The results of studies carried out by the Armament Research and Development Organisation, Pune and the Research and Development Organisation, Ministry of Defence as indicated in paras 2.57 and 2.58 of this Report also reinforce their apprehensions.

[Sl. No. 33 (para 2.91) of Appendix to 37th Report of P.A.C. (Seventh Lok Sabha)]

Action Taken

The observations of the Committee have been noted.

[Ministry of Defence OM 6(2)/79/D (Proc) dt. 30th November, 1981]

Recommendation

The Committee would therefore be interested to know whether the design changes effected subsequently in the ammunition manufactured indigenously were made with a view to eliminating the effect of moisture on the driving band.

[S. No. 34 (para 2.92) of Appendix to 37th Report of P.A.C. (Seventh Lok Sabha)]

Action Taken

Driving band fitted on the ammunition was all along and is still being imported from UK and hence the question of changing its design/material does not arise. However, with a view to eliminate the effect of moisture on driving band, the packaging of the ammunition has been modified.

[Ministry of Defence OM 6(2)/79/D (Proc) dt. 30th November, 1981]

Recommendation

While taking note of the assurance of the representatives of the Ministry that the standard of storage of defence stores and equipment in India is as good as in the foreign country, the Committee would like to point out that the storage facilities available with the regiments and training establishments to whom the ammunition is issued for firing need to be improved.

[Sl. No. 35 (para 2.93) of Appendix 37th Report of P.A.C. (Seventh Lok Sabha)]

Action Taken

Army Headquarters have been asked to take necessary action to improve the storage facilities available with the regiments and training establishments to whom the ammunition is issued for firing.

[Ministry of Defence OM 6(2)/79/D (Proc) dt. 30th November, 1981]

Recommendation

The Committee find that although the timings recorded in check proof firings were slightly less than the stipulated timing (i.e. 3 seconds), the ammunition was declared serviceable as the recorded time was considered adequate for all distances at which the ammunition was expected to engage a target. The ammunition procured at a cost of Rs. 72.56 lakhs had, however, to be downgraded for practice purposes because of the defects of BSO (Broad side on) and short infructuous expenditure of Rs. 9.67 lakhs.

[S. No. 36 (para 2.94) of Appendix to 37th Report of P.A.C. (Seventh Lok Sabha)]

Action Taken

The observations of the Committee have been noted.

[Ministry of Defence OM 6(2)/79/D (Proc) dt. 30th November, 1981]

Recommendation

The supplier being unwilling to replace/repair the defective ammunition and a satisfactory repair technique facilities for the same not having been established in the country, the life of the ammunition had to be extended from time to time enable its consumption. The earlier expectation that the units would be able to consume the entire stock for training during the year 1977-78 has not yet been fulfilled in so far as 722 rounds were reported to be in stock as on 30th September 1980. This quantity is expected to be utilised by June 1981, the date upto which its life has been extended. According to the Ministry "a percentage of this ammunition that may be defective does not materially alter the quality of training imparted.

[Sl. No. 37 (para 2.95) of Appendix to 37th Report of P.A.C. (Seventh Lok Sabha)]

Action Taken

The User units have been asked to render certificate that the entire stock of that ammunition involved has been consumed.

[Ministry of Defence OM 6(2)/79/D (Proc) dt. 30th November, 1981]

Recommendation

Considering that the ammunition had recorded inaccuracy and successive short ranging on excessive occasions as early as in September 1973, it is difficult to accept the plea of the Ministry that use of such ammunition would not affect the quality of training particularly when the defects are bound to get aggravated with passage of time. The Committee consider it unfortunate that the Army was led into such a unfortunate situation that the defective ammunition had to be used for training and the purpose of simulating battle conditions was not fully achieved.

[Sl. No. 38 (para 2.96) of Appendix to 37th Report of P.A.C. (Seventh Lok Sabha)]

Action Taken

The observations of the Committee have been noted.

