

PUBLIC ACCOUNTS COMMITTEE
(1977-78)

(SIXTH LOK SABHA)

FIRST REPORT
DEFENCE SERVICES
(MINISTRY OF DEFENCE)

[Paragraphs 30, 33 and 38 of the Report of the Comptroller and Auditor General of India for the year 1974-75, Union Government (Defence Services)]



Presented in Lok Sabha on ~~7 DEC 1977~~
Laid in Rajya Sabha on ~~7 DEC 1977~~

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September, 1977/Asvina 1899 (S)

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CORRIGENDA TO FIRST REPORT OF THE PUBLIC
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 PRESENTED TO LOK SABHA ON 7 DECEMBER 1977

<u>Page</u>	<u>Para.</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
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PART* II

Minutes of the sitting of the Public Accounts Committee held on 13-9-1977 (FN)

Publications
R. 48673 (6)
16-12-77

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

PUBLIC ACCOUNTS COMMITTEE

(1977-78)

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(iv)

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Shri B. K. Mukherjee—*Joint Secretary.*

Shri Bipin Behari—*Senior Financial Committee Officer.*

INTRODUCTION

1. The Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this First Report of the Public Accounts Committee (Sixth Lok Sabha) on paragraphs 30, 33 and 38 of the Report of the Comptroller and Auditor General of India for the year 1974-75, Union Government (Defence Services).

2. The Report of the Comptroller & Auditor General of India for the year 1974-75, Union Government (Defence Services) was laid on the Table of the House on 6 May, 1976. The Public Accounts Committee (1976-77) obtained written information on these paragraphs but could not finalise the Report on account of dissolution of the Lok Sabha on 18 January, 1977. The Public Accounts Committee (1977-78) considered and finalised this Report at their sitting held on 13 September, 1977, based on the written information furnished by the Ministry of Defence. The Minutes of that sitting form Part II* of the Report.

3. A statement containing conclusions/recommendations of the Committee is appended to this Report (Appendix). 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 commendable work done by the Chairman and the Members of the Public Accounts Committee (1976-77) in obtaining information for this Report.

5. The Committee also place on record their appreciation of the assistance rendered to them in the examination of these paragraphs by the Comptroller and Auditor General of India.

6. The Committee would also like to express their thanks to the Ministry of Defence and the Department of Defence Supplies for the cooperation extended by them in giving information to the Committee.

C. M. STEPHEN
Chairman,
Public Accounts Committee.

NEW DELHI;
September 30, 1977
Asvina 8, 1899 (S)

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

I

PROCUREMENT OF KITTABLE BODIES

Account Paragraph

1.1. In June 1966 the Defence Research and Development Organisation developed a design of a kitable body (in lieu of composite bodies) for vehicles manufactured by an ordnance factory. Since the design offered advantages in production, maintenance, interchangeability and ease of stocking, Army Headquarters approved the introduction of the design into service (November 1966). The Department of Defence Production in consultation with the Director General of Ordnance Factories confirmed the switch-over to kitable bodies from November, 1968. It was envisaged that introduction of kitable bodies would involve an extra cost of about Rs. 245 per vehicle which would be offset by other economies and advantages.

1.2. In April, 1971 the Director General of Ordnance Factories projected a demand on the Department of Defence Supplies for developing a source of supply for 6,600 kitable bodies to cater to the requirements for 1972-73 and 1973-74.

1.3. After inviting quotations from and negotiations with prospective firms the Department of Defence Supplies placed an order with one firm for 3,000 kitable bodies (value—Rs. 81.75 lakhs) in January, 1972 and letters of intent on three other firms for 2,250 bodies (value Rs. 57.45 lakhs) in May, 1972.

1.4. In June, 1972, the General Manager of the Ordnance Factory reported that the kitable body besides being costlier (than the composite body) by Rs. 548 per vehicle, had several disadvantageous design features. It was stated further that if the kitable bodies were really to serve the purpose, these should be acceptable in kits for easy transportation and assembly at site when required, which however, was not acceptable to the Director of Ordnance Services. He, therefore, suggested reconsideration of the decision to introduce kitable bodies. After consultation with the Director-General, Ordnance Factories, the Department of Defence Supplies decided, however, to place formal orders on the three firms on whom letters of intent had been issued earlier as it was not considered advisable to resile

from the commitments already made. Formal orders were accordingly placed in August, 1972:

Kittable bodies

Firm	Date	Qty.	Rate	
			Rs.	Rs. in lakhs
*A'	15-1-1972	3,000	2,725	81.75
†B'	3-8-1972	900	2,574	23.16
‡C'	3-8-1972	900	2,575	23.18
§D'	3-8-1972	450	2,470	11.11
TOTAL		5,250		139.20

1.5. Soon after (September 1972), on a further review of the matter by the Department of Defence Production and Department of Defence Supplies it was decided to short-close the orders for kitable bodies except for quantities already fabricated or partly fabricated by the firms. The residual quantity—to avoid contractual difficulties—was to be substituted by composite bodies. The Army Headquarters had also confirmed earlier that vehicles were already in short supply and that vehicles with composite bodies would be acceptable if these were more economical. After further negotiations (February—July, 1973), the Department of Defence Supplies agreed to a substitution of 4,749 (out of the total of 5,250) kitable bodies by composite bodies at rates revised as follows:

Firm	Date	Qty.	Rate	
			Rs.	Rs. in lakhs
*A'	29-11-1973	2,600	1,850	48.10
†B'	..	850	1,878	15.96
‡C'	14-9-1973	849	1,875	15.92
§D'	23-3-1973	450	1,696	7.63
TOTAL		4,749		87.61

*M/s. Sion Garrage (P) Ltd., Bombay.

†M/s. Punj Sons (P) Ltd., New Delhi.

‡M/s. Jayanand Khira and Co. (P.) Ltd., Bombay.

§M/s. New Model Industries (P) Ltd., Jullundur City.

1.6. The following are some interesting aspects of the case:

- Against the original order for kitable bodies supplies were expected to be completed during January—September, 1973. No supplies were, however, effected by firms 'B' and 'D'. The revised order on the latter firm was cancelled in April 1974.
- Under the original contracts, firm 'A' had been allowed 'on account' payments limited to the lower of 90 per cent of the value of materials purchased or 25 per cent of the value of the order, and firm was paid Rs. 20.23 lakhs on that basis in February, 1972. It had supplied only 400 kitable bodies until February 1974 and is yet to commence supplies against the revised contract (November 1973) for 2,600 composite bodies. Consequently, a sum of Rs. 17.54 lakhs is still outstanding against the firm (January 1976).
- Soon after a decision was taken to revert to composite bodies (September 1972), a decision was taken by the Department of Defence Production to place an order for 1,350 composite bodies on firm 'B' at Rs. 1,878 each (value—Rs. 25.35 lakhs) with a view to avoid a break in production at the ordnance factory. At about the same time (November/December 1972), the ordnance factory concluded contracts with two other firms for 4,100 composite bodies at Rs. 1,696 each (value—Rs. 69.54 lakhs). An amount of Rs. 1.10 lakhs was allowed as escalation. This compared with an average price of Rs. 1,860.47 for 4,299 composite bodies covered on firms 'A', 'B', and 'C' by the Department of Defence Supplies and Rs. 1,878 approved by the Department of Defence Production for 1,350 composite bodies, resulted in an extra expenditure of Rs. 8.4 lakhs.

[Paragraph 30 of the Report of the Comptroller and Auditor General of India for the year 1974-75, Union Government (Defence Services)]

1.7. The Audit Para points out that it was envisaged that though the introduction of kitable bodies would involve an extra cost of about Rs. 245 per vehicle, this would be offset by other economies and advantages. The Committee desired to know at whose instance and with what objective the development of kitable bodies was undertaken. The Ministry of Defence, in a note, have stated that the concept of kitable bodies originated from the Defence Research and Development Organisation.

A copy of the Ministry of Defence Directorate of Vehicles (R & D) U.O. No. 96745/RD-93 dated 23rd September, 1966, furnished by the

Department as initial proposal* by the Defence Research and Development Organisation in this regard is reproduced below:

"Common kitable body design on Nissan and Dodge 1 Ton chassis has the following main features:—

(a) Size of body (internal)

L — 2083 mm (6'—10")

W — 2036 mm (6'—8½")

H — 1550 mm (5'—1¼")

(b) Overall dimensions of the kitable body are identical for both the chassis. In case of Dodge chassis the spare wheel is located in between cab and body whereas on Nissan this is mounted on the body tail board.

(c) Side panels, front board, superstructure, tool boxes seat cushions and back rests are common.

(d) The floor panels and stools are also identical in design. Only the bolt holes on the floor panels for securing the stools are different to suit the chassis frame of Nissan and Dodge. The existing body mounting brackets, provided on the Nissan chassis are not utilised for mounting of common kitable body.

The existing fuel tank filler neck of Nissan 1 Ton has been modified/repositioned to suit the mounting of stools on the chassis.

The new design of kitable body, having maximum number of common components, on Nissan and Dodge 1 Ton chassis will offer advantages in production, maintenance, interchangeability and ease of stocking in Depot. Even though further Dodge 1 Ton chassis are not likely to be inducted, the common design as described above will have its intrinsic advantages.

Your agreement to adoption of above new design on future supplies of Nissan 1 Ton chassis is requested so that DGOF may be asked to plan accordingly."

1.8. Since the Army Headquarters had approved the introduction of the design into service in 1966 and the Department of Defence Production in consultation with the Director General of Ordnance Factories had confirmed switch-over to kitable bodies in 1968, the Committee desired to be apprised of the specific considerations on which the proposed change was accepted

* At the time of factual verification Audit have intimated that the proposal was initiated by DRDO in June, 1966.

by (i) the Army Headquarters and (ii) the Department of Defence Production. The Committee also desired to know whether these considerations covered a cost-benefit evaluation of the change-over. In a note, the Ministry of Defence have stated:

“Acceptance of the Army HQrs (GS’s Branch) of the kitable design was influenced by the following additional considerations:

- (a) Ease of repair and replacement of kitable bodies without disabling the chassis.
- (b) Lower transportation cost from trade to Vehicle Factory,

As regards quantifying the advantages of kitable bodies in financial terms, it is not possible to give a figure in terms of money value as a number of elements explained above, cannot be evaluated accurately. Nevertheless, it is obvious that there will be overall economy and operational convenience in purchasing kitable bodies instead of sending the vehicles to various body builders for the construction of composite bodies. No cost benefit evaluation of the change-over was carried out at the time of giving the clearance for the kitable design. In so far the Department of Defence Production is concerned, Army HQrs had desired fitment of kitable bodies on Nissan 1 Ton vehicle in place of composite bodies in view of the advantages enumerated by DRDO. The Army HQrs’ clearance was given in November, 1966 and DGOF had accepted switch-over to kitable bodies to take place from vehicle Sr. No. 22566 which was originally expected to be reached in November 1968. No cost benefit evaluation was undertaken by DGOF at that time. As already explained, it is not possible to work out the cost benefit analysis with any exactitude.”

1.9. The Committee desired to know the reasons for the delay of two years in the acceptance of the switch-over to kitable bodies by the Department of Defence Production. In a note the Ministry of Defence replied:

“Army HQrs approved introduction of kitable bodies in November, 1966. In May, 1967, Army HQrs intimated their requirements to the DGOF. In October, 1967, DGOF confirmed switch-over to the kitable bodies from November 1968 by which time the vehicle Sr. No. 22566 was expected to be reached. This time lag was to take into account the lead time for production of the kitable bodies by the trade sources.”

1.10. As regards the further delay of about 2½ years (November 1968—April 1971) in the placement of a demand by the Director General, Ordnance Factories on the Department of Defence Supplies for 6,600 kitable bodies to cater to the requirements for 1972-73 and 1973-74, the Committee were informed, in a note by the Ministry as under:

“In January, 1968, DGOF located a trade source in M/s. Globe Motors and had placed order on them for 1500 numbers of kitable bodies. For various reasons, supplies from this source were very tardy and even upto April, 1971, only 475 bodies were supplied. Due to various production difficulties, vehicle Sl. No. 22566 could also not be reached before December, 1970. Thus, it would be seen that the trade supplies had not come up to the expectations and for this reason, the switch-over could not take place effectively. In April, 1971, it was decided by the Department of Defence Production to refer the matter to the Department of Defence Supplies for location of alternative sources.”

1.11. The Audit Para points out that after inviting quotations from and negotiations with prospective firms, the Department of Defence Supplies had placed an order with firm ‘A’* for 3,000 kitable bodies in January, 1972 and letter of intent on three other firms (Firms †‘B’, ‡‘C’ and §‘D’) for 2,250 bodies in May, 1972. Asked to state the basis for placing order on firm *‘A’ for 3,000 kitable bodies and letters of intent on three other firms for 2,250 bodies, the Ministry of Defence replied:

“Initially it was estimated that the Vehicle Factory’s requirement was of the order of 6600 numbers. Actually the first indent received was for 4800 numbers against which an order for 3000 numbers was placed on firm *‘A’. Subsequently, another indent was received for 2100 numbers and letters of intent were placed on firms *‘B’, †‘C’ and *‘D’ on 23-5-72 for 2250 bodies.”

1.12. The Committee were given to understand by Audit (which was also confirmed subsequently in a note by the Ministry of Defence) that the design for kitable body was common for Nissan and Dodge (1-Ton) vehicles. The last indent for the purchase of 145 Dodge (1-Ton) Vehicles was placed in September, 1965 and thereafter these vehicles were not purchased.

* M/s. Sion Garrage (P) Ltd., Bombay.

†M/s. Punj Sons (P) Ltd., New Delhi.

‡M/s. Jayanand Khira and Co. (P) Ltd., Bombay.

§M/s. New Model Industries (P) Ltd., Jullundur City. |

1.13. Asked whether any time frame was specified for the completion of the contracts while placing/issuing orders/letters of intent on the four firms, the Ministry stated:

"Firm* 'A': Polite sample within 8 week-bulk supply immediately after approval of pilot sample @100 to 150 numbers per month and to be stepped up to 200 numbers per month so as to give an average of 175 numbers per month over a year.

Firm 'B':** Pilot sample within 6 to 8 week-bulk supply to commence within 4 weeks of the approval of the pilot sample as follows:

1st month	100 numbers
2nd month	150 numbers
3rd month and onward	200 numbers

Firm*† 'C': The pilot sample within 2 to 3 weeks on receipt of the chassis-Bulk supply to commence immediately after approval of pilot sample@175/200 numbers per month.

Firm†† 'D': Pilot sample within 6 weeks of the chassis. Bulk supply to commence within two weeks of approval of pilot sample and to be supplied @200 bodies per month."

1.14. The Ministry of Defence furnished, at the Committee's instance the following details of the firms which had responded to the first tender enquiry issued on 19th July, 1971 and their offers, the firms with whom negotiations had been conducted and the considerations on which four firms were selected:

"In response to the tender enquiry issued to 19 firms, 10 firms quoted as follows:

Name of the firm	Delivery with JPC steel (in Rs.)	Delivery with steel from the open market (in Rs.)
1. M/s Free India, Jullundur	1650	2150
2. M/s Percy Lal	2150	3500
3. M/s Jayanand Khira, Bombay (Firm 'C')		3500 for 400 numbers. 3375 for not less than 1000 numbers. 3250 for not less than 1500 nos. 3000 for not less than 2000 nos.
4. M/s Chopra Motors, Calcutta		3700 for upto 400 nos. 3650 for 401 to 800 numbers. 3600 for 801 to 1200 numbers. 3550 for 1201 to 1600 numbers. 3500 for 1601 to 2000 numbers.

*M/s. Sion Garrage (P) Ltd., Bombay.

**M/s. Punj Sons (P) Ltd., New Delhi.

†M/s. Jayanand Khira and Co. (P) Ltd., Bombay.

