

PUBLIC ACCOUNTS COMMITTEE (1972-73)

(FIFTH LOK SABHA)

SIXTY-FIFTH REPORT

[Action taken by Government on the recommendations of the Public Accounts Committee contained in their 37th Report (Fifth Lok Sabha) on the Report of the Comptroller and Auditor General for the year 1969-70—Central Government (Civil) relating to the Ministry of Irrigation and Power and Government of Punjab Audit Report, 1968 relating to Bhakra Dam Administration and Beas Project only.]



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PUBLIC ACCOUNTS COMMITTEE (1972-73) PRESENTED
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REPORT OF THE PUBLIC ACCOUNTS COMMITTEE
(Lokayukta for the S. Yrs.)

Govt. of Maharashtra.

Acc. No. R 3800 B.C.H. 2

Date. 24.2.73

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(i)

PUBLIC ACCOUNTS COMMITTEE

(1972-73)

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SECRETARIAT

Shri B. B. Tewari—Deputy Secretary.

Shri T. R. Krishnamachari—Under Secretary.

Execution of Najafgarh Drainage Scheme in Delhi.

1.6. In paragraphs 1.1 to 1.30 of their 37th Report (Fifth Lok Sabha), the Public Accounts Committee dealt with the execution of the Najafgarh Drainage Scheme and apportionment of its cost between the beneficiaries. The Committee made the following observations in paragraph 1.27 (Sl. No. 2) regarding lack of proper planning in the execution of the scheme.

The scope of Phase II of the scheme was changed in 1964 by increasing the discharge capacity of the drain from 900 cusecs to 3000 cusecs uniformly. The Committee are not convinced that this could not have been done earlier as this capacity was already provided for in the city reaches and the ultimate requirement of this capacity in the upper reaches was also contemplated earlier. The Committee therefore feel that the scheme as originally conceived was not comprehensive enough to meet the future requirements with the result that during 1964 Delhi faced heavy floods which caused wide spread damages to property amounting to Rs. 185 lakhs. The emergency works which had to be undertaken as a result thereof cost Rs. 4.39 lakhs.

1.7. In their reply dated the 21st October, 1972, the Ministry of Irrigation and Power have stated as follows:—

The reasons for not providing the discharge capacity of 3000 cs when the Najafgarh drainage scheme Phase II was prepared have been explained in the replies to Point No. 8 under para 33 of the report of C. & A. G., relating to the allocation of expenditure on drainage scheme supplied to Lok Sabha Secretariat *vide* this Ministry's letter No. F.C. 12(19)/71 dated 10-11-71. A copy of the reply is enclosed for ready reference.

In the Reddy Committee report, the discharge capacity in the upper reaches of the Najafgarh drain had been estimated as about 450 cs. This was based on office studies of Survey of India topo sheets. The catchment area contributing to the inflows into the Najafgarh Jheel had then been computed as 432 sq. miles. In 1959-60, detailed field surveys and investigations were carried out. Detailed studies were also made with the data of rainfall and levels of Najafgarh lake observed till then and the topography of the area. These studies brought out that the capacity of 450 cs. from Kakraula to Daryanala would not be adequate to give the desired interim relief in the Jheel.

area. It was estimated that the capacity required would be 900 cs.

In 1964, there was heavy rainfall in the catchment of Najafgarh drain and the contiguous areas of Haryana and Rajasthan. Consequently, there was considerable inflow from the Sahibi river. Such heavy inflow had not been experienced in the past. The level in Najafgarh Jheel rose to all time record of 695.6 submerging an area of about 60,000 acres.

A Committee of Technical Experts (Motiram Committee) was appointed by the Government of India to study the situation arising out of the 1964 floods and drainage congestion. This Committee made detailed hydrological studies and came to the conclusion that the capacity of the Najafgarh drain between Kakrula and Daryanala should be increased from 900 cs. to 3000 cs. for bringing down the level of the Najafgarh Jheel to RL 686 after the monsoon to enable Rabi cultivation in the marginal area of the lake. This conclusion of the Committee was accepted and Stage II of the scheme was modified accordingly. It was considered that with the development in the upper reaches, the chances of flows as experienced in 1964 would be frequent and that the increase in capacity as recommended by the Committee was essential.

1.8. The Committee wish to point out that they had observed that the Najafgarh Drainage Scheme as originally conceived was not comprehensive enough to meet the future requirements only after taking into account the position brought out in the reply of the Ministry vide paragraph 1.16 of the 37th Report (Fifth Lok Sabha). They, therefore, wish to reiterate that there should be better planning at least in future.

1.9. In paragraph 1.28 (Sl. No. 3) of the Report the Committee made the following observations regarding the sharing of the cost of the scheme:—

“The Committee note that Government of Haryana who are one of the beneficiaries of the scheme have neither paid their share of cost of Phase II originally fixed as Rs. 11 lakhs nor accepted the revised share of Rs. 49.81 lakhs consequent on the increase in the scope of the scheme. Their share in Phase III of the scheme is stated to have been provisionally fixed as Rs. 149.25 lakhs. The Committee are of the opinion that the beneficiaries concerned should have been specifically consulted in enlarging

the scope and financial implications of the second phase of the scheme and before undertaking the third phase. The Committee would like to know the settlement reached finally in this behalf and the principles followed in reaching the settlement."

1.10. In reply the Ministry have stated in a note submitted to the Committee as follows:—

"The Government of Haryana have since paid the share amounting to Rs. 11 lakhs towards Najafgarh drainage scheme Phase II. In regard to sharing of cost of Phase III, no decision has yet been reached and the matter is being pursued with the Haryana Government."

1.11. The Committee regret that the reply of the Ministry is silent on the question of acceptance by the Government of Haryana of the revised share of Phase II of the work. The position in this regard as well as the decision regarding the share of cost of Phase III may be intimated to the Committee.

1.12. Suggesting that there should be some uniformity in regard to sharing of cost of inter-State drainage schemes the Committee made the following observations in Paragraph 1.29 (Sl. No. 4) of the Report:—

The Committee learn that there are no uniform rules regarding allocation of cost of inter-State drainage schemes between the beneficiary States. In the Najafgarh scheme the Committee find that while the cost of Phase II is sought to be allocated on the basis of catchment area in the respective States. The Committee desire that there should be some uniformity in this regard.

1.13. The Ministry have intimated the following:—

In the reply to Point No. 10 furnished to the Lok Sabha Secretariat vide this Ministry's letter No. F.C.12(9)/71 dated 10th November, 1971 the general principles on which allocation of inter-State drainage schemes are made have been explained. A copy of the note on item No. 10 is enclosed for ready reference. These procedures are applicable in general to all drainage schemes.

The general principles in allocating the cost of drainage schemes which concern more than one State are as follows:—

(i) the allocation is done in the ratio of cusec miles.

- (ii) the allocation is done in the ratio of the catchment areas where the catchments are of similar nature and the carrier drain is common.
- (iii) the allocation is done in the ratio of the benefits actually derived by the beneficiaries.

The choice of method to be employed is determined on merits of each case and as mutually agreed to by the beneficiaries.

1.14. The Committee had taken note of the fact that there was no uniformity in the principles adopted or proposed to be adopted in regard to sharing of the cost of different phases of the Najafgarh Drainage Scheme and desired that there should be some uniformity. In reply, the Ministry have merely restated the position brought out already in paragraph 1.24 of the 37th Report (Fifth Lok Sabha). The Committee, therefore, wish to reiterate that there should be uniformity in the principles adopted at least in regard to the same scheme in future.

1.15. Commending that there should be some enforcing machinery for the timely execution of inter-state drainage schemes the Committee, in paragraph 1.30 (Sl. No. 5) of the Report, observed:—

Another factor to which the Committee would like to draw the attention of Government is the understandable reductio-
nance of the States upstream to agreed to share the financial burden of inter-State drainage schemes. In view of the vital importance of the drainage schemes as a flood control measure to save life and property, there should be some enforcing machinery so that execution of necessary inter-state drainage schemes is not impeded or their progress between the States to share the cost or non-
reimbursement in time their agreed share of the cost to the Project authorities.

1.16. In reply the Ministry have stated as follows:—

The Ministry of Irrigation and Power had in the Part explored the possibility of settling the disputes relating to allocation of cost by holding inter-State meetings and through the river commissions, zonal councils etc. but taking into account the difficulty in arriving at decisions speedily and also consequent delays in the implementation of inter-State schemes, the Ministry of Irrigation and Power have suggested that from the 5th Plan onwards, the financing of inter-State schemes should be done by the Centre. This

will obviate the need for allocation of cost among the various interested States. This suggestion has to be considered by the Planning Commission while finalising the pattern of financing of Plan schemes during the 5th Plan period.

1.17. The Committee note that it has been suggested that from the Fifth Plan onwards the financing of inter-State drainage schemes should be done by the Centre which will obviate the need for allocation of cost among the various interested States and that this suggestion has to be considered by the Planning Commission. The decision taken in this regard may be intimated to the Committee.

Poor performance of draglines—Paragraph 1.63 (S. No. 11)

1.18. In Paragraphs 1.31 to 1.63, the Committee dealt with the unsatisfactory working of 133 draglines employed by Flood Control Wing of the Delhi Administration. The Committee made the following observations in regard to improving the efficiency of the earth moving machines working in different parts of the country in paragraph 1.63:—

Another disturbing feature of the performance of the draglines is the frequent breakdowns and consequent loss of 24,642 working hours in 4 years. The relatively newer ones viz., Skoda and P&H draglines have suffered most. Non-availability of spare parts and proper repair facilities on the spot have accounted for the delay in putting these machines in proper working condition. The Committee incidentally find that the repairs were taking place during working season. They would like this to be done as far as possible during the off-season. The Government of India are stated to have set up a Construction Plant and Machinery Committee to go into the question of finding ways and means of improving the efficiency of earth moving machines working in different parts of the country. The Committee would like to be apprised of their findings and the action taken thereon.

1.19. In their reply dated the 21st November, 1972, the Ministry of Irrigation and Power had stated:—

The observations have been noted. The Construction plant and Machinery Committee (1972) have submitted their report recently. A copy of the summary of their recommendations is enclosed. The recommendations of the Committee are presently under study of the Government.

1.20. The Committee note that the recommendations of the Construction Plant and Machinery Committee (1972) which went into the question of improving the efficiency of earth moving machines working in different parts of the country are under study of Government. The Committee would urge that the study should be completed early so as to take suitable measures to improve the working of the earth moving machines. They would like to be informed of the action taken in this regard.

Electricity Department, Andaman and Nicobar Islands—Losses incurred successively over the period 1965-66 to 1969-70—Paragraph 2.37 (S. No. 14).

1.21. In paragraphs 2.1 to 2.42, the Committee reviewed the overall functioning of the Electricity Department Andaman and Nicobar Islands. The Committee made the following observations in paragraph 2.37 regarding the need for obviating losses for the Islands Administration:—

The Committee find that saw-dust and sawn fuel were sold by the Forest Department to Electricity Department at rates varying from Rs. 12.50 to Rs. 19.45 per cord during 1960-61 to 1970-71 whereas the rates for domestic consumption varied from Rs. 5.5 to Rs. 7.25 during the period. On the other hand the rate for supply of electricity to the Forest Department was 22 paise (net) as against the rates varying from 25 paise to 56 paise for domestic and other industrial consumption. As the Forest Department also is stated to be working in loss, the Committee would like Government to examine as to what kind of tariff for supplies of electricity and wood fuel between these two departments and by them to outsiders would result in obviating the losses to the Andaman and Nicobar Administration as a whole which may not necessarily obviate the losses of each of the departments.

1.22. In their reply dated the 25th October, 1972, the Ministry of Irrigation and Power had stated:—

The matter of refixation of rate of supply of electricity, wood fuel etc. between Forest and Electricity Departments and outsiders to obviate losses to Andaman & Nicobar Administration as a whole was taken up by the Central Water and Power Commission (Power Wing) and Ministry of Irrigation and Power with Food & Agriculture Ministry and the Andaman and Nicobar Administration.

This is being pursued further with the A & N Administration. The Forest Department has agreed to supply saw dust to electricity Department free of cost ex. saw-mill premises, with the electricity department bearing the transporation charges. The Ministry of Agriculture who are in administrative control of the Forest Department of A & N Islands have stated that the prices of the Forest products are fixed by conventional commercial accounting and are reviewed from time to time. On recommendation of the Tariff Committee the Electricity Department has also suggested increase in tariff for power supply to various consumers including the saw mill based on the recommendations of Tariff Advisory Committee. This is under consideration of the Government.

1.23. The Committee note that the Forest Department has regard to supply saw dust to Electricity Department free of cost ex. saw-mill premises. Further the increase in tariff for power supply to various consumers including saw-mill suggested by the Electricity Department based on the recommendations of the Tariff Advisory Committee is stated to be under consideration of Government. The Committee would urge that an early decision should be taken in this regard so that unnecessary losses may not be incurred in future. Delay in erection of transmission lines—Paragraphs 3.28, 3.30—3.31 and 3.33 (S. Nos. 20, 22-23 and 25).

1.24. In paragraphs 3.1 to 3.33, the Committee had dealt with execution of a contract valued at Rs. 233 lakhs concluded by the Bhakra Control Board in January 1963, for supply of steel towers of different sizes for erection of transmission lines. In this connection, the Committee made the following observations in paragraphs 3.28 and 3.33 with regard to a lacuna in the contract:—

3.28. The Committee find that the Sub-Committee constituted by the Bhakra Control Board to examine the proposal for the purchase of 2285 galvanised steel towers for the 220 KV transmission lines at the cost of Rs. 233 lakhs, specifically decided on 16th February, 1962 that the firm should be tied down to definite delivery because such offer as supply of the towers after sufficient steel and zinc was available could not be accepted." They also decided that the penalty clause "should be made contingent on the delivery specified". The firm which was called to discuss *inter alia* this matter on 1st March, 1962 agreed to the delivery period and the penalty clause. When the

contract was finally entered into on 12th October, 1962, a proviso was, however, added to the delivery period that "if during the execution of this order the company is not able to get certain steel sections on account of the fact that the same are not rolled by any of the steel producers during any particular period, the company shall bring it specifically to the notice of the purchaser and any short deliveries on account of this shall not be subject to the levy of penalty." The Committee would like it to be investigated as to how this proviso came to be inserted in the contract which went counter to the decision of the Sub-Committee especially when there was no mention of it in the minutes of meeting with the firm's representative on 1st March, 1962. This proviso in effect nullified the provision contained in the detailed purchase order issued on 16th January, 1963 that the procurement of steel would be entirely the responsibility of the firm. To what extent this lacuna in the contract went against the interest of Government can be seen from the following.

3.33. After examining the case, the Committee have come to the conclusion that in a contract entailing payment of over Rs. 2 crores the authorities have not shown sufficient care to safeguard the financial interest. The contract and the connected documents should, therefore, be got examined in consultation with the Ministry of Law in view of the lacuna pointed out by the Committee to see whether there was any malafide intention. Further it should also be seen whether similar contracts were entered into by other authorities with the attendant difficulties of the kind noticed in this case. The results should be intimated to the Committee within six months.

1.25. In their reply dated the 16th August, 1972 the Ministry of Irrigation and Power have stated the following in regard to paragraph 3.28:—

Having agreed to the delivery period and the penalty clauses as decided in the meeting held with the representatives on 1.3.1962, M/s Alcock vide their letter dated 3.4.1962 informed the department that strict adherence to the agreed delivery schedule may not be possible if the supply of matching steel was not forth-coming from the producers. The delivery clause alongwith other important clauses of the order were discussed at length with the representatives of the firm in a meeting held with the Chairman,

Punjab State Electricity Board and other officers of the department on 18.5.1962 and it was decided to accept the modified delivery clause as appearing in the contract. The contract agreement incorporating the various clauses as agreed with the firm was duly approved by the Chairman, Punjab State Electricity Board and other full time Members of the Board. The relaxation in delivery clause was apparently based on practical consideration regarding availability of steel.