[Ministry of Defence OM 6(2)/79/D (Proc) dt. 30th November, 1981]

Recommendation

The Committee note from the Ministry's latest reply that only one gun barrel was damaged as a result of use of defective ammunition and the

loss involved is Rs. one lakh i.e. the cost of the barrel. In the Ministry's Aide Memoire of September 1973, it was however, stated that three barrels were found to have been damaged with foreign ammunition. This discrepancy needs to be explained. The Committee recommend that the matter should be examined comprehensively and precise figures of loss on this account should be furnished to them.

[Sl. No. 39 (para 2.97) of Appendix to 37th Report of P.A.C. (Seventh Lok Sabha)]

Action Taken

The matter has been examined comprehensively and it is confirmed that only one barrel was damaged as a result of the firing of defective imported ammunition. The financial implication of the reported damage is cost of the barrel only which according to Rates List for COS Section N-1—1980 is approximately Rs. 1 lakh only.

[Ministry of Defence OM 6(2)/79/D (Proc) dt. 30th November, 1981]

CHAPTER III

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

Recommendation

The Committee consider it extremely unfortunate that the Ministry of Defence went ahead with the procurement of Packet aircraft and that too old aircraft, in 1960 and again in 1963 without making a critical evaluation of its performance. It is surprising that no specific study about the reliability/serviceability of the aircraft was ever made in spite of the fact that the aircraft including the new ones were involved in a series of accidents/incidents right from the time of their induction into service.

[Sl. No. 3 (para 1.75) of Appendix to 37th Report of Public Accounts Committee (Seventh Lok Sabha)]

Action Taken

Despite some known defects/problems additional Packet aircraft were acquired because no alternative was available. This aircraft was offered at an attractive price and it was decided to go in for the same to meet immediate operational necessity till something better was found.

This has been seen by Audit.

[Ministry of Defence OM No 58(1)/81/D(Air-I) dated 9-3-1982]

Recommendation

The Committee find that one of the problem areas in the Packet aircraft has been the Allison propeller system which has been "beseiged with the chronic defects of over-speeding, runaway propeller and failure to feather/unfeather in flight. On piston engine aircraft, these defects are serious potential accident hazards". It was admitted in evidence that "these propellers were prone to defects right from the beginning". The Committee were also informed during evidence that "the thought that the Allison type of propeller is not quite desirable and it is likely to create problems or that the aircraft itself is not really most suitable, seems to have come to Air Headquarters quite early and from 1959 onwards there has been some thinking on the lines that it should be replaced". If this were really so, the Committee find it strange that it was not considered necessary to bring to notice of USAF the result of various enquiries conducted in'o accidents to Packet aircraft particularly those in which the accidents/incidents were attributed to the Allison propeller system."

[Sl No. 5 (Para 1.77) of Appendix to 37th Report of Public Accounts Committee (Seventh Lok Sabha)]

Action Taken

The problems with Allison Propeller System were not unknown to the USAF. As a result, the propeller system had been undergoing various modifications to improve its performance. The major modification was made in 1956-57 when this propeller system was modified from C1 to C2 configuration. The overhaul agency was also in touch with the manufacturers for advice on major problem. It is not a practice to inform the USAF or the results of our enquiries conducted into the aircraft accident. Accordingly, there were no specific compelling reasons to bring to the notice of USAF the results of enquiries relating to accident/incident attributed to the Allison Propeller System. However, where necessary specific technical problems relating to the aircraft were taken up with the USAF for advice/clarifications.

This has been seen by Audit.

[Ministry of Defence O.M. No. 58(1)/81/D (Air-I) dated 9-3-1982.]

Recommendation

It was only as late as in March, 1971 that the low reliability and other defects in the aircraft were specifically brought to the notice of Govt. by Air Hqrs. However, the matter seems to have been taken serious note of only in 1972 when the question of replacement of Allison propeller system by Hamilton propeller system was examined on the basis of an advice received from USAF that they were switching over to Hamilton standard propeller system on their Packet fleet for better reliability. It has been admitted that 'no specific reports in this regard were collected from our own sources'. It is therefore, evident that in spite of the large scale failure during all these years, neither the Air HQrs. nor the Min. of Defence took any initiative to make inquiries from other foreign Govts. which were using this aircraft so as to ascertain their experiences and how they had dealt with the problems that arose particularly with regard to propeller. This denotes not only lack of introduction between the field units and the Air HQ on the one side and the Min. of Defence on the other but also a singular lack of seriousness at all levels in devising effective steps to remedy the defects and deficiencies in the aircraft, which continued to plague the operations of the Air Force for over two decades.