††M/s. New Model Industries (P) Ltd., Jullundur City.

Name of the firm	Delivery with JPC steel (in Rs.)	Delivery with steel from the open market. (in Rs.)
5. M/s Sion Garrage, Bombay, (Firm 'A')	..	3750 for upto 400 numbers. 3675 for 401 to 800 numbers. 3666 for 801 to 1200 numbers. 3638 for 1201 to 1600 numbers. 3619 for 1601 to 2000 numbers.
6. M/s Mahindra Owen	..	3850 for 1000 to 1200 nos. 3810 for 1201 to 1600 nos. 3790 for 1601 to 2000 nos.
7. M/s Sundaram Industries	..	4150 for upto 400 nos. | 4100 for 401 to 800 nos. 4050 for 801 to 1200 nos. 4000 for 1201 and above nos.
8. M/s Simpson	..	4612 for upto 400 nos. 4577 for 401 to 800 nos. 4543 for 801 to 1200 nos. 4508 for 1201 to 1600 nos. 4472 for 1601 to 2000 nos.
9. M/s Sita Singh Engineers	..	4265 for upto 400 nos. 4165 for 401 to 800 nos.
10. M/s Auto Mechanical Corporation	..	6250 for upto 400 nos. 6235 for 401 to 800 nos. 6219 for 801 to 1200 nos. 6203 for 1201 to 1600 nos. 6188 for 1601 to 2000 nos.

The firms at serial Nos. 1 to 7 above were called for negotiations. Firms at serial Nos. 8, 9 & 10 were not called for negotiations as their prices were considerably higher. Another firm, M/s. Auto pins, who were not issued any tender enquiry, submitted an unsolicited quotation as follows:

Delivery with JPC Steel (in Rs.)	Delivery with open market steel (in Rs.)
2140 for 1000 nos.	2440 for 1000 nos.
2125 for 1001 to 2000 nos.	2425 for 1001 to 2000 nos.
2115 for 2001 to 4000 nos.	2415 for 2001 to 4000 nos.
2110 for 4001 to 6000 nos.	2400 for 4001 to 6000 nos.

This firm was also called for negotiations. Out of these, two firms, namely M/s. Free India Industries and M/s. Soin Garrage were selected for placement of orders as they had offered the best and second best terms during the negotiation meeting, viz., Rs. 2150 and Rs. 2725 respectively. Order on M/s Free India, Jullundur was however, later cancelled on 27th May, 1972 since the firm did not accept the order but raised a dispute about the price settled.

Subsequently, another tender enquiry was issued on 18th April, 1972 to 21 firms. This enquiry was cancelled in respect of the 12 firms as 9 out of these firms did not respond to earlier enquiry and the other three had quoted very high prices and were not called for negotiation. The remaining 9 firms, including the 6 firms who had quoted earlier and who were called for negotiations, namely M/s. Pearey Lal, M/s. Chopra Motors, M/s. Jayanand Khira, M/s. Mahindra Owen, M/s. Sundaram and M/s. Auto Pins—were separately addressed to quote only if they could offer substantial reduction in price. All the 9 firms quoted as follows:

Name of the firm	Quotation (in Rs.)	
1. M/s Auto Pins	3200 for upto 400 nos. 3100 for 401 to 800 nos. 3000 for 801 to 1200 nos. 2900 for 1201 to 1600 nos. 2800 for 1601 to 2000 nos.	} Delivery linked with JPC steel.
2. M/s Mahindra Owen	2950 for 1000 to 1200 nos. 2900 for 1201 to 1600 nos. 2850 for 1601 to 2000 nos.	} Delivery not linked with JPC steel.
3. M/s New Model Industries (firm 'D')	3450 for upto 400 nos. 3300 for 401 to 800 nos. 3200 for 801 to 1200 nos. 2900 for 1201 to 2000 nos.	} Delivery not linked with JPC steel.
4. M/s Jayanand Khira (firm 'C')	3150 for upto 400 nos. 3100 for 401 to 800 nos. 3050 for 801 to 1200 nos. 3000 for 1201 to 1600 nos. 2950 for 1601 to 2000 nos.	} Rs. 300/- more against each if no steel assistance is given.
5. M/s Punj Sons (firm 'B')	3400 for 801 to 1200 nos. 3200 for 1201 to 1600 nos. 2980 for 1601 to 2000 nos. 2890 for more than 2000 nos.	} Delivery not linked with JPC steel.
6. M/s Pearey Lal	3150 for upto 400 nos. 3100 for 401 to 800 nos. 3050 for 801 to 1200 nos. 3000 for more than 1200 nos.	} Delivery not linked with JPC steel.
7. M/s Hyderabad Allwyn	3080 for upto 400 nos. 3065 for 401 to 800 nos. 3050 for 801 to 1200 nos. 3035 for 1201 to 1600 nos. 3020 for 1601 to 2000 nos.	} Delivery linked with JPC steel.
	3750 for upto 400 nos. 3555 for 401 to 800 nos. 3540 for 801 to 1200 nos. 3525 for 1201 to 1600 nos. 3510 for 1601 to 2000 nos.	} Delivery not linked with JPC steel.
8. M/s Sundaram Industries	3150 for 1800 nos.	} Delivery not linked with JPC steel.
9. M/s Chopra Motors	3700 for upto 400 nos. 3650 for 401 to 800 nos. 3600 for 801 to 800 nos. 3550 for 1201 to 1600 nos. 3500 for 1601 to 2000 nos.	} Delivery not linked with JPC steel.

All these 9 firms were called for negotiations but the firm at serial No. 9. did not turn up. After negotiations, 3 firms *'B', †'C' and ‡'D' were selected since these firms offered the most favourable terms, viz. Rs. 2574, Rs. 2575 and Rs. 2470 respectively."

1.15. The Committee desired to know whether any detailed examination was undertaken by Government of the capacity and capability of those four firms for developing the kitable bodies. In a note the Ministry of Defence stated:

"All these four firms were listed in the compendium of approved suppliers maintained by the Controllerate of Inspection, Vehicles (then Chief Inspectorate of Vehicles,.....) The names of the firms are listed in the compendium only after detailed capacity verification by the DGI Organisation."

1.16. Asked in this connection, whether the more well known body builders were contacted and if so, what their reactions to the proposal were, the Ministry replied that the enquiries were issued to well known body building firms who were on the compendium maintained by the Controllerate of Inspection Vehicles but some of the firms did not quote in response to the tender enquiry.

1.17. The Audit para points out that the General Manager of the Ordnance Factory had reported in June, 1972 that the kitable body, besides being costlier than the composite body by Rs. 548 per vehicle, had several disadvantageous design features. The Committee desired to know the nature of the design features considered disadvantageous and the reasons for these not coming to light before the demand for supply of kitable bodies was raised (April 1971) or before placing orders (January-May 1972). In a note the Ministry of Defence stated:

"The design features which were reported as disadvantageous by General Manager, Vehicle Factory, in June 1972 were:

- (i) 3 main parts of the body are held together by bolts as against the welded construction in the composite bodies.
- (ii) Number of mounting stools for kitable body was only 6 as against 12 numbers in the case of composite body.
- (iii) There were 12 corresponding stools provided on the chassis for mounting GS body and the extra stools would have to be removed by flame cutting to suit the kitable bodies. This will arise in case of imported chassis.

*M/s. Punj Sons (P) Ltd., New Delhi.

†M/s. Jayanand Khira and Co., (P) Ltd. Bombay.

‡M/s. New Model Industries (P) Ltd., Jullundur City.

It may be added here that Rs. 548/- included the extra charges of fitment of kitable bodies but this did not take into account the saving by way of lower transportation cost which was not, however, assessed.

When the demand was raised on Department of Defence Supplies for locating alternative sources for kitable bodies, the only aspect in question was to meet the Vehicle Factory's requirements of this store as the only source developed by DGOF had not proved adequate. It was only when some supplies from the source developed by DGOF had started arriving in Vehicle Factory, and these were fitted on Nissan 1 Ton Vehicle that the disadvantages in using kitable bodies began to come to light to the Vehicle Factory, The views of the General Manager, Vehicle Factory, were actually conveyed in June, 1972 by which time the Deptt. of Defence Supplies had already entered into contractual obligations."

1.18. The Committee drew attention to the observations of the General Manager of the Ordnance Factory to the effect that if the kitable bodies were really to serve the purpose, these should be acceptable in kits for easy transportation and assembly at site when required. Asked about the reasons why this was not acceptable to the Director of Ordnance Services, the Ministry informed the Committee as under:

"The objective of developing the design of kitable bodies was not that they should be supplied in kits for assembly at site but that the kitable bodies be supplied to Vehicle Factory, for being assembled on the bodies before the trucks are delivered to the Army. Actually the indents from the Army HQ for Nissan trucks had specified that the vehicles will be delivered to the Army complete with kitable bodies."

1.19. The Committee desired to know whether this aspect as well as the aspect of higher cost was not considered by the Army Headquarters while conveying their acceptance in November, 1966 or thereafter until January, 1972 when orders were placed on the trade. In a note, the Ministry stated:

"The aspect of higher cost was not considered by the Army HQs while conveying their acceptance in November, 1966. In their u.o. note No. 2/49/67/D(Prej) dated 27th October, 1967, the Department of Defence Production informed the Army Headquarters that the introduction of kitable type body would involve an extra cost of Rs. 245/- but this would be offset considerably by much lower transportation cost and in addition,

there would be advantage of replacing any of the kits whenever necessary to make the body repair economic."

1.20. Since the practical difficulties came to be known in June 1972, and considering the fact that the orders placed in August 1972, according to the Audit Para, had been foreclosed in September 1972, the Committee enquired whether it was not possible to postpone the placement of formal orders till a final decision on the suitability of the kitable body was taken. In a note furnished in this regard, the Ministry of Defence stated:

"The letters of intent conclude the contract and bind the parties issuing it in the same contractual obligations as a regular supply order. Therefore, as a normal course, all letters of intent are followed up with a regular supply order as early as possible. It was felt that if the Department backed out of the commitment after having issued the letters of intent, it would project a very poor image of itself and such a step would be detrimental for the ambitious development programme that had been taken in hand."

1.21. According to Audit Paragraph orders for kitable bodies had been placed on the four firms at varying rates ranging from Rs. 2470 to Rs. 2725. The Committee, therefore, desired to know the reasons for this wide variation in rates and whether the comparative reasonableness of the rates was assessed. The Ministry of Defence replied:

"In response to the first tender enquiry dated 19th July, 1971, the lowest quotation received was Rs. 2150/- from M/s. Free India, Jullundur, with open market steel price. Later, the firm claimed that this price was exclusive of the price of canopy which should be around Rs. 425/-. They also claimed that the prices of steel had gone up and asked for a total increase of Rs. 650/-. The order was then cancelled. The price cannot, therefore, be taken as the lowest quotation. The actual lowest quotation from M/s. Jayanand Khira was Rs. 3000/- for a quantity of not less than 2000 numbers. During the negotiations, all efforts were made to bring down the prices and the best offer was received from M/s. Sion Garrage which was Rs. 2725/- with the facility of on account payment to the extent of 25 per cent of the value of the order. The first order was, therefore, placed on the firm *A' in the form of a letter of intent at Rs. 2725/- for a quantity of 3000 on 12th November, 1971 and was converted into a formal supply order on 15th January, 1972. Subsequently, when another tender enquiry was issued in April, 1972, the firms who had quoted earlier were specifically told that they should quote again only if they

* M/s. Sion Garrage (P) Ltd., Bombay.

were prepared to give substantial reduction in their earlier quoted prices. As a result of the retendering and further negotiations, it became possible to bring down the prices and orders were placed on firms *'B' †'C', & ‡'D' at the prices varying between Rs. 2470/- to Rs. 2575/- in the form of letters of intent on 23rd May, 1972 and in the form of supply orders on 3rd August, 1972. Before holding the first series of negotiations, attempt was made to work out a reasonable cost. On the basis of the then existing price of composite bodies and the price quoted by M/s. Free India, Jullundur, on the basis of JPC steel, i.e., Rs. 1650/-, Technical Committee (Vehicles) estimated that a reasonable price for kitable bodies should be Rs. 2240/- on the basis of open market steel price. That this estimate of price was on the lower side was evident from the subsequent claim of M/s. Free India, Jullundur, for price increase. Moreover, it may be appreciated that while an estimated cost of production can provide only some guidance for the purpose of conducting negotiations, the actual prices settled in negotiations mainly depend on the market conditions."

1.22. While the decision to foreclose the contract for kitable bodies and to substitute 4,749 numbers (out of a total of 5,250 numbers) by composite bodies had been taken in September 1972, negotiations with the four firms had been held only during February—July 1973. The Committee desired to know the reasons for this delay. In a note, the Ministry explained the position as under:

"The decision to short close the contract for kitable bodies and to substitute them for composite bodies was taken in September 1972 and the Department of Defence Supplies issued instructions to the various firms immediately thereafter to suspend production of kitable bodies and the first round of negotiations was held in the Department on 10th October, 1972. Since then four more rounds of discussions had to be carried out with the various firms at different stages, the last round being in November, 1973 before short closure of the order for kitable bodies and its substitution by composite bodies could be finalised. It may, therefore, be appreciated that there has been no delay in conducting the negotiations."

1.23. Since the revised rates for composite bodies accepted by the Department of Defence Supplies also varied, as reported in the Audit Para-

*M/s. Punj Sons (P) Ltd., New Delhi.

†M/s. Jayanand Khira and Co. (P) Ltd., Bombay.

‡†M/s. New Model Industries (P) Ltd., Jullundur City.

graph, from Rs. 1,696 to Rs. 1,878, the Committee desired to know the basis on which the prices as negotiated were considered reasonable. In a note furnished in this regard, the Ministry stated:

“Apart from the order for Kitable Bodies placed by Department of Defence Supplies on M/s. Punj Sons, there was another order on this firm for supply of composite bodies placed by Department of Defence (Production)|Vehicle Factory. The base price against this order was Rs. 1,696|- on the basis of JPC price. On the basis of the quantity of steel being obtained by this firm, partly from JPC and partly from the open market, a unit price against this contract was being determined from time to time and at one stage, the price was Rs. 1,878|-. At this time, the firm wanted further orders of composite bodies since the earlier order was coming to a close. In November, 1972, a meeting was held in the Department of Defence Production, where the firm accepted the existing price of Rs. 1,878|- for further orders. It was also decided that the kitable bodies' order placed by Department of Defence Supplies would be converted into composite body order at a unit price of Rs. 1,878|-. This price was taken as the guiding price for conducting negotiations with the other firms and during negotiations, it was possible to effect some reduction in the prices. Thus, the price payable to †firm (C) was Rs. 1,875|- to *firm (A) was Rs. 1850/- and to ‡firm (D) was Rs. 1,696/-. These 'prices were placed on firms †'B', †'C' and §'D' on 23-5-72 for 2250 accept during negotiations.”

1.24. Asked to explain the actual supplies of kitable bodies (against 501 bodies envisaged in the revised agreement) made by each of the four firms and how their performance compared with the revised orders actually placed on each one of them, the Ministry of Defence, in a written note, have furnished the following information in regard to supplies from various firms in respect of kitable bodies and composite bodies:

Firm	Kitable bodies	Composite bodies
*Firm 'A'	8/72 50 nos. 4/73 100 nos. 10/73 150 nos. 3/74 100 nos. 400 Nos.	No supply has been received. Order cancelled.

*M/s. Sion Garage (P) Ltd., Bombay.

†M/s. Jayanand Khira and Co. (P) Ltd., Bombay.

‡M/s. New Model Industries (P) Ltd., Jullundur City.

