

# **PUBLIC ACCOUNTS COMMITTEE**

## **(1968-69)**

**(FOURTH LOK SABHA)**

### **SIXTY-NINTH REPORT**

**[Appropriation Accounts (Defence Services), 1966-67,  
and Audit Report (Defence Services), 1968.]**



**LOK SABHA SECRETARIAT  
NEW DELHI**

**336.395112**  
**KB**

*April: 1969/Chaitra, 1891 (Saka)*

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**(1968-69)**

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**Shri Avtar Singh Rikhy—Joint Secretary.**

**Shri K. Seshadri—Under Secretary.**

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\*Declared elected on 19th August, 1968 vice Shri M. M. Dhanra, who resigned from the Committee.



## INTRODUCTION

1. The Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Sixty-ninth Report on Appropriation Accounts (Defence Services), 1966-67 and Audit Report (Defence Services), 1968.

2. The Appropriation Accounts (Defence Services), 1966-67 and Audit Report (Defence Services), 1968 were laid on the Table of the House on the 6th May, 1968. The Committee examined these at their sittings held on 10th (AN), 11th (FN & AN) and 12th (FN & AN) October, 1968. The Minutes of these sittings form part of the Report (Part II)\*.

3. The Committee considered and finalised the Report at their sitting held on the 10th April, 1969.

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

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

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

NEW DELHI;  
April 14, 1969.  
Chaitra 24, 1891 (S).

M. R. MASANI,  
Chairman,  
Public Accounts Committee.

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

## **CHAPTER I**

### **GENERAL**

#### **(a) Planning for Defence**

The Committee enquired whether Government had taken any steps to prepare a perspective plan to take care of defence requirements over a period of say 10 to 15 years. The Defence Secretary stated that the Defence Plan "was a plan of purposes and a plan of certain general objectives" that they wished to attain over a period of 5 years. From year to year, the plan was subjected to scrutiny and cuts, as ultimately they had to work within the foreign exchange and budgetary limits that were laid down. Though, for purposes of planning they had to limit their vision to 5 years at the most, for certain types of equipment the needs over a longer period were being assessed, as for instance, in the case of aircraft where it was no use trying to limit the assessment to 5 years as it would take nearly ten years to replace the fleet. The same was the case in regard to naval ships the life of which was much longer than that of the aircraft. So far as the communications system was concerned, the matter was being considered over a period of 10-12 years with a view to taking up indigenous production.

1.1. So far as the totality of the defence effort was concerned, it was difficult to say whether the threats which existed today would continue for as long as 15 to 20 years. Secondly, one had to take into account the developments in equipments particularly in aircraft production, electronics and artillery and even in new tactics and strategy. Due to fast changes in technology, allowance had to be made for interim changes which might sometimes make

for a substantial difference in the Defence budget. The Defence Secretary further stated:

"I would emphasise also on other factor. I think it is seldom realised that the task of defence of India imposes a complexity and a variety which is probably unprecedented. You have borders mountainous, seaward as well as land. You have to be prepared for mountain warfare, for jungle warfare, for warfare from ravines through rain swollen rivers, from deserts, from rocky hills and from varied landscapes which would probably exist only in a very few countries. On the top of it, you have to think of your long coast line, you have to think of your land borders and allow for the defence of all these different landscapes and border conditions. On the top of it you have to think of air.....The question, therefore, of making preparations over a long period for this sort of mixed, complicated and variegated problems is very difficult, particularly when you have to function under a certain policy with regard to a certain type of warfare. We are trying our best to ensure that, in the conventional field, we are able to stand up to our threats, either in isolation or in combination, and the whole basis of our planning is to prepare ourselves for a combined attack or for an isolated attack, as the case may be. This does impose not only a substantial strain on our armed forces but also a substantial strain on our economy, and to-day we are proceeding on the basis that these combinations of threats would continue for as long as we can foresee for the purpose of our planning."

12. In this connection, the Committee would like to refer here to the following observations made by Mr. McNamara, the ex-Secretary, Defence, United States of America \*

".....the question of how to spend ..... and how much to spend is more complicated than is often assumed. A new weapon cannot be viewed in isolation. Anyone who has been exposed to so-called brochuremanship knows that even the most outlandish notions can be dressed up to look superficially attractive. Instead each new weapon must be considered against a wide range of issues: its place in the complex of missions to be performed; its effects on the stability of the military situation in the world; other alternatives available."

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\* "The Evolve of Security."

**"These decisions must be made ultimately with a high degree of judgement, but there is an important difference between the way we went about them and the way they used to be made. Formerly, an arbitrary budget ceiling was fixed for national defence and funds were then apportioned among the services. Today we examine all our military needs, in the context of our national security in the broadest sense, and fill them accordingly."**

**"One of the first things we did in 1961 was to design a new mechanism which would provide this information and integrate it into a single, coherent management system. The product of this effort was the Planning-Programming-Budgeting System, which is now being widely applied throughout the U.S. Government and which is being introduced in foreign governments as well."**

**"For the Defence Department, this system serves several very important purposes:**

- 1. It provides the mechanism through which financial budgets, weapons programs, forces requirements, military strategy and foreign policy objectives are all brought into balance with one another.**
- 2. It produces the annual Five-Year Defence Program, which is perhaps the most important single management tool for the Secretary of Defence and the basis for the annual proposal to Congress.**
- 3. It permits the top management of the Defence Department, the President and the Congress to focus their attention on the tasks and missions related to our national objectives, rather than on the task and missions of a particular service.**
- 4. It provides for the entire Defence Establishment a single approved plan, projected far enough into the future to ensure that all the programs are both physically and financially feasible.**

**In short, the new planning system allowed us to achieve a true unification of effort within the Department without having to undergo a drastic upheaval of the entire organisational structure."**

1.3. The implications of this programme have been summed up in the following words\*:

"The planning-programming-budgeting system has become the device by which to do the centralized planning; through it, national security objective are related to strategy, strategy to forces, forces to resources, and resources to costs."

1.4. The Committee recognise that for various reasons the country will stand committed to a substantial outlay on the Defence effort in the years to come. This lends importance all the more to the necessity to plan the outlay judiciously and economically. The Committee would like to commend in this connection the following lines of approach:

- (i) The Armed Forces will have to be provided with greater fire power and the equipment policy in this respect will have to take note of the rapid changes in technology that are occurring. However, before new equipment is accepted for use, it will be necessary to recognise that it will have to be tested intensively in Indian conditions and that the forces will have to be trained in its use.
- (ii) Equipment for the Armed Forces is not to be viewed as an item in itself; it is part of a system. Before its addition to the armoury is considered, it will have to be examined whether it will add to the complexity and cost of maintenance. A multiplicity of types will undoubtedly complicate the problem of maintenance.
- (iii) The provision of new types of equipment will have to take into account the need to provide a ready bank of spares, based on a realistic assessment of requirements as also the need to train the maintenance staff thoroughly in repair and maintenance jobs.
- (iv) Before new equipment is introduced, there should be a careful examination of its merits *vis-a-vis* existing equipment and of its suitability for tasks ahead in the light of existing knowledge and expertise. Equipment which may cease to be considered suitable for frontline troops may have to be kept in reserve for Reserve Forces in the secondary sectors which may have to be mobilised in an emergency.

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\*W. W. Kanfmann "The McNamara Strategy"

- (v) Rationalisation of demand and standardisation of somewhat similar articles required by different Services might help to make the programme of production economic.**

**1.5. The foregoing considerations illustrate the need for an integrated approach to the problem of equipping the Armed Forces. The experience of some other countries indicates that such an approach to problems has been considerably facilitated by the introduction of the Planning-Programming-Budgeting system. The Committee would like it to be examined how such a system could be of assistance in effecting better coordination and implementation of Defence plans.**

- (b) Measures taken to achieve economy and increase cost effectiveness**

**1.6. The Committee enquired from the representative of the Ministry of Defence what steps had been taken to increase cost effectiveness and effect economy in Defence expenditure consistent with the requirements of security. The Defence Secretary stated that they had effected savings in expenditure of the order of Rs. 100 crores last year and Rs. 150 crores this year against the amounts budgeted for in the Defence Plan 1964—69 for these two years. This had been achieved without depriving the Defence Services of any essential equipment. The teeth-to-tail ratio which stood at 57 to 43 in 1963 had now improved to 62 to 38. The Armed Forces had been reorganised without exceeding the numbers laid down by the Cabinet. In fact, they were a little short of this ceiling. They were also trying to see to what extent the non-combatant elements could be reduced. By increasing the fire power and mobility, they would be in a position to do more with less men. He added that as a result of a survey undertaken at this instance last year, economies to the extent of Rs. 52 crores had been achieved. He, however, pointed out that 40 per cent of the Defence Budget was on pay and allowances in regard to which there was no scope for economy. He added that: "So far as the impact of this on the efficiency and effectiveness of the forces is concerned, I can only make a general statement today that as compared to 1965, our efficiency is certainly 30 to 40 per cent more, whether you take the Air Force, the Army or the Navy. This has been possible because of our importing and making in our own**



country, better and more modern equipment, by rationalising the training and also by improving operational exercises. . ."

1.7. The Committee referred to the substantial economies in defence expenditure effected in the United States as a result of a cost effectiveness programme introduced by the ex-Secretary of State for Defence, Robert S. McNamara. The Committee enquired what steps had been taken by the Ministry in pursuance of the statement made in their annual report for 1967-68 that "Studies of Systems Analysis and Cost Effectiveness are proposed to be undertaken in order to ensure the most effective use of our limited resources." The Defence Secretary stated that as a result of the desire of the Finance Ministry as well as of their own, it was decided to send a team of Officers comprising of officers from both the Ministries and the Services Headquarters to the United States to attend a Seminar being held there and to study the circumstances which made their system so effective and to ascertain what lessons we could derive from their experience. The net result of the discussions in the Seminar, which was attended by teams from other countries as well, was, that while the American System was good for that country, it was not capable of being transplanted wholesale in our country, the main reason being that the American market in armament was self-contained whereas we had to depend on other countries. Moreover, the limitations of foreign exchange which was one of the most significant factors in our equipment programme did not exist in the United States. Our choice in regard to the countries from which we could obtain equipment was also very limited in certain cases. The team had, however, made an intelligent study of the whole system in the United States and in pursuance of its recommendations it had been decided to create a cell in the Ministry to make further studies and report within a period of three months as to what system we could follow to introduce cost effectiveness. The team had also recommended that an assessment should be made of the training facilities available in India and to train officers of different branches in management and cost effectiveness techniques. They had also recommended that fuller utilisation should be made of the operational research potential available in the Institute of Work Study and the Directorate of Scientific Evaluation.

1.8. The Defence Secretary further stated that expeditious measures would be taken to implement whatever system was recommended as a result of the aforesaid study. He however, thought that the basic factor in our programme of introducing cost-effectiveness should be the computerisation of many of the processes. A small

beginning in this direction had been made in the Armed Forces by way of an experiment in Jubbalpore and in Delhi. The results of this experiment were awaited before extending computerisation further. The extent to which cost-effectiveness could be achieved would thus depend on the extent to which computerisation was introduced.

The Committee enquired about the progress made with the pilot project study on inventory control in the Central Ordnance Depot, Delhi Cantt. based on electronic data processing system in which reference had been made in their 16th Report (Fourth Lok Sabha). The Defence Secretary stated: "I understand that it will take about two to three years; I am not quite happy about it. What has been proved to be obvious in other cases should be taken to be obvious in this one as well. Unfortunately it takes a long time to convince people that something modern is really required."

1.9. The Committee note in this connection that the U.S. Defence Programme for the fiscal years 1967—71 was based on the following objectives:

- (i) Develop the Military force structure necessary to support U.S. foreign policy without regard to arbitrary budget ceilings.
- (ii) Procure and operate this force at the lowest possible cost.

1.10. In pursuance of the latter directive, a cost reduction programme was drawn up in July, 1962. Savings to the extent of \$1.4 Billion in FY 1963, \$2.8 Billion in FY 1964 and \$4.8 Billion in FY 1965 were effected. These savings were made without adverse repercussions on the U.S. Military strength or combat readiness.

1.11. The manner in which this programme was implemented has been described below\*:

"Some twenty-eight distinct areas of logistics management were carefully delineated and grouped under the three major over-all objectives of the programme: to buy only what we needed, to buy at the lowest sound price, and to reduce operating costs. We fixed specific annual cost-reduction goals, and designed a quarterly reporting system to measure progress against these goals. Each Service Secretary and agency head was directed to review personally the progress achieved and to report the results to my office. I then carefully reviewed these results myself and reported on them to

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\*"The Essence of Security"

the President and the Congress each year. We consistently tried to apply one basic test: that a reportable savings must result from a clearly indentifiable, new or improved management action which actually reduced costs while fully satisfying the military requirement. I believe that by and large the savings we reported over the years have met that basic test.