A copy of the minutes of the meeting held on 18.5.1962 is enclosed.

1.26. As regards paragraph 3.33 the Ministry have intimated in a note dated 5th January, 1973 as follows:—

A detailed Note for Legal Advice giving background of the various issues considered by the Public Accounts Committee, duly documented, received from the Bhakra Management Board, has been examined in this Ministry. The case was referred to the Ministry of Law and Justice who after examination, have come to the conclusion that there was no malafide intention in this case.

1.27. Dealing with the lacuna in the contract, the Committee had pointed out how it went counter to the decision of the Purchase Sub-Committee constituted by the Bhakra Control Board and nullified the provisions contained in the detailed purchase order regarding the procurement of steel. In reply, the Ministry have stated that the modified delivery clause as appearing in the contract was accepted at a meeting held by the Chairman, Punjab State Electricity Board with the representatives of the firm and that the relaxation was apparently based on practical considerations regarding availability of steel. It is not clear to the Committee as to how the matter was not referred back to the Purchase Sub-Committee in view of their earlier decision that the firm should be tied down to definite delivery and that the penalty clause should be made Contingent on the deliveries specified.

1.28. As regards the result of the examination of the contract and connected documents, the Committee have been informed that the Ministry of Law have come to the conclusion that there was no malafide intention. The Committee nevertheless desire that Government should be careful in entering into contracts in future in order that their interests may not suffer as in this case.

1.29. The Committee had also desired to know whether similar contracts were entered into by other authorities with the attendant difficulties of the kind noticed in this case. The reply of the Ministry is silent on this point. The Committee desire that the position should be reviewed and the results intimated to them early.

1.30. Referring to the understanding created that the firm would be paid for the additional tonnage (excluding the cost of fabrication and galvanising) involved in the use of oversize steel sections, although the legal opinion obtained later on was different, the Committee made the following observation in paragraphs 3.30:—

The use of oversize steel sections resulted in the increase of the quantity of the finished product by 480 tonnes valued at Rs. 6.41 lakhs. The Committee find that the opinion of the legal section of the Punjab State Electricity Board given in 1964 as also of the Legal Remembrancer, Punjab and the Ministry of Law obtained in 1966, was that since the responsibility for procurement of steel was that of the supplier they should bear the additional cost of the increased tonnage or pay damages for non-delivery of the stipulated material. However, even earlier in July, 1963 the firm was told that they would be paid for the additional tonnage excluding the cost of fabrication and galvanising. The Committee would like to know how this understanding was created without taking legal opinion. This is all the more important because the Law Ministry have subsequently held *inter alia* that this had the effect of modifying the stipulation that procurement of steel would be the responsibility of the firm.

1.31. In their reply dated the 16th August, 1972, the Ministry of Irrigation and Power have stated:—

While approving the use of tested/untested alternative higher sections in place of non-available design sections in the meeting held with the firm's representatives on 8th June, 1963, the financial aspects of this substitution were not considered. This led to the impression that the firm might claim not only the price of steel but fabrication and galvanisation charges also for such additional tonnage at the contract price unless the position was immediately clarified to them. The issue was examined with this background and Chairman, Punjab State Electricity Board agreed that the cost of steel may be paid by the department while the firm should bear the fabrication and

galvanisation charges on this additional tonnage. The question of taking legal opinion was not considered at this stage.

1.32. The Committee are of the view that legal opinion should have been taken when the firm was told that they would be paid for the additional tonnage (excluding the cost of fabrication and galvanising) involved in the use of oversize steel sections, which was not regrettably done in this case. They wish to caution Government that in such cases they should be fortified by legal opinion in advance.

1.33. The Committee, while dealing with the non-recovery of penalty amounting to Rs. 11.65 lakhs on account of belated supplies, made the following observation in paragraph 3.31:—

Although supply of tower materials should have been completed by March, 1964 in respect of 3 priority lines and by October, 1965 for the remaining lines, the supplies were actually completed in February, 1967 for two lines and for the rest by the mid 1969. The penalty for late delivery amounting to Rs. 11.65 lakhs according to Audit, is yet to be recovered. The Ministry is of the opinion that the penalty would have to be determined taking cognizance of relaxation admissible to the firm under the penalty clause. The Committee would like to know the decision taken in this regard.

1.34. In their reply dated the 16th August, 1972, the Ministry of Irrigation and Power have stated:—

The matter was referred to the Sub-Committee constituted by the Bhakra Management Board for deciding the various outstanding issues pertaining to this supply order. After examining the various aspects of the case the Sub-Committee was of the view that the delays on account of steel sections which were in short supply should also be entitled to exemption from levy of penalty as in case of sections which were not rolled in the country. Accordingly, the Sub-Committee observed that there was not sufficient justification for levying penalty. A copy of the minutes of the Sub-Committee meeting held at Chandigarh on 6th March, 1972, is enclosed.*

1.35. The Committee are unable to subscribe to the view that there is no sufficient justification for levying the penalty. They

* Not printed.

would, therefore, like to suggest that the opinion of the Ministry of Law may be obtained before coming to a decision in the matter and the Committee informed within three months.

Delay in finalisation of agreement for supply of power to Delhi State Electricity Supply Undertaking by the Bhakra Management Board and settlement of claims—paragraph 3.43 (July 26).

1.36. In paragraph 3.34 to 3.43, the Committee had dealt with the finalisation and formal execution of draft agreement drawn up in September, 1954 between the Delhi State Electricity Board (now known as Delhi Electricity Supply Undertaking) and the Bhakra Management Board for supply of power to Delhi. After taking into account claims and counter-claims preferred by the parties concerned, the Committee made the following observation in paragraph 3.43:—

The draft agreement for the supply of power to Delhi State Electricity Board (now known as Delhi Electricity Supply Undertaking) by the Bhakra Management Board drawn up in September, 1954 and as revised on the basis of various discussions has yet to be finalised and normally executed. This inordinate delay of over 17 years gave rise to needless disputes regarding the liability of the former to pay for supplies as demanded by the latter from time to time. According to the information furnished the Committee, the amount claimed by the Bhakra Management Board to the end of March, 1971 was Rs. 511.42 lakhs which however had been disowned by the DESU who preferred a counter-claim of Rs. 80.08 lakhs. The Committee view all these between two Government Undertakings in both of which people have a stake, with great concern. They trust that through the good offices of the Ministry of Irrigation and Power the issues would be settled expeditiously to the mutual satisfaction of both the undertakings taking into account particularly the financial position of the DESU and without injuring the interest of consumers. The settlement reached and the execution of the agreement may be reported to the Committee within six months.

1.37. In their reply dated the 25th October, 1972 the Ministry of Irrigation and Power have stated:

The question of executing the agreement was mooted to both the Delhi Electricity Supply Undertaking and the Bhakra Management Board. Both expressed difficulty in executing the agreement before settling the outstanding dis-

parties which had arisen between them with regard to the quantum of power supply, the revised tariff and the date of the applicability of the revised tariff. As the bilateral discussions did not have any success, both the parties referred the dispute to this Ministry. After both the parties submitted their cases in detail, Secretary, Ministry of Irrigation and Power discussed the matter with them at a meeting held on the 7th September, 1972. After detailed discussions it was decided that the Central Water and Power Commission should further examine some of the technical issues involved and submit a report to the Ministry. A report has been received from the Central Water and Power Commission and is under examination in the Ministry. Further discussions will be held shortly for resolving the dispute.

1.38. The Committee are not satisfied with the position that neither the agreement for the supply of power to D.E.S.U. by the Bhakra Management Board pending since 1954 has been finalised nor the claims and counter-claims between them settled yet. They would urge that Government should see that these are settled without further loss of time.

Extra expenditure in purchase of wheels for mine cars—Paragraph 4.15—4.16 (S. Nos. 32-33).

1.39. In paragraph 4.1 to 4.17, the Committee had dealt with the purchase of 494 chilled cast iron wheels for mine cars for use at the Beas Project from a firm which was neither registered with the DGS&D nor with the Punjab Government. The Committee had made the following observations in paragraph 4.15 with regard to lack of expertise on the part of Beas Project authorities in providing adequate safeguards in the purchase order against any possible eventuality:—

It is distressing to note that while going in for the purchase of 494 chilled cast iron wheels for mine cars at an approximate cost of Rs. 1.03 lakhs, the Beas Project authorities failed to take sufficient precautions against defective supplies. The credentials and capacity of the firm were not verified. The usual right of rejection notwithstanding the inspection before despatch when machining was to be done by the consignee and the proof machining before inspection were not provided for in the contract. All these resulted in the firm refusing to replace the defective supplies. The Committee understand

that the firm had since closed down their business and their present whereabouts are not known. That the organisation lacked expertise is clear from the foregoing facts of the case. The Committee would like to know whether there were similar lapses in other contracts entered into by them which led to losses.

1.40. In their reply dated the 7th October, 1972, the Ministry of Irrigation and Power have stated as follows:—

1. It has been mentioned that the usual right of rejection notwithstanding inspection before despatch was not provided for in the contract. The factual position is that the contract contained the following safeguards in this respect.

- (a) In clause 9 of the contract, it was stated that conditions of the contract would be same as contained in form, DGSD-68 and DGSD-71 corrected upto date, of Government of India, Department of Supply. Accordingly, the terms of the contract were the same as were in operation with the Directorate General of Supplies and Disposals.
- (b) Apart from this, the contract included the following clause, which gave additional right to the Department to reject the stores.

Extracts from clause 16(c) of the contract

16 (a)	**	**
(b)	**	**
(c) *** If the material at the time of use or within one year after receipt, whichever is earlier, is found defective, the same will be returned to the supplier at his cost and risk and he will be liable to refund to Government the amount paid to him on this account and all incidental charges.		

2. As for the query whether there were similar lapses in other contracts entered into by the Department which led to losses, it may be stated that, as explained above, there was no lapse so far as the terms of the contract were concerned. As regards the lapse in placing the order without verifying the credentials and capacity of the firm, it may be stated that the practice to make advance payments on

presentation of despatch documents through Bank is allowed mainly in respect of those firms which are registered either with the DGS&D or the Controller of Stores, Punjab. In the case of other firms, advance payments are generally made after providing for pre-inspection of the stores either by the Project Authorities or the DGS&D before their despatch by the Supplier. The average annual purchases made by the Project range from Rs. 15 to 30 crores per year. While abundant caution is taken not to place orders on unreliable firms, a few cases do however, occur where the material on receipt is not found upto the required specifications. In such cases the firms are asked to make good the loss.

With a view to weed out the possibility of entering into business with any unreliable firm, action is being taken to register the firms, as done by the DGS&D after inspection of their premises by the Project Officers who could ascertain their (firm's) capacity and resources for supply of material for which they want registration.

1.41. The Committee find from the reply furnished by Government that the contract for the purchase of wheels did include right of rejection notwithstanding the inspection before despatch. They would, however, like to know whether this right was exercised in this case and if not why.

1.42. Stressing the need for closer coordination and exchange of expertise between the independent purchasing agencies and the DGS&D the Committee, in paragraph 4.16, observed:

The Committee also notice a rather rigid attitude taken by the DGS&D organisation which was requested to arrange for inspection of the wheels is not bringing to the notice of the purchaser the loopholes in the contract and the inadequacy of inspection. The Committee would, therefore, like to suggest that there should be closer coordination and exchange of expertise between the independent purchasing agencies and the DGS&D who are the experts in the field in order to safeguard the larger interests of Government as a whole.

1.43. In their note dated the 7th October, 1972, the Department of Supply stated as follows:—

It is submitted that there is no question of DGS&D organisation adopting a rigid attitude. This is a very large organisation carrying out inspection of stores valued over several

hundred crores of rupees every year. The procedures of this organisation have, therefore, to be based on sound practical considerations.

The recommendation refers to—(i) “loopholes in the contract” and (ii) “inadequacy of inspection”.

In so far as the first part is concerned, the contract was placed by the Beas Project directly. The question of this contract being examined or reviewed by the DGS&D did not arise. Further, as the DGS&D were concerned only with the inspection of the store, a copy of the contract was sent only to the Inspector. The Inspector is qualified only to carry out the inspection of the store. He is not a purchase officer and is not qualified to examine the adequacy or otherwise of the contract and it is also not his responsibility to carry out any examination of a contract from the purchase angle. There was, therefore, no question of his noticing any loopholes in the contract and bringing such loopholes to the notice of the purchaser.

As regards the second part, the standard of inspection provided for in the contract was not inadequate. The wheels were to be supplied by the firm unmachined and machining was to be done by the consignee. The blowholes could be located only after the wheels had been machined. As such it was not possible for the inspector to detect any blowholes in the wheels during the inspection. Such type of contracts are not unusual for the Inspector where Purchasers ask for unmachined wheels but provide sufficient safeguards in the contracts against appearance of the blowholes on machining at the consignees' end.

The DGS&D as an expert Central Purchase and Inspection Organisation has always willingly given expert advise to the other Purchasing Agencies, both under the Central and the State Government Departments, Public Undertakings etc. In the instant case, the purchasing agency concerned, did not seek the advice of the DGS&D.

1.44. The Committee wish to suggest issue of general instructions by Government to all the Ministries/Departments impressing on them the need for closer coordination and exchange of expertise between the independent purchasing agencies and the DGS&D in order to safeguard the larger interests of Government as a whole.

Violation of financial rules in making advance payments—Paragraph 4.22 (S. No. 35).

1.45. Commenting on the irregular advance payments made during February, 1966 by certain Division of Beas Sutlej Link Project to certain divisions outside the Project just to avoid lapse of savings of budget allotment and subsequent delay in finally adjusting the amount upto 1971-72, the Committee made the following observations in paragraph 4.22:—

The Committee are inclined to take a serious view of the violation of financial rules in making advance payments to the extent of Rs. 1.40 crores to Divisions outside the project by certain Beas Project Divisional authorities towards the end of the year 1965-66 just to avoid surrender of funds with the result that the money was not available for other immediate needs. The lapse is all the more deplorable as the advance has not been adjusted fully as yet (1971-72). The Committee trust that such improprieties diluting the budgetary control will not be committed in future.

1.46. In their reply dated 16th August, 1972, the Ministry of Irrigation & Power stated as below:—

Advances are given to other Departments entrusted with the duty of doing the jobs of the project against their specific demands. No department outside the Project is prepared to undertake any job without being paid in advance. However, no advance is being paid just to avoid the lapse of funds.

As for the amount already advanced, the same has since been adjusted fully.

1.47. The Committee note that although the relevant Audit paragraph stated that the advance payments were made in order to utilise the savings of budget allotment during 1965-66, the Ministry have contended that no advance is being paid just to avoid the lapse of funds. The Committee nevertheless find that the advance payments made in 1965-66 could be adjusted fully on 1972-73. They would, therefore, like to caution Government that no advance payment should be made without ascertaining the prospects of its utilisation within a reasonable time.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

According to the Audit paragraph the 13 Draglines used in the Najafgarh Drainage Scheme between 1966-67 and 1969-70 worked only for 61,000 hours as against 1,24,000 hours available for work. The Ministry, however, informed the Committee that the available hours of work were 67,085 only. The difference is mainly on account of the fact that the working season in Delhi is stated to be only from 16th November to 15th June. That the machines were in fact worked beyond this period to make good the loss of 27,396 hours suffered due to breakdowns and other reasons shows that the working season fixed is not such beyond which it is not possible to work. The Committee would, therefore, urge Government to review this and fix a realistic working season so that progress of works may be judged against a more realistic target.