Firm	Kittable bodies		Composite bodies	
*Firm 'B'	Nil		3/73	282 nos.
			4/73	290 nos.
			5/73	206 nos.
			6/73	165 nos.
			7/73	116 nos.
			8/73	157 nos.
			9/73	222 nos.
			10/73	202 nos.
			11/73	265 nos.
			12/73	133 nos.
			1/74	162 nos.
				2200 nos.
*Firm 'C'	3 73	1 no.	4/74	82 nos.
	12, 73	50 nos.	5/74	23 nos.
		51 nos.	6/74	41 nos.
			7/74	178 nos.
			8/74	195 nos.
			1/75	115 nos.
				634 nos.
				(supplied against order for 900 nos.)
				Order short closed at 634 nos.
††Firm 'D'	No supplies. Order cancelled.		No supplies. Order cancelled.	

1.25. As regards actual utilisation of kitable bodies supplied by the firms, the Ministry, in a note stated that in all 451 such bodies were supplied by various firms to the vehicle factory and those were used in small lots by the factory for fitment on Nissan 1-Ton chassis.

1.26. In view of the fact that no supplies of kitable bodies had been made by *firm 'B', the Committee desired to know the action taken against the firm for its failure. In a note, the Ministry stated:

"After the firm 'B' had accepted the price of Rs. 1,878/-for the composite bodies and short closure of the order of kitable Bodies at 50 numbers, they represented for payment of compensation. Since the offer made to the firm during the negotiation meeting in November, 1972 was in the nature of package deal and the same was accepted by the firm, they were told to withdraw their claim for compensation. The firm 'B' did not do so and went on representing for payment of compensation. As a result, the formal amendment regarding short closure of the kitable body could not be issued. Meanwhile the delivery

*M/s. Punj Sons (P) Ltd., New Delhi.

†M/s. Jayanand Khira and Co. (P) Ltd., Bombay.

††M/s. New Model Industries (P) Ltd., Jullunder City

period against this order had also expired; thus, when the firm offered a sample for inspection, the same could not be inspected. The firm had only recently written a letter requesting for issue of the formal amendment short closing the kitable body order assuring that with the issue of this amendment, all pending issues would be sorted out. The amendment was, therefore, issued on 30-7-76 and the prototype submitted by the firm is being taken up for inspection."

1.27. The Audit para points out that *firm 'A' was given an advance of Rs. 20.23 lakhs towards 'on account' payment in February 1972. As it had supplied only 400 kitable bodies until February, 1974 and had not commenced supplies against the revised contract (November 1973) for 2,600 composite bodies, a sum of Rs. 17.54 lakh was outstanding against the firm (January, 1976). The Committee desired to know the reasons for advancing Rs. 20.23 lakhs to this firm inspite of the fact that the price settled with them for kitable bodies (Rs. 2725 each) was Rs. 150 to Rs. 255 higher than the other three firms and whether the price settled had taken this factor into account. Justifying the payment made to the firm, the Ministry of Defence have stated:

"The policy of this Department is to give in deserving cases on account payment facility to finance the purchasing of raw materials. It was in accordance with this policy that the firm 'A' was granted on account payment to the extent of 90 per cent of the raw materials purchased subject to a limit of 25 per cent of the value of the contract. The fact that the firm was given on account payment, was taken into account while settling the contractual price, which was Rs. 25/- to Rs. 28/- less than the contractual prices settled with firms †'B' & †'C'."

1.28. Enumerating the safeguards provided for recovery of the amount in the event of any default by the firm and the steps taken after the firm had defaulted on delivery as originally scheduled for the recovery of the advance payment or for a proportionate adjustment when the value of the original order (Rs. 81.75 lakhs) had been scaled down to Rs. 48.10 lakhs in November, 1973, the Ministry stated:

"The on account payment was made against a bank guarantee which was enforceable by the Government in the event of any default.

†M/s. Punj Sons (P) Ltd., New Delhi.

*M/s. Sion Garrage (P) Ltd., Bombay.

†M/s. Jayanand Khira and Co. (P) Ltd., Bombay

It was the decision of the Government to suspend production of kitable bodies of various firms and because of this suspension, the firm could not adhere to the delivery schedule stipulated in the contract for kitable bodies. As such, there had been no default on the part of the firm. On account payment of Rs. 20.23 lakhs was made only after the firm had actually purchased the raw materials and produced invoices. The original Supply order was amended after a lapse of 22 months and as such, it was not possible to recover the payment already made after the value of the contract was reduced on account of conversion of the order from kitable bodies to composite bodies.”

1.29. As regards action taken against the firm for the defaults in the supplies of both kitable and composite bodies and for the recovery of outstanding advances, the Ministry, in a note, have explained the position as under:

“So far as the original order for kitable bodies is concerned, the firm was advised to suspend production in September, 1972. The suspension was lifted in respect of 400 kitable bodies only after the conversion of the order was settled in November, 1973 and as such, there has been no default on the part of the firm in regard to the supply of kitable bodies. As far as the amendment issued on 29th November 1973, the firm was to submit acceptable pilot for composite body within 6 weeks of receipt of drawings. The drawings were despatched to the firm on 23rd November, 1973, and the firm tendered pilot for inspection on 8th January, 1974. Certain defects were found in the pilot and the firm was required to rectify the defects. Since then the firm submitted the pilot from time to time but every time some defect or the other was noticed and finally on 14th March, 1975, the acceptance of the pilot was conveyed to the firm. It is also relevant to mention that the Vehicle Factory.....had placed an embargo on this firm on supply of composite bodies from 27th September, 1974, to 2nd January, 1975, on account of the stock position. The bulk delivery was to commence within 3 months of the approval of the pilot and as such, the firm should have commenced bulk delivery from 14th June, 1975. However, in May, 1975, the firm came forward for an increase in price which was turned down. Again in July, 1975, the firm requested for price increase and thereafter it came to the notice of the Government that the firm diverted the raw materials for the purchase of which on account payment had been granted for the execution of other contracts.

Therefore, the bank guarantee was enforced. The firm thereafter filed a suit in the High Court of Judicature of Bombay and obtained an injunction against the Bank and the Government. The outstanding on account payment has, however, since been recovered."

1.30. The Ministry of Defence also informed the Committee in this regard that in terms of the settlement reached before the High Court of Judicature of Bombay, the contract for composite bodies was terminated and the firm refunded to the Government, the outstanding amount of on account payment (Rs. 17,53,986) together with an agreed sum of interest of Rs. 2 lakhs.

1.31. The Committee desired to know the actual supplies of composite bodies received, firm-wise, against the revised orders for 4,749 bodies placed in 1973 and how the shortfall in supplies was met. In a note, the Ministry stated:

"4,749 bodies comprised of four orders as under :

Firm	Quantity	Rate per body
		Rs.
*A	2600	1,850
†B	850	1,878
††C	849	1,875
**D	450	1,696

Out of the four orders, the orders on Firms *'A' and **'D' were cancelled and the order on Firm †'C' was short closed for 633 numbers as the firm had expressed its inability to supply this item to the Vehicle Factory

In the case of the order on Firm †'B', this was converted from kitable bodies to composite bodies in November 1972. It may be pointed out in this case that the total order placed on this firm in November 1972 was for a quantity of 2200 numbers, of which, 850 referred to above, formed a part. The balance 1350 represented the uncontracted quantity for kitable bodies with the Department of Defence Supplies which was transferred to the Department of Defence Production in November 1972 for placement of an order on Firm †'B' for composite bodies.

* M/s. Sion Garage (P) Ltd., Bombay.

† M/s. Punj Sons (P) Ltd., New Delhi.

†† M/s. Jayanand Khira and Co. (P) Ltd., Bombay.

** M/s. New Model Industries (P) Ltd., Jullundur City.

In view of the above, besides the order on Firm †'B', supplies of bodies received by the Vehicle Factory were only 633 supplied by Firm †'C'.

The production of Nissan 1—Ton vehicles in the Vehicle Factory.... for which these bodies were meant during the years 1972-73 to 1974-75 was as under:

Firm	Date of order	Quantity	Rate of body
			Rs.
M/s Hyderabad Allwyn	3-11-1972	2,300	1,696
M/s Simplex Metallics	23-12-1972	1,800	1,696
TOTAL		4,100	

Against the supply order placed on M/s. Hyderabad Allwyn, it was seen in November 1973 that no supplies had commenced from this firm and it was then expected that the firm would commence supplies from January, 1974.

In so far as M/s. Simplex Metallics are concerned, the General Manager, Vehicle Factory..... had mentioned in August 1973 that the firm might commence regular supplies from September 1973. The position as on November 1972 when the order on Firm 'B' was concluded was that the Vehicle Factory..... had only a stock of 150 numbers of Rear Bodies and it was apprehended that the Vehicle Factory's production of Nissan 1-Ton Vehicles would come to a halt from January 1973. For this consideration, the order on M/s. Punj Sons was placed for 2,200 bodies at the rate of Rs. 1,878/- and thus the shortfall was met."

1.32. The Ministry further stated that it would not have been possible to maintain production of Nissan 1-Ton vehicles at the factory without exploiting the source M/s. Punj Sons which was a continuing one.

1.33. In regard to the rate of Rs. 1,878/- offered to †firm 'B', the Ministry of Defence in an other note furnished to the Committee stated that this was based on the following further considerations:

- (i) An order for 615 numbers of Nissan 1-Ton Rear Bodies had already been placed on this firm at Rs. 1,878/- in June, 1972
- (ii) In fixing this rate of Rs. 1,878/-. the price was brought down from Rs. 2,240/-, earlier paid to the firm for this item in con-

†M/s. Punj Sons (P) Ltd. New Delhi.
 ††M/s. Jayanand Khira and Co. (P) Ltd. Bombay.

sideration of the fact that Essentiality Certificate for steel would be issued to the firm and taking into account the increase in price of JPC steel, statutory increase and increase in the price of the hardware items used in the store between November, 1971 and June, 1972.

1.34. The details regarding stocks|quantities on order, ordered on M/s. Punj Sons; M/s. Hyderabad Allwyn and M/s. Simplex Metallics and the actual performance, as in November, 1972, furnished by the Ministry of Defence are tabulated below:

M/s. Punj Sons: In respect of the order dated 11th May 1971 for 2,300 numbers composite bodies at Rs. 1,878/- per unit, supplies received were as under:

1/72	. . . . .	540 nos.
2/72	. . . . .	128 nos.
3/72	. . . . .	197 nos.
4/72	. . . . .	156 nos.
5/72	. . . . .	129 nos.
6/72	. . . . .	200 nos.
7/72	. . . . .	145 nos.
8/72	. . . . .	150 nos.
9/72	. . . . .	142 nos.
10/72	. . . . .	157 nos.
11/72	. . . . .	158 nos.
12/72	. . . . .	198 nos.
	TOTAL	2300 nos. (order completed).

This was followed by another order dated 20 January, 1973, details of delivery against which have already been given (*see* Para 1.24).

M/s. Simplex Metallics: In respect of order dated 23rd December 1972 for 1,800 numbers of composite bodies at Rs. 1,696/- per unit, supplies were received as under:

3/73	. . . . .	1 no.
7/73	. . . . .	35 nos.
9/73	. . . . .	100 nos.
10/73	. . . . .	225 nos.

11/73	.	.	.	.	.	.	.	.	.	150 nos.
12/73	.	.	.	.	.	.	.	.	.	150 nos.
1/74	.	.	.	.	.	.	.	.	.	150 nos.
2/74	.	.	.	.	.	.	.	.	.	240 nos.
3/74	.	.	.	.	.	.	.	.	.	180 nos.
4/74	.	.	.	.	.	.	.	.	.	130 nos.
5/74	.	.	.	.	.	.	.	.	.	140 nos.
6/74	.	.	.	.	.	.	.	.	.	100 nos.
7/74	.	.	.	.	.	.	.	.	.	100 nos.
8/74	.	.	.	.	.	.	.	.	.	99 nos. (order completed).
TOTAL										1,800 nos.

M/s. Hyderabad Allwyn : In respect of order dated 3rd November, 1972 for 2,300 numbers of composite bodies at Rs. 1,696/- per unit, supplies were received as under:

1/74	.	.	.	.	.	.	.	.	.	140 nos.
2/74	.	.	.	.	.	.	.	.	.	195 nos.
3/74	.	.	.	.	.	.	.	.	.	470 nos.
4/74	.	.	.	.	.	.	.	.	.	485 nos.
5/74	.	.	.	.	.	.	.	.	.	195 nos.
11/74	.	.	.	.	.	.	.	.	.	255 nos.
12/74	.	.	.	.	.	.	.	.	.	40 nos.
1/75	.	.	.	.	.	.	.	.	.	110 nos.
2/75	.	.	.	.	.	.	.	.	.	75 nos.
3/75	.	.	.	.	.	.	.	.	.	145 nos.
4/75	.	.	.	.	.	.	.	.	.	100 nos.
5/75	.	.	.	.	.	.	.	.	.	90 nos.
TOTAL										2,300 nos. (order completed).

It will be seen from the above that during the calendar years 1972 and 1973, there was only one reliable supplier i.e., M/s. Punj Sons for supply of composite bodies to the vehicle factory. By virtue of their good performance against supply order dated 11th May, 1971 which was completed in December, 1972, a second order was placed on 20th January, 1973 which was completed by January, 1974. It was only in July, 1973 that

some production had commenced from M/s. Simplex Mat-talics and in respect of M/s. Hyderabad Allwyn the first supplies commenced only in January, 1974. Thus, the need for placing a supply order on M/s. Punj Sons to ensure continuity of vehicle production in Vehicle Factory.. during 1973-74 was fully justified.

1.35. In this connection the Committee learnt from Audit that when the decision was taken (November 1972) by the Department of Defence Production to place an order for 1350 composite bodies on M/s. Punj Sons at a cost of Rs. 1,878/- each with a view to avoiding break in production at the factory, **there was also an offer from another firm for the supply of this item at Rs. 1,696/- which, however, was not accepted.** Giving reasons for not accepting the latter offer, the Ministry in a note, have stated:

“Department of Defence Production was aware in November, 1972 of the offer of M/s. Hyderabad Allwyn for supply of this item at Rs. 1,696/- per unit. It was then realised that placement of an order on M/s. Hyderabad Allwyn would have meant delay in the supply of Rear Bodies to match VF's requirement as it was seen that the firm would have taken not less than 3 to 4 months before commencing regular deliveries. (In fact, the actual position was that even after a period of one year *i. e.* up to January, 1974, the firm had not commenced supplies and thus the apprehension of the Department of Defence Production in November, 1972 would stand vindicated). Otherwise, the production of vehicles in Vehicle Factory. would have been in serious jeopardy and Vehicle Factory would not have been able to meet Army's essential requirements for this vehicle for which it remains the only source. M/s. Punj Sons had actually delivered the entire quantity of 2,200 from March, 1973, to January 1974.”

1.36. According to Audit Paragraph, the Departments of Defence Supplies and Defence Production and the Ordnance Factory were concluding separate contracts for composite bodies, at varying rates at about the same time, resulting in an extra expenditure of Rs. 8.4 lakhs. Asked whether this aspect of lack of coordination between different agencies was considered by Government and whether any remedial measures have been taken in this regard, the Ministry have replied:

“The composite bodies had all along been procured directly by VF/Department of Defence Production. The kittable bodies being a development item, the Department of Defence Sup-

plies was requested to develop more sources and accordingly this department placed various orders for kitable bodies. These orders were converted into orders for composite bodies as a result of the decision not to go in for kitable bodies. The possibility of procurement of the composite bodies by various authorities does not exist any more. Procurement of this item in future will be dealt with by Vehicle Factory. The procurement by three agencies was a unique event and occurred on account of special circumstances of the case".