"Beyond those savings—more than \$14 billion during the five-year period—the program has raised significantly the effectiveness of our world-wide logistics system. We have developed new procurement techniques to broaden competition for Defence work and reduce the use of cost-plus-fixed-fee contracts. More realistic standards determine requirements. New procedures ensure maximum use of excess inventories throughout the Department. Special staff were organized to eliminate unneeded frills from specifications. With the completion of the five-year program in fiscal 1966, I established the program on an annual basis the following year. We set a goal of \$ 1.5 billion in savings to be realized in three years from decisions to be made in fiscal year 1967. The results have already exceeded our objectives. The current estimate for the three-year period stands now at \$ 2.059 billion "

1.12. The Committee cannot too strongly emphasise the need to effect economies in Defence expenditure consistently with the requirements of security. While they are happy to learn that economies of the order of Rs. 52 crores were effected last year, they are of the view that a systematic exercise will have to be conducted covering distinct areas of logistics management in a phased manner. The aim should be producing in the country what we need, buying what we cannot produce, "buying at the lowest sound price", and "reducing operational costs." The Committee would like in this connection to commend the suggestions made in the Report of the Team of Officers who visited the United States of America for the introduction of a phased programme of cost effectiveness. For this purpose, it is imperative that training facilities in different branches in management and cost effectiveness techniques are suitably and speedily augmented.

1.13. A basic factor in any cost effectiveness programme would be computerisation. The Committee would like the Ministry in this connection to expedite progress on the pilot project study on inventory control through electronic data processing system which was introduced in the Central Ordnance Depot, Delhi Cantt. last year. The aim should be to extend this facility expeditiously to other centres in the light of experience gathered.

### (c) Progress made in achieving self-reliance

1.14. The Committee desired to know the progress made in achieving self-reliance in respect of materials and stores imported before September, 1965. The Defence Secretary stated that self-sufficiency had been achieved in certain directions only viz. in certain types of ammunitions and small arms and to some extent in electronics. In respect of vehicles also, taking into account both the public and private sectors, self-sufficiency had been attained. But in other major fields it had yet to be achieved. He added: "...On the whole, I would say that we have yet to go a long way before we can attain the comparative self-sufficiency which it is possible to attain. I do not think we can be absolutely self-sufficient."

1.15. During the course of evidence of the representatives of the Department of Defence Production, the Committee enquired about the efforts made in recent years by the Department towards import substitution to obviate our dependence on other countries specially in the matter of supply of critical items. The Secretary, Defence Production stated that after the Chinese aggression an increasing number of items—mainly components for production of military hardware which were hitherto imported were being obtained from the civil sector. As a result of efforts initiated in 1962-63 to locate the capacity of civil sector, almost every type of armament required by the Army for use at high altitudes was now being procured indigenously. Production both in the public sector undertakings as well as in departmental factories had registered an increase from Rs. 119 crores in 1963-64 to Rs. 175 crores in 1967-68. Foreign exchange expenditure on raw material and components had, on the other hand, declined from about Rs. 34 crores to Rs. 27 crores during this period (at pre-devaluation price).

1.16. So far as new production was concerned for example, in the proposed vehicle factory at Jabalpur, it had been decided that no machines would be imported and whatever components were obtainable from the civil sector would be taken if the supplies were dependable. Similarly, in the case of the Earth-movers factory, a Study Team went round the country to find out sources of production of various items and wherever possible, two sources for one item—so that a dependable base could be built up. As a result, it has been possible to reduce the amount of Government investment on the factory by as much as Rs. 6 crores.

1.17. In case of items like frigates and tanks, as it was not possible to produce all the items in the tank factory, indigenous colla-

boration had been sought for procuring a large proportion of the requirements as for example, the auxiliary generators from the Kirloskars, the gun control equipment from Bharat Electronics etc. Similarly, in the case of frigates where a large amount of sophisticated machinery and equipment was involved, collaboration of Mazagon Docks with Indian firms had been encouraged. A Study Group consisting of the representatives of the Director General, Technical Development, the Navy, the production unit concerned and the Ministry of Industrial Development had been specially set up for the purpose. Import of an item was resorted to only when so certified by the Study Group.

1.18. So far as the question of procuring spares for items which were hitherto imported and which were now to be produced indigenously, was concerned, if there was spare capacity in the Ordnance Factories, it was utilised for this purpose but largely the contracts were given either to the EME workshops or the civil sector undertakings, through the Department of Defence Supplies who were responsible for coordination in this matter.

1.19. The Committee are glad to observe that both the Ministry of Defence and the Department of Defence Production are alive to the need to make the country self-reliant in the matter of armaments and equipment required by our armed forces. However, as stated by the Defence Secretary, "we have yet to go a long way before it is possible to attain the comparative self-sufficiency which it is possible to attain."

In the Committee's opinion, the development of indigenous production of items required by the Armed Forces is a crucial factor in Defence preparedness. There is, therefore, need to pool the production resources available both in Governmental as well as the private sector and to enlist the assistance of skills and capacities that the private sector offers, particularly in the engineering and chemical industries.

1.20. In the Committee's view, this requires the formulation of a carefully prepared industrial mobilisation plan in liaison with the trade and with assistance to Industry to enable them to familiarise themselves with the techniques of production and quality control that would meet Defence requirements.

1.21. No less important is the need to encourage research in indigenous design and indigenous manufacture so that weapons and systems which are suited to Indian conditions are developed in the national interest.

**(d) Role of Private Sector in Defence Production**

1.22. The Committee enquired from the representative of the Ministry what proportion of the Defence requirements were met (i) by departmental production, (ii) production in Government Undertakings and (iii) from the market generally. The Defence Secretary stated that out of the yearly expenditure of approximately Rs. 300 crores on materials purchased from indigenous sources, the departmental and Government Undertakings accounted for about Rs. 175 crores. So far as imports were concerned they had more or less maintained a steady figure during the last 6-7 years. In fact they had not been allowed to pierce the ceiling either in respect of free foreign exchange or in the non-convertible field.

1.23. On his attention being drawn to the suggestion made in the 16th Report of the Public Accounts Committee (Fourth Lok Sabha) that sources of supply should be so selected as to get quality articles at the most competitive rates, the Defence Secretary stated that apart from maximising production in the public sector and departmental undertakings they were trying, as a matter of policy, to encourage the private sector also to help them in their effort to indigenise. As a result of the efforts of the Department of Defence Supplies which was set up in 1965, it had been possible to place orders worth Rs. 24 crores in respect of nearly 8,000 items. Due to various reasons, the private sector had, however, not yet been able to produce all the articles required. Up-to-date they had been able to get 2,000 items of the value of nearly Rs. 2 crores. It had been recently decided to reorganise this department with a view to see that greater efforts were made to enlist the aid of the private sector in augmenting Defence Supplies within the framework of the policy laid down 20 years back. It was felt that as a result of this reorganisation, it would be possible to tap the private sector further.

1.24. The Defence Secretary went on to add that one of the main difficulties faced by the private sector was the lack of technical guidance, research and scientific assistance. The Ministry was trying to see how this deficiency could be made up.

1.25. During the course of examination of the representatives of the Department of Defence Production, the Committee referred to the suggestion in their 16th Report (Fourth Lok Sabha) that the items as were available in the market at a comparatively cheaper price should be off-loaded to trade consistently with the need to establish a reliable line of supplies. The Committee desired to know the steps taken to implement this suggestion. The Secretary, Defence Production stated that two principles had been laid down in this re-

gard. In the first place, it had been decided that where the capacity of the civil industry could be utilised without rendering idle the capacity of the ordnance factories or where it was not adequate to meet the requirements, orders may be placed on the civil sector to meet them. Secondly, while setting up new units, it should be ensured that if there was a dependable source of supply outside in the civil sector for any item, such capacity was not set up in the new unit.

1.26. In reply to another question the Secretary, Defence Production informed the Committee that wherever spare capacity existed in the ordnance factories, the Department would naturally not obtain any item from the civil sector, even though it may be cheaper, unless the capacity could be utilised for some other purpose. In case of some items like camouflage nets, charger clips, magazines etc., it had been decided to hand over production to the civil sector where they could be manufactured more cheaply.

1.27. The Secretary, Defence Production further stated that one of the problems being faced by them in this regard was the inability of the private sector to keep pace with their requirements for example, in the case of tail units for a bomb, it was found that for 2 months, the supplies were lagging behind the production capacity in the Ordnance Factories which had been almost doubled. Similarly, in the case of track links, production in the two civil sector units was very small and they were not able to meet the requirements. Quick assessments had, therefore, to be made sometimes to see whether such items should be imported. He, however, thought that this was only an interim phase and once the capacity in the civil sector was built up, there would be no difficulty.

1.28. The Committee enquired whether a systematic analysis had been made during the last one year about the cost of production of goods in ordnance factories as compared to the price at which the same goods were available from trade. They also called for the particular and value of goods which had been off-loaded to trade. In a note, the Ministry have stated that in so far as ordnance factories are concerned, a systematic analysis of cost of production vis-a-vis trade price was being conducted and action was also being taken to off-load items to trade as and when justified. The Ministry have not so far furnished full particulars of items offloaded to trade. A study Group of the Public Accounts Committee which visited some of the

Ordnance Factories in December, 1968 were given the following information about items off-loaded:

Item	Year	Amount
		Rs.
Armament components	1965-66	86,40,723
	1966-67	1,46,07,904
	1967-68	46,65,150
Ammunition packages	1965-66	26,64,000
	1966-67	93,18,346
	1967-68	7,67,622

1.29. The Committee note that the following reply was given in the Lok Sabha on 7th August, 1968 to starred question No. 384:

"The basic policy as enunciated in the Industrial Policy Resolution is that arms and ammunition and allied items of defence equipment should be manufactured in the Government Undertakings. There has been no change in this policy. However, for achieving maximum possible self-sufficiency in Defence requirements and to speedily arrange the indigenous manufacture of items hitherto imported, increasing efforts have to be made to utilise the capacity in the civil sector. In this context the representatives of the private industries were informed that there should be greater participation by them in the defence effort and that they would be given facilities like technical assistance, developmental costs and continuous orders to the extent possible."

1.30. In reply to another starred question No. 380 in the Lok Sabha, the Minister of State in the Ministry of Defence stated on 7th August, 1968 as follows:

"Orders for 4,650 items of the value of Rs. 19.47 crores have been placed with the private sector by the Department of Defence Supplies. The items fall under various categories like, components and stores for Vehicles, Armaments, Electrical and Electronics, Marine, Engineering and General."

1.31. It was further stated in the course of the reply that the performance of the private sector had been satisfactory in terms of quality and timing of delivery.

1.32. The Committee feel that appreciable progress has not been made in off-loading to the trade items available in the market at a cheaper price. If production for Defence requirement is to be



'indigenised' speedily, it is essential that sustained efforts should be made to tap the industrial capacity available in the civil sector, more so when that sector has been able to supply successfully critical and sophisticated items required by Defence.

1.33. In this connection, the Committee would like to recall their observations made in their 16th Report (Fourth Lok Sabha) that Government may consider seriously whether items which are available at a comparatively cheap price from the trade and where there is no risk of the supplies failing at a crucial time, may not be obtained from the civil sector. The Committee had then also pointed out that procurement of defence supplies from civil industries in peace time had the added advantage of providing a cushion for increasing the supplies at short notice during an emergency.

1.34. The Committee note that a Department of Defence Supplies has been in existence since 1965 and has been charged with the task of encouraging indigenous production of Defence items which are being imported. That Department should pay sustained attention to the question how best the resources available in the civil sector could be tapped in an increasing measure.

1.35. The Committee also consider that Ordnance Factories should concentrate on producing vital and critical items for which capacity is either not available or cannot be established in the civil sector for various reasons, leaving it to the trade to supply common user items for civil and defence purposes.

**(e) Planning and Coordination of Production in Ordnance Factories**

1.36. The Committee drew the attention of the Secretary, Defence Production to the note showing the action taken by Government on their 16th Report (Fourth Lok Sabha) wherein they had stated that "Government realise that the existing method of planning and coordination of production in Ordnance Factories can be further improved". They desired to know the progress since made in planning and coordination of orders on the Ordnance Factories and in advance programming of production.