[Sl. No. 6 (Para 1.78) of Appendix to 37th Report of Public Accounts Committee (Seventh Lok Sabha)]

Action Taken

All defects, incidents/accidents are thoroughly investigated. Various studies had been carried out to investigate the problems encountered in the operation of Allison propeller system in which M/s. HAL (BC) who are repair/overhaul agency and the related aeronautical inspection agencies were also associated. HAL (BC) consulted the manufacturer i.e. Hamil-

ton Standard USA/USAF wherever necessary over the specific problems and remedial measures were initiated to remedy the deficiencies.

This has been seen by Audit.

[Ministry of Defence O.M. No. 58(1)/81/D (Air-I) dated 2-3-1982]

Recommendation

The Committee find that the proposal to replace the Allison propeller with the Hamilton propeller system was considered in March 1972 but the matter was not pursued since it was then anticipated that the Packet aircraft would be phased out in 1973-74. This argument is apparently unconvincing for the reason that it had already been decided by Govt. in October 1971 to continue the aircraft in squadron service upto 1975-76. The Defence Secretary stated during evidence that even if they had decided to go in for Hamilton propeller, as proposed by USAF in 1972, it would not have made much difference because of the embargo placed by US Govt. on export of military hardware in the wake of the war with Pakistan. At the same time, he averred that the decision was not influenced by the embargo but was based on a study of the cost benefit ratio undertaken in consultation with HAL, Bangalore.

[Sl No. 7 (Para 1.79) of Appendix to 37th Report of Public Accounts Committee (Seventh Lok Sabha)]

Action Taken

Taking into account the time involved in consideration/approval of any major proposal, the lead time involved in arranging procurement and positioning of stores, carrying out of the modification and gainful utilisation thereafter for a reasonable period of about five years, it is essential to have long term utilisation plans or at least 7 years at the time of initiation of any such proposal. As against this, the utilisation plans available in March, 1972 were only for 4 years.

This has been seen by Audit.

[Ministry of Defence O.M. No. 58(1)/81/D (Air-I) dated 9-3-1982]

Recommendation

The Committee thus observe that decision in the matter was unduly deyaled. Considering that the IAF had been long beset with the problem of low reliability of the Allison propeller whose failures had become serious flight safety hazard, the Committee are of the view that the Ministry of Defence should have taken effective steps to replace the Allison propeller immediately after the embargo was lifted. There is no evidence of any such efforts having at all been made.

[Sl. No. 9 (Para 1.81) of Appendix to 37th Report of Public Accounts Committee (Seventh Lok Sabha)]

Action Taken

The normal practice is that any major modification programme is undertaken only if its utilisation is assured for operation for at least 5 years after the modification is completed. Therefore, the replacement of Allison propeller system could have been considered only when long term utilisation plans at least for about seven years were available. Since replacement of Packet aircraft was being thought of since 1969 when life of type UE upto 1973-74 was issued and the limiting factor at that time being the availability of a suitable aircraft within our financial resources, long term utilisation plans, which could have enabled a decision about modification of propeller system could not be finalised. Due to the uncertainty about the availability and induction of a suitable IETAC aircraft, which continued for a long term, no firm proposal for change of propeller system could be initiated earlier. However, soon after the finalisation of long term utilisation plan for Packet fleet, based on the recommendation of Appex-II Committee, a decision on the question of change of propeller system was taken.

This has been seen by Audit.

[Ministry of Defence O.M. No. 58(1)/81/D (Air-I) dated 9-3-1982]

Recommendation

The Committee observe that the US Government have declined to accept any responsibility for not initiating timely action for arranging cancellation of 200 Nos. gear pump assembly on the ground that they have no record of receipt of Supply Wing letter dated 23rd December, 1975 and telex dated 20th February, 1976 which according to the Ministry were sent through normal accepted communication channels then in force and about which there had been no complaints.