1.37. The Committee noted that in June, 1956 the Defence Research and Development Organisation developed a new design of kitable body having maximum number of common components for Nissan as well as Dodge 1-ton chassis. It was claimed that the kitable body would offer advantages in production, maintenance inter-changeability and ease of stocking in depot. The design was approved by the Army Headquarters for introduction into service in November 1966. However, it was only in October 1967 that the Department of Defence Production in consultation with the Director General of Ordnance Factories, confirmed the switch-over from composite to kitable bodies for these vehicles from November 1968. According to the Ministry, this time-lag was to take into account the lead time for production of the kitable bodies by the trade sources. In January 1968 the DGOF located a trade source in Messrs Globe Motors, New Delhi and placed order on them for 1,500 number of kitable bodies. The firm could not for various reasons keep up to the schedule and could supply only 475 bodies till April 1971, when it was decided by the Department of Defence Production to refer the matter to the Department of Defence Supplies for location of alternative sources.

1.38. The Committee further note that when some supplies from the source located by DGOF (Messrs. Globe Motors, New Delhi) had started arriving in the Vehicle Factory and these were fitted on Nissan 1-ton vehicles, certain disadvantageous design features of the kitable bodies began to come to light. The design features which were reported as disadvantageous by the General Manager, Vehicle Factory in June 1972 were:

- (i) Three main parts of the body were held together by bolts as against welded construction in the composite bodies.
- (ii) The number of mounting stools for kitable body was only six as against twelve in the composite body.
- (iii) The extra stools in case of imported chassis would need to be removed by flame cutting to suit the kitable body.

1.39. The General Manager is also reported to have stated that the kitable body would be costlier than the composite body by Rs. 548 per

vehicle (as against Rs. 245 estimated earlier) but this did not take into account the saving by way of lower transportation cost as the vehicle would not have to be moved to the premises of the fabricators.

1.40. The Committee observe that before the above disadvantages came to light, formal orders had already been placed in January 1972 by the Department of Defence Supplies on M/s. Sion Garage (P) Ltd., Bombay for 3,000 kitable bodies (value Rs. 81.75 lakhs) and letters of intent issued to three other firms [M/s. Punj Sons (P) Ltd., New Delhi, M/s. Jayanand Khira and Co. (P) Ltd., Bombay and M/s. New Model Industries (P) Ltd., Jullundur City] for 2,250 bodies in May 1972. In spite of the General Manager's request for reconsideration of the decision, the Department of Defence Supplies in consultation with the Director General, Ordnance Factories, placed formal orders on the latter three firms in August 1972, (value Rs. 57.45 lakhs). However, soon thereafter in September 1972, on a further review of the matter by the Department of Defence Production and the Department of Defence Supplies, it was decided to foreclose te orders for kitable bodies except for quantities already fabricated or partly fabricated and to substitute the rest by composite bodies.

1.41. The Committee are unhappy over the way the project for switch-over from composite to kitable bodies for Nissan/Dodge 1-ton chassis was handled by the concerned Departments of the Ministry of Defence. The Committee find that one of the main advantages in production i.e. maximum number of common components for Nissan and Dodge 1-ton chassis had no relevance ab initio since it was known by that time that Dodge 1-ton chassis were not likely to be inducted into service any more. The estimated extra cost of Rs. 245 per vehicle also proved to be a gross under-estimate since the kitable body actually cost as much as Rs. 548 more than the composite body.

1.42. The Committee are constrained to point out that the time lag of two years from November 1966 to November 1968 between the approval of the design by the Army Headquarters and the date of switch-over proposed by the Department of Defence Production should have been utilised for conducting extensive trials on the prototypes of the new design. The Committee have no doubt that had this been done the disadvantages of the kitable body which came to light in June 1972 could have been realised much earlier.

1.43. The Committee are indeed surprised that in case of a developmental item like this the Department of Defence Production did not bother to carry out even a cost-benefit evaluation of the change-over before giving clearance for the new design. It took four years and eight months for the Department to discover the disadvantageous features of the kitable body and the high extra cost involved. It is unfortunate that even though as many as 475 kitable bodies had been obtained through a trade source

between January 1968 and April 1971, firm conclusions as to the basic utility and economics of the change-over were reached only by September 1972 by which time bulk orders for 5,250 kitable bodies had already been placed on as many as four firms. The Committee consider that if only the various Departments concerned with the project i.e. the Defence Research and Development Organisation, the Department of Defence Supplies, the Department of Defence Production, the Director General, Ordnance Factories and the Vehicle Factory had worked in close concert and shown sufficient concern about the technical and financial implications of the change-over, the project would not have been proceeded with in this manner.

1.44. The Committee take a serious view of the regrettable action of the Department in deciding to place further orders on M/s. Punj Sons; M/s. Jayanand Khira & Co. and M/s. New Model Industries in August 1972 inspite of the specific request of the General Manager of the Vehicle Factory for reconsideration of the decision about kitable bodies. The Committee are not convinced by the argument that "if the Department backed out of the commitment after having issued the letters of intent, it would project a very poor image of itself and such a step would be detrimental for the ambitious development programme that had been taken in hand." The data given in para 1.24 above would show that M/s. Sion Garrage had supplied only 50 kitable bodies before it was decided in September 1972 to foreclose the contract. M/s. Jayanand Khira & Co. supplied in all 51 kitable bodies between March and December 1973. No supplies were received from M/s. Punj Sons and M/s. New Model Industries. The Committee consider that under the circumstances Government would have been well advised not to follow up post haste the letter of intent by firm order in August 1972 and instead negotiated the matter with the firms.

1.45. The Committee find that the performance of M/s. Sion Garrage was singularly unsatisfactory. This is borne out by the fact that even though the price agreed to in this case was the highest as compared to that allowed to the other three firms and notwithstanding the fact that 'on account' payment of the order of Rs. 20.23 lakhs had been made to the firm in February 1972 representing 25 per cent of the value of the order, the firm could supply only 400 kitable bodies till March 1974 out of the total of 3,000 bodies contracted to be supplied by September 1973. Even the substitute order for 2,600 composite bodies placed in November 1973 remained unexecuted and had to be cancelled. In fact, the firm is said to have diverted the raw materials for the purchase of which 'on account' payment had been made, for execution of their other contracts. The Committee understand that the outstanding amount of Rs. 17.53 lakhs has since been realised together with an agreed sum of Rs. 2 lakhs as interest.

The Committee consider that apart from a thorough verification of the bonafides and capabilities of the firm before giving them a large order of Rs. 81.75 lakhs, it was incumbent on the Government authorities concerned to make sure that the material purchased by the firm from Government money was not diverted elsewhere. The Committee also desire that the circumstances in which an order for 3000 kitable bodies valued at Rs. 81.75 lakhs was placed on M/s. Sion Garrage at a rate much higher than that allowed to other firms, for the grant of special accommodation of 'on account' payment of Rs. 20.23 lakhs to the firm and for failure to observe vigilance against diversion of scarce raw materials and take remedial measures in time should be thoroughly probed by Government with a view to fixing responsibility. The Committee need hardly point out that in view of the unbecoming performance of the firm, more particularly the unauthorised diversion of Government funds on its part, effective action should be taken to see that the firm does not again defraud the Government in other contracts.

1.46. So far as M/s. Punj Sons are concerned, the Committee find that the order for 900 kitable bodies placed in August 1972 was converted to 850 composite bodies in November 1972. However, this firm was allowed Rs. 1,878 per body as against the lowest rate of Rs. 1,696 settled with M/s. New Model Industries, Rs. 1,850 settled with M/s. Sion Garrage, and Rs. 1,875 with M/s. Jayanand Khira and Co.. The rate of Rs. 1,878 per body was allowed in this case not only for composite bodies substituted for kitable bodies (ordered by the Department of Defence Supplies) but also in respect of a further order for 1350 composite bodies placed by the Department of Defence Production. The Committee note that the base price against this order was Rs. 1,696 on the basis of JPC prices. On the basis of steel being supplied partly from JPC and partly from open market, the unit price was determined from time to time and at one stage the price was Rs. 1,878. The other guiding factor in agreeing to this rate is stated to be that the stock position with the Vehicle Factory as in November 1972 had depleted to 150 numbers only and it was feared that the Vehicle Factory would come to a halt from January 1973.

1.47. The Committee, however, observe that about the same time (November/December 1972) the Ordnance Factory concluded contracts with two other firms (M/s. Hyderabad Allwyn and M/s. Simplex Metallics) for 4,100 composite bodies at Rs. 1,696 each (value Rs. 69.54 lakhs) plus an amount of Rs. 1.10 lakhs allowed as escalation. The Committee are not quite convinced by the argument put forth by the Ministry about the possible stoppage of production in the Vehicle Factory as a reason for agreeing to a price of Rs. 1,878 and near-about with firms (M/s. Sion Garrage; M/s. Punj Sons and M/s. Jayanand Khira and Co.) in view of the

fact that agreements with three other firms M/s. New Model Industries; M/s. Hyderabad Allwyn and M/s. Simplex Metallics were arrived at a cost of Rs. 1,696 per body at about the same time. The Committee feel that earnest efforts should have been made to bring down the price as much as possible so that it was not much higher than Rs. 1,696 which was settled to be paid to two other firms for supply of composite bodies.

1.48. Another interesting aspect of the case is that the Department of Defence Supplies, the Department of Defence Production and the Ordnance Factory were concluding separate contracts for composite bodies at varying rates at about the same time. As pointed out in the Audit paragraph, this resulted in an extra expenditure of Rs. 8.4 lakhs. According to the Ministry, "procurement by three agencies was a unique event and occurred on account of special circumstances of the case" and that "the possibility of procurement of composite bodies by various authorities does not exist any more." The Committee have already drawn attention in para 1.43 above to the lack of coordination between the various Departments in processing kitable bodies as a developmental item. The Committee trust that necessary lessons would be drawn from Government's experience in this case so that such costly lapses do not recur.

PROCUREMENT OF PIPES

Audit Paragraph

2.1. Based on the scales for reserve stocks of engineering stores approved by Government in April 1969, the requirements of pipes (culverts) were assessed by the Army Headquarters and an 'operational' indent placed on the Director General, Supplies and Disposals in September 1969 for procurement of four different sizes of pipes by December 1970 at an estimated cost of Rs. 16.58 lakhs as under

Diameter	Quantity in metres	Estimated rate per metre
		Rs.
24"	90·027	51·00
30"	12,844·185	69·50
36"	30·480	78·00
48"	6,862·000	110·50

2.2. Since the drawings in respect of 36" and 48" diameter pipes were not available with the Chief Inspector (Engineering Equipment), these were deleted from the indent in March 1970 and the indent value revised to Rs. 8.97 lakhs.

2.3. In July 1970 tenders were invited for 24" and 30" pipes by the Director General, Supplies and Disposals who advised the Army Headquarters in September 1970 that one foreign and two indigenous offers had been received. Indian firm *'A' had quoted Rs. 78 and Rs. 130 per metre respectively for 24" and 30" pipes as per Indian Standard specification. The other Indian firm †'B' had quoted Rs. 390 and Rs. 410 per metre respectively for these pipes according to the Defence drawings. The offers of firms *'A' and †'B' were (after extensions) valid upto 21st October 1970 and 30th September 1971 respectively. Assuming that the lower offer of firm *'A' according to Indian Standard specification would meet their requirements, the Army Headquarters modified (February 1971) the value of their indent to Rs. 18.12 lakhs on the basis of the tendered rates and a fresh assessment of requirements.

*M/s. Spun Pipe India Private Ltd., New Delhi.

†M/s. Spun Pipe and Construction Company of India Ltd., Bombay.

2.4. In March 1971, the Director General, Supplies and Disposals asked Army Headquarters for a specific confirmation that the pipes offered by firm *'A' would be acceptable. Army Headquarters then got the matter examined by the Defence Inspectorate and found that these would not meet their requirements. The Director General, Supplies and Disposals was informed accordingly in June 1971. The case for procurement of pipes from firm †'B' involving an additional expenditure of Rs. 41.98 lakhs was considered by Government during August—October 1971. But the rates were considered exorbitant and no orders were placed.

2.5. In December 1971, the requirements of these pipes were reassessed by the Army Headquarters and in June 1972 a fresh indent was initiated for three sizes of pipes (including 48" pipes for which drawings were finalised in December 1971):

Diameter	Quantity in meters	Estimated rate per metre
		Rs.
24"	*1,000	250
30"	5,000	320
48"	2,000	500

*Quantity reduced to 217 metres in July 1974.

2.6. The indent was routed through the Chief Inspector for up-dating the drawings and the vetted copies of indents were received by the Director General, Supplies and Disposals on 18th October 1972. No specifications were, however, available for any of the above pipes. In February 1973, it came to light that even the drawings indicated in July 1972 were not approved through user trials. It became necessary, therefore, to revise the drawings on the basis of samples available in the depots and these were ultimately finalised by the Chief Inspector in September 1973.

2.7. Tenders were invited by the Director General, Supplies and Disposals in September 1973 and quotations received from five unregistered firms (including firm †'B' which had quoted earlier in 1970) were opened in December 1973. The rates quoted by firm †'B' for 24" and 30" pipes were Rs. 550 and Rs. 660 per metre as compared with Rs. 390 and Rs. 410 quoted earlier in 1970. After negotiations with two firms (firm †'B' and another firm ‡'C' which was recommended by the Chief Inspector

*M/s. Spun Pipe India Pvt. Ltd., New Delhi.

†M/s. Spun Pipe and Construction Company of India Ltd., Bombay.

‡M/s. Appliances Manufacturing Co., Faridabad.

for small orders), two contracts were concluded in October 1974 involving an additional cost of Rs. 3.81 lakhs in respect of 24" and 30" pipes:

Diameter	Firm	Quantity in metres	Rate per metre.
			Rs.
24"	†'C'	217	313.60
		2,000	660.00
30"	†'B'	3,000	375.90
	†'C'		
48"	†'B'	800	1,475.00
	†'C'	1,200	714.70

2.8. The firms were required to submit advance samples to the Chief Inspector for test and approval by December 1974/January 1975 and the delivery period was dependent on the approval of advance samples. Neither firm has so far submitted the samples and the supplies originally required by December 1970 have not so far materialised (August 1975).

2.9. The Army Headquarters had stated in July 1972 that a large number of culverts had to be collected from local civil sources for use during operations and where these were not available, improvisation was resorted to which was time consuming and not satisfactory.

[Paragraph 33 of the Report of the Comptroller and Auditor General of India for the year 1974-75, Union Government (Defence Services)].

2.10. The audit Paragraph states that the supplies of pipes originally required by December 1970 had not materialised till August 1975. The Committee desired to know how the requirements of these stores were actually met during 1969-75. The Ministry of Defence, in a note, have stated:

"Pipe Culverts required were for Engineer Theatre Stores Reserve (ETSR). ETSR stores are normally required during operations.

During the operations of 1971, the then existing stock of Pipe Culverts was utilised. In addition, a large number of Pipe Culverts was collected from local sources for use during operations. Where even these were not available, improvisation was resorted to meet the operational requirements."

2.11. It is seen from the Audit paragraph that the requirements of different sizes of pipes and the estimated cost thereof had been periodically revised (September 1969, February 1971, June 1972 July 1974) by the Army Headquarters. Asked to indicate the basis on which the

†M/s. Spun Pipe and Construction Company, Bombay.
 †M/s. Appliances Manufacturing Co., Faridabad.

requirements and costs had been assessed by the Army Headquarters from time to time, the Ministry replied:

“Requirement of Pipe Culverts indicated to DGS&D in the indent of Sept., 1969 was based on the deficiencies revealed as a result of provision review carried out on the holdings against authorisations.

It was subsequently revealed on reconciliation of figures in Sept., 1970 that there was discrepancy in the report submitted by the Army Statistical Organisation; as such, requirement had to be worked out afresh. Based on the revised requirement, the indent was amended in February 1971. Estimated cost of the indent was also revised on the basis of rates quoted by the lowest tenderer to DGS&D.

In Dec., 1971 a fresh provision review was carried out on the basis of ASO Census Return as on 31 July, 1971. There was variation in requirements as well as the rates which had risen considerably. Accordingly a fresh indent was formulated showing rates based on information collected as under:

- (a) Tenders received by DGS&D.
- (b) Rates paid by DGBR for similar stores procured by them.
- (c) Prevailing cost of corrugated sheets of varying gauges.