1.37. The Secretary, Defence Production stated that an internal Study Team had been set up in March, 1968 by the Director General, Ordnance Factories to examine this question. The Team had submitted its report and the matter was under consideration of the Director General, Ordnance Factories. He added that an IBM

Computer linking 13 of the Ordnance Factories had been installed as a step towards planning centrally. It was their intention to link it up with other factories as well.

1.38. In a note on this subject, subsequently furnished to the Committee, the Department of Defence Production have stated that the Study Team was set up for examining the various aspects as to how best the centralised planning and coordination cell can be organised to take up planning of all the orders in a methodical way.

1.39. The Study Team recommended the setting up of a separate Section in the Headquarters of the Director General, Ordnance Factories (to be called Planning and Coordination Section).

The duties of the proposed Planning and Coordination Section will be mainly as follows:—

- (i) To receive indents and other orders from the Services and corresponding with the Services and the Ministry of Defence on progress of these orders.
- (ii) To prepare the production programme for the main end stores as well as the components programme from the feeder factories taking into account the Services Orders priorities, manufacturing lead time and capacities. In this work, the Section will call upon the assistance of the Data Processing Section of DGOF's Hqrs.
- (iii) All matters pertaining to production, costing etc. will be dealt with by this Section.
- (iv) Progress of overdue extracts and old Inter Factory Demands including closing of old warrants will also be progressed by this Section.

1.40. The Planning & Coordination Section will also deal with capacity and load charts from factories. These were discontinued after the Chinese aggression but have again been received and are being now received on a quarterly basis. These charts are scrutinized in Headquarters at present and modifications required to be carried out are being looked into to make the return more informative. The object of the review of the capacity and load charts is to find out the forward load in various factories section-wise. This will be followed by an analysis of the type of jobs that is being planned in the various sections and the prospects of their continuity. Capacity will have to be allocated in consultation with

the General Managers of the Factories to accommodate extracts of *ad hoc* orders and to streamline the planning of such extracts in the factories planning sections so that the extracts are executed smoothly. This arrangement will replace the present system of depending on the General Managers for planning and progressing of extracts according to their own analysis.

1.41. The Department have further stated that the recommendation of the Study Team to set up a separate Planning & Coordination Section in DGOF's Headquarters is being gradually implemented. The setting up of the Section will, however, involve some amount of readjustment of staff and functions which will take some time. It is envisaged that the work of the section will be stabilised from some time in mid 1969.

1.42. The Committee can hardly over-emphasise the importance of advance planning and programming of production in Ordnance Factories with a view to ensuring utilisation of assets both of men and machines in a most efficient manner. They note that the Department of Defence Production has recently initiated steps in this direction in the light of the recommendations made by a Study Team which was set up in pursuance of the recommendations contained in the Sixteenth and Nineteenth Reports of Public Accounts Committee last year.

1.43. The Committee would like in this connection to draw attention to their observations in their Fifty-Second Report (Fourth Lok Sabha) where they have suggested that while allocating the workload, the production cost factor should be kept continuously in view. Better programming could be achieved by the use of computer facilities which have been made available to the Director General, Ordnance Factories in 1964. It is also essential that sustained efforts should be made to achieve quality control and minimise rejection occurring at present on a fairly large scale both during production as well as in the course of inspection.

#### (f) Provisioning of Stores

1.44. Referring to the cases of overprovisioning/unnecessary procurement of stores commented upon in paras 7—10 of the Audit Report, the Committee called for information on the following points:

- (i) the existing procedure for assessment of requirements of stores, equipment and spare parts by the lower echelons of the three Services;

- (ii) the level at which these are scrutinised so as to ensure that there is no over-provisioning; and
- (iii) whether any procedure has been devised whereby substantial surpluses revealed by periodical reviews are automatically reported and looked into by higher authorities.

1.45. The information furnished by the Ministry is as follows (item-wise):—

- (i) The policy regarding purchase, retention and replacement of major items of equipment and ammunition is approved by Government on the recommendation of special Committees in the Service Headquarters like the General Staff Equipment Policy Committee.

The policy regarding the provisioning of main equipment and their spares and other General Stores including the various reserves to be held is also laid down by Government and incorporated in the provision Review Directives issued by Service Headquarters. The actual provisioning is carried out by the Services in accordance with these provision review directives.

- (ii) Provisioning of all stores is made under the supervision of officers of the three Services. The indents for supply of stores are placed after obtaining financial concurrence. Indents valued at more than Rs. 2 crores are placed with the approval of Government.
- (iii) The Depots holding stocks of stores are required to report substantial surpluses of stores which are not required by them to Service Headquarters for scrutiny by technical teams at Service Headquarters for examining the possibility of alternative utilisation by other users before taking action for their disposal.

1.46. The Ministry have further stated that in so far as paras. 7 and 9 of Audit Report (Defence Services), 1968 are concerned, there were no lacunae in the provisioning procedure, but certain assumptions that were made for estimating the requirements were not confirmed by subsequent actual experience. In regard to para. 8 of Audit Report (Defence Services), 1968, a new procedure was devised for provisioning and the lacunae in the previous procedure have been removed.

1.47. As regards para. 10 of Audit Report (Defence Services), 1968 the provisioning review procedure in the Air Force is constantly under review. Internal correctives are applied as and when found necessary. The provisioning system had been reviewed recently. Details of the measures taken in this regard are given in Appendix I.

1.48. The Committee note that the overprovisioning in the cases referred to in paras 7-10 of the Audit Report (Defence Services), 1968 resulted in surpluses of the order of Rs. 10 crores as per details given below:

	(Rupees in Lakhs)
(i) Parka trousers	177
(ii) Uniforms for NCC	123
(iii) Parachutes	700
(iv) Tyres and Brushes	2.62
<b>Total</b>	<b>1002.62</b>

1.49. The Committee are not happy that such gross over-provisioning should have occurred. As would be evident from the findings in later section of this Report, there was on the one hand a tendency to overpitch the requirements and on the other hand an omission to collect certain basic data regarding actual consumption wastage/ retrievals as a preliminary to the placing of orders.

1.50 While the Committee are fully conscious of the fact that these cases occurred at a time when the security of the country was at stake, they feel that the omission to take certain elementary measures calls for a high level review of the provisioning procedure for the three Services. The Committee, therefore, suggest that Government appoint a Committee comprising of senior officers drawn from the three Services as well as from the Ministry of Defence Finance (Defence) with a view to laying down proper guidelines for provisioning and for evolving a suitable machinery for keeping a continuous watch on the utilisation of stores so as to ensure that provisioning is done more realistically in future and that wastages are avoided.

#### (g) Centralised Purchases

1.51. Coming to the question of purchases, the Committee drew the attention of the Secretary of the Department of Defence Production to the practice in U.K. where, with the sole exception of aircraft and spare parts, every Ministry was free to make its own purchases from the market and obtain the cheapest stores in their

own way. The Committee enquired whether they were satisfied with the present procedure of centralised purchases of their requirements through the Director-General, Supplies and Disposals. The Secretary, Defence Production, stated: "I cannot say I am entirely happy with this central purchase system because this system is attuned to purchase at the cheapest price. It is not attuned to purchase within a short time. Our problem quite often is that time is much more important than money. In the last two or three years, we have taken special exemption in some cases to obtain plant and machinery directly and not through Director General, Supplies and Disposals because that would shorten the time period. But it is not possible to do it in every case. If there could be a system under which a special procedure was available for high-priority items, either for them or for transferring it back to us, I will be satisfied with the Director-General, Supply and Disposal procedure in normal cases."

1.52. Citing an example, he stated that it had been decided to approach the civil sector for supply of track links for the tanks. It was a difficult item but the Director General, Supplies and Disposals were able to enter into a contract with a firm. Another firm was also prepared to supply it but at a little higher price. The Director General, Supplies and Disposals could not, however, enter into a contract with this firm even though the combined effort of both the firms was less than half of what they wanted. In the situation then prevailing, the links were needed urgently and as production had been held up, the Director General, Supplies and Disposals was asked to procure them somehow. It took several months for the Director General, Supplies and Disposals to enter into an agreement with the firm as the firm were demanding a higher price. To avoid such a situation in future, a small Committee had been set up to push through proposals expeditiously.

1.53. On the same question being put to him, the Defence Secretary stated that excepting Government to Government, purchases, which were negotiated directly by them, the rest of the purchases had to be done through the Director General, Supplies and Disposals. In regard to such purchases they had come up against many problems but at the same time, he thought that the Services were "quite disinclined to handle purchases themselves. They do not wish to involve themselves in these commercial deals and they would prefer the civilians to do it." He added: "Whether we do it in the Defence Ministry or the Works, Housing and Supply Ministry do it, the only question is of saving time rather than anything else. I think, if we handle them we will save some time.... I would rather err on the side of centralisation of purchase agency

than on the decentralisation with a view to finally getting the maximum possible economy in purchases."

1.54. The Committee note that in Britain no centralised purchase agency exists and that each Ministry/Department is free to make its own purchases (excluding Aircraft and their spares). Inter-departmental consultations, however, do take place in regard to the purchase of items of a similar nature. While the Committee concede that the existing arrangements for procurement of Defence Stores in India through a centralised agency, viz., the Department of Supply (Director General, Supplies and Disposals), might be of advantage in the interests of economy, they do wish to emphasise that while catering to Defence requirements time is of the essence of the matter. Government should, therefore, devise a machinery which would ensure the procurement of high priority operational items with the least possible delay. The Committee consider that one method of doing this would be to set up a high level standing Committee consisting of the representatives of the Department of Supply, the Ministry of Defence/Finance (Defence), Department of Defence Production and Department of Defence Supplies to act as a clearing house for indents of this nature so that in appropriate cases they could give authority for direct procurement to save time.

#### (h) Disposal of surplus/obsolete stores

1.55. A statement showing the value of stores declared surplus by the Services, the value of stores examined by the Inter-Services Technical Team, value of stores declared surplus to the Director General, Supplies and Disposals and the value of stores disposed of during the period May, 1963 to April, 1968 is given below:

(Value in lakhs of rupees)

Year	Value of stores declared surplus by the Services	Value of stores examined by the Inter-Services Tech. Team	Value of stores declared surplus to the DGS&D	Value of stores disposed of and money realised		Value of stores yet to be examined by the Inter-Services Technical Team
				Disposed of	Value realised	
From May, 1963 to 30th April, 1965..	7,225.31	2,396.61	282.52	61.54	17.88	4,828.70
As on 20-4-1965 .	7,246.53	6,219.08	646.86	247.62	76.54	827.45
As on 30-4-1967 .	7,196.68	6,872.41	2,447.48	729.24	230.20	314.27
As on 30-4-1968	8,296.02	7,653.95	5,705.72	2,876.38	658.58	642.07

1.56. During evidence the Committee drew the attention of the representative of the Ministry to the large surpluses of stores which were of the order of Rs. 70.46 crores, Rs. 71.96 crores and Rs. 82.96 crores as on 30th April, 1966, 1967 and 1968 respectively. They enquired whether these surpluses did not indicate that the estimates were in excess of the actual requirements and if the Ministry had been more realistic in their assessment, obsolete stores on such a big scale would not have been there. The Defence Secretary stated that the figures were cumulative. Recalling his statement made before the Committee last year when he had promised to systematise the procedures etc. in order to accelerate the pace of disposals, he stated that the results since achieved indicated substantial improvement. The value of stores declared surplus by the Services had gone up by Rs. 11 crores in one year. Figures of stores declared surplus to the Director General, Supplies and Disposals had also gone up by about Rs. 33 crores which meant that on 1st April, 1969 they would be showing a less amount of stores that would be awaiting inspection.

1.57. The Committee enquired whether it would be possible to obviate wastage as well as obsolescence by purchasing only what was immediately necessary. The Defence Secretary stated that a substantial portion of the surplus stores awaiting disposal belonged to World War II. He, however, promised to look into the problem further.

1.58. The Committee then enquired how long it would take for the Inter-Services Technical Team to examine stores of the value of Rs. 6.42 crores as on 30.4.1968. The Defence Secretary stated: "This is a continuous work. Perhaps what would happen in the next year is that this figure would be eliminated and something fresh will come up. We will try to be upto date. Actually, the disposal by the Inter-Services Technical Team has been improving in recent years."