[Sl. No. 6 (Para No. 1.58) of Appendix XII to 37th Report (5th Lok Sabha)].

Action taken

A review of the number of days actually available outside the monsoon for operation of earth moving machinery in Delhi territory has been made for the last few years. Based on this, it is considered that a period of 8 months in a year would be available for the operation of earth moving machinery. Excluding Sundays and holidays, the actual number of working days will be about 200. According to the recommendations made by the Construction, Plant and Machinery Committee, 1972, the schedule hours for 200 days working in two shift operation are 2500. Accordingly, the Delhi Administration have been asked to fix the schedule hours as 2500 for future planning.

[Ministry of Irrigation & Power O.M. No. FC.12(8)/72 dt. 21-10-72]

Recommendation

The Committee find that much time during the shifts was wasted in transporting the workers to the site of work. They feel that while

it may be justified to move the labour, if so required, within work area during shift hours, any movement from camp to work site should be done only outside shift hours.

[Sl. No. 8 (Para No. 1.60) of Appendix XII to 37th Report (5th Lok Sabha)]

Action taken

The suggestion made is accepted and is being followed at present.

[Ministry of Irrigation & Power O.M. No. FC.12(8)/72 dt. 21-10-72]

Recommendation

Another disturbing feature of the performance of the draglines is the frequent breakdowns and consequent loss of 24,642 working hours in 4 years. The relatively newer ones viz., Skoda and P&H draglines have suffered most. Non-availability of spare parts and proper repair facilities on the spot have accounted for the delay in putting these machines in proper working condition. The Committee incidentally find that the repairs were taking place during working season. They would like this to be done as far as possible during the off-season. The Government of India are stated to have set up a Construction Plant and Machinery Committee to go into the question of finding ways and means of improving the efficiency of earth moving machines working in different parts of the country. The Committee would like to be apprised of their findings and the action taken thereon.

[Sl. No. 11 (Para No. 1.63) of Appendix XII to 37th Report (5th Lok Sabha)]

Action taken

The observations have been noted. The Construction Plant and Machinery Committee (1972) have submitted their report recently. A copy of the summary of their recommendations is enclosed. The recommendations of the Committee are presently under study of the Government.

[Ministry of Irrigation & Power O.M. No. FC.12(8)/72 dt. 21-10-72]

SUMMARY OF RECOMMENDATIONS

Construction Plant and Machinery Committee (1972) Report.

I. PLANNING

Project Planning

1. Technical approval of a project estimate should be followed by finalisation of design details, financial estimates and scheduling of the programme of work item-wise and in an integrated manner. For this to be properly accomplished, there should be a time interval between the approval of a project estimate and the commencement of work. A minimum period of one year should be provided on this account. A very clear view be taken initially of properly coordinating and integrating all resources for planning and scheduling of work.
2. All technical details relating to work should be finalised in a thorough manner at the inception of the job. This should include job specification requirements individually for items of works involved, considering the climatic conditions—length of construction season or operational seasons, topography, characteristics of the materials to be handled.
3. The mode of execution of work—either departmentally or through private agencies, should be clearly decided upon in advance.

Plant Planning

4. The task of plant planning should be as detailed and meticulous as the project planning.
5. A master plan of borrow areas and haul roads be prepared initially treating this subject as important as the basic plant planning exercise, so that safety of operations and minimum cycle time of operations by motorised equipment on production job can be ensured.
6. Adequate provision should be made for the construction plant and facilities for execution of the work according to the planned phased programmes, as scheduled.
7. The complexity and character of the work to be performed should be carefully considered, so that radical changes are not necessitated in the course of execution of work as it progresses.

(b) Selection of equipment, by type and numbers, should be based on economy in methods of work relative to job conditions and intensity of use, maintenance and repair costs, facilities required, standardisation etc., etc.

8. Scaling of requirements of equipment should be based on rational factors of availability and utilisation.

9. Provision of standby equipment, assemblies, sub-assemblies and components should also make an important consideration, both for determining the total quantum of equipment to be employed on the job and the facilities to be created for maintenance and repairs. The main guiding factor should, however, be least investment, optimum utilisation and maximum possible productivity of machines for economy in production cost.

10. On the plant planning exercise initially completed, a second opinion should be taken before the financial estimate is prepared.

11. Plant drawings should be prepared in proper details in designing the layout. As far as possible, these should be prepared on standard sized sheets properly titled, dated and numbered, to facilitate reference.

12. Design criteria and structure design calculations shall be recorded and preserved.

Workshops and facilities

13. Adequate provision should be made in the project cost estimate to meet the cost of workshops—buidings, equipment and facilities.

14. Initial planning of workshops at the stage of formulation of project reports should cover all details regarding items and types of work to be done, the maximum work load possible to arise in respect of each, the pattern of maintenance and repair of equipment—whether centralised or an area maintenance basis or a combination of both, and the extent to which work will be got done by outside agencies and the amount of investment that can be made.

15. A clear plan should be developed of the layout of the shops by listing out the type of repair work, servicing and maintenance operations to be assigned to shops commensurate with the number and type of machines, plant and equipment to be maintained and serviced, and the load of manufacturing activities. Further room for expansion and flexibility of operation inside the shops should be provided for.

16. The type and sizes of the workshop buildings should be decided upon with due consideration to climatic conditions, geographical location etc. Clear provision should be made for drainage facilities, parking spaces, storage of raw materials, equipment awaiting work in the shops, repaired equipment awaiting delivery to the users etc.

17. Adequate material handling of facilities should be provided both inside the shops and the open space outside.

18. The location of the shops be decided upon by preparing a clear plan of the operational activities which will be served thereby.

19. Size of the shop should be determined by the type of equipment, components, assemblies that will be put to repairs. Provision should also be made for storage of the components, parts and assemblies and for the fitters' Workmen benches. There should be no congestion of the work space.

20. Properly laid service roads, stabilized shop floors to suit the type and size of the equipment that will move over it, should be provided.

21. The area maintenance shops should be located as near to the scene of operation as possible. Good access roads should be provided.

22. Creation of adequate facilities in advance for maintenance, repair, storage and care taking of the equipment in the interim period, between the time of its receipt and actual commissioning on the job, should be prerequisite.

23. Plant equipment assembly yard should be provided for, as near as possible, to the main workshops for assembly and initial commissioning of all plant and equipment, except those which, by virtue of their type, size, mobility etc., have to be assembled/commissioned on the job as close as possible to the point of application.

Stores and Warehouses

24. Store room and warehouse facilities should be located adjoining the maintenance shops.

25. Receiving areas in the warehouses should be provided separately with sufficient space to accommodate mechanical handling and loading and unloading operations.

26. Specific attention should be paid to provide a proper building for storage of tyres, tubes and other rubber materials.

27. Slow moving and heavy parts which are treated with preservatives, or on which weather has no adverse effect, should be stored in the open.

Procurement of Equipment and spare parts

28. The programme for procurement of equipment should be so planned that it would be physically available for production work on schedule. However, the time table should be so framed that the equipment does not have to lie idle for long for want of work.

29. Initial supply of spare parts, sufficient for running and maintenance of the machines for 2000 to 3000 working hours should be ensured. Procurement action should be suitably finalised for this to be so.

30. Supply of filters for maintenance of the machines should be arranged with the machine for a minimum 2000 hours work in case of indigenous filters. For imported filters, the supply should correspond to 2 years operation of machines—roughly 4000 hours.

31. Information on scale of consumption of spare parts relative to the type, make and category of machines to be purchased, should be obtained from projects/departments where such equipment had been in use previously, unless such information is available otherwise. This should be used for a guide line for procurement of spare parts for initial supply.

32. The procurement of spare parts and provisioning should be done with due consideration to the population of equipment of one type, make and category, and its intensity of use, whether single shift or multi-shift operations.

II. OPERATION

Schedules

33. In defining the annual schedules for operation of equipment, the effort should not be to scale down the figures because of certain persistent occurrences, which take away a part of the available working time; but instead corrective action should be planned for minimising such losses in time.

34. The working conditions should be under constant examination and review in order that the operational efficiency of the machine is not impaired.

35. Requisite conveniences and facilities which help promote efficiency of operators, should be provided in a liberal manner.

36. Unless certain physical limitations come in the way of working the schedules of working hours should be framed on the basis of two shifts or 3 shifts per day.

Utilisation

37. Utmost efforts should be made for optimum utilisation of equipment. However, maximum utilisation should not be taken as an index of maximum productivity of machines. Progressive review should be made of cycle time of operation of each type of equipment on the job, through organised 'time and methods studies' so that the delay factors are removed from the cycle time, the minimum possible and the production the maximum possible. This should set the level of utilisation expected from the machines.

The aim for level of utilisation should be set at a minimum of 70 per cent of scheduled hours.

38. For improvement in utilisation of equipment, the defect analysis (the defects which account for down-time of equipment) should be made and corrective actions taken to reduce the incidence of breakdowns.

Transport and Communication system

39. Meticulous attention should be paid to haul-road construction and maintenance. Sufficiently wide roads, with proper sub-grades, smooth surface—properly moist, easy gradients and easy curves and bends, should be provided for attaining safe maximum speeds by motorised equipment.

40. For excavating equipment, the borrow areas should be made even and clean with the use of proper equipment.

41. For convenience of expeditious communication, wire-less sets, radio net work, telephone lines etc., should be provided where motorised equipment is spread over a fairly wide expense of area under operational activity.

III. MAINTENANCE

42. The work of maintenance of equipment should be assigned to a senior, qualified and experienced officer, who is fully acquainted with the machines to be maintained. The organisation under his charge should similarly include experienced and skilled hands.

Competent senior operators with long-standing experience in operation of the machines on the job, should be employed on maintenance work.

43. Unskilled labour strength should be brought to the minimum and inefficient maintenance staff removed from the maintenance activity based on proper evaluation of maintenance effectiveness (in terms of availability of equipment and cost incurred on maintenance).

44. A minimum number of brands and grades of greases and oils should be put to use for the lubrication of various machines at the site of work.

45. Maintenance charts be displayed at suitable locations in the maintenance area based on recommendations made in the operation and maintenance manuals relative to the machines in use.

46. Printed forms based on recommendations made in the manuals, stipulating the tasks to be performed at defined intervals of time such as 50 hours, 100 hours, 200 hours, 250 hours, 500 hours, 1000 hours, etc., should be used for recording the maintenance activities performed.

47. Adequate facilities should be created for maintenance and repairs to equipment. Provisions of hand-tools and other handling facilities, which would cut down the overall time in maintenance/ repair of equipment should be provided.

Preventive Maintenance

48. Preventive maintenance should be given the prime attention and the importance it deserves. The responsibility for preventive maintenance should be assigned exclusively to a senior Officer.

Record Keeping

49. Proper record keeping should be organised. This should be looked after by senior persons—engineers, and should not be left entirely to the clerical staff.

50. Compilation of performance data on production and costs, shall be made by creating proper records under the direct supervision of an engineer, so that corrective actions, if any necessary (based on analysis of the information so recorded), can be taken for improvement in utilisation, productivity and reduction in costs in various segments of work.

Procedures

51. For effective control in execution of the maintenance work, a clear chart shall be prepared defining "Who", "What", "Where" and "How" of the maintenance activity to be performed.
52. Wherever the total spread of equipment and the number of machines to be maintained in a given span of time so warrant, mobile/field servicing/maintenance units should be provided.

Training

53. Periodical refresher courses for the operators, mechanics and maintenance crews should be conducted and systematic training programme for the new recruits will be organised.

IV. REPAIRS

54. The work in the main repair shops should be sub-divided according to the functional requirements so as to accomplish concurrent repairs of components and assemblies for expeditious completion of the repair of any given machine.

55. Where major repairs are to be carried out at the site of work, functionally designed mobile repair shops mounted on trucks and reassembling of the parts/components from sub-assemblies,

Unit replacement or component assembly exchange system should be widely adopted to reduce down-time of equipment under repairs.

Repairs of units/assemblies removed from the machines should be expeditiously done in workshops, so that these are available as standby units.

56(a) In the process of repairs to equipment, the disassembling and reassembling of the parts/components from sub-assemblies, main-assemblies and the machine should be done according to instructions given in the shop manuals for the particular item of equipment under repairs.

A blue-print showing the important measurements, fits and tolerances to be observed in reassembling of parts/components in sub-assemblies and main-assemblies, should be prepared and displayed at suitable locations in the repair shops for reference by the repair crew, the Chargemen and the Foremen inspecting the work.

(b) Printed Check Lists, listing items of check at stage inspections by supervisors, should be used. This should be recorded in the History Book of the machine assembly/sub-assembly etc.

(c) Observations should be recorded after inspection of the machine/assemblies/sub-assemblies at the time of overhaul of machines and comparative study made with similar observations made on inspection of the machine at the time of preceding overhaul.

(d) Such record should be created and maintained by competent hands of the rank of Foreman/Assistant Foreman and should be continually reviewed by the engineer in charge.

(e) Special notice be taken of repetitive type break-downs and premature wear on components indicated by analysis of information in the Inspection Sheets and corrective actions taken to reduce the incidence in future.

(f) Cost of repairs should be evaluated and recorded after every repair/overhaul; and this should also be subjected to regular reviews at periodical intervals from standpoint of economy.

(g) Arrangements for testing of individual assemblies and sub-assemblies after repair and overhaul should be organised where the volume of work involved is heavy.

(h) Tests and trials of repaired equipment should be assigned to a competent hand and all necessary adjustments in various systems of the machines properly made before the equipment is recommissioned on the job.

(i) Only skilled, qualified and trained persons should be assigned the repair work. The unskilled labour should be employed for handling work only.

V. SPARE PARTS

Indenting

57. Indents/requisitions for procurement of spare parts should be prepared by experienced engineers who are well acquainted with the technical design and construction features of the machines, their operation, maintenance and repair.

58. Scaling of requirement should be based upon the record of consumption in the past, the history of performance of machine/s, the immediate requirements based on observations after inspection regarding wear and tear of the parts and components etc., and the period of time—stage in the age of the machine; for which the spare parts would be required.

59. For indents to be processed through DGS&D, a clear scrutiny be made of the questionnaire in the Check List to make sure that all the information has been included/given properly in the prescribed indent form to avoid any back reference from the DGS&D.

Procurement

60(a) To ensure timely availability of required spare parts, forward planning should be done with due consideration to the lead time involved in procurement—the total time from the stage of framing of the requisition to the point of physical delivery of the spare parts in the stores.

(b) Processing of requisitions/indents for procurement should be done at regular intervals of time—preferably on half-yearly basis.

(c) In processing the indents/requisitions, details of items and quantities on order and the stock position in respect of each, should be first checked up and accounted for and procurement action then taken for the balance items/quantities.

(d) For procurement against DGS&D Rate Contracts, proper evaluation should be made initially of the items that shall have to be imported by the supplier, so that delivery schedules can be suitably fixed and necessary arrangements made for obtaining the Actual Users' Import Licence in case the import is not against the suppliers' own licence.

(e) For time bound programmes of construction work, the project estimates should indicate the cost of spare parts which will be purchased in the service life of the machines thereon.

(f) Annual budget estimates should be framed for purchase of spare parts covering requirements of the period corresponding to the lead time of procurement.