[Sl. No. 17 (Para 1.89) of Appendix to 37th Report of Public Accounts Committee (Seventh Lok Sabha)]

Action Taken

It had been further explained by USAF that since the items was contracted by the USAF to a civilian contractor, notwithstanding the cancellation request of 20 Feb 76, cancellation of the item was not possible at that stage, without contract termination charges of 100 per cent. (Para 1.59 Sub-Para 2-Page 28 of the Report refers).

This has been seen by Audit.

[Ministry of Defence O.M. No. 58(1)/81/D (Air-I) dated 9-3-1982]

Recommendation

The Committee consider that the loss of Rs. 15 lakhs arising from supply of 200 Nos of gear pump assembly is attributable to the failure of

the concerned authorities to take timely follow-up action which any prudent buyer would have taken in the given circumstances.

[Sl. No. 19 (Para 1.91) of Appendix to 37th Report of Public Accounts Committee (Seventh Lok Sabha)]

Action Taken

Two communications were sent to USAF. First a letter dated 23 Dec. '75 withholding our consent to go ahead with the procurement of Gear Pump followed by telex dated 20 Feb. '76 intimating cancellation of the requirement. Both were formal communications sent through accepted/prevalent channels. Further, the USAF have clearly stated in letter dated 18 Apr. '78 that since the item was contracted to a civilian contractor, notwithstanding our cancellation request of 20 Feb. '76, cancellation of the item was not possible at that stage without contract termination charges of 100 per cent. Therefore as stated by the Defence Secretary (Para 1.58) even any further follow-up action would have attracted the same response i.e. 100 per cent cancellation charges. The loss of Rs. 15 lakhs due to non-utilisation of the items received, could be attributed to the natural repercussion of the deliberate decision taken to change the propeller system in the interest of flight safety. Such redundancies of spares are a routine feature whenever any equipment/system is withdrawn from active service and replaced by a better one.

This has been seen by Audit.

[Ministry of Defence O.M. No. 58(1)/81/D (Air-I) dated 9-3-1982]

CHAPTER IV

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

Recommendation

According to the Ministry, this was necessitated because the utilisation plane for the Packet aircraft upto 1980-81 were then under finalisation (finally approved in August, 1974). The Ministry have also contended that "it is not practicable to review the major policy issues like replacement of propeller system every time the requirements of spares are reviewed for routine replenishment of approved MPE (Maximum Potential Establishment)". Both these arguments are not quite convincing since the need for switching over to the Hamilton propeller system had already been recognised and the proposal would in fact have been implemented but for the embargo placed by the US Government. The Committee consider that the Min. of Defence should have proceeded in the matter of procurement of spares with caution. It is evident that the check which the Ministry/Air Headquarters were expected to exercise in this case was not applied and the inflated requirements submitted by the lower formations were approved. How defective the assessment of requirements of spares was, is seen from the succeeding paragraphs.

[Sl. No. 14 (Para 1.86) of Appendix to 37th Report of Public Accounts Committee (Seventh Lok Sabha)]

Action Taken

As evident from the statement of Defence Secretary (Para 1.33) is not a fact that the proposal for switching over to Hamilton propeller system would have been implemented but for the US embargo. The fact is that right up to 1974, when the requirements of spares were being processed, the thinking was that we could carry on with the Allison propeller system. This was based on cost benefit ratio. Air HQ were very cautious in the processing of requirements of Allison propeller spares. The requirements as worked out by the CSD were critically scrutinised. Even though the requirements were correctly calculated as per the approved procedure, the matter was taken up by the Director of Engineering 'B' with General Manager (Overhaul) HAL (BC) for re-examination of the requirements personally at his level and it was only after reiteration by the General Manager (Overhaul) HAL that the requirements were further processed. Notwithstanding the reiteration by the General Manager HAL (BC), the requirements of Gear Pump were reduced by Air HQ to Qty 600 as against Qty 1034 projected by HAL.

This has been seen by Audit.

[Ministry of Defence O.M. No. 58 (1)/81/D(Air-I) dated 9-3-1982]

Recommendation

The Committee find that the above stated order (February, 1975) for spares contained and order for 600 Nos. of gear pump assembly. In June 1975 i.e. within a short period of 4 months the order for this item was reduced to 200 Nos. and cancelled *in toto* in February, 1976. It is surprising that "the reduction of order Qty. 600 to 200 was sought purely as an extra precautionary measure to avoid any possible non-utilisation of this costly item with large qty. even though the requirements had been calculated correctly." The contradiction is too obvious to merit comment.