1.59. To a question as to the efforts being made by the Director General, Supplies and Disposals to expedite disposal of the stores, the representative of the Directorate stated that a major portion of the surplus stores consisted of vehicles and MT spare parts. The tempo of disposal of vehicles had been increased to 2000 per month as against 700 to 1,000 previously. Difficulties were, however, being experienced in the disposal of MT spares as these belonged to old and obsolete vehicles. They were not getting many offers in the auctions and were also not fetching their value. Out of Rs. 3 crores worth of MT spare parts put up for auction in September 1968, only



half could be disposed of. A meeting was, therefore, held with the Depot Commanders to consider whether these spares could be segregated, make-wise, so that their disposal could be facilitated. The difficulty of the Depot Commanders was that they had warehouses full of these MT spare parts and it would take a considerable time to segregate them make-wise. Efforts were, however, going on and it was hoped that the tempo of disposal of these spares would increase in due course.

1.60. To a question whether the spares could not be disposed of along with the vehicles, he stated that this was tried before so as to get better value but without success. He added: "Anyway, this is one of the schemes which we are investigating but that will depend on whether the Depot Commanders can segregate the MT spares, make-wise, and give us those lots separately which can be sold along with the vehicles concerned."

1.61. Referring to the fact that the amount realised in respect of stores disposed of during May, 1966-April, 1967 was 31.5 per cent while in the subsequent year viz. May-April, 1968 it had dropped to 22.8 per cent, the Committee desired to know the reasons for the fall in realisation. The representative of the Director General, Supplies and Disposals stated that after devaluation, the book value of the surplus stores had been enhanced by 57.5 per cent but the realisation figure had not shown much increase as people were not prepared to pay more in terms of rupees. Asked whether this was not due to slow disposal of the stores, he stated: "I don't think so. As soon as the surplus reports come, we dispose of within three or four months; very rarely it has exceeded four months."

1.62 The Committee observe that as a result of the measures taken by the Ministry during the past year considerable progress has been made in the disposal of surplus/obsolete stores. The Committee, however, find that the value of stores yet to be examined by the Inter Services Technical Team has doubled from Rs. 3.14 crores as on 30th April 1967 to Rs. 6.42 crores as on 30th April, 1968. The Committee, therefore, urge the Ministry to pursue vigorously its efforts to accelerate the pace of examination and disposal of these stores. So far as the disposal of MT spares is concerned, the Committee would like the Ministry to issue instructions to the Depot Commanders to have them segregated make-wise, expeditiously, so that their disposal is facilitated and better value is obtained.

1.63. The increasing incidence of surpluses raises a question whether the existing techniques of inventory control and management

are effective. The Committee would like in this connection to draw attention to their observations in their 43rd Report about the need to rationalise the existing techniques and to introduce modern methods of provisioning and stores control.

#### (i) Reports of the Staff Inspection Unit

1.64. The Committee called for a copy of the Reports of the Staff Inspection Unit (SIU) on the organisation of the Directorate General, Ordnance Factories and the action taken in pursuance thereof. The Department of Defence Production have informed the Committee that the Staff Inspection Unit prepared three separate reports, two of which deal with the various technical and clerical (non-gazetted) grades in the Office of the Directorate General, Ordnance Factories. In regard to the third report dealing with their assessment of strength of the gazetted posts, it has been stated (January, 1969) that it was sent to the Ministry on 4th April, 1968 but has not yet been finalised. There are no SIU reports on the Ordnance Factories as they have not so far inspected any of them. The following economies were suggested by the Staff Inspection Unit in the non-gazetted cadres:

Post	Sanctioned Strength	Strength suggested by SIU	Economy Suggested
1. Non-gazetted technical staff (Supdt. etc.)	191	182	10
2. Non-gazetted clerical posts	628	517	111

1.65. As regards gazetted staff, the Committee understand that the following reduction were suggested\*:

Sanctioned strength	Recommended by Staff Inspection Unit	Cut Suggested
103	74	29

The Department have further stated: "The Director-General, Ordnance Factories has not found the recommendations of Staff Inspection Unit workable and the question of implementation of the reports is being actively pursued in consultation with the Director General, Ordnance Factories and the Staff Inspection Unit."

\* Based on the information given to a study group of the PAC which visited some Ordnance factories in December, 1968.

1.66. The Committee note that substantial economies by way of curtailment in the strength of the gazetted and non-gazetted staff in the Office of the Director General, Ordnance Factories, have been suggested by the Staff Inspection Unit of the Ministry of Finance, but their recommendations have not been found to be workable by the Director General, Ordnance Factories. The question of implementation of the suggestions is, however, stated to be under active consideration in consultation with the Director General, Ordnance Factories, and the Staff Inspection Unit.

1.67. The Committee would like Government to finalise the matter at an early date and effect maximum economy consistently with requirements.

1.68. The Committee further suggest that there should be a standing arrangement whereby the requirements of staff at the headquarters of the Director General, Ordnance factories as well as the production units (mainly ordnance factories) which have not been examined by the Staff Inspection Unit are periodically examined at a high level to effect all possible economies consistently with the need for maintaining efficient production.

## CHAPTER II

### DEFENCE PRODUCTION

#### **Progressive manufacture of Shaktiman trucks in the Ordnance factories**

##### ***Audit Paragraph***

In Para 58 of their 33rd Report (1964-65), the Public Accounts Committee referred to their 17th Report (1963-64) wherein they had expressed their concern over the production of trucks lagging behind the planned targets and expressed the desire that every effort should be made to adhere to the revised programme drawn up by the Government in May, 1963.

2.1. The table below shows the actual production from July, 1963, to June, 1967, compared with the revised target—

Year	Production		Percentage of indigenous content	
	Target	Actual	Target	Actual Average
5th year (1-7-63 to 30-6-64)	1,200	1,022	62	59.9
6th year (1-7-64 to 30-6-65)	1,500	1,128	72	54.7
7th year (1-7-65 to 30-6-66)	1,500	1,407	76.5	65.3
8th year (1-7-66 to 30-6-67)	1,500	939	77	67.5

2.2. It will be seen that there was a shortfall in production as well as in the indigenous content of the trucks. Taking the year, July, 1966—June 1967, the target for savings in foreign exchange was Rs. 4.23 crores on the manufacture of 1,500 vehicles. The actual savings were, however, only Rs. 1.95 crores. Of the shortfall of Rs. 2.28 crores in savings of foreign exchange, Rs. 2.00 crores were

due to the shortfall of 561 trucks in the total production and Rs. 0.28 crore were due to less indigenous content achieved in each truck.

2.3. The shortfall in the indigenous content was mainly due to delay in establishment/commencement of the indigenous production of certain major components indicated below:—

i. To be manufactured in Ordnance factories with foreign collaboration.	The extent of delay in establishing indigenous production detailed in Appendix II of the Report.
Gear Box	
Universal Joint	
Crank Case (of Axle Assembly)	
Cylinder Head (of Engine Assembly)	
(ii) To be manufactured by Trade, or in Ordnance factories using forgings from Trade.	
Rubber Pad Mounting	
Camshaft	
Connecting Rod	
Brake Assembly	
Oil Filter	

2.4. The Ministry have stated that in the case of the Gear Box, manufacture had commenced from July, 1964, but that indigenous production could not meet the full requirements and to the extent of shortfall, imports were unavoidable. The establishment of indigenous production of the Universal Joint was delayed for a year—May, 1963 to May, 1964—pending decision on a change in wheel design; thereafter difficulties in procurement of tools, gauges and fixtures at reasonable prices from abroad delayed the project further; manufacture has commenced from December, 1967. As regard the Crank Case (of Axle Assembly) and Cylinder Head (of Engine Assembly) the Ministry have stated that the plant was set up in December, 1965, but that there has been delay on the part of the collaborators in supplying the fixtures. These are now expected to be delivered by May, 1968. The firm on whom orders for castings were placed in August, 1964, are yet to make any supplies.

2.5. The Ministry have further stated that the unutilised capacity in the production of Shaktiman trucks was utilised for manufacture of Nissan vehicles, the production of which was much above the target.

[Paragraph No. 4. Audit Report (Defence Services), 1968]

2.6. The Committee drew attention to the figures of targets and actuals for production and indigenous content of the trucks for the four years ending 30th June, 1967 as given in the Audit paragraph

and enquired what the figures for the year 1967-68 (ending June, 1968) were. The following information was furnished by the Department of Defence Production:

Year	Production		Percentage of indigenous content	
	Target	Actual	Target	Actual Average
1967-68 (1-7-67 to 30-6-68)	1,200	919	77	72

2.7. The Committee drew the attention of the representatives of the Department of Defence Production to the consistent shortfall in production year after year and desired to know to what extent the requirements of the Army were being met and whether they were short of these trucks. The Secretary, Defence Production stated that the manufacture of Shaktiman Trucks was undertaken in 1959 in order to utilise the spare capacity available in a number of ordnance factories. This position was, however, seriously affected after the Chinese aggression when other priority items had to be undertaken by these factories. Among these, was the larger requirement of 1 ton trucks and Nissan patrol jeeps needed at high altitudes. Therefore, some readjustment in production targets had to be made.

2.8. So far as the question of attainment of the targets laid down was concerned he stated that the normal tendency of the Department of Defence Production was "to fix targets above what we can achieve." Besides, there had been delays in the establishment of indigenous production of some of the items both in the ordnance factories and the civil factories. The shortfall in indigenous content during 1967-68 (July-June) was, however, not much (72 per cent as against 77 per cent). It had also to be borne in mind that some of the capacity in the ordnance factories was used for production of Nissan patrol jeeps and Nissan trucks.

2.9. Elaborating the reasons for shortfall in production with reference to the year 1967-68, the Department of Defence Production brought the following position to the notice of the Committee:

"The main reasons for the shortfall during the year were:

- (i) Certain defects developed in the engine which necessitated detailed examination and trial with modified Piston Assembly and was finally traced to substandard

quality of indigenous diesel oil. There has been, in the meanwhile, a consequent shortfall in the regular supply of piston assemblies from the Civil Trade.

- (ii) Transference and Gearboxes were found, in inspection trials, to develop certain defects which required rectification.
- (iii) Failure of timely supply of Ancillary trade items viz Oil Pump, Micro Filter, and Rubber Mounting."

"Apart from the above, efforts in the course of the year to make good the shortfall were handicapped by the fact that separate capacity could not be assured in the various factories for this line of production."

2.10. As regards shortfall in attaining indigenous content, the Committee were informed of the following position:

"The main reasons for the shortfall are:

- (i) Indigenous supply from Civil Trade of Aircleaner and Steering Wheel could not be established.
- (ii) Manufacture of Universal Joints was delayed due to late receipt of machinery.
- (iii) Production of connecting rods was held up due to interruption in supply of forgings from civil trade."

2.11. The Committee enquired to what extent major components of trucks had to be imported due to shortfall in indigenous content. The Department of Defence Production informed the Committee:

"Actual requirement during 1st July, 1967 to 30th June, 1968 of Gear box, Universal Joint, Crank Cases, Cylinder Head, Connecting Rods, Rubber Mounting, Brake Assembly, Camshaft, Propeller Shaft, Oil Filter, Steering Wheel and Oil Bath Aircleaner was 919 sets each. Of the above quantities, Universal Joints, Connecting Rod, Steering Wheel, Oil Bath Aircleaner were imported. Certain Gear Box components (1021 sets) were also imported."

"Foreign exchange spent on importation of the above items was Rs. 23.43 lakhs (based on ex-works price of 1958)."

2.12. The Committee were given the following picture in regard to the foreign exchange expended for manufacture per truck:

Foreign exchange amount expended for manufacture per Shaktiman Truck	
	Rs
1962-63	14.066
1963-64	13.339
1964-65	10.262
1965-66	7.478
1966-67	7.172
1967-68	13.466*
(*Post devaluation value)	

2.13. The overall position in regard to the foreign exchange for import of items originally earmarked for production in Ordnance factories/civil sector was as under:

Year (July-June)	Amount (In lakhs of Rs.)
1961-62	0.09
1962-63	0.35
1963-64	8.20
1964-65	16.00
1965-66	31.98
1966-67	33.27
July, 1968 to	27.30
November, 1968	13.50
	<hr/> 131.52 <hr/>

[Note: (i) Based on ex-works price

(ii) Calculations at pre-devaluation rates of exchange]

2.14. The Committee enquired why there was delay in establishment of indigenous production of some of the items. In a note on this point, the Department have explained the position as follows:

"Gear Box: The date of establishment of indigenous manufacture in the case of gear box was July, 1964 as against anticipation in March, 1964. The delay was marginal. Indigenous production has been fully established and importation of complete gear box discontinued from August, 1966.