Due to the changed situation in the east, necessity for recoupage of entire ETSR was re-examined and it was decided to obtain the requirement in yearly phases as under:

Description		1972-73	1973-74	1974-75
		Quantity	Quantity	Quantity
Pipe Culverts	24"	1000 Mtrs.	1000 Mtrs.	503 Mtrs.
Pipe Culverts	30"	5000 Mtrs.	5000 Mtrs.	1047 Mtrs.
Pipe Culverts	48"	2000 Mtrs.	1500 Mtrs.	1378 Mtrs.

Neither the quantities nor the rates in the indent already projected to D.G.S.&D. on 15 June 1972 were revised in July 1974. D.G.S.&D. were, however, advised to restrict the placement of order of 24" dia pipe culverts to 217 Mtrs. as minimum quantity which would be sufficient for the placement of a trial order could not be assessed. This was done based on the

instructions of Ministry of Finance (Defence to restrict the procurement to 2/3rd ETSR entitlement pending the general review of ETSR and was also influenced by the recommendation of Defence Inspectorate to place only trial order against 24" dia pipe culverts on M/s....., Faridabad. The deficiency was as follows:

	Deficiency on the basis of 2/3rd ETSR	Qty. shown in the indent
Pipe Culverts 24"	217 Mtrs.	1000 Mtrs.
Pipe Culverts 30"	7376 Mtrs.	5000 Mtrs.
Pipe Culverts 48"	2592 Mtrs.	2000 Mtrs.

Since only trial order was to be placed on M/s....., the DGS&D were asked to restrict the procurement of 24" dia pipe culverts to 217 Metres. However, the indent was not amended according to the requirements worked out on the basis of 2/3rd ETSR as shown above, but restriction was imposed on the procurement of 24" dia pipe culverts only."

2.12. The Committee desired to be informed of the procedure prescribed in regard to the incorporation of drawings and specifications in the indent before its transmission to the DGS&D. The Ministry of Defence in a note have stated that the Chief Inspector, Chief Inspectorate of Engineering (Equipment..... is the Authority Holding Sealed Particulars (AHSP) for pipe culverts. "As per the procedure prevalent, the indents were forwarded to C.I.E.....for check and onward transmission to DGS&D with necessary paper particulars viz., drawings and specifications."

2.13. According to Audit Paragraph, the drawings in respect of 36" and 48" diameter pipes were not available with the Chief Inspector (Engineering Equipment) and so these were deleted from the indent in March 1970 and the indent value revised accordingly. The drawings for 48" pipes were finalised only in December 1971. The Committee desired to know the steps taken to ensure the availability of drawings and specifications at the time the indent was raised and for their early finalisation thereafter and the reasons for a delay of 27 months in the finalisation of drawings for 48" pipes. The Ministry have stated:

"Indent was sent by the Army HO to C.I.E..... for attaching the drawings, specifications and onward transmission to DGS&D."

A chronological sequence of the case is as under :

- 4-12-69 "CIE.....forwarded the indent to DGS&D after vetting the same for 24" and 30" Pipe Culverts for which drawings were available with them. As regards paper particulars for 36" & 48" Pipe Culverts, CIE stated that since the paper particulars were not available with them, demand for these stores be placed on Technical Committee Engr. Stores.
- 25-11-69 The proposal of CIE.....was not acceptable to AHQ/E-in-C's Br. they were informed to finalise the drawings for 36" and 48" dia. immediately and clear these items also to DGS&D duly supported with relevant documents.
- 10-12-69 Directorate of Production Eqpt. Inspectorate of Enginr. (DPIE) instructed CIE to get the drawings from Research and Development Establishment Engineers R&DE (E) and in case of any difficulty their (DPIE) office be approached.
- 20-12-69 DPIE were expedited to intimate the position.
- 2/5-1-70 CIE informed DPIE that drawings for 36" and 48" Pipe Culverts were not available with R&DE.
- 12-1-70 CIE informed that as the Pipe Culverts 36" had been introduced in service long ago, their paper particulars were not available. They therefore desired to know the Depot holding the item for preparation of the drawings.
As regards pipe culverts 48" dia. pipe, CIE mentioned that this item had not been introduced into service. He, simultaneously, approached DPIE for its development and preparation of relevant paper particulars.
- 22-1-70 DPIE asked E-in-C's. Br. to take up the matter with R&D for development of 48" Pipe Culverts.
- 24-4-70 Following the authorisation of 48" dia. Pipe Culverts in the ETSR in April 1969, the information about the store was reflected in the ASO return in 1970 for the first time.
R&D were therefore asked to reconsider the case and, if desired to inspect the stores at the holding depot for preparation of paper particulars.
Simultaneously, DPIE were informed that due to meagre requirement of 36 dia. Pipe Culverts, no procurement action was required.
- 2-5-70 RD-43 asked E-in-C's Br. to forward qualitative requirement for preparation of paper particulars of 48" dia Pipe Culverts. They also requested for sending a sample of these culverts to R&DE(E).
- 9-5-70 RD-43 were requested to prepare the qualitative requirement in consultation with the AHSP on the basis of Pipe Culverts 48" dia held with the Engineers.
- 14-9-70 RD-43 were informed that no qualitative requirement was necessary for 48" & Pipe Culverts. They, should, therefore, prepare drawings and specifications on the basis of Pipe Culverts already held in stock.
- 18-9-70
- 27-2-71 RD-43 were expedited to finalise drawings and specifications.
- 10-3-71 RD-43 informed that they had expedited R&DE(E) to finalise the drawings and specifications immediately.
- 9-6-71 RD-43 were expedited to prepare drawings and specifications on operational priority basis.
- 15-7-71 RD-43 forwarded drawings, prepared by R&DE(E) for corrugated Pipe Culverts 48" dia. The dimensions were based on Pipe Culverts held in stock. They however, observed.
(i) Manufacturing tolerances were not given on the drawings as these were not known.
(ii) Existing culverts were found to be varying in dimensions at certain places, and that such dimensions had been suitably marked on the drawings.

(iii) Number of components required per length of the culverts was not known and, therefore, could not be shown on the drawings.

- [20-7-71] The drawings received from RD-43 were forwarded to EG-5 asking them to check the drawings and get them duly sealed by AHSP.
- [12-10-71] The drawings were checked by EG-5 and they asked RD-43 that these be sealed by AHSP.
- [25-10-71] RD-43 were asked to confirm that the drawings of 48" pipe culverts had been sent to AHSP.
- [30-12-71] RD-43 confirmed that the drawings had been sealed by R&DE(E) and handed over to CIE."

Asked if the drawings for 36" pipes have been finalised; the Ministry have stated that:

"The drawings for 36" dia pipe culverts were not finalised because of the meagre requirements and also because these were not to be procured."

2.14. The Audit Paragraph points out that on the basis of tenders invited in July 1970 offers from two Indian firms and one foreign firm had been received. Indian Firm 'A' (M/s. Spun Pipe India Pvt. Ltd., New Delhi) had quoted Rs. 78 and Rs. 130 per metre respectively for 24" and 30" pipes as per Indian Standard Specification. The other Indian Firm 'B' (M/s. Spun Pipe & Construction Company of India, Ltd., Bombay) had quoted Rs. 390 and Rs. 410 per metre respectively for these pipes according to the Defence drawings. Assuming that the lower offer of M/s. Spun Pipe India Pvt. Ltd. would meet their requirements, the Army Headquarters modified (February 1971) the value of their indent to Rs. 18.12 lakhs on the basis of the tendered rates and a fresh assessment of requirements.

2.15. The Audit Paragraph further points out that in March 1971, the DGS&D asked Army Headquarters for a specific confirmation that the pipes offered by M/s. Spun Pipe India Pvt. Ltd. would be acceptable. Army Headquarters then got the matter examined by the Defence Inspectorate and found that these would not meet their requirements. The Committee wanted to know the considerations on which the Army Headquarters had modified the value of the indent on the basis of the offer of M/s. Spun Pipe India Pvt. Ltd. without verifying the suitability of I. S. I. specification pipes. In a note furnished to the Committee in this regard the Ministry of Defence stated:

"The rates in the indent are estimated rates and are normally incorporated based on the lowest rates available. In case of substantial variance at the time of the receipt of tender the DGS&D invariably obtains confirmation for provision of additional funds. In this case also, the DGS&D on receipt of tenders, had asked us to provide additional funds as the rates

received were higher than the estimated ones. In the meantime amendments to the holding had been notified by ASO, a fresh provision review was therefore, carried out and the indent was amended giving the revised quantities and the revised cost based on the lowest quotation considering *inter-alia* that the specifications might meet technical requirements. However there is nothing on record to show the basis of provision of lowest rates based on ISI specifications. In order to ascertain confirmation in this regard, the matter was referred to the actual users on 27 April 1971, who later informed on 22nd May, 1971 that NP3 pipes conforming to ISI specifications were not suitable and as such not acceptable”.

2.16. Asked whether firms M/s. Spun Pipe India Pvt. Ltd., New Delhi and M/s. Spun Pipe and Construction Company of India. Ltd., Bombay were inter-related, the Ministry of Defence have stated:

“We have no information whether the firms M/s. Spun Pipe India Pvt. Ltd., New Delhi and M/s. Spun Pipe and Construction Company of India Ltd., Bombay are inter-related. Ministry of Supply/DGS&D have however, stated that the firms are not inter-related.”

2.17. It has been stated in the Audit Paragraph that the case for procurement of pipes from M/s. Spun Pipe and Construction Company of India, Ltd., Bombay involving an additional expenditure of Rs. 41.88 lakh was considered by Government during August-October 1971, but the rates were considered exorbitant and no orders were placed. Asked whether the decision of Government in this regard was influenced by the fact that the costs were grossly under-estimated by the Army Headquarters initially, the Ministry replied in the negative and added:

“For the processing of the case for sanction of additional funds, certain details/clarifications were necessary, but before these could be obtained and the issue finalised, the validity of this offer of firm had expired.

In the meantime, fresh census return was received from ASO. It was, therefore, decided to carry out fresh provision review and initiate revised indent on DGS&D.”

2.18. The Committee desired to know why the revised indent stated to have been initiated in June 1972 on the basis of reassessed requirements of pipes including 48” pipes, drawings for which had been finalised by then by the Army Headquarters in December 1971 was received by the

DGS&D in October 1972 without any specifications and who was responsible for the lapse. The Ministry, in a note, have stated:

“The time-lag between initiation of indent on 15-6-72 and consequent submission to DGS&D is on account of the following:—

- (a) Indent was forwarded to CIE, on 16 June, 1972 for vetting and return to Army HQ/E-in-C Br. This was necessary because in case of any observation by CIE, necessitating amendment to the indent, the same was desired to be carried out by ADQ/E-in-C's Br. Before submission of indent to the DGS&D.
- (b) On 15-7-72, CIE asked for issue of certain amendments to the indent. Simultaneously they informed that no specifications were available for pipe culverts, but that they were sending separately 10 sets of metricised drawings.
- (c) On 8 Aug., 1972, CIE, forwarded 10 sets of drawings to E-in-C Branch. On 16 Sept., 72 indent with drawings was forwarded to DGS&D, New Delhi, for procurement action.
- (d) On 5 Oct., 1972, CIE also forwarded 5 copies of the vetted indent to the DGS&D New Delhi.

As seen from the above, the time-lag from the date of initiation of indent and its submission to DGS&D was due to vetting of the indent and forwarding of drawings. The formulation of drawings and specifications is the responsibility of AHSP. Since only the drawings were available, the same were forwarded to the DGS&D.”

2.19. Asked how it came to be known only in February 1973 that even the drawings cited in support of the earlier indent were not correct when the same authority had cited these drawings while vetting the indent in October 1972 and whether the drawings indicated in October 1972 were duly sealed as authorised, the Ministry in a note have clarified:

“When the indent was placed in June 1972, the designs for pipe culverts of different sizes were not available. The drawings produced by Research and Development were, however, quoted in the tender enquiry as the requirement of pipe culverts was urgent. But since no user trials on culverts based on these drawings had been carried out, CIE..... were entrusted the job of preparation of drawings after studying the pipe culverts held in stock. In this connection, a copy of CIE..... letter dated 27-2-73 and a copy of DPIE

letter dated 10-8-73 are enclosed as annexures I and II. Since the job of preparation of revised drawings meeting better technical requirements was completed before the opening of the Tender Enquiry in 1973, it was considered advisable to procure pipe culverts based on these revised drawings.

Drawings in respect of pipe culverts of 48" dia were sealed, but information with regard to 24" dia and 30" dia culverts is not readily available."

2.20. It is seen from the Audit Paragraph that after inviting tenders in September 1973, contracts were concluded by the DGS&D in October 1974 with two firms M/s. Spun Pipe and Construction Company of India Ltd., Bombay and M/s. Appliances Manufacturing Company, Faridabad, which was recommended by the Chief Inspector for small orders. Asked to state the reasons for wide variations in the rates on which orders were placed on these two firms, the Ministry have informed in a written note:

"Department of Supply|DGS&D have stated that orders on firms 'B' and 'C' were placed by them at the tendered rates. No 'Last Purchase Price' was available with the DGS&D in as much as the Pipe Culverts under reference were being procured for the first time through the indigenous source. In the absence of any Cost Cell in the DGS&D, no detailed cost examination of the stores was undertaken by them to verify the reasonableness or otherwise of the prices quoted by the two firms in question. The Department of Supply have stated that the wide variations in the rates of the two firms may be due to their production technique, labour charges, over-heads and profit margin etc."

2.21. M/s. Spun Pipe and Construction company of India Ltd., Bombay and M/s. Appliances Manufacturing Company, Faridabad, were required to submit advance samples to the Chief Inspector for test and approval by December 1974/January 1975 but neither of the firms had complied with the requirement upto August 1975 though the delivery period was dependent on the approval of these samples. The Committee enquired whether the firms had since supplied the samples for test and approval and if so, whether these were found acceptable. In a note, the Ministry have stated:

"M/s. Spun Pipes and Construction Company of India Ltd., Bombay, had not submitted any sample. Though M/s. Appliances Manufacturing Company, Faridabad, had sent the

†M/s. Spun Pipe and Construction Company, Bombay.

†M/s. Appliances Manufacturing Co., Faridabad.

sample on 25 December, 1975, the same was rejected by CIE,The firm could not produce acceptable sample thereafter."

2.22. Asked what action was taken against the firms for the delay, the Ministry have stated:

"The A/T placed on M/s. Spun Pipes and Construction Company of India Ltd., Bombay, has been cancelled by the DGS&D without any financial repercussions on 5-6-76. The A/T placed on M/s. Appliances Manufacturing Company, Faridabad, has since been cancelled by the DGS&D at the risk and cost of the firm on 5-11-1976. It has been intimated to the DGS&D that potential loss of Rs. 14.07 lakhs and actual loss of Rs. 7,92,680/- has been suffered. They have been asked to recover the total loss actual and potential from the firm."

2.23. Explaining the action proposed to be taken to obtain the stores, the requirement of which was stated to be operational, the Ministry in a note, have stated:

"DGS&D had indicated that there was no indigenous source for supply of these pipe culverts, and as such, these could be imported for which necessary foreign exchange and DGTD clearance was required. Since the proposal of DGS&D is not acceptable, the procurement action is being initiated through Tender Purchase Committee, ESP Dte|E-in-C's Branch."

2.24. The Committee note that an indent was placed by the Army Headquarters on the DGS&D in September 1969 for procurement of pipes (Culverts) of different sizes required for Engineer Theatre Stores Reserve (E.T.S.R.). The indent was accorded 'operational priority' as the pipes were required urgently (by December 1970). However, due to various acts of omission and commission the supplies did not materialise.