Rate Contracts

61(a) The DGS&D may examine the reasons why the Rate Contract holders cannot, stick to the delivery schedules, furnish price-lists of goods ordered against rate contracts and expedite finalisation of rate contracts.

(b) In verifying the competence of any firm in respect of rate contracts for indigenous items, a more meticulous check may be exercised in identifying the established facilities, technical know-how on part of the manufacturing concerns, the research, development and

design set up available with them, and the goods being actually manufactured by them at the time of the new items of spare parts are planned for manufacture by them.

(c) The DGS&D may consider to introduce a system of review of performance of rate contracts based on annual drawals. If the value of such drawals is below a certain expected minimum, the reasons for such performance may be gone into; and, if necessary, continuance or otherwise of the rate contract in operation should be examined, in case the reasons indicate any serious draw backs in the quality of goods, service of the rate contract holder etc., etc.

(d) The consignee's copy of the invoice or despatch note should include the unit price and the total value against each item covered therein.

Inventory Control

62(a) Each major user of equipment should establish a scientific inventory control system. A separate Cell should be created for effective implementation thereof.

(b) Scale of consumption of items of spare parts/other materials should be developed and established for guidance of the indenting departments.

(c) For convenience of inter-departmental and intra-departmental coordination in matters relating to equipment and specially that relating to exchange of information on availability of spare parts for different items of equipment, a codified list should be developed for classifying like items of equipment for preparation of inventories of spare parts—atleast for high value items.

Scale of Provision

63(a) Based on the guide lines given in Appendix 8.7 a scale of provision (by value) of spare parts for given types, makes and categories of machines should be lined out taking into account the intensity of use of equipment and the job severity factors.

(b) Until such time there is larger population of indigenous equipment in the country and the imported equipment ages out to the point of its replacement by indigenous equipment, liberal sanction of foreign exchange be issued for importing maintenance and repair parts.

Obsolescence

64. In framing a value estimate for the total cost of spare parts for the service life of the equipment on the job, provision should be made upto 5-7 per cent of the value figure towards likely cost of obsolete/dead stock items of spare parts which may not find any use or resale ultimately.

This provision should also be taken into account in evaluating the inventory holding costs for purposes of determining the issue rates, wherever this system is in use.

Review of Inventory of Spare Parts

65. Perpetual review of inventory of spare parts should be made a normal feature of the work with the stores organisation. Action to discard items which are physically deteriorated and useless, and disposing of items which are surplus to the requirements, should be taken after such review.

Foreign Exchange

66. Timely arrangements should be made by the sponsoring authorities for foreign exchange allocations so that import of spare parts is not delayed on this account.

The users of equipment should ensure timely processing of import licence applications, completing these in a satisfactory manner so as to avoid back references from the application processing authorities.

67. Value limit for import of spare parts against emergency licence should be increased from 0.1 per cent to 1 per cent of value of equipment.

Manuals/Catalogues of Spare Parts

68(a) Care should be taken to have a master record of all spare parts catalogues at a central place for all make and models of machines/plant in use. Besides the central holding, the spare parts catalogues should also be available with each Division/sub-Division in charge of the items of machines.

(b) Arrangements should be made with the suppliers of equipment/manufactures to supply copies of bulletins/service sheets indicating changes in part numbers or additions and alterations in the original parts catalogues in relation to particular makes and models of machines. Copies of manuals/catalogues should be complete and kept updated all the time.

VI ACCOUNTING

Itemised Costs

69(a) To simplify the procedure of accounting, a list should be developed giving Code Numbers for the items of expenditure in relation to ownership and operating costs of machines. To develop such a list for the benefit of those who are not already using the system, help should be taken from the management institutes in the country.

(b) The items of expenditure should be properly identified so that accounting thereof helps directly in estimation of costs of future works, evaluating the actual costs for purposes of job control and subsequent estimation, and provides necessary data and analysis relative to subject of 'Equipment Economics'.

Cost Evaluation

70(a) Grouping of items of expenditure should be so arranged that it facilitates, assessment of the unit cost of work and a comparative study of the estimated cost and actual cost not only of the work as a whole, but of the individual items of cost also.

(b) Figures of annual expenditure and cumulative expenditure (1) maintenance and repairs and (2) depreciation cost, for a machine/group of machines of the same make and model, should be readily available through accounts records.

Method of Accounting

71. With the exception of depreciation which should be accounted for as an item of ownership cost, all other elements of the cost of machines should be treated as operating costs or running and maintenance costs.

72. Repair costs should be classified under one head only without making a distinction between field repairs/running repairs/minor repairs and major repairs.

73. To gauge more accurately the costs of repairs to the machine, the machine should be broken up into systems/components—power unit, clutch, transmission, final drive, crawler tracks, etc. The intensity of wear and tear on parts, in individual components/systems, can be sized up better by such analysis.

74. Depreciation costs should be accounted for annually based on 'Declining Balance Method of Depreciation'. The life of equipment for depreciation purposes should be fixed in number of years and the rate of depreciation should be selected commensurate with the pattern of work—in one shift, two shifts, or three shifts per day.

75(a) The item of 'Spare Parts' should be distinctly identified by a proper classification in a separate sub-head under head 'Stock Suspense'.

Reserve limits for stocks should be defined on annual basis at the beginning of each accounting year.

(b) For commercial undertakings and public enterprises, spare parts should be classified under a separate head distinct from general stock items.

76. There should be no arbitrary shifting of costs from items showing cost over-runs to items showing cost under runs, to present apparent balance with 'Control Estimate'.

77. Arbitrary advance lumpsum distribution of expenses, which tend to minimise accounting efforts, but distort current cost accounts by over-writing the cost of items not yet used on works, or to reckon amount of expenditure on notional basis, should be avoided.

78. Meticulous care should be taken to maintain proper records in relation to costs, consumption of POL and materials and expenditure on labour.

Preparation of the record and analysis of costs should be done by competent hands and in time. Delay in accounting for the cost at different levels, would always give a distorted picture hence, promptness should be ensured in accordance with a predetermined time-table.

Hire Charges

79. To safeguard against the burden of idle depreciation due to machines lying idle for certain periods without being given on rent, practice as indicated in Chapter 9 should be adopted to provide for the additional charges.

80. There should be uniformity in the basis of assessment of rental rates or hire charges of earth-moving machines and construction equipment.

81. Straight-line Method of Depreciation should be adopted for calculating the hire charges. No salvage value is to be considered in such cases.

82. To safeguard against idle depreciation due to under-utilisation of machines given on hire, basic minimum charges for defined periods of loan of equipment should be fixed.

VII. TRAINING

83. Enrolment of trained operators and mechanics for operation, maintenance and repair of equipment, should be pre-arranged, so that the machines are not assigned to unskilled hands or those do not have to wait idle for want of skilled personnel.

84. In-service-training programmes for training of maintenance and repair crew should be organised.

85. Uniformity should be introduced in the syllabi of training in all training establishments and institutions.

Recruitment of trainees for operators and mechanics should be made from amongst the I.T.I. qualified personnel, or Diploma holders in Mechanical Engineering.

86. A Governing Body be constituted, comprised of representatives, one each from the Mining Sector, Irrigation & Power Sector, the rest of the users of equipment, Planning Commission, Directorate General of Employment and Training (Ministry of Labour, Employment and Rehabilitation) for formulating and directing the training programmes of the training establishments and institutions.

87. In order to make the project/States authorities in the Irrigation and Power Sector partners with the CW&PC|Ministry of Irrigation and Power, in the matter of organising the training programmes, provision should be made in the project estimates from one-fourth of one per cent to one-half of one per cent, of the estimated cost of the project, for training purposes. 50 per cent of this provision could be used for in-service-training on the project and the balance could provide funds for contribution to the Technical Training Centres for training the sponsored nominees of the projects/ States.

88. The training Centres should be manned by persons of the rank of Joint Directors and engineers, assisted further by skilled Foremen and Mechanics.

89. The Equipment and facilities in the existing Technical Training Centres of the CW&PC should be suitably remodelled so as to have equipment of more recent origin, the like of which is currently in use on projects. The method of training should be suitably re-oriented by introducing short-term courses (of 3 months' duration) for operators' training (Specialised Operator for individual categories of machines) and long-term courses (of 12—15 months' duration) for training mechanics.

90. The personnel supervising the operations of equipment should be suitably trained. The training of the executives should be such as to make them clearly understand the functions of planning, execution and review, in relation to specific positions held by them. The Foremen, Chargemen, Supervisors and Overseers should also be similarly trained so that the 'How' and 'Why' of a job can be clearly understood by them.

91. Senior officers managing equipment operations and utilisation shall be trained in net work techniques so that planning and scheduling of construction programmes and operations and utilisation of equipment could be properly achieved.

92. Supervisors and executive officers should be deputed by various organisations making intensive use of construction plant and equipment for training in "Construction Plant Planning, Administration and Maintenance" on major projects in the country. This training shall be on the same lines as was programmed in the past under the US AID Participants' Programme of training in U.S.A.

For this purpose, about six major projects where the work is being performed efficiently (this will include irrigation and power projects, mining projects and road construction projects) should be identified from time to time and the list circulated to all major users of equipment (Central/State Government Departments, commercial undertakings and public enterprises etc.).

93. The syllabi prescribed for Engineering Courses in the Technical Institutes and Universities should additionally cover the following subjects:—

- a. Construction methods and techniques.
- b. Selection of equipment for given job applications.
- c. Planning of equipment for better production and economy in end cost.
- d. Maintenance Engineering.
- e. Equipment Economics.

Suppliers of equipment should arrange to impart training in operation and maintenance of the equipment supplied by them to the staff at various levels at the projects. This should make a requisite stipulation in the Purchase Order.

VIII. STANDARDISATION

94. The term "Standardisation" should be given the required amount of importance it deserves. The economy resulting from standardisation should be properly evaluated not only relative to the selection of equipment for its first purchase, but also to all other aspects which got involved in management, operation and utilisation of machines.

95. A clear policy about the makes and sizes of machines in different categories and makes of their power units should be laid down at the time of first bulk purchase of equipment for the project in the event of procurement in stages.

96. Bulk purchase of equipment of new makes should be resorted to only after (i) proper tests and trials are conducted initially on these machines by importing a small number into the country; and (ii) the technical modifications on the design and construction features that may be indicated by the tests, are properly carried out.

IX. COORDINATION

97. For proper management of construction plant and equipment working on a number of projects, in a State, in a sector, or in a given public enterprise, a central organisation/coordinating agency be established for pooling and controlling the resources and to collect, compile and disseminate important information on equipment, with a view to promoting higher standard of efficiency and better utilisation.

For this to be achieved, these coordinating agencies be actively associated with the functions of, planning the overall requirement of construction plant and machinery; procurement of machinery; introducing inventory control methods; creating a proper record of consus of machinery; history of performance; cost evaluation; norms and standards of production by equipment; consumption of materials; planning for major repairs and reconditioning of equipment; transfer of machinery from one project to another within the organisation or outside; establishing liaison and coordination with other coordinating agencies in different departments/sectors in the matter of record of performance of equipment; scale of consumption of

parts, methods of work with machines, recruitment and training of operating and maintenance staff etc.

98. (a) A Standing Committee for Equipment Planning be constituted under the aegis of the Ministry of Irrigation and Power with representatives of major users of construction plant and equipment in the country as members to coordinate with Department/Ministries concerned with important matters of common interest, such as import substitution, indigenous manufacture of equipment and spare parts, Import Trade Control policy and procedures, procurement/purchase of equipment and spare parts, etc.

The Committee shall function as an associate technical body for the Plan Planning Committees of major projects/sectors making large scale use of construction plant and equipment.

The Committee shall review periodically, the performance date of equipment, norms and standards for life of equipment, maintenance and repair costs and other cost elements for study of equipment Economics, and framing equipment replacement policies.

(b) For the function of plant planning, the Plant Planning Directorate of CW&PC will be represented on the Committee and will provide the Secretariat Service.

(c) For the function of data evaluation and cost evaluation etc., and for other matters of common interest to all users of equipment, the Coordination Cell of the CW&PC will provide necessary assistance to the Committee.

99. In the Irrigation and Power Sector, the States where the Central Mechanical Units have not been established, or where these are operating as nucleus organisations, should take necessary steps to establish fulfilled units at the earliest.

100. In order that the Central Mechanical Units perform the assigned functions in an effective manner, considering the amount of equipment working in individual States as at present (barring a few), the officer's manning the Central Mechanical Units in major States should be of the rank of "Chief Engineer". The functional distribution of work would generally be on the pattern given in Appendix 12.5.

101. To provide a proper forum for exchange of views on part of major users of equipment in various sectors, on important matters relating to equipment selection, operation, maintenance, utilisation,

cost evaluation etc., Equipment Seminars should be organised on annual basis by the Equipment Planning Committee.

X. DISPOSAL/REHABILITATION OF SURPLUS EQUIPMENT AND SPARE PARTS

102. Equipment should not be retained longer than necessary on projects/works. Advance planning should be made for rehabilitation/disposal of surplus equipment.

103. The Central Coordinating Agency for a State in a sector, or in an Undertaking, should be assigned the work of rehabilitation/disposal of surplus equipment. Prior clearance should be taken from this Coordinating Agency regarding non-availability of the required items before those are purchased from the open market.

XI. IMPORT SUBSTITUTION

Equipment

104. The manufacturers should augment the manufacturing programmes under execution or projected to be executed, so that imports of the machines covered by programme do not become inevitable.

105. To give an impetus to import substitution, timely forecast of requirements of equipment by the needy users in the country is necessary. They should help the equipment manufacturers by placing their indents of equipment on them at least 12 to 18 months in advance of the actual requirement on the job.

106. In relation to inevitable imports of equipment resulting from imbalance between demand and supply, specially when emergent urgent requirements of equipment arise, it should be the policy to import equipment which is similar or identical to the equipment being manufactured in the country. This will help at least in conserving a part of the foreign exchange required to import subsequently the spare parts etc., for maintenance and repair of equipment.

107. (a) The manufacturers and the users of equipment should co-ordinate with each other in enhancing the scope of manufacture, by identifying additional items of machines for which the generated potential of demand is substantial.

(b) The Standing Committee on Equipment Planning (defined at 99(a)—Coordination) should be the liaison agency for all major

users of equipment and the manufacturers for market survey to determine the potential of requirement of new items of machines.

Spare Parts

108. To promote import substitution in respect of spare parts, the Co-ordinating Agencies in various Sectors with various organisations, should work together in identifying the particular items which do not involve complex processes of production—technically or metallurgy-wise and for which the potential of requirement is substantial for economy in production costs.

109. Until such time a major portion of the available imported equipment in use in the country is discarded from operational activity, annual sanctions of foreign exchange for import of spare parts for equipment should be sustained at adequate level.

110. (a) The DGS&D, the DGTD and the Coordination Cell in CW&PC should work together in identifying the manufacturers who would undertake the manufacture of defined items of spare parts identified for import substitution.

(b) Similar effort should be made by the major users of equipment and their Central Coordinating Agencies to which they are affiliated.

111. (a) While planning the manufacture of spare parts on private firms, a clear evaluation be done of the resources, facilities, technical know-how and the experience on their part so that the resultant product is of standard quality acceptable to all.

(b) Even if in some cases, working drawings and specifications of the items to be manufactured are to be obtained from the primary manufacturers abroad on payment, this should be arranged, provided the potential of requirement is large enough to warrant such payment.

Indigenous Manufacture—Equipment

112. Unless the items of equipment selected for manufacture are those, which have been previously in use in the country and whose performance has been found to be satisfactory, a prototype should be imported for rigorous tests and trials for technically evaluating its standard of performance before it is accepted for manufacture in the country. Such selection of equipment for indigenous manufacture may be done in association with the Standing Committee for Equipment Planning.