**"Universal Joint:** These were planned for deletion from May, 1965 but the delay in the change of wheel design from Rear Twin Wheel to single wheel resulted in the holding up of planning action for one year from May, 1963 to May, 1964. Eight additional types of machines including three imported machines were indented in 1964-65. Out of these, six types were received between September, 1964 to July, 1967 and one in September, 1967. For the eighth type, the indent was placed in March, 1963, but Director General, Supplies and Disposals could finalise the order only in May, 1965. The machine was finally received in January, 1968."

"Forgings also could not be ordered till the decision regarding change in the wheel design which as stated above was taken in May, 1964, and the order for forgings after obtaining financial concurrence could be placed only in November, 1964. The delay in the change of wheel design also resulted in the ordering of special type of jigs and tools required for the manufacture of Universal Joint. After considering the tool designs to suit the machines selected by the factory and receipt of quotations from the collaborators the supply order could be placed only in August, 1966."

"Upto December, 1968, 352 sets have been completed and the target production of 125 sets reached."

**"Crank Case Cylinder Head:** Both these items were planned to be deleted from May, 1965. Indents were placed on Director General, Supplies and Disposals in March, 1964 and covered by supply order of November, 1964. The last of these machines was received in March, 1967. The delay was caused because each item of tools and equipment had to be studied in detail to ensure satisfactory working with the machines selected and to produce them in the country to the extent possible. Selection of the equipment etc was finalised in November, 1966 and supply order placed in March, 1967 after Director General, Technical Development's clearance and financial sanction. Due to changes in design, however, the supply order had to be modified in December, 1963 and the items are now being shipped. Manufacture of these items would be established before end of 1969."

**"Cam shaft:** Manufacture has been fully established and upto middle of December, 1968, 2,644 shafts have been completed."

**"Connecting Rod: Manufacture established and upto end of November, 1968, 903 sets have been completed. The out-turn of 120 sets is expected in December, 1968."**

**"Rubber Pad Mounting: Indigenous trade source has been established and upto end of November, 1968, 3,904 sets supplied."**

**"Brake Assy: Upto end of November, 1968, 1,906 sets have been received from indigenous trade."**

**"Oil Filter: Upto end of 1968, 2,748 sets have been received from trade indigenously."**

2.15. The Committee desired to know whether in respect of items for which indigenous production had been established consistent progress had been maintained or whether the ground gained in respect of an item had been lost subsequently. The Secretary, Defence Production stated that they had experienced some difficulty in respect of two items viz. the steering knuckle and the piston. The former was a complicated forging. They tried to manufacture it by the casting methods but it was found that there were certain defects because of which it broke down before due time. Consequently, a fair number of steering knuckles had to be imported to replace the indigenous ones. The inspection had since been made very strict and the performance was now better. They were also trying to establish its production through the forging method. A number of firms had been approached in this connection but due to lack of response, it had now been decided to try it in the Heavy Vehicles Factory, Avadi.

2.16. In regard to the piston, the witness informed the Committee that it was being made by a private sector undertaking. Certain defects had been noticed by their inspectors and investigations were going on. Some remedial measures had been taken in the meantime and production had started.

2.17. He added that taking the overall picture for the whole period of production, the situation had steadily improved and progress was being maintained on every item.

2.18. The Committee further enquired whether the gear box and the universal joint which were being manufactured in the ordnance factories with foreign collaboration had since been fitted to the trucks. The Secretary stated that the gear boxes had been in use for sometime but the universal joint was still under trial. Extensive trials had been carried out on about 90 universal joints that had been produced. The Inspectors' report was now in its final stage and some decision would be given soon.

2.19. The Committee enquired whether the ordnance factories would continue procuring some of the items required for the trucks from the Civil trade as hitherto. The Secretary, Defence Production stated that where there was a dependable source of supply from the Civil sector, their policy was not to instal that capacity in their factories, unless the supply was inadequate or the quality was not upto the mark. He added: "Actually, whenever we go to the trade, our aim is to go at least to two suppliers wherever possible. We have two suppliers so that, firstly, there is competition and, secondly, there is large measure of reliable dependence."

2.20. The Committee drew the attention of the Secretary, Defence Production to the Department's observations quoted in the Audit paragraph that the shortfall in production of Shaktiman trucks had been compensated for by production of Nissan vehicles and enquired whether this was so. The Secretary, Defence Production stated: "I cannot answer in a positive yes because some capacity can be utilised, some cannot be. These adjustments are very technical and I do not want to make a statement which may not be 100 per cent correct. But it is broadly correct to say that some of the capacity which may have gone to Shaktiman is being used for Nissan."

2.21. The Committee were informed in reply to a further question that the manufacture of the Nissan trucks in the country was undertaken under a collaboration agreement made with a Japanese company on 2-2-1960. This provided for progressive indigenous manufacture of Nissan trucks @1,200 Nos. per annum with effect from 1960-61. A maximum production of 3,684 trucks per year had been achieved.

2.22. As regards indigenous production of components, the targets and actual achievements during the years 1966-67 to 1968-69 and the progress anticipated in the next three years were as follows:

Year	Target	Actual	Remarks
1966-67	90%	45.20%	Indigenous target was fixed on the basis of a commitment to produce 1200 Nos. per year. Since the Army requirement was increased to 3600 per year, the indigenous content as planned could not be achieved.
1967-68	„	„	
1968-69	„	„	
1969-70	50%	..	
1970-71	65%	..	
1971-72	70%	..	

2.23. Asked how the ex-factory price of NISSAN trucks manufactured in ordnance factories compared with the ex-factory price of NISSAN trucks produced in Japan, the Ministry have stated in a note that the latest ex-factory unit cost of Nissan 1 ton truck was Rs. 29,403 as against the unit ex-works price of Rs. 16,732.57 in Japan. The increased cost was mainly due to devaluation.

2.24. The Ministry have further stated that the foreign exchange saved during July, 1966 to June, 1968 by the manufacture of Nissan trucks has been estimated as follows:

	1966-67	1967-68
	(in lakhs of Rs.)	
Nissan Carrier	333.7	129.12
Nissan Patrol	28.7	29.66

2.25. The Secretary, Defence Production informed the Committee that the ordnance factories were the only source for supply of 1 ton 4x4 trucks to the Army. As there were not enough of these, the Army were using 2 wheel drive trucks. Till 30th September, 1968, over 9,000 Shaktiman trucks had been supplied by them to the Army. Besides, 19,000 one ton Nissan trucks and about 7,000 Nissan patrols had been supplied and thus they had saved crores of foreign exchange. The witness added: "The purpose for which this programme was started has been achieved fully, because the surplus capacity, wherever available, has been used to the maximum extent possible."

2.26. The Committee called for detailed information regarding the requirements of the Armed Forces for trucks (4x4 and 4x2 separately) during each of the years 1962-63 to 1967-68 and the extent to which these were met by the ordnance factories and factories in the civil sector. They were informed that the requirement was for

4X4 types of trucks but the Services were prepared to accept 4X2 type to the extent indicated below. The extent to which these requirements were met by ordnance factories and the civil sector is also indicated below:

Year	Requirements			Receipts from			Total
	4X4	4X2	Total	Ordnance factories 4X4	Civil Sector		
					4X4	4X2	
1962-63	1,416	4,129	5,545	745	16	4,668	4,820
1963-64	3,316	2,884	6,200	1,022	1,444	2,861	5,337
1964-65	4,593	2,104	6,697	1,128	3,908	2,661	7,197
1965-66	4,528	1,411	5,939	1,367	3,448	2,312	7,127
1966-67	700	4,500	5,200	939	2,692	4,036	7,467
1967-68	6,300	3,300	9,600	921	4,017	2,662	7,499

2.27. The Committee enquired how the cost of a Shaktiman truck compared with that of a truck of same quality produced in the civil sector and also with that of an imported truck. The Secretary stated that the cost of a civil truck was a little over Rs. 55,000 while that of a Shaktiman truck estimated as on 1st July, 1967 was Rs. 62,642. He, however, added that comparison between the cost of a Shaktiman truck and a civil truck would not be proper since they were not similar. Certain factors made the Shaktiman truck superior. Moreover, it was produced in several factories and some of the items had to travel more than once before these were in their final shape. Its cost was, however, comparable to the ex-factory cost of a similar type of truck obtained from Germany (Rs. 60,632). The Secretary added that because of the devaluation, the cost in foreign exchange of the imported components had gone up from Rs. 11,000 to Rs. 17,000 and that was largely responsible for the increase of about Rs. 7,000 in the present cost of the Shaktiman truck.

2.28. The Committee were informed that Government proposed to set up a new vehicles factory for manufacture of Shaktiman and Nissan vehicles in Public Sector. In reply to a question whether there was adequate justification for setting up a separate factory, the Secretary stated that a stage had now been reached when the vehicle requirements of the Army had been standardised and the requirements were sufficiently large to justify the setting up of a separate factory. Moreover, surplus capacity so far available

and used in the ordnance factories may not be available after the next 5 to 10 years. In a note to the Committee the justification for the unit has been explained in the following terms:

"The need for a 1-ton truck (for Defence) was clearly admitted and the attempts to get this produced at civil units failed mainly on grounds of cost.

"The truck based on the Bedford engine did not meet the defence requirements and the TELCO trucks could not satisfy even the civilian demand. The increasing prospects offered by opportunities for road transport in the Fourth Plan would absorb TELCO output.

"In the wake of the emergency, it was found difficult to obtain delivery of adequate number of trucks in time. The existence of production capacity in the public sector appeared to be the best guarantee for satisfactory performance on the part of private production units in the country."

"The economies of sale and the benefits that can be expected from concentration of production in one or two firms had to be considered in relation to the need for developing different production lines and for maintaining a certain level of competition. If these two aspects are not taken care of simultaneously, the result would have been the creation of monopoly in the private sector and the economies of scale would not have been realised.

"To meet the level of requirements of the Armed Forces it would have been necessary to augment the existing facilities considerably and further to centralise the components manufacturing capacity in one location to ensure enhanced and economic production. It would not have been possible to accommodate the manufacture of the increased Army requirements, especially the demands in the event of a sustained full scale war without the additional investment of plant and machinery and its location away from the borders at a place like.....".

2.29. Asked about the proposed targets of production for the new factory and whether production could be made an economic proposition, the Secretary, Defence Production stated that the factory would be producing 500 Shaktiman trucks and 600 Nissan trucks per month. "1100 trucks per month", he added "would be an economic proposition."

2.30. To a question regarding the outstanding demand for Shaktiman trucks, the Secretary, Defence Production stated that as in July, 1968, it was for 5,000 trucks. When the Committee pointed out that if the production in the proposed factory was going to be of the order of 500 Shaktimans a month, it would take less than a year to meet the requirements of the Army, the witness stated that "the placing of orders at present has necessarily to be related to the capacity which exists in the ordnance factories. There is no point in giving us an order for 20,000 vehicles when we cannot produce more than 125 a month."

2.31. In reply to a further question whether keeping in view the fact that the Army happened to be an eccentric user, they anticipated any possibility of production being surplus to requirements and in case such a contingency did arise, whether there was any possibility of exporting the trucks to other countries, the Secretary, Defence Production replied: "....The factory has been planned on the basis of economic production. It is realised that its full production after some time may not be necessary only to meet Army requirements, but it must be appreciated that in wartime the requirements increase and therefore all our planning is really tuned as an insurance for wartime."

"The next question is what we do when there is a surplus. We can either export or make use of them in the home market. Our Plan, as far as the Shaktiman is concerned, is to have also a civilian version so that we could introduce it in the civilian market; the civil market in any case will be able to have the Shaktiman because according to our discard policy, after so many years of usage or after so many miles of usage, the Army disposes of and so it goes to the civil market and therefore we are certain that there will be a market for the Shaktiman."

"As regards export, I may say that inquiries are there today for import from India of this vehicle. There are certain difficulties into which we need not go just now because we are not overflowing with Shaktiman today, but when the factory comes into full production I have an anticipation that at least in the neighbouring countries there will be requirements of 3-ton trucks."

2.32. To a further question whether the saturation point may be reached when they would either be having idle capacity in the new factory or they would be forced to seek new markets, the Secretary replied: "I would like to say that just now it is a period of recession and so it is not so clearly evident, but as time goes on, the requirements of trucks in our country are bound to increase. The Planning

Commission is aware of our capacity and they take into account, while sanctioning additional capacity, the existing capacity and our capacity and so the whole thing is done in a coordinated manner. It is essential that our factory must produce these trucks at an economic price and, therefore, the production must not only be related to our requirements but also related to economy of production and that is what we have attempted to do."