2.25. The Committee find that the indent placed in September 1969, in respect of 4 sizes of pipes, i.e., 24", 30", 36" and 48", dia. had to be modified a few months later since the drawings in respect of 36" and 48" pipes were not available. A revised indent was placed in March 1970 excluding these two sizes of pipes. Drawings for 48" pipes which had not been introduced in service till then could be finalised only in December 1971. As regards 36" pipes, the Committee understand that these were introduced long ago and "their paper particulars were not available". Due to meagre requirement of such pipes, it was decided to drop procurement action for them. However, as pointed out in the Audit paragraph, pro-

curement action in respect of the other two sizes of pipes i.e. 24" and 30" dia. could also not be proceeded with as offers from both the indigenous firms were found to be unsuitable.

2.26. Based on a reassessment of requirements in December 1971 a fresh indent was placed in June 1972 for 24", 30" and 48" pipes. This was received by the DGS&D only in October 1972 as it had to be routed through the Chief Inspector (Engineering Equipment), who was asked to update the drawings. No specifications for any of these pipes were, however, made available. Later in February 1973, it transpired that the drawings cited in July 1972 in support of the indent were not approved through user trials.

2.27. The Committee understand that when the indent was placed in June 1972, the designs for different sizes of pipes were still not available. Some drawings made by R&D were, however, available, but no user trials on culverts based on these drawings had been carried out. "The requirement of pipe culverts was urgent, as such, drawings prepared by R&D were quoted in the tender enquiry." However, the job of preparing the drawings was accorded high priority and completed in September 1973, i.e., well before opening of the tender enquiry in December 1973.

2.28. It is strange that even though the requirement was urgent, the drawings in respect of 24" and 30" pipes became available only in September 1973, i.e., 4 years after the original indent was placed. Finalisation of the drawings for 48" pipes was also proceeded with in a leisurely manner and it took as many as 20 months (April 1970 to December 1971) for the Research and Development Establishment Engineers to finalise them and get them sealed with the Chief Inspector (Engineering Equipment) who is the Authority Holding Sealed Particulars.

2.29. The Committee are surprised to learn that "drawings in respect of pipe culverts of 48" dia. were sealed, but information with regard to 24" and 30" dia. culverts is not readily available." The Committee cannot countenance any laxity in a vital matter like this and would, therefore, like the matter to be probed into in depth with a view to find out whether the drawings were actually sealed or not as per extent instructions and to fix responsibility for lapse, if any, in this regard. The Committee would also like to be apprised of the action since taken to plug the procedural/institutional loopholes, if any, so that such type of cases do not recur.

2.30 The Committee find that the Army Headquarters were initially of the view that the offer of M/s. Spun Pipe India Pvt. Ltd. New Delhi, to supply according to I. S. I. specifications would meet their requirements, they changed their view when the DGS&D sought for a specific confirmation

to that effect in March 1971 before placing the order. The explanation that "the indent was amended giving the revised quantities and revised cost based on the lowest quotation considering inter-alia that the specifications might meet the technical requirements is wholly unconvincing especially when according to the Ministry "there is nothing on record to show the basis of provision of lowest rates based on ISI specifications". The fact of the matter is that the opinion of the Defence Inspectorate which found them to be unsuitable was obtained only after DGS&D raised the matter and not before.

2.31. The Committee however, observe that the Army Headquarters appear to have been from the very beginning somewhat unsure not only of the specifications of pipes but also about the actual quantity as would be seen from the wide divergence in the figures of requirements as assessed in September 1969 and June 1972*. The Committee understand that a reconciliation of figures in September 1970 revealed that there was discrepancy in the Report submitted by the Army Statistical Organisation which necessitated amendment of the indent in February 1971. A fresh provision review carried out in December 1971, however, revealed further variation in the requirements and a fresh indent had to be formulated.

2.32. The Committee are inclined to think that the methodology of assessing the requirements leaves much to be desired. The Committee cannot too strongly emphasise the need for making a careful and realistic assessment of requirements so that procurement action is proceeded with on a firm basis. The Committee trust that the system of forecasting the requirements would be streamlined with this end in view.

2.33. The Committee further observe that against the tenders invited in September 1973, two contracts were concluded with M/s. Spun Pipe and Construction Company of India Ltd., Bombay and M/s. Appliances Manufacturing Co., Faridabad in October 1974 at widely divergent rates. However no supplies materialised since M/s. Spun Pipe and Construction Company of India Ltd., Bombay did not submit any sample while that submitted by M/s. Appliances Manufacturing Co., Faridabad as late as 25 December, 1975 was rejected by the Chief Inspector (Engineering Equipment) and the firm did not submit any acceptable sample thereafter.

*Relevant figures are as under :

	September 1969 (in metres)	June 1972 (in metres)
24"	90·027	1,000
30"	12,844·185	5,000
36"	30·480	..
48"	6,862·000	2,000

2.34. The Committee are further informed that DGS&D had indicated that there was no indigenous source for supply of these pipe culverts, and as such, these could be imported for which necessary foreign exchange and DGTD clearance was required. Since the proposal of DGS&D is not acceptable, the procurement action is being initiated through Tender Purchase Committee, ESP Dte/E-in-C's Branch.

2.35. The Committee are unable to appreciate how Government have allowed the question of procurement of pipes required for defence to be dragged on for nearly six years without taking any conclusive action to procure them. The Committee would like that the matter should be gone into thoroughly and action as necessary taken to procure such stores as are essential for defence requirements without further delay, keeping in view the prescribed procedures.

2.36. Another intriguing feature of the case is that there should be such wide variation in the rates at which orders were placed with M/s. Spun Pipe and Construction Company of India Ltd., Bombay and M/s. Appliances Manufacturing Co., Faridabad (Rs. 375.90 per metre with M/s. Appliances Manufacturing Co., Faridabad as against Rs. 660.00 with M/s. Spun Pipe and Construction Company of India Ltd., Bombay for 30" dia. Pipes, and Rs. 714.70 as against Rs. 1475.00 per metre for 48" dia. pipes). It is a moot point whether DGS&D should have thoroughly gone into the matter before agreeing to such disparate rates, as the Committee find that supplies from none of these sources materialised.

III

CARGO ROPEWAY

Audit Paragraph

3.1. In order to meet operational requirements, a 12.7 mile cargo ropeway with a designed capacity of 40 tons per day was taken over by the Army in November 1963 from an authority. The ropeway was in a poor state of maintenance. Out of 87 trolleys in different stages of serviceability only 33 were capable of being put on the line. An expenditure of Rs. 3.55 lakhs had to be incurred on the commissioning of the ropeway.

3.2. In December 1965, the Corps Commander sanctioned an expenditure of Rs. 12.00 lakhs for provision of 72 trolleys and spares etc. to increase the working capacity of the ropeway from 10/15 tons to the designed capacity of 40 tons per day. Two years later (December 1967), the sanction was revised to Rs. 20.20 lakhs to cover 183 trolleys (with necessary storage sheds, approach, extension etc.) and standby diesel engines. Accordingly, 183 trolleys were purchased at a cost of Rs. 8.76 lakhs: 72 trolleys (Rs. 4.39 lakhs) in May 1967 and 111 trolleys (Rs. 4.37 lakhs) during April—November 1969. In addition an expenditure of Rs. 6.32 lakhs was incurred on the purchase of spares and other works. Even after incurring an expenditure of Rs. 15.08 lakhs (mainly during 1966-67 to 1969-70) the capacity of the ropeway could be increased only to 19/22 tons per day as against 40 tons per day envisaged. The cost of transportation of stores by ropeway during 1968-69 to 1972-73 was as under:

Year	Cost per ton
1968-69	Rs. 71.70
1969-70	183.37
1970-71	68.00
1971-72	537.00
1972-73	566.57

3.3. Based on a trial carried out in July 1970 the cost of transportation by road worked out to Rs. 60.90 per ton.

3.4. Out of a total holding of 270 trolleys 99 were written off in February 1966 and June 1968, and 110 are reckoned as beyond economical repair/unserviceable, leaving a balance of 61 trolleys (August 1975).

3.5. The details of the tonnage hauled through the ropeway and the expenditure incurred on its operation and maintenance are indicated below:

Year	Tonnage hauled	Year	Expenditure Rs. in lakhs
1966	5,228	1966-67	2.47
1967	5,936	1967-68	2.71
1968	3,541	1968-69	2.59
1969	1,472	1969-70	2.70
1970	3,485	1970-71	2.36
1971	635	1971-72	2.07
1972	591	1972-73	2.04
1973	..	1973-74	1.61
1974	..	1974-75	0.72*

3.6. After 1970, the ropeway was used only as a standby and operated once a week. After 1972 it was not used at all as the Army had no requirements to operate the system. Expenditure on the maintenance staff, however, continued to be incurred. In January 1974 it was considered that the ropeway was not technically workable and had no utility at its existing site. The cost of dismantling and reinstallation elsewhere was considered prohibitive. It was, therefore, decided to dispose of the ropeway: the decision has not yet been implemented (December 1975).

3.7. The Ministry of Defence stated (December 1975) that the designed capacity could not be achieved even after procurement of 183 trolleys (during 1967 and 1969) due to the non-availability of counter-load on the return journey and the incidence of falling of trolleys. Also the trolleys could not carry the rated load of 250 kg. The Ministry added that with the development of roads in the area, the carrying of loads through the ropeway was more expensive as compared to road transport and that the

*[Note:—The expenditure incurred on maintenance of the ropeway during 1975-76 (upto December 1975) amounted to Rs. 71.546]

Ministry of Home Affairs is consulting the authority (from whom the ropeway was taken over by the Army) about alternative use of the ropeway.

[Paragraph 38 of the Report of the Comptroller and Auditor General of India for the year 1974-75, Union Government (Defence Services)].

3.8. Giving a brief history of construction of the cargo ropeway and the circumstances under which it had been taken over by the Army in November 1963, the Ministry of Defence have stated in a note:

“The cargo ropeway was constructed between 1957—60, mainly for the movement of cargo between Sikkim and Tibet, out of a loan given by the Government of India to the authority from whom the ropeway was taken over in the wake of the 1962 conflict, carrying stores and equipment in the sector assumed operational consideration. At that time the ropeway was considered essential for the purpose of carrying supplies to forward units. This load was approximately 65 tons per diem in peace-time and was expected to go up when situation hotted up. This was sought to be met by use of a fleet of 180×1 ton vehicles and supplemented by air drop and animal transport. It was necessary that this maintenance was secure, and capable of providing adequate support even in operational times. It was in this context that the readily available means of transport in the ropeway was taken over. A review in 1967 from the operational angle showed the continued necessity to hold on to it and that it would become indispensable if hostilities broke out. All other considerations were subsidiary and the work on the improvement of the ropeway was of repairs etc. and provision of adequate number of trolleys was inescapable.

No payment was to be made for the use of the ropeway and our liability was only its maintenance. Subsequently it was decided by Government in January 1974 that an amount of Rs. 2.5 lakhs invested when the ropeway was taken over and interest thereon (i.e. a total of Rs. 4 lakhs) should be paid from the Defence Services Estimates.”

3.9. Asked when the ropeway was commissioned and whether the economic viability of the proposal was examined in detail prior to its taking over, particularly in view of the fact that the ropeway was in a poor state of maintenance (only 33 out of 87 trolleys were capable of being put on the line), the Ministry informed the Committee that:

“the ropeway was commissioned in 1962..... The question of examining economic viability of the ropeway prior to its taking over in 1963 did not arise for the reasons mentioned above. In 1967 it was considered necessary to retain it on the basis of operational necessity. It was in 1972 with the road system having been built up a review showed that the use of the ropeway can be dispensed with. The capacity was built up to meet the likely maximum load it was to carry when circumstances warranted and it did not imply that every day the rated capacity of load will be carried.”

3.10. According to Audit Paragraph, 183 trolleys were purchased at a cost of Rs. 8.76 lakhs—72 in May 1967 and 111 during April—November, 1969. The Committee enquired about the total number of trolleys required to run the ropeway to full capacity on the sections actually put to use and the reasons for a delay of 3½ years (November 1963—May 1967) in the induction of additional trolleys on the ropeway. The Ministry of Defence replied:

“The ropeway was designed to carry 40 tons of load per day with 102 trolleys.....The ropeway was in a bad state of maintenance when it was taken over in November 1963 and the following works had been carried out before the ropeway could be properly operated:—

- (a) Changing of the site roller and jaw springs of the gripping systems of all available and serviceable carriers.
- (b) Repairing 25 Nos. of carrier hangers.
- (c) Granting of majority of trestles in the last section.
- (d) Execution of new telephone line.
- (e) Overhaul of engines.
- (f) Procurement of 2 years running spares ex-UK.

After the completion of the above works, when the ropeway was operative, a work was sanctioned in December 1965 for the provision of 72 trolleys. This sanction was revised in Decem-

ber 1967 for provision of 111 additional trolleys with a view to achieve its rated capacity. The first lot of trolleys materialised in May 1967, and the second lot during the period April 1969 to November 1969."

3.11. Asked whether the standby engines envisaged in the revised sanction of December 1967 were actually procured, the Ministry stated:

"These were received from Messrs. Voltas in damaged condition and as such the supply order was cancelled."

3.12. Although 183 new trolleys had been inducted into service and an additional expenditure of Rs. 6.32 lakhs was incurred on the purchase of spares, etc. the Audit Paragraph points out that the capacity of the ropeway could be increased only to 19/22 tons per day as against 40 tons per day envisaged and that out of a total holding of 270 trolleys 99 were written off during February 1966—June 1968 itself and another 110 were reckoned as beyond economical repair/unserviceable.

The Committee, therefore, desired to know the reasons for a very large number of trolleys (209 out of 270) having been written off/condemned as unserviceable inspite of the fact that the ropeway had apparently been utilised below its capacity. The Committee also desired to know whether any responsibility had been fixed for this loss. The Ministry stated:

"The fact that the ropeway had been utilised well below its capacity has not much bearing on the loss of trolleys. The ropeway did not have sufficient load on return journey as it was designed on mono-cable system and driven by diesel engine. It required counter-load or balancing load for minimising the sag and maintaining uniform speed of the rope. In the initial stages, due to non-availability of counterload from high altitude (i.e. return load) sag in the ropeway increased and the speed of the engine as well as trolleys varied due to variable momentum on the rope which caused jerking in the rope and due to this, the gravity control jaw of the trolleys fell from the grip and trolleys fell down. Further the loading of the trolleys was not consistent. They could not be loaded to full capacity of 250 kgs. due to varying types of barrels etc. As a result thereof, adequate pressure between the rope and sheeves/pulleys could not be built up, thereby causing the rope to come off the sheeves. Consequently trolleys fell. As no human factor was involved in the above, no responsibility, as such, could be fixed for the loss."

3.13. Regarding writing off/disposal of the condemned trolleys, the Ministry have furnished the following information:

"The condemned trolleys have been written off/disposed of as under:—

(a) No. written off on expense voucher on 9 Feb., 1966	46
(b) No. written off on expense voucher on 19 June, 1968	53
(c) No. in stores	7
(d) No. not yet recovered	1
(e) No. serviceable in workshop	49
(f) $\frac{1}{2}$ No. unserviceable and BER and yet to be disposed of	110
(g) No. in mode room	4
TOTAL	270

The trolleys will be handed over to the State Government when they take over the ropeway."