113. For optimum utilisation of equipment within the very first two years of its commission on the job, adequate supply of spare parts should be ensured by the indigenous manufacturers. Since this will also involve imported items of spare parts, restrictions on the import of such parts for initial supply with the machines should be relaxed as far as possible, unless the indigenous sources are clearly identified to have been properly established and in production by the manufacturers or by the ancillary industry.

Indigenous Manufacture—Spare Parts

114. The spare parts catalogues should clearly identify either the imported items or indigenous items to facilitate expeditious processing of indents/orders for spare parts.

115. The service organisations of the manufacturers should develop a system of collection of information from the users of their equipment regarding scale of consumption of atleast high value items of spare parts, commensurate with the size of fleet of equipment in operation at individual locations to afford guidance in sizing up the indents of spare parts on forward planning basis in a more precise manner.

After-Sales-Service

116. The manufacturers of equipment, through their service organisations, should organise dispensing of spare parts on 'stock and sale' basis. This alone will help in reducing the size of the inventory of spare parts for indigenous equipment with individual users and thereby curtail the amount of investment blocked up in slow moving items in the inventory.

They should establish a scientific inventory control system for sizing up the inventory of spare parts for stocking purposes.

117. The service organisations of the equipment manufacturers should be properly developed to help the users of equipment to sort out their problems with respect to operation and utilisation of equipment.

Research and Development

118. The manufacturers should evolve an effective system for 'feed-back' of information relating to performance of equipment, assemblies, sub-assemblies, components and parts. They should establish close liaison between the service organisation and production department through the Research and Development Section.

119. The research and development organisation of the manufacturers of indigenous equipment, besides making research for improvements in the design/system of the machines based on experience of the equipment users in the field, should also make a continuous advancement in the technical front to make the machines more productive at lesser maintenance and repair costs.

XII. MANAGEMENT

Organisation

120. Management of operation, maintenance and utilisation of equipment should be so organised that the planning and execution of work is a smooth and coordinated process for effective control on production and economy in cost. The organisation should be well-knit for a coordinated effort and frictionless working amongst all levels of management on the job.

121. For proper management, operation and utilisation of equipment, the functional control on operation, servicing, repair etc., of equipment shall be assigned to one suitable organisation only on unitary control basis, under an Equipment Manager.

122. An efficient maintenance materials management organisation should form a vital part in the whole organisation so that equipment is not laid off in absence of some vital supply of parts etc.

123. The size of the organisation and the type of administrative control (defining the line of heirarchy) shall be determined by the size of the fleet of equipment value-wise.

124. For functional control of large-sized fleets of equipment concentrated at single location, the distribution of work will be so made that specialisation and economy in investment costs can be achieved besides ensuring least expenditure in repairs and better quality of repair and maintenance work.

Improvement Methods

125. For evolving methods of improvement in operation, utilisation and productivity of machines, a separate Cell for carrying out 'Time and Methods' studies should be organised by every large scale user of equipment well in advance.

126. For proper planning and scheduling of works, use of 'CPM' and 'PERT' which make the modern methods of planning, should be extensively made.

127. The progress reporting system should be so laid down that review of performance is made for introducing improvements in operations and achieving cost effectiveness.

Incentives

128. Suitable incentive schemes be introduced for increase in production simultaneously ensuring the proper upkeep, maintenance and repair of equipment on sustained basis. The benefits of the incentive schemes should cover and accrue to every person who is a member of the team, contributing increments in production and safe, continuous and economic working of equipment.

129. Where the job is of large magnitude entailing employment of large fleet of equipment and heavy investment, use of computers/ electronic data processing equipment should be considered.

To broaden the perspective and keep abreast with the latest trends in respect of construction jobs, plant and machinery in use, improved techniques of maintenance and operation in advanced countries, a joint team consisting of senior engineer-managers from the Irrigation and Power Sector, Mining Sector, principal manufacturers, should be sent abroad periodically.

Recommendation

The Committee are unhappy that the proforma accounts of the Electricity Department, Andaman and Nicobar Islands, are not being finalised promptly. The accounts for 1969-70 were finalised only in November, 1971. The Tariff Advisory Committee (1969-71) have brought out some defects in the accounts in the matter of apportionment of cost of establishment between capital and revenue as also between the work done for the Department and on behalf of others. The "dearth of qualified staff to compile the accounts in perfect manner" should be remedied soon so that reliable working results are available promptly to the authorities to evaluate the performance and to take appropriate remedial measures to improve it.

[Sl. No. 12 (Para No. 2.35) of Appendix XII to 37th Report (5th Lok Sabha)].

Action taken

Efforts are being made to bring the accounts upto date, and these will be submitted in time in future. Orders have been issued for apportionment of cost of establishment for the year 1970-71 on an

ad-hoc basis. This will, later be revised in line with the recommendation of the Tariff Advisory Committee. The proposals for posting of additional qualified staff required for keeping the accounts in proper shape are being processed.

[Ministry of Irrigation and Power O.M. No. 16(24)/72-EL-I dated 25.10.1972].

Recommendation

It is distressing to note that the Department has been incurring losses successively over the period 1965-66 to 1969-70. The accumulated losses were Rs. 36.03 lakhs and the maximum loss of Rs. 12.46 lakhs was incurred in 1969-70. The losses represent about 41 per cent of the expenditure. The Committee note that the Tariff Advisory Committee's report recommending increase in tariff is under consideration and that cost of fuel will be less consequent on the Indian Oil Company agreeing to supply diesel oil on the island itself from 1st July, 1971. The Committee hope other measures designed to economise on the working expenses would be implemented speedily to reduce, if not to obviate the losses altogether in the coming years. They would like to watch the results.

[Sl. No. 13 (Para No. 2.36) of Appendix XII to 37th Report (5th Lok Sabha)].

Action taken

In view of the importance of the matter, the Vice-Chairman and Director (UT), Central Water and Power Commission (P.W.) visited Port Blair for on the spot study. They issued on the instructions for measures to be taken for reducing losses, both on a short term basis and also as a long term measure.

[Ministry of Irrigation and Power O.M. No. 16(24)/72-EL-I dated 25.10.1972].

Recommendation

The Committee find that saw-dust and sawn fuel were sold by the Forest Department to Electricity Department at rates varying from Rs. 12.50 to Rs. 19.45 per cord during 1960-61 to 1970-71 whereas the rates for domestic consumption varied from Rs. 5.5 to Rs. 7.25 during the period. On the other hand the rate for supply of electricity to the Forest Department was 22 paise (net) as against the rates varying from 25 paise to 56 paise for domestic and other industrial consumption. As the Forest Department also is stated to

be working in loss, the Committee would like Government to examine as to what kind of tariff for supplies of electricity and wood fuel between these two departments and by them to outsiders would result in obviating the losses to the Andaman and Nicobar Administration as a whole which may not necessarily obviate the losses of each of the departments.

[Sl. No. 14 (Para No. 2.37) of Appendix XII to 37th Report (5th Lok Sabha)].

Action taken

The matter of refixation of rate of supply of electricity, wood fuel etc. between forest and Electricity Department and outsiders to obviate losses to Andaman & Nicobar Administration as a whole was taken up by the Central Water and Power Commission (Power Wing) and Ministry of Irrigation and Power with Food & Agriculture Ministry and the Andaman and Nicobar Administration. This is being pursued further with the A & N Administration. The Forest Department has agreed to supply saw dust to electricity Department free of cost ex. saw-mill premises, with the electricity department bearing the transportation charges. The Ministry of Agriculture who are in administrative control of the Forest Department of A & N Islands have stated that the prices of the Forest products are fixed by conventional commercial accounting and are reviewed from time to time. On recommendation of the Tariff Committee the Electricity Department has also suggested increase in tariff for power supply to various consumers including the saw mill based on the recommendations of Tariff Advisory Committee. This is under consideration of the Government.

[Ministry of Irrigation and Power O.M. No. 16(24)/72-EL-I dated 25.10.1972].

Recommendation

As regards wastage in distribution of electricity, the Committee would like to refer to one important factor viz. defective working of meters, brought out by the Tariff Advisory Committee. It is hoped that the Department would take adequate steps to have periodical checking and testing of meters.

[Sl. No. 15 (Para No. 2.38) of Appendix XII to 37th Report (5th Lok Sabha)].

Action taken

The frequency of testing of meters on consumers' premises has been intensified. Further, an elaborate meter testing bench with full instructions is also being procured.

[Ministry of Irrigation and Power O.M. No. 16(24)/72-EL-I dated 25.10.1972].

Recommendation

The cost of generation of power in 1968-69 varied from 40 paise in Port Blair to 374 paise per unit in Biglapathy. The Committee need hardly point out that the working of power houses such as Biglapathy which disclosed incredibly high cost of generation needs special examination by experts with a view to devise remedial measures.

[Sl. No. 16 (Para No. 2.39) of Appendix XII to 37th Report (5th Lok Sabha)].

Action taken

The Executive Engineer, Electricity Department, Andaman and Nicobar is examining this and will make a detailed report.

[Ministry of Irrigation & Power O.M. No. 16(24)/72-EL. I, dated 25-10-1972].

Recommendation

The Committee note that the cost of distribution of power has not been worked out in respect of all power houses except for Port Blair. This is one of the deficiencies of accounting needing attention to which the Committee have referred earlier.

[Sl. No. 17 (Para No. 2.40) of Appendix XII to 37th Report (5th Lok Sabha)].

Action taken

The cost of distribution of power for the various power houses other than the Port Blair will be worked out after complete accounting staff is posted. Arrangements are being made for posting the staff and taking up this work.

[Ministry of Irrigation and Power, O.M. No. 16(24)/72-EL.I, dated 25-10-1972].

Recommendation

From the break-up of the average cost of generation of power (46.1 paise) the Committee find that element of establishment expenditure accounted for 17.90 per cent of the cost. The Tariff Advisory Committee have opined that the cost of establishment in terms of output of work is high. The Committee would suggest that this aspect should be examined in consultation with the CWPC (PW) expeditiously to rationalise the staff strength.

[Sl. No. 18 (Para No. 2.41) of Appendix XII to 37th Report (5th Lok Sabha)].

Action taken

The work-load of the existing staff of the Electricity Department was studied by the Vice-Chairman, Central Water and Power Commission during his last visit to Andamans and he has since made certain recommendations in this regard. The Vice Chairman has expressed that the norms adopted in mainland for arriving at the staffing pattern cannot be followed in these islands on account of various conditions prevailing there.

[Ministry of Irrigation and Power O.M. No. 16(24)/72-EL-I dated 25-10-1972].

Recommendation

The Committee are at a loss to know how the dues relating to the Government servants (Rs. 1.04 lakhs) for the period prior to 1965-66 still remain unrecovered/unadjusted. They hope that the examination of old pay bills would be completed soon and necessary adjustment/recoveries effected. The Committee would like Government to take effective remedial measures to ensure that arrears are not allowed to be accumulated in future.

[Sl. No.19 (Para No. 2.42) of Appendix XII to 37th Report (5th Lok Sabha)].

Action taken

Out of a total dues of Rs. 1.04 lakhs outstanding, a sum of Rs. 10,497.78 paise has already been adjusted. Efforts are being made to recover the balance dues. A number of remedial measures including precautionary steps are being taken to ensure that arrears are not allowed to accumulate in future.

[Ministry of Irrigation and Power, O.M. No. 16(24)/72-EL-I, dated 25-10-1972].

Recommendation

The use of oversize steel sections resulted in the increase of the quantity of the finished product by 480 tonnes valued at Rs. 6.41 lakhs. The Committee find that the opinion of the legal section of the Punjab State Electricity Board given in 1964 as also of the Legal Remembrancer, Punjab and the Ministry of Law obtained in 1966, was that since the responsibility for procurement of steel was that of the supplier they should bear the additional cost of the increased tonnage or pay damages for non-delivery of the stipulated material. However, even earlier in July, 1963 the firm was told that they would be paid for the additional tonnage excluding the cost of fabrication and galvanising. The Committee would like to know how this understanding was created without taking legal opinion. This is all the more important because the Law Ministry have subsequently held *inter alia* that this had to effect of modifying the stipulation that procurement of steel would be the responsibility of the firm.

[Sl. No. 22 (Para No. 3.30) of Appendix XII to 37th Report (5th Lok Sabha)].

Action taken

While approving the use of tested/untested alternative higher sections in place of non-available design sections in the meeting held with the firm's representatives, on 8-6-1963, the financial aspects of this substitution were not considered. This led to the impression that the firm might claim not only the price of steel but fabrication and galvanisation charges also for such additional tonnage at the contract price unless the position was immediately clarified to them. The issue was examined with this background and Chairman, Punjab State Electricity Board agreed that the cost of steel may be paid by the department while the firm should bear the fabrication and galvanisation charges on this additional tonnage. The question of taking legal opinion was not considered at this stage.

[Ministry of Irrigation and Power, O.M. No. 25[2]71-B & B Vol. V., dated 5-1-1973].

Recommendation

The Committee do not get any idea regarding the increase in the cost of the supplies on account of the delay as particularly under the price variation clause of the contract the increase in price of steel was to the purchasers account. It is common knowledge that the price

of raw materials keeps on increasing. The Committee would, therefore, like to know how far the supplies cost more on account of the delay in delivery.

[Sl. No. 24 (Para No. 3.32) of Appendix XII to 37th Report (5th Lok Sabha)].

Action taken

The increase in the cost of supplies on account of additional price escalation beyond stipulated completion date of October, 1965 is estimated at Rs. 3.07 lacs approximately in respect of steel. There was no additional price increase on Zinc since the requisite quantities as per our assessment had been procured prior to October, 1965.

[Ministry of Irrigation and Power, O.M. No. 25/2/71-B & B Vol. V., dated 5-1-1973].

Recommendation

The Committee note that out of trunk call charges amounting to Rs. 10,104 for the period from August, 1961 to July, 1966 paid by the Bhakra and Beas Design Organisation Rest Camp, Delhi, a sum of Rs. 7,236 had accumulated on account of unverified calls. Ultimately a sum of Rs. 5,428.25 had to be written off by the Organisation as irrecoverable. The Committee was given to understand that the telephone was provided in the Rest Camp for the use of visiting officers and private individuals and that despite clear instructions the trunk calls made by them were not generally entered in the relevant register. In view of this experience, the Committee would suggest that the desirability of barring the trunk/STD Call facility in respect of telephones installed for the use of visitors in the rooms of the Rest Houses/Rest Camps except where it is necessary for official purposes may be examined in consultation with the telephone authorities in case it is not possible to collect the charges from the occupants before they vacate.

[Sl. No. 27 (Para No. 3.51) of Appendix XII to 37th Report (5th Lok Sabha)].

Action taken

Comments of the Public Accounts Committee were conveyed to Secretary, Beas Construction Board, with regard to the barring of trunk/STD call facilities. They discussed the matter with the Delhi

Telephones who have informed that for the present there is no proposal in hand for blocking the telephones on digits 38 with which the Beas Construction Board Rest House Telephone numbers begin. They have further informed that even when such a decision is taken, it would take 3 to 4 months to complete arrangements. While the matter of introducing STD-barring facility in the Beas Construction Board Rest House at Delhi is being pursued, steps have also been taken to ensure that every visitor/official using the telephone records each call in the register maintained for the purpose and that all outstation calls should be routed through trunk calls instead of availing STD facilities.

[Ministry of Irrigation and Power, O.M. No. 25/2/71-B & B Vol. V., dated 5-1-1973].