2.33. The Secretary further informed the Committee in reply to another question that during the last three years, the Army had procured about 18,500 Tata Mercedes Benz Vehicles, roughly half of which were 4×4. As their collaborator could produce the 4×4 conversion unit only to a limited extent, they were not in a position to supply more 4×4 trucks. That is why he stated, production of Shaktiman trucks was of real help to the Army.

Asked whether any difficulties had been experienced by the Defence Ministry in getting trucks from the private sector because they dictated their own terms, he replied: "This may have been so; I am not personally aware."

2.34. To a question by what time the entire requirements of the Army for 1 ton to 3 ton trucks would be met entirely and exclusively from ordnance factories including the new unit, the Secretary, Defence Production replied: "Within two years of our factory going into full production, it will be met." Further asked to what extent dependence on the private sector had been reduced, he stated: "As far as 3 tonners are concerned, the Army takes 4'4 wherever it is available; for 1 tonners, they are only from the ordnance factories today; as far as patrols and jeeps are concerned, they are taken according to requirements."

2.35. To a question whether a separate unit would help in achieving efficiency, quality as well as economy in this respect, the Secretary stated: "There are two reasons. We feel that for supplying patrols and 1 tonners, we definitely need a separate production unit. We have combined with that our requirements of 3 tonner Shaktiman. It will certainly be produced economically. It will be a stable source of supply."

"For our war-time requirements also on strategic grounds, it is wise to have two sources rather than one."

2.36. Asked by what time it was expected that all the components of Shaktiman as well as Nissan trucks would be manufactured indigenously, he replied that their aim in both the cases was to reach an indigenous content of 90 per cent within 2-3 years of the factory being commissioned. The other items which would be imported were such as would be taken up for production only if it was



economical to do so. It was quite likely that by the time the target of 90 per cent was achieved, the industrial potential might develop so as to be able to take care of the rest also.

2.37. The Committee have been informed by Audit that Government issued a sanction on 11th September, 1965 to set up a vehicles factory for manufacture of Shaktiman and Nissan vehicles in the State Sector at a total cost of Rs. 32 crores. Upto October, 1968, 55 per cent of the building and 60 per cent of the township had been completed. 307 supply orders for 865 items of plant and machinery costing about Rs. 8.8 crores had been placed involving foreign exchange of Rs. 5.03 crores.

2.38. The Committee are not at all happy about the situation that has developed concerning Shaktiman Trucks. They note that there has been a Consistent shortfall in the production of Shaktiman trucks in relation to targets fixed. It was stated by the Secretary, Department of Defence Production, that the "practice" has been to fix the targets on the high side, but the Committee observe, that, even after the annual target of production was scaled down in 1967-68 from 1,500 to 1,200 trucks, production has continued to lag behind the target.

2.39. The shortfalls in production have been attributed mainly to defects that developed in certain major components of the truck like piston assembly, gear box and transfer case which are now being indigenously produced. This situation emphasises the necessity for a strict and continued watch by the Department over the quality of indigenous components and quick and timely action to rectify the shortcomings noticed in these components.

2.40. The Committee also observe that the pace of indigenous production of components has been rather slow. The imported components used per truck (Rs. 13,466) in 1967-68, about eight years after production was started, accounted for over a fifth of its total cost (Rs. 62,642). In fact, due to periodical set-backs in the programme for indigenous manufacture of components, Government have been obliged to fall back upon imports which, during seven years ending 1967-68, amounted to Rs. 1.31 crores. The Committee would like it to be examined how import substitution can best be speeded up, consistently with the maintenance of quality of the trucks.

2.41. There has been particular delay in the establishment of indigenous production in the ordnance factories of some major components of the trucks like universal joints, crank case and cylinder heads. The Committee observe that a collaboration agreement was executed as early as June, 1962, for the production of universal joints

and production was planned from May, 1965, onwards. However, due to various reasons, production was not started till 1967-68 and the components produced are still to be fitted to the trucks. In respect of crank case and cylinder heads, for which collaboration agreements were executed in September, 1958, production is yet to be established, more than three years after the planned date (i.e. May, 1965).

2.42. The Committee would like the Department of Defence Production to ensure that indigenous production is speedily established and that rigorous quality control is maintained so that the parts indigenously produced can be used in the trucks.

2.43. Apart from quality control, there is also a compelling need to enforce strict cost control. The cost of a Shaktiman truck as on 18th July, 1967, was Rs. 62,642, as against which the cost of a civil truck procured by the Army was Rs. 51,000. It was stated by the Department of Defence Production that certain of its features make the Shaktiman truck 'superior'. The Committee would like the Department of Defence Production to examine how best the cost of the Shaktiman truck could be brought down through systematic cost control at every stage of production.

2.44. So far as the project for setting up a full-fledged unit in the State Sector for manufacture of Shaktiman trucks as well as Nissan trucks and patrols is concerned, the Committee would like Government to give careful consideration to the following factors which have a bearing on the economics of the venture:

- (i) According to the information given to the Committee, the proposed unit would be producing 1,100 trucks per month so that it could take advantage of economies of scale. The Army's requirement for trucks over the last six years has varied from 5,200 to 9,600 trucks per year. It is, therefore, obvious that production at an economic level cannot be sustained on the strength of demand from Army alone.
- (ii) If the proposed unit is geared to a level of production which demand from Army alone cannot sustain, it will inevitably have to look to the internal and export markets to keep its production going. The internal market is being catered to already by units in the private sector which

are at present producing trucks at cheaper cost than the ordnance factories. The unit cannot, therefore, compete with private sector units unless the existing level of cost is proportionately brought down. The scope for such reduction in costs and the competitiveness of the trucks produced at such reduced costs vis-a-vis trucks produced in the private sector will, therefore, require very careful examination.

- (iii) So far as export markets are concerned, the data furnished by the Department about the ex-works prices of both Shaktiman and Nissan trucks show that these prices are at present higher than similar prices of trucks produced in Germany and Japan. Admittedly, there may be a reduction in internal prices if production is established on a larger scale, but it will still have to be considered whether the prices will even then be competitive with those at which the collaborators are at present producing them. The other point is whether the terms of the collaboration agreements leave scope for exports on a scale that would be necessary. Another point no less important is how potential export markets which Government have in view are at present being served and whether the proposed unit will be able to compete with existing suppliers to those markets on equal terms.

#### **Irregularities noticed in a project for establishment of an Ordnance factory**

##### ***Audit Paragraph***

2.45. In February, 1963, Government decided to establish a new Ordnance factory to manufacture a particular type of ammunition. The following points were noticed in the setting up of the factory —

- (i) An order. (Rs. 28.13 lakhs) for the supply and erection of a plant for producing gas required by the factory was placed on a private firm under a contract entered into by Director General, Supplies and Disposals, in March, 1964. The delivery of the plant was to be arranged to ensure supply of gas by 1st August, 1964. The work has not yet been completed (December, 1967) due to faulty planning and execution of the work by the firm. Pending erection

of the plant gas is being purchased locally by the factory

- (ii) Electric power required for the factory was to be obtained from a State Electricity Board. Pending finalisation of the terms of supply, it was agreed that payment for power consumed would be made by the factory, at the Board's tariff rates on the basis of 50 per cent (raised to 75 per cent from January, 1966) of the contract demand, or the actual maximum demand established during a month, whichever was higher. Based on the planned capacity of the factory, a contract demand for supply of 5,000 KVA of electricity was intimated to the State Electricity Board. The actual maximum demand as between August, 1964, and July, 1967, varied from 80 KVA to 2,475 KVA and was far below the contract demand. Payment made for the consumption of power at 50 per cent (raised to 75 per cent from January, 1966) of the contract demand, at the tariff rates of the Electricity Board, involved an extra expenditure of Rs. 6.07 lakhs.

- (iii) Construction of a "Bachelor's mess" building for 50 junior officers was sanctioned by Government on 25th September, 1963, at a cost of Rs. 2.96 lakhs as part of the residential buildings for the personnel of the factory. The mess building was completed and taken over by the factory authorities on 5th October, 1966, but has remained vacant till now (December, 1967) for want of single officers in need of such accommodation. According to the Ministry this building is expected to be fully occupied when the factory goes into two-shift production.

[Paragraph No. 6, Audit Report (Defence Services), 1968].

[Paragraph No. 6, Audit Report (Defence Services) 1968].

2.46. The Committee desired to know the reasons for delay in the erection of the gas plant and the action taken to expedite completion of the work. They were informed that the delay was due mainly to non-adherence to the delivery schedule by the firm and the magnitude and complicated nature of the project. The Director General, Supplies and Disposals was in constant touch with the suppliers

and rendered them all necessary and possible help for completion of the work by way of giving them 'ex-gratia' assistance for procurement of raw materials like cement etc.

2.47. The Committee desired to know the total expenditure incurred so far on the local purchase of gas. The following information was furnished:—

Year	Quantity	Value
	(Kgs.)	(Rs.)
1964-65	6,162	6,162
1965-66	1,14,114	1,46,751
1966-67	1,38,528	1,72,000
1967-68	1,36,890	1,80,164
1968-69	80,301	1,04,907
(Upto 30th November, 68)		

2.48. The Committee enquired whether when the plans for the factory were drawn, estimates were made of the cost of production of gas. In a note on this point, the Ministry have stated that the original estimate of cost furnished by the firm on the assumption of production of oil gas @ 18,000 cft. per day (24 hours) was Rs. 21.82 per 1,000 cft. of oil gas. The cost of Esso Gas consumed till September, 1968 worked out to Rs. 38.53 per 1,000 cft. In working out the cost per 1,000 cft. of oil gas, the firm had taken the cost of Diesel Oil and Furnace Oil at the rate of 30 paise and 13 paise per litre, whereas, the present rates of Diesel Oil and Furnace Oil were 63 paise per litre and 22 paise per litre respectively.

2.49. To a question whether the delay in setting up the gas plant could be attributed to faulty planning on the part of Government, the representative of the Director General, Supplies and Disposals stated that initially the difficulty arose due to the inability of the firm in getting steel and some imported components. It took almost a year for them to get these things. He added: "The firm had been supplying gas holders and gas plants for some institutions and some ordnance factories. Probably they were all smaller plants of a laboratory scale. They did not realise the magnitude of this job. We had issued a limited tender enquiry to 13 firms. We received only one quotation from this firm."

2.50. The Committee enquired whether it was still not necessary to have ascertained whether the firm had the requisite experience to carry out the work successfully. The representative of the Director General, Supplies and Disposals stated that the firm had furnished a list of the various institutions to whom they had supplied the gas holders. Asked whether their experience of supplying gas holders could be considered as a sufficient guarantee of their capacity to build a gas plant of this magnitude, he replied: "They are not the middlemen or agents; they are manufacturers themselves. But this job was of a very high magnitude and that is why obviously they failed."

2.51. To a question whether, in the course of their enquiry, the Director General, Supplies and Disposals tried to find out from the firms supplying gas in the country, the sources from which they were getting the gas plants. The representative stated: "I would not like to make a very definite statement but it is my understanding that such large-sized plants are mostly imported. For example, the plants of Esso and Burmah Shell, who are supplying us gas for domestic purposes, are mostly imported. Only the small-sized plants required for laboratories etc. are being indigenously manufactured."

2.52. To a further question whether the Director General, Supplies and Disposals tried to find out what the firm's performance had been at the other places indicated by them, the representative replied: "In view of the fact that, firstly, they had given us a printed pamphlet giving the names of institutions where they had supplied; secondly, the indenter himself had stated that their performance where they had supplied gas plants had been satisfactory—of course, that was probably based on smaller plants—and, thirdly, because of the urgency of the requirement, we considered that it was not necessary to go further into the matter and that if we went further into it, we would be delaying the placement of the order. In retrospect, probably it is right that we should have investigated further; but you have to make a judgement or decision in the circumstances prevailing at that time."

2.53. To a further query as to how they could gauge the capacity of the firm on the basis of a brochure, the representative of the Director General, Supplies and Disposals stated: "We had the pamphlet from the firm saying that they have installed such and such things. We had a report from the indenter Ministry saying that the work of this firm has been satisfactory. But, as I mentioned earlier, the work done by this firm was for smaller plants where the work

had been satisfactory. Now, this quotation was for a very large plant. Since this firm was in a position to manufacture this kind of plant and this was the only indigenous offer, having regard to the urgency of the work, we thought that further investigation would delay the work."