3.14. The ropeway was operated from the date of its take over in November 1963 with 87 trolleys of which only 33 were serviceable. In this connection the Committee learnt from Audit that 46 trolleys were written off in February 1966 leaving a balance of 41 trolleys. Thus the cargo handled with 41 trolleys (33 serviceable), according to the details of the tonnage hauled through the ropeway mentioned in the Audit Paragraph, was 5,228 tons in 1966 and with the addition of 72 trolleys in May 1967, the cargo handled during that year amounted to 50,936 tons. The Committee were also given to understand that 53 trolleys were written off in June 1968 leaving a net holding of 60 trolleys. The total cargo handled in 1968 was 3,541 tons which dropped sharply to 1,472 tons in 1969. The Committee, therefore, enquired about the justification for inducting 111 trolleys during April—November, 1969. The Ministry stated:

"Though 111 additional trolleys were inducted during April—November 1969, sanction for the same was accorded in Dec., 1967 when considerable use of the ropeway was being made. A direct correlation between the number of trolleys inducted and the load carried will not be apt as other trollies would have become unserviceable in stages. Further the load to be carried to the units and the time frame in which they are to be transported are fluctuating factors depending upon operational requirements. The trolleys inducted for were required, if the desired capacity was to be built up and maintained."

3.15. The Audit Para points out that the Ministry of Defence had stated (December 1975) that the designed capacity could not be achieved even after the procurement of 183 trolleys on account of non-availability of counter load on the return journey and the incidence of falling of trolleys. It is understood in this context that the Chief Engineer, Bengal Zone, had suggested to the Chief Works Engineer in September, 1967 to consider the feasibility of loading the trolleys with stone ballast on the return journey and its disposal by sale to the highest bidder through contract. The Committee desired to know whether the suggestion to use the stone ballast as return load was considered and if so, what was the result thereof. The Ministry, in a note, have stated:

“Yes. At one stage as a trial, stones were transported as return load from various ropeway stations to balance the carriage of forward loads. Cost of transportation of one ton of stores as assessed in July 1970 worked out to Rs. 246.57.”

3.16. The Committee also learnt from Audit that the road covering the area served by the ropeway was taken over by the Border Roads Organisation in May 1964 and by November 1966 it could make the road in proper class 9 state. The Committee, therefore, desired to know the condition of the road at the time of take over of the ropeway in November 1963 and later when an expenditure of Rs. 12 lakh was sanctioned (December 1965) and revised to Rs. 20.20 lakhs (December 1967) for the provision of additional trolleys, spares etc. The Committee also enquired about the actual utilisation of the road *vis-a-vis* the ropeway during the periods in question. The Ministry stated:

“The road in the sector was a mule track before 1953. From 1953 to 1958 the road was made jeepable by CPWD in the overall plan to improve communications in the area. The road was made class 9 after 1962 upto the place the Ropeway was operational. Although the road was termed class 9 it had very steep gradients and the radius of curves was very sharp. It was brought to proper state of class 9 by Nov., 1966.

No records are available to work out the load carried by road. It is not possible at this stage to work out the information called for. Utilisation of roads till they stabilised would have depended on availability/serviceability of vehicles and condition of the road.”

3.17. The Audit Paragraph has pointed out that a trial carried out in July 1970 showed that transportation of stores by the ropeway was costlier

than transportation by road. The Committee wanted to know the reasons for not carrying out such trials before sanction was accorded (December 1965/December 1967) for increasing the capacity of the ropeway. The Ministry, in a note, have stated that the assessment for retention of the ropeway and its continued use was made on the basis of operational requirements already explained and as long as this necessity existed there was no question of making an assessment of economics of the arrangements.

3.18. The Audit paragraph points out that after 1970 the ropeway was used only as a standby and operated once a week and that after 1972 it was not used at all. It would thus appear that the bulk of the investments were made on the ropeway long after its take-over and just prior to its near total abandonment. Clarifying the position, the Ministry stated that the final decision to abandon the ropeway was taken in November 1972 whereas major investments were sanctioned in 1965—67.

3.19. Asked whether a decision on the alternative use of the ropeway which became redundant in 1970 has since been taken, the Ministry replied:

“The Ministry of Home Affairs have issued instructions to the Chief Secretary, State Government for taking charge of the ropeway from the Ministry of Defence. Army HQ have also issued suitable instructions to the HQ Eastern Command that the ropeway may be handed over to an agency to be nominated by the State Government. The State Government has been approached in this regard but they have not nominated any agency so far to take over the ropeway.”

3.20. The Committee note that in November 1963 the Ministry of Defence took over a cargo ropeway from an authority to meet operational requirements of the Army in a forward area. Although no payment was to be made for use of the ropeway, Government was liable for its maintenance. The ropeway was constructed between 1957—60 but was commissioned in 1962 only. At the time it was taken over by the Army “the ropeway was in a bad state of maintenance.” 87 trolleys were in different stages of serviceability and of these only 33 were capable of being put on line. An amount of Rs. 3.55 lakhs had to be incurred on a number of works to commission the ropeway. These took about 3½ years to complete (November 1963 to May 1967).

3.21. The Committee note that a further amount of Rs. 35 lakhs was spent on the ropeway—Rs. 15 lakhs on purchase of 183 new trolleys, spares

etc. and about Rs. 20 lakhs on its operation and maintenance during the period 1966—75.

3.22. The Committee further observe that the tonnage hauled by the ropeway tapered down from 5936 tons in 1967 to 591 in 1972. In fact, the ropeway was used only as a standby after 1970 and operated once a week and after 1972 it was not used at all. The cost of transportation of stores by the ropeway varied enormously from year to year, ranging from Rs. 68 in 1970-71 to Rs. 566 in 1972-73 whereas the cost of transportation by road was worked out in July 1970 to be Rs. 60.90 per ton only. The Committee further note that the question of examining the economic viability of the ropeway was not considered by the authorities concerned and the plea put forward is that the ropeway was retained purely for operational considerations.

3.23. The Committee observe that even after incurring an expenditure of Rs. 15 lakhs on purchase of trolleys, spares, works etc. the capacity of the ropeway could be increased only to 19/22 tons per day as against 40 tons envisaged. The actual utilisation was much less—the maximum being a bare 16 tons per day on an average in 1967. The Committee find that since the ropeway was designed on mono-cable system and driven by diesel engine, it required counter or balancing load for minimising the sag and maintaining uniform speed of the rope. It was the non-availability of counter load and also because of the varying types of barrels that adequate pressure between the rope and the sheeves/pulleys could not be built up and the trolleys fell making them unserviceable. Thus, out of a total holding of 270 trolleys, as many as 209 had to be written off/condemned as unserviceable, leaving only 61 serviceable trolleys as in August 1975.

3.24. So far as operational reasons for acquiring/retention of the ropeway are concerned, the Committee find that the road serving the area had been brought to proper class 9 stage by November 1966. On the other hand, the revised sanction for purchase of 183 trolleys was issued a year later, i.e. in December 1967. The Ministry stated that "a review in 1967 from the operational angle showed continued necessity to hold on to it and that it would be indispensable if hostilities broke out."

3.25. In this context the Committee would like to point out that the Chief Engineer, Bengal Zone had pointed out as early as in September 1967 that "the ropeway design is based on balanced loading both on forward and reverse directions and as such, it is imperative that the return loads are also provided." The least that the Army authorities should have done was to make sure that the ropeway as designed could in fact carry the load in an

assured manner to meet the operational requirements in the event of hostilities breaking out etc. The Committee need hardly point out that had this matter been gone into critically, the Army authorities would have realised that the ropeway as designed suffered from basic handicaps and that unless these were set right, it would not be prudent to invest large sums of money by ordering additional trolleys, undertaking works etc. at an expense of Rs. 15 lakhs.

3.26. Another aspect which the Army authorities should and ought to have fully taken into account was the development by November 1966 of the road between these two operational points by the Border Roads Organisation to the level of Class 9. Instead of investing more money in trolleys which suffered damage and became unserviceable due to inherent flaw in the design of the ropeway, it would have obviously been better to invest a part of this money for effecting improvements in road and/or acquiring additional road transport to meet any operational contingency. In any case, the Committee cannot see why the Army authorities did not take effective action to cancel the order for the additional 183 trolleys in 1967 after it had come to notice that the ropeway suffered from this basic design flaw and saved at least Rs. 8.76 lakhs spent on additional trolleys.

3.27. As mentioned earlier, the Chief Engineer, Bengal Zone had suggested in his letter of September 1967 that the return loads from the higher point could consist of stone ballast which could be arranged to be disposed of through contracts etc. It appears from the information made available to the Committee that though at one stage, stones were transported on a trial basis, the matter was not pursued conclusively with the result that the basic flaw in the smooth operation of ropeway was allowed to persist.

3.28. The Committee note that a final decision to abandon the ropeway was taken only in November 1972 after a review had revealed that the road system having been built up and 'having regard to the tasks assigned to the Forces at the sector and the facilities available for keeping up supplies to the area it was found that the ropeway could be dispensed with.' The Committee have no doubt that the meagre quantity of load carried by the ropeway could have been easily diverted to road and the ropeway dispensed with five years earlier in 1967 itself.

3.29. The Committee regret to point out that this belated decision to hand back the ropeway to the civil authorities still remains to be implemented. The Committee stress that apart from expediting the transfer of the ropeway to civil authorities, it would be advantageous to have the design

and economics of the ropeway examined by experts so as to take a well-informed decision in best public interest.

NEW DELHI;

September 30, 1977.

Asvina 8, 1899 (S).

C. M. STEPHEN,
Chairman,

Public Accounts Committee.

APPENDIX

Statement showing the Conclusions/Recommendations

Sl. No.	Para No.	Ministry/Department Concerned	Conclusion/Recommendation
1	2	3	4
1	1.37	Department of Defence Supplies/Ministry of Defence	<p>The Committee note that in June 1966 the Defence Research and Development Organisation developed a new design of kitable body having maximum number of common components for Nissan as well as Dodge 1-Ton chasis. It was claimed that the kitable body would offer advantages in production, maintenance inter-changeability and ease of stocking in depot. The design was approved by the Army Headquarters for introduction into service in November 1966. However, it was only in October 1967 that the Department of Defence Production in consultation with the Director General of Ordnance Factories, confirmed the switch-over from composite to kitable bodies for these vehicles from November 1968. According to the Ministry, this time-lag was to take into account the lead time for production of the kitable bodies by the trade sources. In January 1968 the DGOF located a trade source in Messrs. Globe Motors, New Delhi and placed order on them for 1,500 number of kitable bodies. The firm could not for various reasons keep up to the schedule and could supply only 475 bodies till April 1971, when it was decided by the Department of Defence Production to refer the matter to the Department of Defence/Supplies for location of alternative sources.</p>

1	2	3	4
2.	1.38	Department of Defence Supplies/ Ministry of Defence.	<p>The Committee further note that when some supplies from the source located by DGOF (Messrs. Globe Motors, New Delhi) had started arriving in the Vehicle Factory and these were fitted on Nissan 1-Ton vehicles, certain disadvantageous design features of the kitable bodies began to come to light. The design features which were reported as disadvantageous by the General Manager, Vehicle Factory in June 1972 were:</p> <ul style="list-style-type: none"> (i) Three main parts of the body were held together by bolts as against welded construction in the composite bodies. (ii) The number of mounting stools for kitable body was only six as against twelve in the composite body. (iii) The extra stools in case of imported chassis would need to be removed by flame cutting to suit the kitable body.
3.	1.39	Do.	<p>The General Manager is also reported to have stated that the kitable body would be costlier than the composite body by Rs. 548 per vehicle (as against Rs. 245 estimated earlier) but this did not take into account the saving by way of lower transportation cost as the vehicle would not have to be moved to the premises of the fabricators.</p>
4.	1.40	Do.	<p>The Committee observe that before the above disadvantages came to light, formal orders had already been placed in January 1972 by the Department of Defence Supplies on M/s. Sion Garrage (P) Ltd., Bombay for 3,000 kitable bodies (value Rs. 81.75 lakhs) and letters of intent issued to three other firms [M/s. Punj Sons (P) Ltd., New Delhi, M/s.</p>

Jayanand Khira and Co. (P) Ltd., Bombay and M/s. New Model Industries (P) Ltd., Jullundur City] for 2,250 bodies in May 1972. In spite of the General Manager's request for reconsideration of the decision, the Department of Defence Supplies in consultation with the Director General, Ordnance Factories placed formal orders on the latter three firms in August 1972 (value Rs. 57.45 lakhs). However, soon thereafter in September 1972, on a further review of the matter by the Department of Defence Production and the Department of Defence Supplies, it was decided to foreclose the orders for kitable bodies except for quantities already fabricated or partly fabricated and to substitute the rest by composite bodies.

5. I.41 Do.

The Committee are unhappy over the way the project for switch-over from composite to kitable bodies for Nissan/Dodge 1-Ton chassis was handled by the concerned Departments of the Ministry of Defence. The Committee find that one of the main advantages in production *i.e.*, maximum number of common components for Nissan and Dodge 1-ton chassis had no relevance *ab initio* since it was known by that time that Dodge 1-ton chassis were not likely to be inducted into service any more. The estimated extra cost of Rs. 245 per vehicle also proved to be a gross underestimate since the kitable body actually cost as much as Rs. 548 more than the composite body.

6. I.42 Do.

The Committee are constrained to point out that the time lag of two years from November 1966 to November 1968 between the approval of the design by the Army Headquarters and the date of switch-over proposed by the Department of Defence Production should have been utilised for conducting extensive trials on the prototypes of the new design. The Committee have no doubt that had this been done the disadvantages

1	2	3	4
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of the kitable body which came to light in June 1972 could have been realised much earlier.

7	I.43	Department of Defence Supplies/ Ministry of Defence	<p>The Committee are indeed surprised that in case of a developmental item like this the Department of Defence Production did not bother to carry out even a cost-benefit evaluation of the change-over before giving clearance for the new design. It took four years and eight months for the Department to discover the disadvantageous features of the kitable body and the high extra cost involved. It is unfortunate that even though as many as 475 kitable bodies had been obtained through a trade source between January 1968 and April 1971, firm conclusions as to the basic utility and economics of the change-over were reached only by September 1972 by which time bulk orders for 5,250 kitable bodies had already been placed on as many as four firms. The Committee consider that if only the various Departments concerned with the project <i>i.e.</i>, the Defence Research and Development Organisation, the Department of Defence Supplies, the Department of Defence Production, the Director General, Ordnance Factories and the Vehicle Factory had worked in close concert and shown sufficient concern about the technical and financial implications of the change-over, the project would not have been proceeded with in this manner.</p>
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8	I.44	Do.	<p>The Committee take a serious view of the regrettable action of the Department in deciding to place further orders on M/s. Punj Sons, M/s. Jayanand Khira and M/s. New Model Industries in August 1972 inspite</p>
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of the specific request of the General Manager of the Vehicle Factory for reconsideration of the decision about kitable bodies. The Committee are not convinced by the argument that "if the Department backed out of the commitment after having issued the letters of intent, it would project a very poor image of itself and such a step would be detrimental for the ambitious development programme that had been taken in hand." The data given in para 1.24 above would show that M/s. Sion Garrage had supplied only 50 kitable bodies before it was decided in September 1972 to foreclose the contract. M/s. Jayanand Khira & Co. supplied in all 51 kitable bodies between March and December 1973. No supplies were received from M/s. Punj Sons and M/s. New Model Industries. The Committee consider that under the circumstances Government would have been well advised not to follow-up post haste the letter of intent by firm order in August 1972 and instead negotiated the matter with the firms.

57

9.

1.45

Do.