Recommendation

The Committee are concerned to learn that stay and trunk call charges amounting to Rs. 1,678 and Rs. 4,195 respectively during the period July, 1962 to May, 1964 in respect of a private individual who is stated to have been highly connected when the Beas Project was under the Punjab State Government, could not be recovered for want of sufficient details and that the authorities were helpless in the matter of ensuring the relevant registers being filled in by him. The Committee do not, therefore, desire to pursue this unfortunate episode further. They, however, wish to observe that abuse of Government facilities is all the more reprehensible and unbecoming if it is indulged in by close relations of highly placed persons to the embarrassment of lower officials. They accordingly desire that any deliberate defiance of rules by such individuals should be brought to the notice of the highest executive then and there.

[Sl. No. 28 (Para No. 3.52) of Appendix XII to 37th Report (5th Lok Sabha)].

Action taken

Secretary, Beas Construction Board, has been advised to take necessary precaution to prevent any deliberate defiance of rules governing stay at the Rest House and use of telephones located at the Rest Houses/Beas Construction Board Offices etc., by high dignitaries and to bring any such breach to the notice of the highest executive immediatey.

[Ministry of Irrigation and Power, O.M. No. 25/2/71-B & B Vol. V., dated 5-1-1973].

Recommendation

The Committee desire that concerted efforts should be made to dispose of early the remaining quantity of wool-felt through the DGS&D so as to avoid further losses due to damages or deterioration of the stock.

[Sl. No. 31 (Para 3.59) of Appendix XII to 37th Report (5th Lok Sabha)].

Action taken

The entire balance of about 1000 sq. meters of woolfelt is reserved for Beas Construction Board. As their actual requirements would be known in 1973, a reference has been made by the Project Authorities to the D. G. S. & D., to dispose of this material to any other Projects/parties if required earlier by them.

[Ministry of Irrigation and Power O.M. No. 25/2/71-B. & B. Vol. V.
dated 5-1-1973].

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES BY GOVERNMENT

Recommendation

The execution of Phase II of the Najafgarh Drainage Scheme leaves much to be desired. Commenced in 1959-60 and estimated to cost Rs. 79.20 lakhs the work was expected to be completed by June, 1962. Out of total quantity of 594 lakh cft., earth work to be done, only 162.5 lakh cft. representing a mere 27 per cent could be done by the target date. The main reasons for the slow progress were (i) starting the work without any earth moving machinery and (ii) delay in getting sufficient number of earth moving machineries subsequently when their need was realised. To what extent the work was proceeding at a slow pace can be judged from the fact that while 800 lakh cft., of earth work was done in about 4 years between 1959-60 to October, 1963, an equal quantity of remaining work was done in 8 months between October, 1963 and May, 1964 with adequate earth moving machines. The Committee would like to know why the requirement of earth moving machines was not contemplated initially as the work of such a magnitude bulk of which had to be done under water could not obviously have been managed by mutual labour alone. The Committee have reasons to apprehend that the late realisation of the need for the machinery to expedite the work would have resulted in acquiring more than what was needed initially. Incidentally the Committee find that there has been an increase in cost by Rs. 10 lakhs on account of the delay.

[Sl. No. 1 (Para No. 1.26) of Appendix XII to 37th Report (5th Lok Sabha)].

Action Taken

The Project Report of Najafgarh Drainage Scheme Phase II did not make specific provision for the procurement of earth moving machinery. However, the use of earth moving machinery in the excavation work had not been ruled out as might be seen from para 2.18 of the report extract of which is reproduced below:

"In this connection, the possibility of carrying out the earth work for the re-modelling of the drain by earth moving

equipment and its economics might be looked into. It may, however, be stated that the difficulty of foreign exchange is involved in the purchase of new machinery."

The question of making provision for the foreign exchange for the earth moving machines had been considered at the time of obtaining the sanction of the Expenditure Finance Committee. In the E.F.C., Memo requirement of foreign exchange had been deleted. The Chief Engineer of the Central Public Works Department in-charge of the work had stated as follows in this connection:

"In regard to para on foreign exchange, as the work involved is to the tune of Rs. 71 lakhs and is to be done in two sea-sons, I am planning to get 4 RB-22 mechanical shovels with draglines arrangements against my normal T & P which would be used on this project in the first instance and then shifted on to hill roads. In other works, the equipment is such as can be used on this project as well as utilised later on. This equipment involves about Rs. 5 lakhs of foreign exchange and I am told that we will be able to get this foreign exchange from our normal T. & P."

The question of obtaining earthmoving equipment from other project was also under consideration at that time.

In September, 1961, the Chief Engineer of C.P.W.D., while explaining the slow progress on the Najafgarh Drainage Scheme had made the following observations:

"We had acquired 4 excavators already and 5 more had been indented and the DKS & D., had been requested by the Ministry of Works, Housing and Supply to get them under priority. These excavators are available on rupee pay-ment. More excavators could not be acquired earlier than the 4 indicated above as foreign exchange was involved and with the Bharat Sewak Samaj demand for doing about 2 crores cu. ft. of earth work, we had thought that we should be able to manage with 4 excavators supple-mented by some local contractors. When these hopes got belied, we had to indent for more excavators."

Thus it will be observed that the use of earth moving machinery had been contemplated when the work was taken up and the re-quirement had been estimated based on the situation obtaining at that time.

[Ministry of Irrigation and Power O.M. No. FC.12(8)/72 dated 21-10-72].

Recommendation

The relatively poor performance in the year 1969-70, the actual working hours being 9207 against the scheduled hours of 16,340, has been attributed to the reduction in the quantum of work to be executed. If this explanation is correct, the work to be executed. If this explanation is correct, the work of phase III of the scheme should have been completed much earlier than June, 1971. The Committee would, therefore, like the delay in execution of the scheme to be examined and the results intimated to them.

[Sl. No. 7 (Para No. 1.59) of Appendix XII to 37th Report (5th Lok Sabha)].

Action taken

By 1969-70, the major portion of the earth work excavation on the Najafgarh drain had been completed and the balance work was mostly by way of small left out portions over scattered areas and also general dressing to obtain the finished dimensions. The progress on such work is generally slow and cannot be compared with the outturn during peak operations. As such, it was not possible to complete the balance work before June, 1971 even though earth moving machinery was available for a larger output.

[Ministry of Irrigation and Power O.M. No. FC.12(8)/72 dated 21-10-72].

Recommendation

From the details furnished, the Committee have come to the conclusion that the optimum output capacity of the different types of draglines in relation to the work in the Najafgarh scheme, fixed by the Project authorities was on the low side; the optimum capacity fixed was only about 50 per cent of the production capacity indicated by the Rates and Costs Committee. If the production performance of these machines during 1967-68 was any indication, quantity of earth work actually done was 346.96 lakh c. ft. as against 265.74 lakh c. ft. which should have been done according to the norm adopted by the project—they had not been working at the optimum level of efficiency in other years. The performance in 1966-67 was particularly unsatisfactory in as much as only 326.96 lakh c. ft. of work alone was done against the quantity of 334.33 lakh c. ft. which should have been done even according to the low norm of the project. All these, therefore, need detailed investiga-

tion with a view to *inter-alia* fixing realistic norms to effectively control the working of the machine.

[Sl. No. 9 (Para No. 1.61) of Appendix XII to 37th Report (5th Lok Sabha)].

Action taken

The basis on which the output of the machines had been fixed had been explained earlier and has been incorporated in paras 1.50 and 1.51 of the report. As stated therein, the output depends upon depth of cutting, nature of soil and angle of the swing of disposal. In making an evaluation, the performance in a specific year or period of operation will not give the correct picture. An evaluation, the performance in a specific year or period of operation will not give the correct picture. An evaluation has to be made for the complete work and during the entire period of operation for comparison with the estimated out-turn which has been made for average condition. The out-put in different years will vary according to the site conditions and nature of soil.

If the entire period of operation is taken into account, it will be observed that as against the estimated quantity of 1157 lakh c. ft., the actual out-turn is 1137 lakh c. ft. which should be considered satisfactory.

[Ministry of Irrigation and Power O.M. No. FC.12(8)/72 dated 21-10-1972].

Recommendation

The Committee are concerned to find that the estimated cost per unit of earth work to be done was exceeded in all the years except in 1967-68, the figures being Rs. 7.2, Rs. 5.74, Rs. 6.69 and 6.73 respectively during 1966-67 to 1969-70 as against the estimated cost of Rs. 6.5 per 100 c. ft. In view of what is mentioned in the foregoing paragraph, the Committee have reasons to believe that the estimated cost itself was on the high side. This was thus primarily due to the fact that norms of output of the draglines were not fixed realistically and adhered to. Further the staff for operating the draglines were engaged for the full year although they worked generally for 7 months only in a year. All those had pushed up the cost of the project considerably. The Committee would like to know what sort of cost control was exercised in this project. They

hope that such laxities will not be in evidence in similar other projects.

[Sl. No. 10 (Para No. 1.62) of Appendix XII to 37th Report (5th Lok Sabha)].

Action taken

The estimated cost of Rs. 6.5 per 100 c. ft. which had been adopted in the estimates is not excessive taking into account the analysis made on the basis of use rates for different types of machines and their out-turn per hour under the actual site conditions.

The details of the use rates are given in the enclosure. These have been worked out according to the norms laid down by the CW & PC from time to time. Based on the use rates and the out-turn under the site conditions, detailed in para 1.5 of the report, the cost per 100 c. ft. of earthwork by various types of machines is as follows:

	TATA P & H	SKODA	22 R.B.
Use rate per hour	182.81	70.42	69.72
Out-turn per hour	2375 c. ft.	1290 c. ft.	1780 c. ft.
Cost per 100 c. ft.	Rs. 7.6	Rs. 5.4	Rs. 8.9

As mentioned in para 1.38, the total schedule hours of the various draglines from 1966-67 to 1969-70 were as follows:

TATA P&H	SKODA	22 R.B.
32830	23475	15520
Total—71825 hrs.		

With the out-turn and the cost per 100 c. ft. for the various machines as indicated above, the average cost per 100 c. ft. works out to Rs. 7.3. The actual rate per 100 c. ft. during all the years has been less than this amount. Further as earlier mentioned, it will not be appropriate to compare the actual rate in any specific year with the estimated rate as out-put will vary according to the site conditions and the nature of work from year to year. Therefore, a comparison should be made of the actual cost for the whole operation which works out to Rs. 6.55 per 100 c. ft. against the estimated cost of Rs. 7.3 per 100 c. ft. as worked out above and Rs. 6.5 per 100 c. ft. provided in the estimate.

All precautions were taken by the project authorities to ensure that the machines operated to the maximum possible extent and

that the repairs were reduced to the minimum and were carried out expeditiously thereby keeping down the total operating cost.

The staff for operating the draglines had to be employed for the full year as it is not possible to recruit them only for the duration of the working season. However, they were engaged during the off time on the maintenance and repair of the machines.

[Ministry of Irrigation and Power O.M. No. F.C.12(8)72 dated 21-10-1972].

Use Rate per hour of Draglines

Sl. No.	Subject	P&H 2½ Cu.Yd.	Skoda 1½ yd.	22 R.B. 4 Cyd.
1. Depreciation	· · ·	53.76	13.50	17.00
2. Shop Repairs	· · ·	53.76	16.20	17.00
3. Field Repairs	· · ·	21.50	5.40	6.80
4. Fuels	· · ·	19.58	9.57	6.58
5. Lubricants	· · ·	4.89	2.39	1.63
6. Sundries	· · ·	4.00	3.00	3.00
7. Labour	· · ·	13.59	15.28	12.97
8. Overhead charges	· · ·	11.75	5.18	4.79
<hr/>				
TOTAL :		182.81	70.42	69.72
<hr/>				
Depreciation	· · ·	8.96,000 x .9	1,80,000 x .9	1,70,000 x .9
		15,000	12,000	9,000
<hr/>				
Total cost-10% Scrap value Life of machine				
		—53.76	—13.50	—17.00
2. Shop Repairs	(percentage of depreciation)	—100%	120%	—100%
3. (Field Repairs percentage of depreciation)		40	40	40

Recommendation

Due to non-availability of certain sections of steel the firm had to be allowed to use oversize steel sections on various dates viz. June, 1963, July, 1964 and October, 1966 to avoid delay in delivery

as the firm was entitled to relaxation in the matter of levy of penalty in respect of steel sections which were not rolled in the country during any particular period. Further, attempts were made to import steel in June, 1963 and again in March, 1965. It was decided finally in September, 1966 to drop the idea after prolonged correspondence mainly on account of the firm's refusal to hear the extra cost although the purchase was liable for any increase in the cost of indigenous steel only. The committee would like to know how far the time spent in such attempts was responsible for the relaxation in the firm's efforts to procure the necessary quantity of steel in time.

[Sl. No. 21 (Para No. 3.29) of Appendix XII to 37th Report (5th Lok Sabha)].

Action Taken

Serious efforts were continuously being made by the department and the firm for arranging the requisite steel sections from indigenous sources even when the use of alternative sections had been approved and decision taken to import certain non-available sections. There was no let up in these efforts at any stage.

[Ministry of Irrigation and Power O.M. No. 25/2/71—B&B Vol. V dated 5-1-1973].

Recommendation

The Committee note that out of 2800 sq. meters of 'Wool felt' procured to cover the scroll casting in two layers on 5 turbines under erection at Bhakra Right Bank Power Plant, only 1000 sq. meters were actually required. That the excess purchase was due to a genuine 'misunderstanding' that area of 210 sq. meters indicated by the Designers was of each layer for a turbine is hardly convincing to this 'mis-understanding' the quantity required for 5 turbines was only, 2,100 sq. meters. Further it is not clear how the Project Engineers failed to check the requirements with reference to the designs available with them. As surplus material valued at Rs. 1,71,181 could not be disposed of since November, 1965, except a small quantity of 120 sq. meters, the Committee desires that suitable action should be taken against the official concerned for the excessive purchase and that it should also be investigated whether any favouritism was shown to the supplier.

[Sl. No. 29 (Para No. 3.57) of Appendix XII to 37th Report (5th Lok Sabha)].

Action taken

From the correspondence earlier exchanged with M/s. Technopromexport, the requirement of wool-felt for 5 units was worked out as 2100 sq. meters (210 sq. MX2 layers X5 units—2100 sq. meters). Subsequently, M/s. Gidroproekt, the manufacturers of the turbine, sent a drawing No. 1001-14/191 covering the bill of material in which the requirement of wool felt was mentioned as 2800 Sq. m. ($5 \times 530 + 150 = 2800$ Sq. meters) and stands intimated to the Deputy Accountant General, Nangal vide this office No. 559/PBC-16 dated 15th October, 1970. Thus it would be seen that the quantity of woolfelt purchased was in accordance with the requirements as advised by the manufacturer, for which no particular official can be held responsible for the excess purchase.

The original drawings received from the manufacturers were taken as authentic for all purposes of calculations and references and as such no necessity was felt to exercise any check in regard to this particular item alone.

[Ministry of Irrigation and Power O.M. No. 25/2/71—B&B Vol. V, dated 5-1-1973].

Recommendation

The Committee regret to learn that 600 sq. meters of wool felt valued at Rs. 60,000 had been damaged by white ants and were not fit for use. If the storage conditions were proper as claimed by the Department and the conditions of the material were periodically checked, the Committee fail to understand how there could be such large-scale damage. They accordingly desire that responsibility for the lapse should be fixed.

[Sl. No. 30 (Para No. 3.58) of Appendix XII to 37th Report (5th Lok Sabha)].