2.54. To a question about the money value of the contract and the amount paid so far, the representative stated that the amount involved was Rs. 29 lakhs of which Rs. 19 lakhs had been paid. Asked whether there was any provision in the contract for withholding payment in view of the delays that had taken place, the representative of the Director General, Supplies and Disposals stated that there was the usual clause in the contract which provided for recovery of liquidated damages of 2 per month or part of the month against the portion delayed. In addition, from 1st April 1968 onwards, a further penalty of Rs. 1,000 per month had been imposed for the delay.

2.55. Asked whether the interests of the Government were adequately covered, the witness replied: "I would not like to make a commitment here and now. But I think, we are adequately covered." He added: "We have made it clear to the firm that the extension is given to them subject to reservation of all our rights. We have also made it clear to them that if any additional sales tax or excise duty is levied or any increase takes place in these items, they will not be given to them."

2.56. The Committee enquired whether final trials of the plant had since been completed. The Ministry have, in a note, stated as follows:

"The final trials of the complete gas plant have not yet been completed. The preliminary trials run on the 30th and 31st October, 1968 had to be suspended suddenly due to the break-down of 1,00,000 cft. gas holder."

2.57. To a further question when the gas plant was kindly to be commissioned, the Ministry have stated that "no definite date can be given as it depends on the rectification of the defects pointed out during the trial runs of the plant."

2.58. The Committee note with regret that the Director General, Supplies and Disposals placed an order with a firm for supply of a large sized gas plant without adequately verifying the firm's capacity to execute the work. What is surprising is the fact that a printed

brochure given by the firm about various institutions to whom they had supplied gas holders and gas plants on a "laboratory scale" was considered as adequate proof of their capacity to fulfil their contractual commitment.

2.59. The Committee note that the gas plant is still to be commissioned over four years after the scheduled date of its commissioning. Preliminary trials with the Plant have brought to light defects which the firm has been asked to rectify and Government is, therefore, not in a position to say when the plant is likely to be put into operation. The Committee would like to be apprised of the progress in this regard as also the action taken against the firm.

2.60. One point arising out of the information furnished to the Committee needs mention. Due to non-commissioning of the gas plant, Government have been forced to buy gas from the market. While the cost of production of gas from the gas plant as originally estimated was lower than the price at which gas is being purchased in the market, these estimates were based on certain data regarding the cost of furnace oil and diesel oil which are no longer valid. In view of the substantial increase in the prices of these oils, it needs examination whether the Plant would be able to produce gas at rates comparable with the market rates.

*(ii) Under-estimation of the demand for electric power*

2.61. The Committee desired to know the reasons for shortfall in consumption of electric power and enquired whether any efforts were made to revise the contract demand in the light of actual consumption. They were informed that the original demand for electric power intimated to the Electricity Board in August, 1963 was based on the assumption that it would be possible to attain the target of production in 1965. Due to delay in the supply of certain raw materials and tools required for the plant and the machinery and delay in the progress of civil works, there was a shortfall in the consumption of electric power. In August, 1964, it became clear that, due to changes in planning and in the scope of the project, demand for power would be much less that is, of the order of 5,000 KVA and the Electricity Board was persuaded to agree to this reduced demand. This demand was based on the actual production target which was set for the factory after revised planning.

2.62. The reduction in demand was agreed to on the following conditions:—

- “(a) The consumer should pay from the date when the supply is commenced from 132KV substation, on regular



basis (March, 1967), the annual minimum guarantee on the basis of 15 per cent return on the capital expenditure incurred by the Electricity Board which is Rs. 3.825 lakhs or the tariff minimum whichever is higher. The tariff minimum is the amount to be paid for the Demand Charges based on the Billing Demand.

- (b) The consumer would also pay for temporary supply on the basis of contract demand of 5,000 KVA with effect from 1st August, 1964, the actual date of completion of all arrangements and for the period prior to this.
- (c) The consumer should bear the capital expenditure of infructuous nature incurred by the Electricity Board for making temporary supply available.

2.63. It has been pointed out to the Maharashtra State Electricity Board that the actual date of commencement of 5,000 KVA temporary power supply should be from 22nd August, 1965, the date when all the sub-stations were commissioned."

2.64. During evidence, the Secretary, Defence Production informed the Committee that soon after the original plans were revised, the Department started negotiations with the State Electricity Board and persuaded them to agree to 5,000 KVA which was their revised demand for maximum production. It was, however, true that even now they were not using 5,000 KVA energy. However, charges on the basis of 75 per cent of the contract demand were being paid in accordance with the tariff rates of the Electricity Board. On the Committee's pointing out that during a period of 3 years viz. August, 1964 to July, 1967 the highest demand was of the order of 2,475 KVA only as against the contract demand of 5,000 KVA, he stated that this was so because the rate of production was only about one-third of the maximum planned production. He added: "If everything had gone according to schedule and our plan and our optimism, we would have got this capacity used in the end of 1965."

2.65. It was further explained that it was not possible to revise the contract demand periodically taking into account the actual consumption from time to time, since facilities required for power supply were established by the Electricity Board in accordance with the demand.

2.66. The Committee desired to be furnished with a note indicating the period over which these liabilities arose, the amount paid to the Electricity Board and the amount that would have been payable

had billing been on the basis of actual consumption. In a note on these points, the Ministry have stated that the State Electricity Board had energised their 5,000 KVA transformer on 1st August, 1964. As per the conditions of supply, the consumer had to pay at the tariff rates applicable for billing demand on 50 per cent of the contract demand which worked out to 2,500 KVA from that date involving a demand of Rs. 20,000 per month. The tariff conditions of supply were amended by the State Electricity Board with effect from 1st January, 1966 when they raised the billing demand from 50 per cent to 75 per cent of the contract demand, i.e., 3,750 KVA. The demand charges, therefore, increased to Rs. 29,250 per month. The actual consumption of power (year-wise) was as follows and the difference in charges if the billing had been based on actual consumption worked out as under:—

Period	KWH	Amount
	(in lakhs) (in lakhs of Rs.)	
August, 1964 to December, 1964	1.61	0.90
January, 1965 to December, 1965	17.42	2.22
January, 1966 to December, 1966	29.46	2.20
January, 1967 to December 1967	41.41	1.89
January, 1968 to July, 1968	30.65	1.06

2.67. The Committee were also informed that the question of payment arising out of the stipulations made by the Electricity Board at the time of reduction of the contract demand from 14,000 KVA to 5,000 KVA "as also payment of expenditure of infructuous nature" (on all of actual consumption being less than 50 per cent/75 per cent of contract demand) had been taken up with the Electricity Board.

2.68. The Committee observe that the factory contracted originally for a demand of 14,000 KVA which was later reduced to 5,000 KVA. Even the reduced demand has turned out to be a gross over-estimation of requirements. Over a period of four years ending July, 1968, the payments for electricity on the basis of stipulated percentages of contract demand exceeded by Rs. 8.27 lakhs the charges that would have been payable on the basis of actual consumption. The Committee

note that this question of excess payment as well as the payment of certain charges demanded by the Electricity Board at the time of reduction of the contract demand to 5,000 KVA are under discussion. They would like to be apprised of the outcome of the efforts in this regard.

(iii) *Construction of the Bachelors' Mess*

2.69. The Committee desired to know whether at the time of sanctioning construction of the Bachelors' Mess, it was envisaged that it would be occupied only when the factory commenced two shift production. It was stated that the Bachelors' Mess was expected to be occupied only when the factory had commenced full production. Its construction could, therefore, have been taken up at a later stage. But sanction for the construction was issued in September, 1963, "so that it could be used from August, 1964 by officers, foreign technicians and other senior staff posted to the factory for installation purposes." The target date for completion of the building was, therefore, fixed as August, 1964. When Government sanction was obtained for the accommodation, the total number of personnel expected to work in the factory was 4,150. The planned figure for provision of accommodation was 2,218, i.e., for roughly half the number of people expected to be employed. The building, however, became available only in October, 1966 by which time a large number of residential quarters had also become available. Since there was delay in achieving the targets of production, the work did not also start in full swing during this period. The quarters then available, therefore, adequately met the requirements of the staff in actual position at that time and the Mess could not be utilised. The Mess was still unoccupied. Attempts were, however, being made to put it to use in some form or the other.

2.70. Asked how the requirements for residential accommodation in the Bachelors' Mess were assessed, the Secretary, Defence Production stated that the plan for provision of Bachelors' accommodation for 50 Junior Officers "was related to the size of the factory and the number of personnel that will work there when it is working to maximum capacity."

2.71. Asked whether the Bachelors' Mess was meant only for officers, the Secretary, Defence Production stated: "Really, the standard of accommodation provided is not that of an officer; it is of a lower category....According to the rules, the Bachelors' Mess is intended for accommodation for clerical, supervisory and superior

staff to whom it may not be possible to offer married accommodation. Persons staying in this Mess would be drawing a salary of Rs. 150."

2.72. The Committee enquired about the financial loss incurred so far due to non-occupation of the Mess since October, 1966. It was stated in reply that the loss of revenue on the basis of the minimum rent chargeable worked out to Rs. 17,760 per annum. Based on this, the total loss till October, 1968 amounted to Rs. 35,520.

2.73. The Committee observe that due to un-coordinated planning in the matter of provision of housing accommodation for the staff employed in the factory, a Bachelors' Mess constructed at a cost of about Rs. 3 lakhs has been lying unoccupied since October, 1966. The programme for construction of the Mess, which was intended for housing junior officers, was advanced so that it could be used by officers, foreign technicians and other senior staff posted to the factory for installation purposes. Due to a delay of more than 2 years in construction, this objective could not be realised. The ultimate objective of the Mess being used to house officers employed on production work has also not been realised as there is "surplus accommodation even in residential quarters" that were separately put up and the tempo of production in the factory has been well below the original expectation. The Committee would like it to be examined why the programme for provision of accommodation was not coordinated with the programme of production in the factory. Government should also take steps to ensure that such instances of lack of coordination do not recur.

#### Unproductive expenditure

##### *Audit Paragraph*

2.74. In August, 1958, the Air Force placed an urgent demand on the Director General Ordnance Factories, for the production of a certain bomb. The specifications for the bomb required the bomb bodies to be heat treated but adequate facilities for heat treatment were not available in the ordnance factories. The Air Force, as a temporary measure to meet urgent needs, had, therefore, agreed to accept supply of bombs without heat treatment. Facilities for heat treatment to bomb bodies were established in an ordnance factory to a limited capacity only in December, 1964. Later, in March, 1966, the Air Force decided not to accept any further bombs without heat treatment. This has resulted in bomb bodies already produced without heat treatment valued at Rs. 10.80 lakhs (which cannot now be heat treated) and certain components (not useful for the new method) valued at Rs. 1.40 lakhs becoming surplus to requirements.

2.75. The Ministry have stated (January, 1968) that proposals for utilisation of these stores are under consideration.

[Paragraph No. 5, Audit Report (Defence Services), 1968]

2.76. During evidence, the Committee enquired from the representative of the Ministry how the requirements of heat-treated bombs were being met before the project was sanctioned in 1958. The Secretary, Defence Production stated that these requirements were being met by imports since the indigenously produced bombs were not heat-treated. Asked whether the ordnance factories had the requisite technical know-how for heat-treatment when the project was sanctioned, he stated that considerable difficulty was experienced in developing the know-how of heat-treatment as it required a change in the whole planning of the furnaces.

2.77. The Committee enquired when facilities for heat-treatment of bomb bodies were sanctioned and the reasons for delay in their establishment till December, 1964. In a note on this point, the Ministry have stated as under:—

"Sanction was issued on 14th October, 1958 for provision of a composite oil-fired type Heat Treatment Furnace at an estimated cost of Rs. 6.22 lakhs for heat-treatment of..... bomb bodies. This project could not, however, be progressed further as certain difficulties were encountered when trial heat-treatment was undertaken which necessitated re-thinking on the whole issue. Consequently, procurement of oil fired Bogey type heat-treatment furnace already sanctioned was not processed..... Trials were undertaken in collaboration with the Defence Metallurgical Research Laboratory and after consultation with an expert who was a Furnace Specialist at..... Factory..... it was decided to instal two electrically operated Pit Type Furnaces and one small oil furnace at an estimated cost of Rs. 5.47 lakhs. An indent for the two electrical pit type furnaces was placed on 6th June, 1961. The furnaces were received between the period June, 1963 to July, 1964 and were commissioned on 27th August, 1964. Trial runs were made during September, 1964 to November, 1964 and regular production of heat-treated bombs was taken up with effect from December, 1964."

2.78. To a question whether the plan miscarried because of lack of know-how, the Secretary, Defence Production admitted that it happened "because of lack of knowledge and experience."