The Committee find that the performance of M/s. Sion Garrage was singularly unsatisfactory. This is borne out by the fact that even though the price agreed to in this case was the highest as compared to that allowed to the other three firms and notwithstanding the fact that 'on account' payment of the order of Rs. 20.23 lakhs had been made to the firm in February 1972 representing 25 per cent of the value of the order, the firm could supply only 400 kitable bodies till March 1974 out of the total of 3,000 bodies contracted to be supplied by September 1973. Even the substitute order for 2,600 composite bodies placed in November 1973 remained unexecuted and had to be cancelled. In fact, the firm is said to have diverted the raw materials for the purchase of which 'on account' payment had been made, for execution of their other contracts. The Committee under-

stand that the outstanding amount of Rs. 17.53 lakhs has since been realised together with an agreed sum of Rs. 2 lakhs as interest. The Committee consider that apart from a thorough verification of the bonafides and capabilities of the firm before giving them a large order of Rs. 81.75 lakhs, it was incumbent on the Government authorities concerned to make sure that the material purchased by the firm from Government money was not diverted elsewhere. The Committee also desire that the circumstances in which an order for 3000 kitable bodies valued at Rs. 81.75 lakhs was placed on M/s. Sion Garrage at a rate much higher than that allowed to other firms, for the grant of special accommodation of 'on account' payment of Rs. 20.23 lakhs to the firm and for failure to observe vigilance against diversion of scarce raw materials and take remedial measures in time should be thoroughly probed by Government with a view to fixing responsibility. The Committee need hardly point out that in view of the unbecoming performance of the firm, more particularly the unauthorised diversion of Government funds on its part, effective action should be taken to see that the firm does not again defraud the Government in other contracts.

58

a 1.46

Department of Defence
Supplies/Ministry of
Defence

So far as M/s. Punj Sons are concerned, the Committee find that the order for 900 kitable bodies placed in August 1972 was converted to 850 composite bodies in November 1972. However, this firm was allowed Rs. 1,878 per body as against the lowest rate of Rs. 1,696 settled with M/s. New Model Industries, Rs. 1850 settled with M/s. Sion Garrage, and Rs

1875 with M/s. Jayanand Khira & Co. The rate of Rs. 1878 per body was allowed in this case not only for composite bodies substituted for kitable bodies (ordered by the Department of Defence Supplies) but also in respect of a further order for 1,350 composite bodies placed by the Department of Defence Production. The Committee note that the base price against this order was Rs. 1,696 on the basis of JPC prices. On the basis of steel being supplied partly from JPC and partly from open market, the unit price was determined from time to time and at one stage the price was Rs. 1,878. The other guiding factor in agreeing to this rate is stated to be that the stock position with the Vehicle Factory as in November 1972 had depleted to 150 numbers only and it was feared that the Vehicle Factory would come to a halt from January 1973.

II

I.47

Do.

The Committee, however, observe that about the same time (November/December 1972) the Ordnance Factory concluded contracts with two other firms (M/s. Hyderabad Allwyn and M/s. Simplex Metallics) for 4,100 composite bodies at Rs. 1,696 each (value Rs. 69.54 lakhs) plus an amount of Rs. 1.10 lakhs allowed as escalation. The Committee are not quite convinced by the argument put forth by the Ministry about the possible stoppage of production in the Vehicle Factory as a reason for agreeing to a price of Rs. 1878 and thereabouts with firms (M/s. Sion Garage, M/s. Punj Sons and M/s. Jayanand Khira & Co.) in view of the fact that agreements with three other firms (M/s New Model Industries; M/s. Hyderabad Allwyn and M/s. Simplex Metallics) were arrived at a cost of Rs. 1696 per body at about the same time. The Committee feel that earnest efforts should have been made to bring down the price as much.

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I**2****3****4**

as possible so that it was not much higher than Rs. 1696 which was settled to be paid to two other firms for supply composite bodies.

12**1.48**

Department of Defence
Supplies/Ministry of
Defence.

Another interesting aspect of the case is that the Department of Defence Supplies, the Department of Defence Production and the Ordnance Factory were concluding separate contracts for composite bodies at varying rates at about the same time. As pointed out in the Audit paragraph, this resulted in an extra expenditure of Rs. 8.4 lakhs. According to the Ministry, "procurement by three agencies was a unique event and occurred on account of special circumstances of the case" and that "the possibility of procurement of composite bodies by various authorities does not exist any more". The Committee have already drawn attention in para 1.43 above to the lack of coordination between the various Departments in processing kitable bodies as a developmental item. The Committee trust that necessary lessons would be drawn from Government's experience in this case so that such costly lapses do not recur.

13**2.24**

Ministry of Defence

The Committee note that an indent was placed by the Army Headquarters on the DGS&D in September 1969 for procurement of pipes (Culverts) of different sizes required for Engineer Theatre Stores Reserve (E.T.S.R.). The indent was accorded 'operational priority' as the pipes were required urgently (by December 1970). However, due to various acts of omission and commission the supplies did not materialise.

14**2.25**

Do.

The Committee find that the indent placed in September 1969, in respect of 4 sizes of pipes, i.e. 24", 30", 36" and 48" dia. had to be modified:

a few months later since the drawings in respect of 36" and 48" pipes were not available. A revised indent was placed in March, 1970 excluding these two sizes of pipes. Drawings for 48" pipes which had not been introduced in service till then could be finalised only in December 1971. As regards 36" pipes, the Committee understand that these were introduced long ago and "their paper particulars were not available." Due to meagre requirement of such pipes, it was decided to drop procurement action for them. However, as pointed out in the Audit paragraph, procurement action in respect of the other two sizes of pipes i.e. 24" and 30" dia. could also not be proceeded with as offers from both the indigenous firms were found to be unsuitable.

15 2.26 Ministry of Defence

Based on a reassessment of requirements in December 1971, a fresh indent was placed in June 1972 for 24", 30" and 48" pipes. This was received by the DGS&D only in October 1972 as it had to be routed through the Chief Inspector (Engineering Equipment), who was asked to update the drawings. No specifications for any of these pipes were, however, made available. Later in February 1973, it transpired that the drawings cited in July 1972 in support of the indent were not approved through user trials.

16 2.27 Do.

The Committee understand that when the indent was placed in June 1972, the designs for different sizes of pipes were still not available. Some drawings made by R&D were, however, available, but no user trials on culverts based on these drawings had been carried out. "The requirement of pipe culverts was urgent, as such, drawings prepared by R&D

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were quoted in the tender enquiry." However, the job of preparing the drawings was accorded high priority and completed in September 1973, *i.e.*, well before opening of the tender enquiry in December 1973.

17 2.28

Ministry of Defence

It is strange that even though the requirement was urgent, the drawings in respect of 24" and 30" pipes became available only in September 1973, *i.e.*, 4 years after the original indent was placed. Finalisation of the drawings for 48" pipes was also proceeded with in a leisurely manner and it took as many as 20 months (April 1970 to December 1971) for the Research and Development Establishment Engineers to finalise them and get them sealed with the Chief Inspector (Engineering Equipment) who is the Authority Holding Sealed Particulars.

62

18 2.29

Do.

The Committee are surprised to learn that "drawings in respect of pipe culverts of 48" dia. were sealed, but information with regard to 24" and 30" dia. culverts is not readily available." The Committee cannot countenance any laxity in a vital matter like this and would, therefore, like the matter to be probed into in depth with a view to find out whether the drawings were actually sealed or not as per extant instructions and to fix responsibility for lapse, if any, in this regard. The Committee would also like to be apprised of the action since taken to plug the procedural/institutional loopholes, if any, so that such type of cases do not recur.

19 2.30

Do.

The Committee find that the Army Headquarters were initially of the view that the offer of M/s. Spun Pipe India (P) Ltd., New Delhi to supply

according to I.S.I. specifications would meet their requirements, they changed their view when the DGS&D sought for a specific confirmation to that effect in March 1971 before placing the order. The explanation that "the indent was amended giving the revised quantities and revised cost based on the lowest quotation considering *inter-alia* that the specifications might meet the technical requirements" is wholly unconvincing especially when according to the Ministry, "there is nothing on record to show the basis of provision of lowest rates based on ISI specifications." The fact of the matter is that the opinion of the Defence Inspectorate which found them to be unsuitable was obtained only after DGS&D raised the matter and not before.

20 2.31

Do.

The Committee, however, observe that the Army Headquarters appear to have been from the very beginning somewhat unsure not only of the specifications of pipes but also about the actual quantity as would be seen from the wide divergence in the figures of requirement as assessed in September 1969 and June 1972*. The Committee understand that a reconciliation of figures in September 1970 revealed that there was discrepancy in the Report submitted by the Army Statistical Organisation which necessitated amendment of the indent in February 1971. A fresh provision review carried out in December 1971, however, revealed further variation in the requirements and a fresh indent had to be formulated.

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*Relevant figures are as under:—

	September 1969 (in meters)	June 1972 (in metres)
24"	90 027	1,000
30"	12,844 185	5,000
36"	30 480	...
48"	6,852 000	2,000

1	2	3	4
21	2.32	Ministry of Defence	<p>The Committee are inclined to think that the methodology of assessing the requirements leaves much to be desired. The Committee cannot too strongly emphasise the need for making a careful and realistic assessment of requirements so that procurement action is proceeded with on a firm basis. The Committee trust that the system of forecasting the requirements would be streamlined with this end in view.</p>
22	2.33	Do.	<p>The Committee further observe that against the tenders invited in September 1973, two contracts were concluded with M/S. Spun Pipe and Construction Company of India Ltd., Bombay and M/S. Appliances Manufacturing Co., Faridabad in October 1974 at widely divergent rates. However, no supplies materialised since M/S. Spun Pipe and Construction Company of India Ltd., Bombay did not submit any sample while that submitted by M/S. Appliances Manufacturing Co., Faridabad as late as 25 December, 1975 was rejected by the Chief Inspector (Engineering Equipment) and the firm did not submit any acceptable sample thereafter.</p>
23	2.34	Do.	<p>The Committee are further informed that DGS&D had indicated that there was no indigenous source for supply of these pipe culverts, and as such, these could be imported for which necessary foreign exchange and DGTD clearance was required. Since the proposal of DGS&D is not acceptable, the procurement action is being initiated through Tender Purchase Committee, ESP Dte/E-in-C's Branch.</p>
24	2.35	Do.	<p>The Committee are unable to appreciate how Government have allowed the question of procurement of pipes required for defence to be drag-</p>

ged on for nearly six years without taking any conclusive action to procure them. The Committee would like that the matter should be gone into thoroughly and action as necessary taken to procure such stores as are essential for defence requirements without further delay, keeping in view the prescribed procedures.

25 2.36 Do.

Another intriguing feature of the case is that there should be such wide variation in the rates at which orders were placed with firms M/s. Spun Pipe and Construction Company of India Ltd., Bombay and M/s. Appliances Manufacturing Co., Faridabad, (Rs. 375.90 per metre with M/s. Appliances Manufacturing Co., Faridabad, as against Rs. 660.00 with M/s. Spun Pipe and Construction Company of India Ltd., Bombay for 30" dia. pipes and Rs. 714.70 as against Rs. 1475.00 per metre for 48" dia. pipes). It is a moot point whether DGS&D should have thoroughly gone into the matter before agreeing to such disparate rates, as the Committee find that supplies from none of these sources materialised.

26 3.20 Do.

The Committee note that in November 1963 the Ministry of Defence took over a cargo ropeway from an authority to meet operational requirements of the Army in a forward area. Although no payment was to be made for use of the ropeway, Government was liable for its maintenance. The ropeway was constructed between 1957—60 but was commissioned in 1962 only. At the time it was taken over by the Army "the ropeway was in a bad state of maintenance." 87 trolleys were in different stages of serviceability and of these only 33 were capable of being put on line. An amount of Rs. 3.55 lakhs had to be incurred on a number of works to commission the ropeway. These took about 3½ years to complete (November 1963 to May 1967).

1	2	3	4
27	3.21	Ministry of Defence	The Committee note that a further amount of Rs. 35 lakhs was spent on the ropeway—Rs. 15 lakhs on purchase of 183 new trolleys, spares, etc. and about Rs. 20 lakhs on its operation and maintenance during the period 1966—75.
28	3.22	Do.	The Committee further observe that the tonnage hauled by the ropeway tapered down from 5936 tons in 1967 to 591 in 1972. In fact, the ropeway was used only as a standby after 1970 and operated once a week and after 1972 it was not used at all. The cost of transportation of stores by road was worked out in July, 1970 to be Rs. 60.90 per ton only. The cost by the ropeway varied enormously from year to year, ranging from Rs. 68 in 1970-71 to Rs. 566 in 1972-73 whereas the cost of transportation by road was worked out in July, 1970 to be Rs. 60.90 per ton only. The Committee further note that the question of examining the economic viability of the ropeway was not considered by the authorities concerned and the plea put forward is that the ropeway was retained purely for operational considerations.
29	3.23	Do.	The Committee observe that even after incurring an expenditure of Rs. 15 lakhs on purchase of trolleys, spares, works etc. the capacity of the ropeway could be increased only to 19/22 tons per day as against 40 tons envisaged. The actual utilisation was much less—the maximum being a bare 16 tons per day on an average in 1967. The Committee find that since the ropeway was designed on mono-cable system and driven by diesel engines, it required counter or balancing load for minimising

the sag and maintaining uniform speed of the rope. It was the non-availability of counter load and also because of the varying types of barrels that unequal pressure between the rope and the sheaves/pulleys could not be built up and the trolleys fell making them unserviceable. Thus, out of a total holding of 270 trolleys, as many as 209 had to be written off/condemned as unserviceable, leaving only 61 serviceable trolleys as in August, 1975.

30 3.24

Do.

So far as operational reasons for acquiring/retention of the ropeway are concerned, the Committee find that the road serving the area had been brought to proper class 9 stage by November, 1966. On the other hand, the revised sanction for purchase of 183 trolleys was issued a year later, i.e., in December, 1967. The Ministry stated that "a review in 1967 from the operational angle showed continued necessity to hold on to it and that it would be indispensable if hostilities broke out."

31 3.2

Do.

In this context the Committee would like to point out that the Chief Engineer, Bengal Zone had pointed out as early as in September, 1967 that "the ropeway design is based on balanced loading both on forward and reverse directions and as such, it is imperative that the return loads are also provided." The least that the Army authorities should have done was to make sure that the ropeway as designed could in fact carry the load in an assured manner to meet the operational requirements in the event of hostilities breaking out etc. The Committee need hardly point out that had this matter been gone into critically, the Army authorities would have realised that the ropeway as designed suffered from basic handicaps and that unless these were set right, it would not be prudent to invest large

sums of money by ordering additional trolleys, undertaking works etc. at an expense of Rs. 15 lakhs.

32 3.26 Ministry of Defence

Another aspect which the Army authorities should and ought to have fully taken into account was the development by November, 1966 of the road between these two operational points by the Border Roads Organisation to the level of Class 9. Instead of investing more money in trolleys which suffered damage and became unserviceable due to inherent flaw in the design of the ropeway, it would have obviously been better to invest a part of this money for effecting improvements in road and/or acquiring additional road transport to meet any operational contingency. In any case, the Committee cannot see why the Army authorities did not take effective action to cancel the order for the additional 183 trolleys in 1967 after it had come to notice that the ropeway suffered from this basic design flaw and saved at least Rs. 8.76 lakhs spent on additional trolleys.

33 3.27 Do.

As mentioned earlier, the Chief Engineer, Bengal Zone had suggested in his letter of September, 1967 that the return loads from the higher point could consist of stone ballast which could be arranged to be disposed of through contracts etc. It appears from the information made available to the Committee that though at one stage, stones were transported on a trial basis, the matter was not pursued conclusively with the result that the basic flaw in the smooth operation of ropeway was allowed to persist.

34 3.28 Do.

The Committee note that a final decision to abandon the ropeway was taken only in November, 1972 after a review had revealed that the road system having been built up and "having regard to the tasks assigned to the Forces at the sector and the facilities available for keeping up supplies to the area it was found that the ropeway could be dispensed with." The Committee have no doubt that the meagre quantity of load carried by the ropeway could have been easily diverted to road and the ropeway dispensed with five years earlier in 1967 itself.

35 3.29 Do.

The Committee regret to point out that this belated decision to hand back the ropeway to the civil authorities still remains to be implemented. The Committee stress that apart from expediting the transfer of the ropeway to civil authorities, it would be advantageous to have the design and economics of the ropeway examined by experts so as to take a well informed decision in best public interest.