Action taken

Arrangements for storing the wool-felt were made as best as could be done at the site of the work and that the Project Authorities provided necessary disinfectants in the store-godown. Inspite of this, some wool felt was damaged. In view of the above, it would not be possible to hold any official responsible for damage to the woolfelt.

[Ministry of Irrigation and Power O.M. No. 25/2/71—B&B Vol. V, dated 5-1-1973].

Recommendation

Although the Committee were assured during evidence that local enquiries were being made to locate the supplier in order to see whether anything more than the 10 per cent payment withheld could be recovered from them for the defective supplies, the Ministry subsequently intimated that "now that the wheels have been used, no further action has been taken" in the matter. The Committee were informed that 230 out of 253 defective wheels could be used after retreading at the cost of Rs. 175 per wheels which incidentally enhanced the life of the wheels by 100 per cent. The cost of each wheel was, however, stated to be Rs. 150. As the defective wheels could be used only after spending more than their original cost, the Committee do not appreciate the decision of Government not to proceed against the supplier further. They would, therefore, like Government to explore the possibility of recovering the loss fully.

[Sl. No. 34 (Para No. 4.17) of Appendix XII to 37th Report (5th Lok Sabha)].

Action taken

The cost of the wheels according to the contract was not Rs. 150 per wheels but Rs. 177.12 per wheels plus 3 per cent C.S.T. In addition, railway freight was payable by the Department for carriage of the wheels from Howrah to destination. This freight and other incidental charges cost the Department Rs. 11,610. Accordingly, the total cost per wheel worked out to Rs. 205.93 vide detail below:—

Cost per wheel as per contract	Rs. 177.2
Plus 3 percent C.S.T.	Rs. 5.41
	Rs. 182.43
Cost per wheel of freight and incidental charges	Rs. 23.50
Rs. 116 10 + 494 wheels —	Rs. 205.93

The cost of retreading each wheel worked out to Rs. 175 as a result of which the life of the wheels was doubled. That is, if ordinarily the wheels could be used for four months, with the retreading their life was extended to eight months. Since because of this retreading the original life span of the wheels was also restored, it has not been considered necessary to pursue the question of effecting any recovery from the firm.

[Ministry of Irrigation and Power O.M. No. 25/2/71—B & B Vol. V., dated 5-1-1973].

CHAPTER IV

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

Recommendation

The scope of Phase II of the schemes was changed in 1964 by increasing the discharge capacity of the drain from 900 cusecs to 3000 cusecs uniformly. The Committee are not convinced that this could not have been done earlier as this capacity was already provided for in the city reaches and the ultimate requirement of this capacity in the upper reaches was also contemplated earlier. The Committee therefore feel that the scheme as originally conceived was not comprehensive enough to meet the future requirements with the result that during 1964 Delhi faced heavy floods which caused wide spread damages to property amounting to Rs. 185 lakhs. The emergency works which had to be undertaken as a result thereof cost Rs. 4.39 lakhs.

[Sl. No. 2 (Para No. 1.27) of Appendix XII to 37th Report (5th Lok Sabha)].

Action taken

The reasons for not providing the discharge capacity of 3000 cusecs when the Najafgarh drainage scheme Phase II was prepared have been explained in the replies to Point No. 8 under para 33 of the report of C&AG relating to the allocation of expenditure on drainage scheme supplied to Lok Sabha Secretariat vide this Ministry's letter No. FC.12(19)/71, dated 10th October, 1971. A copy of the reply is enclosed for ready reference.

[Ministry of Irrigation and Power O.M. No. FC.12(8)/72, dated 21-10-1972].

Copy of Point No. 8 under Para 33 of the report of C&AG relating to the allocation of expenditure on drainage scheme supplied to Lok Sabha Secretariat.

8. The work on the Second phase of the scheme was taken up in 1959-60. Please furnish a note, as promised during evidence, explaining how the discharge capacity of 3000 cusecs could not be contemplated in 1959.

In the Reddy Committee report, the discharge capacity in the upper reaches of the Najafgarh drain had been estimated as about 450 cusecs. This was based on office studies of Survey of India topo sheets. The catchment area contributing to the inflows into the Najafgarh Jheel had then been computed as 432 sq. miles. In 1959-60, detailed field surveys and investigations were carried out. Detailed studies were also made with the data of rainfall and levels of Najafgarh lake observed till then and the topography of the area. These studies brought out that the capacity of 450 cusecs from Kakraula to Daryanala would not be adequate to give the desired interim relief in the Jheel area. It was estimated that the capacity required would be 900 cusecs.

In 1964, there was heavy rainfall in the catchment of Najafgarh drain and the contiguous areas of Haryana and Rajasthan. Consequently, there was considerable inflow from the Sahibi river. Such heavy inflow had not been experienced in the past. The level in Najafgarh Jheel rose to all time record of 695.6 submerging an area of about 60,000 acres.

A Committee of Technical Experts (Motiram Committee) was appointed by the Government of India to study the situation arising out of the 1964 floods and the measures required to provide relief from the drainage congestion. This committee made detailed hydrological studies and came to the conclusion that the capacity of the Najafgarh drain between Kakraula and Daryanala should be increased from 900 cusecs to 3000 cusecs for bringing down the level of the Najafgarh Jheel to RL 686 after the monsoon to enable Rabi cultivation in the marginal area of the lake. This conclusion of the committee was accepted and Stage II of the scheme was modified accordingly. It was considered that with the development in the upper reaches, the chances of flows as experienced in 1964, would be frequent and that the increase in capacity as recommended by the Committee was essential.

Recommendation

The Committee learn that there are no uniform rules regarding allocation of cost of Inter-State drainage schemes between the beneficiary States. In the Najafgarh scheme, the Committee find that while the cost of Phase II is sought to be allocated on the basis of the area benefitted, the cost of Phase III is to be allocated on the

basis of catchment area in the respective States. The Committee desire that there should be some uniformity in this regard.

[Sl. No. 4 (Para No. 1.29) of Appendix XII to 37th Report (5th Lok Sabha)].

Action taken

In the reply to Point No. 10 furnished to the Lok Sabha Secretariat vide this Ministry's letter No. F.C.12(19)/71 dated 10th November, 1971 the general principles on which allocation of inter-State drainage schemes are made have been explained. A copy of the note on item No. 10 is enclosed for ready reference. These procedures are applicable in general to all drainage schemes.

[Ministry of Irrigation and Power O.M. No. FC.12(8)/72, dated 21-10-1972].

Copy of Item No. 10 of the Report of C & AG.

10. Please state why a uniform basis for allocation of cost of drainage scheme has not been prescribed.

The general principles in allocating the cost of drainage schemes which concern more than one State are as follows:—

- (i) the allocation is done in the ratio of cusec miles.
- (ii) the allocation is done in the ratio of the catchment areas where the catchments are of similar nature and the carrier drain is common.
- (iii) the allocation is done in the ratio of the benefits actually derived by the beneficiaries.

The choice of method to be employed is determined on merits of each case and as mutually agreed to by the beneficiaries.

Recommendation

The Committee find that the Sub-Committee constituted by the Bhakra Control Board to examine the proposal for the purchase of 2285 galvanised steel towers for the 220 KV transmission lines at the cost of Rs. 233 lakhs, specifically decided on 16th February, 1962 that "the firm should be tied down to definite delivery because such offer as supply of the towers after sufficient steel and zinc was available could not be accepted." They also decided that the penalty clause "should be made contingent on the delivery specified". The

firm which was called to discuss *inter alia* this matter on 1st March, 1962 agreed to the delivery period and the penalty clause. When the contract was finally entered into on 12th October, 1962, a proviso was, however, added to the delivery period that "if during the execution of this order the company is not able to get certain steel sections on account of the fact that the same are not rolled by any of the steel producers during any particular period, the company shall bring it specifically to the notice of the purchaser and any short deliveries on account of this shall not be subject to the levy of penalty". The Committee would like to be investigated as to how this proviso came to be inserted in the contract which went counter to the decision of the sub-committee especially when there was no mention of it in the minutes of meeting with the firm's representative on 1st March, 1962. This proviso in effect nullified the provision contained in the detailed purchase order issued on 16th January, 1963 that the procurement of steel would be entirely the responsibility of the firm. To what extent this lacuna in the contract went against the interest of Government can be seen from the following.

[Sl. No. 20 (Para No. 3.28) of Appendix XII to 37th Report (5th Lok Sabha)].

Action taken

Having agreed to the delivery period and the penalty clauses as decided in the meeting held with the representatives on 1st March, 1962, M/s. Alcock vide their letter dated 3rd April, 1962 informed the department that strict adherence to the agreed delivery schedule may not be possible if the supply of matching steel was not forthcoming from the producers. The delivery clause alongwith other important clauses of the order were discussed at length with the representatives of the firm in a meeting held with the Chairman, Punjab State Electricity Board and other officers of the department on 18th May, 1962 and it was decided to accept the modified delivery clause as appearing in the contract. The contract agreement incorporating the various clauses as agreed with the firm was duly approved by the Chairman, Punjab State Electricity Board and other full time members of the Board. The relaxation in delivery clause was apparently based on practical consideration regarding availability of steel.

A copy of the minutes of the meeting held on 18th May, 1962 is enclosed.

[Ministry of Irrigation and Power O.M. No. 25/2/71—B&B Vol. V.
dated 5-1-1973]

Minutes of the meeting held in the room of the Chairman, Punjab State Electricity Board on 18th May, 1962 with the representatives of M/s. Alcocks, Ashdown & Co., Bombay regarding Specification No. 697—Fabrication and supply of 220 KV double-Circuit towers.

President:—

1. Shri H. R. Bhatia, Chairman, Punjab State Electricity Board, Patiala.
2. Shri R. N. Chona, Chief Engineer/Construction, Punjab State Electricity Board, Patiala.
3. Shri H. C. Sahgal, S.E. Projects, Punjab State Electricity Board.
4. Shri G. S. Bains, Executive Engineer/Projects, Punjab State Electricity Board.
5. Shri K. B. Gupta, Assistant Engineer, Punjab State Electricity Board, Patiala.
6. Shri D. V. Shah, Chief Executive of M/s. Alcock Ashdown & Co.
7. Shri N. V. Mazoozdar, Production Executive of M/s. Alcock, Ashdown & Co.
8. Shri M. C. Sharma of M/s. Alcock, Ashdown & Co.

1. Rebate in Prices

The Chairman explained to the firm that they had offered in their original tender to give a suitable rebate in prices, in case the entire order is placed on them. This point, he said, was not taken into account during the discussions with firm's representatives in Delhi, although the firm's representatives recall that it was mentioned but unfortunately not minuted. As a result of discussions, it was decided that the firm will address to the Chairman about the suitable rebate they would offer and also give their views in this matter.

2. Force Majeure Clause

It was explained to the firm's representatives that it would be entirely the Purchaser's choice whether to choose D.G.S. & D.'s Clause for 'force majeure' or that of Punjab State Electricity Board's clause for the same as has been clearly agreed earlier by the firm's representatives during their discussions in Delhi and further confirmed in their letter. The firm accept this position.

3. *Delivery*

The firm had earlier agreed to supply at the rate of 750 tons per month and the delivery was to start a month after the successful test on tower was carried out. They had further agreed that deliveries will be made in lots of 200 Nos. complete towers. In a subsequent letter, the firm had expressed that strict adherence to the supply of towers in lots of 200 Nos. complete may not be possible if the supplies of matching steel are not forthcoming from the producers. This point was discussed at length and it was decided that so far as the imposition of penalty is concerned this should be applicable only on the average supply of every 6 months so far as the steel tonnage and number of towers complete is concerned. If the firms performance in the first three months is not uptodate, they should be cautioned by the purchaser. While discussing this issue, it was further decided that if during the execution of this order, the firm is not able to get certain sections on account of the fact that the same are not rolled by the steel producers during particular period, the firm will bring it specifically to the notice of the Purchaser and any short deliveries on account of this will not be subject to levy of penalty.

4. *Tests*

It came out from the discussions that the firm is experiencing some difficulties in obtaining import Licence for Dynamometers and Hoists, etc., and in fact a letter has already been written to the Chairman, Central Water and Power Commission for recommending the case of the firm for the grant of the Import Licence. The firm was further required, as per discussions to approach immediately Mettur Dam Test Bed Authorities for reserving the Tested at Mettur in the month of October, 1962, for carrying out 'destruction test' and the purchaser will also take this issue with the Test Bed Authorities through the Central Water and Power Commission, if necessary, in order to expedite and ensure that the Test Bed is available by October, 1962, by which date tower for test purposes is expected to be ready.

Sd/-

H. R. Bhatia

Sd/-

R. N. Chona

Sd/-

B. V. Shah

Recommendation

Although supply of tower materials should have been completed by March, 1964 in respect of 3 priority line and by October, 1965 for the remaining lines, the supplies were actually completed in

February, 1967 for two lines and for the rest by the mid 1969. The penalty for late delivery amounting to Rs. 11.65 lakhs according to Audit, is yet to be recovered. The Ministry is of the opinion that the penalty would have to be determined taking cognizance of relaxation admissible to the firm under the penalty clause. The Committee would like to know the decision taken in this regard.

[Sl. No. 28 (Para No. 3.31) of Appendix XII to 37th Report (5th Lok Sabha].

Action taken

The matter was referred to the Sub-Committee constituted by the Bhakra Management Board for deciding the various outstanding issues pertaining to this supply order. After examining the various aspects of the case the sub-committee was of the view that the delays on account of steel sections which were in short supply should also be entitled to exemption from levy of penalty as in case of sections which were not rolled in the country. Accordingly, the Sub-Committee observed that there was not sufficient justification for levying penalty. A copy of the minutes of the Sub-Committee meeting held at Chandigarh on 6th March, 1972 is enclosed.*

[Ministry of Irrigation and Power O.M. No. 25/2/71-B. & B. Vol. V, dated 5-1-1973].

Recommendation

It is distressing to note that while going in for the purchase of 494 chilled cast iron wheels for mine cars at an approximate cost of Rs. 1.03 lakhs, the Beas Project authorities failed to take sufficient precautions against defective supplies. The credential and capacity of the firm were not verified. The usual right of rejection notwithstanding the inspection before despatch when machining was to be done by consignee and the proof machining before inspection were not provided for in the contract. All these resulted in the firm refusing to replace the defective supplies. The Committee understand that the firm had since closed down their business and their present whereabouts are not known. That the organisation lacked expertise is clear from the foregoing facts of the case. The Committee would like to know whether there were similar lapses in other contracts entered into by them which led to losses.

[Sl. No. 32 (Para No. 4.15) of Appendix XII to 37th Report (5th Lok Sabha].

*Not printed.

Action taken

1. It has been mentioned that the usual right of rejection notwithstanding inspection before despatch was not provided for in the contract. The factual position is that the contract contained the following safeguards in this respect.

- (a) In clause 9 of the contract, it was stated that conditions of the contract would be same as contained in form DGSD-68 and DGSD-71 corrected upto date, of Government of India, Department of Supply. Accordingly, the terms of the contract were the same as were in operation with the Directorate General of Supplies and Disposals.
- (b) Apart from this, the contract included the following clause, which gave additional right to the Department to reject the stores.

Extracts from Clause 16(c) of the contract

16 (a)	xx	xxx
(b)	xx	xx

- (c) xxx If the material at the time of use or within one year after receipt, whichever is earlier, is found defective the same will be returned to the supplier at his cost and risk and he will be liable to refund to Government the amount paid to him on this account and all incidental charges".