During evidence, it transpired that it was on the initiative of a Junior officer in the Air Headquarters that the original order was brought down from 600 to 200.

The Ministry's note goes on to say that "the cancellation of the balance Qty. 200 in February, 1976 was based on the proposal for change-over of propeller system then under consideration."

[Sl. No. 15 (Para 1.87) of Appendix to 37th Report of Public Accounts Committee (Seventh Lok Sabha)]

Action Taken

The overhaul agency had calculated the requirements (as per the laid down formula) of Gear Pump as 1034. However, considering the huge financial implication, only Qty. 600 was indented. Since the Qty. 600 indented was still large enough and involved substantial amount in FFE, the Qty. was further reduced to 200 as an extra precautionary measure, notwithstanding the reiteration of HAL (BC) at GM(O) level to order larger Qty.

This has been seen by Audit.

[Ministry of Defence No. 58 (1)/81/D (Air-I), dated 9-3-1982]

Recommendation

The conclusions that emerges is that factors having a vital bearing on the provisioning of spares were ignored at levels charged with taking an overall view of the situation. The Committee would emphasise the imperative need for revamping to the procedure for assessment of requirements of spares and stores and their scrutiny at higher levels so that such glaring case of over-provisioning could be avoided.

[Sl. No. 16 (Para 1.88) of Appendix to 37th Report of Public Accounts Committee (Seventh Lok Sabha)]

Action Taken

The requirements of spares in this case had been examined and approved at higher level. As explained earlier, the requirements were critically examined at the level of Director of Engineering 'B' who took up the

manner with the General Manager (Overhaul), HIL (BC). The requirements were subsequently examined and approved by ACAS (Engg.) and AOM.

There is no apparent deficiency in the procedure for assessment of requirement. The spares provisioned would have been utilised, had the Packet fleet continued to operate with Allison Propeller System for 5 years as then planned. It were the unforeseen circumstances (alarming deterioration in the reliability of the propeller system which had aged) has forced a situation necessitating immediate replacement of the system as a flight safety measure which resulted in the larger redundancy including the items in the pipe line.

Nevertheless, the provisioning procedures are under constant review for suitable improvements based on the experience gained.

This has been seen by Audit.

[Ministry of Defence OM No. 58(1)/81/D (Air-A), dated 9-3-1982]

Recommendation

The Committee further find that the failure of the concerned authorities to review the requirements of 98 other items of spares both at the time of curtailing the requirements of gear pump assembly in June 1975 and subsequently while cancelling the item *in toto* in February, 1976 resulted in spares of the value of Rs. 25 lakhs becoming redundant.

[Sl. No. 20 (Para 1.92) of Appendix to 37th Report of Public Accounts Committee (Seventh Lok Sabha)]

Action Taken

As explained before the PAC, the curtailment of the requirement of Gear Pumps from Qty. 600 to 200 in Jun 75 was only an extra precautionary measure to avoid any possible infructuous expenditure. It was not based on the change over to propeller system since at that stage the proposal had not yet been formulated. At this stage there were no specific reasons for review of all the items indented.

The proposal initiated in Oct. 75 envisaged modification of 44 Packet aircraft with Hamilton Standard propellers by Sep. 78 and retention of remaining 15 aircraft with Allison Propeller system. Since Dues-in of 98 Allison Propeller items under observation were required for sustaining the Packet fleet till 44 aircraft were progressively modified with Hamilton Standard propeller and also for 15 aircraft thereafter with Allison propellers till phased out, no reviews of the Dues-in Ex. U. S. F. was called for either in Jun 75 or Feb. 76.

Action to cancel the Dues-in was taken immediately after it was decided in Jan. 77 to modify all 59 Packet aircraft with Hamilton Standard propeller system.

This has been seen by Audit.

[Ministry of Defence OM No. 58(1)/81/D (Air-I), dated 9-3-1982]

Recommendation

The Committee consider that the above lapses call for detailed investigation with a view to fixing responsibility. Results of the investigation should be reported to the Committee.

[Sl. No. 21 (Para 1.93) of Appendix to 37th Report of Public Accounts Committee Seventh Lok Sabha]

Action Taken

As explained in the comments against the preceding paragraphs, Min. of Def/Air HQ have been alert in tackling the problems as they arose since the induction of the Packet fleet in the IAF. If a replacement aircraft could not be inducted, it was purely because of non-availability of the same/national constraints and priorities. As regards indenting of spares, every possible scrutiny of the requirements, was done before placing of the order and even subsequently the order for Gear Pump was substantially curtailed as extra precaution. No bulk order/orders were placed after the initiation of proposal for change over of propeller system. The scrutiny/action by Air HQ resulted in a reduction of the requirements from 1034 to 200 of Gear Pump, a net savings of nearly Rs. 50 lakhs. Further even out of the 99 items ordered at an estimated cost of Rs. 80 lakhs, stores only worth approximately Rs. 40 lakhs (including Q'y. 200 Gear Pumps worth Rs. 15 lakhs) were received. The remaining items worth Rs. 40 lakhs were cancelled (nearly 50 per cent of the indented cost) either at our request or as a result of rejection by USAF.

This has been seen by Audit.

[Ministry of Defence OM No. 58(1)/81/D (Air-I), dated 9-3-1982]

Recommendation

The Committee have been given to understand by the Ministry of Defence that the poor performance of Indian Supply Wings abroad in meeting the needs and aspirations of the Services Headquarters has of late become a matter of anxiety to the Chiefs of Staff. The Committee view with great concern that due to "the unhelpful attitude of our Supply Wings abroad, high value defence weapon and equipment systems have become non-operational for want of low cost spares." While the setting up of a small cell for processing low value indents as decided recently, may be of help to meet the immediate requirements of the Services Headquarters for the present, the Committee consider that the question of

processing of defence requirements, big or small, with a view to eliminating the delays which may prove costly, is a matter which calls for immediate attention. The Committee, therefore, recommend that the Ministries concerned should go into the matter in the light of the difficulties experienced and the organisational changes that may be called for in the existing set up of the supply wing attached to Indian Missions abroad, should be carried out without loss of time in the interest of the country's defence requirements.

[Sl. No. 40 (para 2.98) of Appendix to 37th Report of PAC (Seventh Lok Sabha)]

Action Taken

The question regarding the functioning and administrative control of India Supply Wing, London has been under consideration of the Committee of Secretaries for some time past. This matter was last considered at the meeting of the Committee of Secretaries held on 7-7-81 when certain broad conclusions were reached. A group comprising representatives of the Ministries of External Affairs, Supply and Defence was required to prepare a detailed paper regarding optimal staffing pattern of ISW(L) etc. Since then, two meetings of the Group have been convened by the Ministry of External Affairs on the 7th August and 16th September, 1981. It is expected that the recommendations of the inter-Ministry Group with regard to staffing pattern of ISW(London) and steps necessary to streamline the expeditious procurement of stores will be finalised shortly for submission to the Committee of Secretaries.

[Min. of Defence OM No. 6(2)/79(D) (Proc), dt. 30th November, 1981]

CHAPTER V

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

—Nil—

NEW DELHI ;
April 17, 1982
Chaitra 27, 1904(S)