2. As for the query whether there were similar lapses in other contracts entered into by the Department which led to losses, it may be stated that, as explained above, there was no lapse so far as the terms of the contract were concerned. As regards the lapse in placing the order without verifying the credentials and capacity of the firm, it may be stated that the practice to make advance payments on presentation of despatch documents through Bank is allowed mainly in respect of those firms which are registered either with the DGS&D or the Controller of Stores, Punjab. In the case of other firms, advance payments are generally made after providing for pre-inspection of the stores either by the Project Authorities or the DGS&D before their despatch by the Supplier. The average annual purchases made by the Project range from Rs. 15 to 30 crores per year. While abundant caution is taken not to place orders on unreliable firms, a few cases do however, occur where the material on receipt is not found upto the required specifications. In such cases the firms are asked to make good the loss.

With a view to weed out the possibility of entering into business with any unreliable firm, action is being taken to register the firms, as done by the DGS&D after inspection of their premises by the Project Officers who could ascertain their (firm's) capacity and resources for supply of material for which they want registrations.

[Ministry of Irrigation and Power O.M. No. 252/71—B. & B. Vol. V, dated 5-1973].

Recommendation

The Committee also notice a rather rigid attitude taken by the D.G.S. & D. organisation which was requested to arrange for inspection of the wheels in not bringing to the notice of the purchaser the loop-holes in the contract and the inadequacy of the inspection. The Committee would, therefore, like to suggest that there should be closer coordination and exchange of expertise between the independent purchasing agencies and the D.G.S. & D. who are the experts in the field, in order to safeguard the larger interest of Government as a whole.

[Sl. No. 33 (Para No. 4.16) of Appendix XII to 37th report (5th Lok Sabha)].

Action taken

The Ministry of Irrigation and Power have stated as follows:—

This is mainly for the D.G.S. & D. to reply. However, the project authorities have been requested to keep a closer coordination with the D.G.S. & D.

[Ministry of Irrigation and Power O.M. No. 252/71—B. & B. Vol. V, dated 5-1973].

Action taken

The Department of Supply have stated as follows:—

It is submitted that there is no question of DGS&D organisation adopting a rigid attitude. This is a very large organisation carrying out inspection of stores valued over several hundred crores of rupees every year. The procedures of this organisation have, therefore, to be based on sound practical considerations.

2. The recommendation refers to—(i) "loopholes in the contract" and (ii) "inadequacy of inspection".

3. In so far as the first part is concerned, the contract was placed by the Beas Project directly. The question of this contract being examined or reviewed by the DGS&D did not arise. Further, as the DGS&D were concerned only with the inspection of the store, a copy of the contract was sent only to the Inspector. The Inspector is qualified only to carry out the inspection of the store. He is not a purchase officer and is not qualified to examine the adequacy or otherwise of the contract and it is also not his responsibility to carry out any examination of a contract from the purchase angle. There was, therefore, no question of his noticing any loopholes to the notice of the purchaser.

4. As regards the second part, the standard of inspection provided for in the contract was not inadequate. The wheels were to be supplied by the firm unmachined and machining was to be done by the consignee. The blowholes could be located only after the wheels had been machined. As such it was not possible for the inspector to detect any blowholes in the wheels during the inspection. Such type of contracts are not unusual for the Inspector where Purchasers ask for unmachined wheels but provide sufficient safeguards in the contracts against appearance of the blowholes on machining at the consignees' end.

5. The DGS&D as an expert Central Purchase and Inspection Organisation has always willingly given expert advice to the other Purchasing Agencies, both under the Central and the State Government Departments, Public Undertakings etc. In the instant case, however, the purchasing agency concerned, did not seek the advice of the DGS&D.

[Department of Supply O.M. No. P III—22 (7)72 dated 7-10-1972].

Recommendation

The Committee are inclined to take a serious view of the violation of financial rules in making advance payments to the extent of Rs. 1.40 crores to Divisions outside the project by certain Beas Project Divisional Authorities towards the end of the year 1965-66 just to avoid surrender of funds with the result that the money was not available for other immediate needs. The lapse is all the more deplorable as the advance has not been adjusted fully as yet (1971-72). The Committee trust that such improprieties diluting the budgetary control will not be committed in future.

[Sl. No. 35 (Para No. 4.22) of Appendix XII to 37th report (5th Lok Sabha)].

Action taken

Advances are given to other Departments entrusted with the duty of doing the jobs of the project against their specific demands. No department outside the Project is prepared to undertake any job without being paid in advance. However, no advance is being paid just to avoid the lapse of funds.

As for the amount already advanced, the same has since been adjusted fully.

[Ministry of Irrigation and Power O.M. No. 25/2/71—B. & B. Vol. V, dated 5-1-1973].

CHAPTER V

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

Recommendation

The Committee note that Government of Haryana who are one of the beneficiaries of the scheme had neither paid their share of cost of Phase II originally fixed as Rs. 11 lakhs nor accepted the revised share of Rs. 49.81 lakhs consequent on the increase in the scope of the scheme. Their share in Phase III of the scheme is stated to have been provisionally fixed as Rs. 149.25 lakhs. The Committee are of the opinion that the beneficiaries concerned should have been specifically consulted in enlarging the scope and financial implications of the second phase of the scheme and before undertaking the third phase. The Committee would like to know the settlement reached finally in this behalf and the principles followed in reaching the settlement.

[Sl. No. 3 (Para No. 1.28) Appendix XII to 37th report (5th Lok Sabha)].

Action taken

The Government of Haryana have since paid the share amounting to Rs. 11 lakhs towards Najafgarh drainage scheme Phase II. In regard to sharing of cost of Phase III, no decision has yet been reached and the matter is being pursued with the Haryana Government.

[Ministry of Irrigation and Power O.M. No. FC.12(8)72 dt. 21-10-72].

Recommendation

Another factor to which the Committee would like to draw the attention of Government is the understandable reluctance of the States upstream to agree to share the financial burden of inter-State drainage schemes. In view of the vital importance of the drainage schemes as a flood control measure to save life and property, there should be some enforcing machinery so that execution of necessary inter-State drainage schemes is not impeded or their progress inhibited on account of lack of agreement between the

States to share the cost or non reimbursement in time their agreed share of the cost to the project authorities.

[Sl. No. 5 (Para No. 1.30) of Appendix XII to 37th report (5th Lok Sabha)].

Action taken

The Ministry of Irrigation and Power had in the past explored the possibility of settling the disputes relating to allocation of cost by holding inter-State meetings and through the river commissions, zonal councils etc. but taking into account the difficulty in arriving at decisions speedily and also consequent delays in the implementation of inter-State schemes, the Ministry of Irrigation and Power have suggested that from the 5th Plan onwards, the financing of inter-State schemes should be done by the Centre. This will obviate the need for allocation of cost among the various interested States. This suggestion has to be considered by the Planning Commission while finalising the pattern of financing of Plan schmes during the 5th Plan period.

[Ministry of Irrigation and Power O.M. No. FC.12(8) |72 dated 21-10-72].

Recommendation

After examining the case, the Committee have come to the conclusion that in a contract entailing payment of over Rs. 2 crores the authorities have not shown sufficient care to safeguard the financial interest. The contract and the connected documents should, therefore, be got examined in consultation with the Ministry of Law in view of the lacuna pointed out by the committee to see whether there was any mala fide intention. Further it should also be seen whether similar contracts were entered into by other authorities with the attendant difficulties of the kind noticed in this case. The results should be intimated to the Committee within six months.

[Sl. No.25 (Para No. 3.33) of Appendix XII to 37th report (5th Lok Sabha)].

Action taken

A detailed Note for Legal Advice giving background of the various issues considered by the Public Accounts Committee, duly documented, received from the Bhakra Management Board, has been examined in this Ministry. The case was rewerred to the Ministry of Law

and Justice who after examination, have come to the conclusion that there was no malafide intention in this case.

[Ministry of Irrigation and Power O.M. No. 25/2/71—B & B Vol. V., dated 5-1973].

Recommendation

The draft agreement for the supply of power to Delhi State Electricity Board (now known as Delhi Electricity Supply Undertaking) by the Bhakra Management Board drawn up in September, 1954 and as revised on the basis of various discussions has yet to be finalised and normally executed. This inordinate delay of over 17 years gave rise to needless disputes regarding the liability of the former to pay for supplies as demanded by the latter from time to time. According to the information furnished to the Committee, the amount claimed by the Bhakra Management Board to the end of March, 1971 was Rs. 511.42 lakhs which however had been disowned by the DESU who preferred a counter-claim of Rs. 80.08 lakhs. The Committee view all these between two Government Undertakings in both of which people have a stake, with great concern. They trust that through the good offices of the Ministry of Irrigation and Power the issues would be settled expeditiously to the mutual satisfaction of both the undertakings taking into account particularly the financial position of the DESU and without injuring the interest of consumers. The settlement reached and the execution of the agreement may be reported to the Committee within six months.

[Sl. No. 26 (Para No. 3.43) of Appendix XII to 37th, report (5th Lok Sabha)].

Action taken

The question of executing the agreement was mooted to both the Delhi Electricity Supply Undertaking and the Bhakra Management Board. Both expressed difficulty in executing the agreement before settling the outstanding disputes which had arisen between them with regard to the quantum of power supply, the revised tariff and the date of the applicability of the revised tariff. As the bilateral discussions did not have any success, both the parties referred the dispute to this Ministry. After both the parties submitted their cases in detail, Secretary, Ministry of Irrigation & Power discussed the matter with them at a meeting held on the 7th September, 1972. After detailed discussions it was decided that the Central Water and Power Commission should further examine some of the technical issues involved and submit a report to the Ministry. A report has

been received from the Central Water and Power Commission and is under examination in the Ministry. Further discussions will be held shortly for resolving the dispute.

[Ministry of Irrigation and Power O.M. No. EL III—11(90)71 dated 25-10-1972].

NEW DELHI;

January 27, 1973

Magha 7, 1894 (Saka).

ERA SEZHIYAN,

Chairman,

Public Accounts Committee.

APPENDIX
Summary of Main Conclusions/Recommendations

Sl. No.	Para No. of Report	Ministry/ Department concerned	Conclusion/Recommendation
1	2	3	4
1	1.4	Ministry of Irrigation and Power	<p>The Committee hope that final replies in regard to recommendations/observations to which interim replies have been furnished will be submitted to them expeditiously after getting them vetted by Audit.</p>
2	1.8	Ministry of Irrigation and Power Delhi Administration.	<p>The Committee wish to point out that they had observed that the Najafgarh Drainage Scheme as originally conceived was not comprehensive enough to meet the future requirements only after taking into account the position brought out in the reply of the Ministry <i>vide</i> paragraph 1.16 of the 37th Report (Fifth Lok Sabha). They therefore, wish to reiterate that there should be better planning at least in future.</p>
3	1.11	-do-	<p>The Committee regret that the reply of the Ministry is silent on the question of acceptance by the Government of Haryana of the revised share of Phase II of the work. The position in this regard as well as the decision regarding the share of cost of Phase III may be intimated to the Committee.</p>
4	1.14	-do-	<p>The Committee had taken note of the fact that there was no uniformity in the principles adopted or proposed to be adopted in regard to sharing of the cost of different phases of the Najafgarh Drainage Scheme and desired that there should be some uniformity. In reply, the Ministry have merely restated the position brought out</p>

1	2	3	4
			already in paragraph 1.24 of the 37th Report (Fifth Lok Sabha). The Committee, therefore, wish to reiterate that there should be uniformity in the principles adopted at least in regard to the same scheme in future.
5	1.17	Ministry of Irrigation and Power/Delhi Administration.	The Committee note that it has been suggested that from the Fifth Plan onwards the financing of inter-State drainage schemes should be done by the Centre which will obviate the need for allocation of cost among the various interested States and that this suggestion has to be considered by the Planning Commission. The decision taken in this regard may be intimated to the Committee.
6	1.20	-do-	The Committee note that the recommendations of the Construction Plant and Machinery Committee (1972) which went into the question of improving the efficiency of earth moving machines working in different parts of the country are under study of Government. The Committee would urge that the study should be completed early so as to take suitable measures to improve the working of the earth moving machines. They would like to be informed of the action taken in this regard.
7	1.23	Ministry of Irrigation and Power/Electricity Department Andaman and Nicobar Islands.	The Committee note that the Forest Department has agreed to supply saw dust to Electricity Department free of cost ex. saw-mill premises. Further the increase in tariff for power supply to various consumers including saw-mill suggested by the Electricity Department based on the recommendations of the Tariff Advisory Com-

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Ministry of Irrigation
and Power Bhakra Ma-
nagement Board.

mittee is stated to be under consideration of Government. The Committee would urge that an early dicision should be taken in this regard so that unnecessary losses may not be incurred in future.

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Dealing with the lacuna in the contract, the Committee had pointed out how it went counter to the decision of the Purchase Sub-Committee constituted by the Bhakra Control Board and nullified the provisions contained in the detailed purchase order regarding the procurement of steel. In reply, the Ministry have stated that the modified delivery clause as appearing in the contract was accepted at a meeting held by the Chairman, Punjab State Eelectricity Board with the representatives of the firm and that the relaxation was apparently based on practical considerations regarding availability of steel. It is not clear to the Committee as to how the matter was not referred back to the Purchase Sub-Committee in view of their earlier decision that the firm should be tied down to definite delivery and that the penalty clause should be made contingent on the deliveries specified.

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As regards the result of the examination of the contract and connected documents, the Committee have been informed that the Ministry of Law have come to the conclusion that there was no malafide intention. The Committee nevertheless desire that Government should be careful in entering into contracts in future in order that their interests may inot suffer as in this case.

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The Committee had also desired to know whether similar contracts were entered into by other authorities with the attendant difficulties of the kind noticed in this case. The reply of the Ministry is

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Ministry of Irrigation
and Power Bhakra Ma-
nagement Board.

silent on this point. The Committee desire that the position should be reviewed and the results intimated to them early.

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The Committee are of the view that legal opinion should have been taken when the firm was told that they would be paid for the additional tonnage (excluding the cost of fabrication and galvanising) involved in the use of oversize steel sections, which was not regrettably done in this case. They wish to caution Government that in such cases they should be fortified by legal opinion in advance.

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The Committee are unable to subscribe to the view that there is no sufficient justification for levying the penalty. They would, therefore, like to suggest that the opinion of the Ministry of Law may be obtained before coming to a decision in the matter and the Committee informed within three months.

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Ministry of Irrigation
and Power Beas Con-
struc-
tion Board.

The Committee are not satisfied with the position that neither the agreement for the supply of power to D.E.S.U. by the Bhakra Management Board pending since 1954 has been finalised nor the claims and counter-claims between them settled yet. They would urge that Government should see that these are settled without further loss of time.

The Committee find from the reply furnished by Government that the contract for the purchase of wheels did include right of rejection notwithstanding the inspection before despatch. They would, how-

ever, like to know whether this right was exercised in this case and if not why.

15 1.44 Ministry of Irrigation and Power/Ministry of Supply.

16 1.47 Ministry of Irrigation and Power/Beas Construction Board.

The Committee wish to suggest issue of general instructions by Government to all the Ministries/Departments impressing on them the need for closer coordination and exchange of expertise between the independent purchasing agencies and the DGS&D in order to safeguard the larger interests of Government as a whole.

The Committee note that although the relevant Audit paragraph stated that the advance payments were made in order to utilise the savings of budget allotment during 1965-66, the Ministry have contended that no advance is being paid just to avoid the lapse of funds. The Committee nevertheless find that the advance payments made in 1965-66 could be adjusted fully only in 1972-73. They would, therefore, like to caution Government that no advance payment should be made without ascertaining the prospects of its utilisation within a reasonable time.

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