SATISH AGARWAL
Chairman Public Accounts Committee

APPENDIX

Conclusions of Recommendation

Sl. No.	Para No.	Ministry concerned	Conclusion/Recommendation
1	2	3	4
1	1.15	Defence	<p>Commenting upon the wasteful expenditure of Rs. 40 lakhs in the injudicious procurement of gear pumps and other spares for the Allison propeller system of the packet aircraft, the Committee had in their 37th Report observed that factors having a vital bearing on the provisioning of spares were ignored at levels charged with taking an overall view of the situation. The committee had emphasized the imperative need for revamping the procedure for assessment of requirements of spares and stores and their scrutiny at higher levels so that such glaring case of over-provisioning could be avoided. The Ministry have informed the Committee that "there is no apparent deficiency in the procedure for assessment of requirement..... Nevertheless, the provisioning procedures are under constant review for suitable improvements based on the experience gained."</p>
	1.16	-do-	<p>The Committee consider that since the need for replacing the Allison propeller by the Hamilton propeller system had already been recognised the Ministry of Defence should have proceeded in the matter of procurement of spare with caution. As pointed out in the Report, the requirements of gear pumps were reduced from 600 to 200 numbers within a period of four months and then cancelled <i>in toto</i> after another 8 months. Considering the circumstances of the case, the Ministry's reply appears to be an exercise in evading the issue. The Committee would therefore reiterate the need for revamping the procedure for assessment of requirements of spares and stores in the light of the sad experience in this case. The Committee would like to know the specific steps taken in this regard.</p>

1	2	3	4
3	1.17	Defence	<p>The Committee had further observed in their earlier Report that the failure of the concerned authorities to review the requirements of 98 items of spares other than gear pumps, both at the time of curtailing the requirements of gear pump assembly in June 1975 and subsequently while cancelling the item in February, 1976 resulted in spares of the value of Rs. 25 lakhs becoming redundant. As no fresh evidence has been brought to their notice the Committee reiterate that the lapses earlier pointed out by them call for detailed investigation with a view to fixing responsibility.</p>
4	1.20	-do-	<p>Dealing with a case involving an infructuous expenditure of Rs. 9.67 lakhs, on procurement of defective ammunition through an Indian Mission abroad, the Committee had in their 37th Report recommended that the Ministries concerned should go into the matter in the light of the difficulties experienced and the organisational changes that may be called for in the existing set up of the Supply Wings attached to Indian Missions abroad, should be carried out without loss of time in the interest of the country's defence requirements. The Committee have been informed that the question regarding the functioning and administrative control of India Supply Wing, London has been under consideration of the Committee of Secretaries. A group comprising representatives of the Ministries of External Affairs, supply and Defence was required to prepare a detailed paper regarding optimal staff pattern of the supply Wing, London.</p>
	21	-do-	<p>The Committee would urged that the matter should be finalised without further loss of time. The Committee need hardly point out that since the supply wings both in London and Washington cater mostly to out defence requirements, the system that is devised, should be capable of meeting these requirements particularly of critical items with expedition and in a manner that is cost effective. The Committee would like to be apprised of the steps taken in this direction.</p>

PART II
MINUTES OF THE SITTING OF THE PUBLIC ACCOUNTS
COMMITTEE HELD ON 16 APRIL, 1982

The Committee sat from 15.00 hrs. to 17.00 hrs.

PRESENT

Shri Satish Agarwal—*Chairman*

2. Shri Tridib Chaudhury
3. Shri Ashok Gehlot
4. Shri Hari Krishna Shastri
5. Shri Satish Prasad Singh
6. Shri N. K. P. Salve
7. Shri Indradeep Sinha.

REPRESENTATIVES OF AUDIT

- | | |
|----------------------------|---|
| 1. Shri G. N. Pathak | <i>Director of Audit (Defence Services)</i> |
| 2. Shri R. S. Gupta | <i>Director, Receipt Audit</i> |
| 3. Shri N. Sivasubramaniam | <i>Director, Receipt Audit</i> |
| 4. Shri K. H. Chhaya | <i>Joint Director (Railways)</i> |
| 5. Shri G. R. Sood | <i>Joint Director (Reports)</i> |
| 6. Shri N. C. Roychoudhury | <i>Joint Director (Receipt Audit)</i> |

SECRETARIAT

- | | |
|------------------------|---|
| 1. Shri H. G. Paranjpe | <i>Joint Secretary</i> |
| 2. Shri D. C. Pande | <i>Chief Financial Committee Officer</i> |
| 3. Shri K. C. Rastogi | <i>Senior Financial Committee Officer</i> |
| 4. Shri K. K. Sharma | <i>Senior Financial Committee Officer</i> |

2. * * *

3. The Committee then took up for consideration and adopted the draft 92nd, 98th, 99th, 102nd and 103rd Reports with minor amendments/modifications. The Committee also approved some amendments/modifications arising out of factual verification by Audit.

4. * * *

... *The Committee then adjourned.*