2.79. The Committee enquired why the Ministry did not think of first acquiring the know-how before actually undertaking the project. The Secretary, Defence Production stated:

"This is the reason for the delay.....Research was carried on within the country.....We did not look for a collaboration, provided we could develop it ourselves. In fact, we ourselves developed it and succeeded. If we had gone out for technical know-how, from my experience of four years in this Department, I can say that it would have taken longer."

2.80. The Committee pointed out that eventually an export from one of the factories provided the know-how and also advised that the oil fired Bogey type furnace would not work and enquired whether it would not have been better to have consulted him from the very beginning. The Secretary, Defence Production stated:—

"In the.....Factory, where this work is done, they made out a plant which was found by trial. They got all the experts together for research and development, who made more experiments to find out a method for this.....It is not necessary always to consult outstation experts."

2.81. In a note on this point, the Ministry have stated that it was first intimated by the factory in April, 1959 that the oil fired Bogey type furnace would not serve the purpose. The Specialist was consulted right from the beginning and there was no delay in this regard. The Ministry have further stated that no expenditure was incurred on the oil fired Bogey type furnace before the revised sanction was issued in March, 1961.

2.82. To a question whether the capacity created in December, 1964 was adequate to meet the actual requirements of the Air Force, the Ministry have stated that the capacity created could meet the actual requirements of the Air Force almost fully.

2.83. The Committee desired to know whether any indication was given by the Air Force authorities of their intention not to accept bombs without heat-treatment at any stage between December, 1964 and March, 1966. The Ministry have stated that "in a meeting held in the Ministry of Defence on 22nd January, 1965 the representative of Air Headquarters stated that a stage had been reached when supplies of unheat-treated bombs were not required and in future only supplies of heat-treated bombs would be accepted. However, the Air Headquarters agreed to accept unheat-treated bombs upto 31st March, 1965".

"The matter was again discussed in a meeting held on 5th April, 1965 when it was stated that it had been pointed out earlier that

where the work had sufficiently progressed in the manufacture of unheat-treated bombs prior to the crucial date i.e., 31st March, 1965, the supplies of unheat-treated bombs would have to be accepted by the Air Headquarters and that the Chief of the Air Staff had accepted this position."

"In June 65, it was brought to the notice of Air Headquarters that a very small proportion of the bombs manufactured at the Ordnance Factory may fail in heat-treatment but would fulfil specifications laid down for unheat-treated bombs. It was suggested that such bombs be accepted by Air Headquarters as unheat-treated so that the public money spent on their manufacture might not go waste. Air Headquarters stated that the rejection of small percentage of bodies during normal inspection activity had to be accepted as in the case of any other item. When a pilot on whose training the Government had spent some lakhs of rupees takes off on an operational sortie, he risks his life and the aircraft valued over £100,000. . . . In these circumstances, the Air Headquarters did not agree to the acceptance of the bombs which did not come upto the specifications laid down for heat-treated bombs."

"The matter came up again for discussion in the meeting held on 10th March, 1968. The representative of Air Headquarters stated that a very large stock of unheat-treated bombs had already been built up and there was no further requirement of these bombs. The Secretary (Department of Defence Production) stated that the Director General, Ordnance Factories, would take action to ensure that supplies of unheat-treated bombs were not made by the Ordnance factories after April, 1966 and that the available bomb bodies would be kept in stock for later utilisation."

2.84. Asked whether in addition to the unheat-treated bomb bodies lying with the Ordnance Factories, any of the bodies issued to the Air Force prior to March, 1966 had been declared surplus to requirements, the Ministry have stated in a note that that the bomb in question were issued to the Air Force only after filling and empty bodies of these bombs were not issued to the Air Force. Such bombs issued to the Air Force prior to 1966 had been earmarked for use for training purposes.

2.85. The Committee desired to know the normal shelf-life of the surplus unheat-treated bomb bodies lying with the Ordnance Factories. The Ministry have stated that the empty bomb bodies can be kept in stock in covered accommodation indefinitely, provided they are given suitable preservative treatment etc. before storage.

2.86. The Committee further enquired whether such bomb bodies when filled up, had a shorter shelf-life and if so, what the proposals were for their utilisation. The Ministry have stated that "the bomb

bodies, when filled will have a shorter life compared to the unfilled ones, since explosives have a limited life compared to hardware. These bomb bodies (1,164 Nos.) were manufactured under warrants closed between December, 1966 and February, 1968."

"The question of further utilisation of unheat-treated bombs is under examination by Air Headquarters and a decision will be taken after reports of various studies in progress are received."

2.87. As for the surplus components, the Ministry have informed the Committee that no action has been taken to dispose of these components as Air Headquarters had agreed to accept the unheat-treated bombs lying at the Ordnance Factory.

2.88. The Committee fail to understand why when the Air Force authorities had clearly indicated in January, 1965 that unheat-treated bombs would not be acceptable to them beyond March, 1965, the Ordnance Factory producing these bombs continued to supply them till, April, 1966. It is regrettable that this should have occurred, particularly as the Factory had by then (December, 1964) developed facilities for heat treatment of bombs which were capable of meeting "the actual requirements of the Air Force almost fully." The Air Force finally decided in March, 1968 not to accept these bombs in view of the "very large stock" that had by that time accumulated. By that time bomb bodies components valued at Rs. 12.20 lakhs had also accumulated with the Factory. The Committee consider that if prompt action had been taken to stop production of unheat-treated bombs after the requisite capacity for heat treatment was established, it might have been possible to reduce substantially the accumulation of unheat-treated bombs with the Air Force as well as the factory. The Committee trust that the Department of Defence Production will issue instructions to ensure that such instances do not recur. The Committee also hope that the available bomb bodies will be put to the best possible use.

#### Deficiency in Stores

##### *Audit Paragraph*

2.89. A stock verification carried out on the 5th March, 1966, in an Ordnance factory disclosed a deficiency of 73 tonnes of brass rods valued at Rs. 5 lakhs.

2.90. Though the physical balances of all stores held in stock are to be verified each year, in this case the material had not been physically verified after April, 1963. A Board of Inquiry held in February and March, 1967 found that the materials had been stored outside the godowns, on the railway platform, and on the roadside, within the factory premises, and that the stores had been received and issued without weighment. The Board after checking the



estimated consumption of the stores with actual drawals during the years 1960—66 held that the deficiency was due to unauthorised drawals of stores from stock without proper documentation, to cover possible excessive rejections in production and/or to cover receipt and issue of the material without weighment. The Board found the management at all levels lacking in proper appreciation of the importance of documentation but did not hold any particular individual responsible for the deficiency.

2.91. The loss await regularisation (January, 1968).

[Paragraph No. 20, Audit Report (Defence Services), 1968].

2.92. The Committee enquired from the representative of the Ministry, the reasons for not carrying out physical verification of the stores between April, 1963 and March, 1966. The Secretary, Defence Production stated that the verification carried out on 11th February, 1963 and 18th April, 1963 was to cover the year 1962-63 and 1963-64; the subsequent verification carried out on 5th March, 1966 was for the year 1965-66 and it was then that the discrepancy was discovered. The verification for 1964-65 only was missed due to oversight. Unfortunately, however, a report was sent to the Director General, Ordnance Factories that the verification had been done. He added:

"I admit the non-verification was incorrect. There should have been a verification for 1964-65".

2.93. On his attention being drawn to the statement in the Audit Report that "the materials had been stored outside the godowns, on the railway platform and on the roadside, within the factory premises" which might have led to pilferage, the Secretary, Defence Production stated that he would rule out the possibility of pilferage completely because the length of the brass rods was between 6 to 8 feet and their weight was 2 Kg. per foot i.e. each bar weighed between 12—16 Kg. It was, therefore, not easy for anyone to pick it up and take it away. Besides, the security arrangements were very tight since the factory produced very vital equipment. He added that it was one of the oldest and most important ordnance factories, started 167 years back but the accommodation was insufficient. It was located in the midst of a Bazar area. "It was fully over-loaded after the Chinese aggression and they were compelled to put all this material outside because they had no accommodation." Provision had since been made to keep all non-ferrous metals under shelter.

2.94. To a question whether there was any probability of the rods being taken away by collusion with the security staff, he stated:

"If there is a conspiracy, then they can take out the material right upto the permissible limit of losses allowed. This

is much less than the permissible limit of loss. Therefore, the conclusion is there is no conspiracy as such."

2.95. Explaining the finding of the Board of Inquiry that the deficiency was due to unauthorised drawals of stores from stocks without proper documentation, the Secretary, Defence Production stated:

"According to our understanding, these materials were used for good purpose. It was used by authorised people but the documentation was not correctly filled in."

2.96. The Director General, Ordnance Factories further stated:

"...sometimes when there is pressure of work or rush of jobs, the production section in the interest of production, takes the material—especially when the godown keeper is not there—for producing the components, but they do regularise their consumption by giving the demand note. Each section can take the material only on demand note. Here, unauthorised means the using section did not take the material on submission of a demand note.... It does not mean that anybody else has taken it. It has gone into production. As the Secretary pointed out, it has been conclusively proved by the Board of Inquiry that there has been no physical loss of this material except lack of documentation."

2.97. Referring to the finding of the Board of Inquiry that "the management at all levels" was "lacking in proper appreciation of the importance of documentation" but it did not hold any particular individual responsible for the deficiency, the Secretary, Defence Production stated:

"Apparently, this lack of documentation shows that at that time the pressure on the factory increased considerably and it became a part of the system which is wrong. Therefore, the Board of Inquiry could not have said that everybody was at fault. Instead of that, they said that no individual was found guilty."

2.98. The Secretary, Defence Production further informed the Committee that the suggestions for improvement given by the Board of Inquiry had since been implemented. Some additional accommodation had been provided but the very nature of the perimeter was such that it could not take any more accommodation under shelter. Therefore, some reorganisation had been undertaken. Some of the items had been taken away from the factory which was dealing hitherto with a very large number of items. The factory had

now been relieved of a lot of congestion and much better accommodation was available.

2.99. Asked whether the loss had since been regularised, the Secretary, Defence Production stated:

“As this is due to negligence it has to be fully investigated before it can be written off. Some clarifications are being sought from the factory and it will take a little more time before the loss is regularised.”

2.100. In a note subsequently furnished to the Committee, the Ministry have stated that a fresh Board of Inquiry had since been constituted to investigate into the case with a view to pinpointing the individual/individuals responsible for the shortage.

2.101. The Committee observe that a deficiency in stores to the tune of Rs. 5 lakhs came to light in one of the ordnance factories as a result of stock verification. It is regrettable that physical verification of the stock in the factory was not carried out for two consecutive years, i.e., 1964 and 1965 and that a false report was sent to the Director General, Ordnance Factories that the verification for the year 1964-65 had been done. The Committee note that, though a Court of Enquiry which investigated the case found the deficiencies to be attributable to wrong book-keeping and held no specific individual to be responsible, a fresh Board of Enquiry has since been constituted by Government to investigate the case and pinpoint individual/individuals responsible for the shortage. The Committee would like to be apprised of their findings.

#### Purchase of sub-standard timber

##### *Audit Paragraph*

2.102. On the basis of an indent received from a Commander Works Engineer, the Director General, Supplies and Disposals, concluded a contract with a firm in July, 1966, for supply of 9,375 cft. of timber at Rs. 5.25 per cft. Inspection of the logs was carried out at the firm's premises by a Defence Inspector prior to despatch and 691 logs of timber valued at Rs. 0.48 lakhs, exclusive of freight charges (Rs. 0.18 lakh), were received from the firm at the timber factory during October, 1966, to December, 1966. On receipt, the consignee found that the logs were of very poor quality having numerous defects, and that the actual yield of sawn sizes obtained on cutting certain logs was so poor that they could not be used for any purpose. The Director General, Supplies and Disposals was, therefore requested by the consignee in December, 1966, to advise the contractor to take back the timber already supplied.

2.103. The contractor and the Defence Inspector, however, refused to accept that the logs supplied were of poor quality, or defective.

2.104. On the instance of the consignee, a joint inspection of the timber supplied was carried out in March, 1967, by the inspector and the consignee when it was found that only 48 logs generally conformed to specifications and that the remaining logs had one or more of the following defects.

<i>Nature of defect</i>	<i>Percentage of logs</i>
Objectionable surface cracks and splits	.. 80
Decayed or insect attacked	.. 20
Knobbly/spiral grained, knots and other defects	.. 10

2.105. All the logs inspected were found to be brashy and not expected to serve the intended purpose.

2.106. The contractor did not associate himself with the joint inspection and has not accepted its findings. The Ministry have stated in January, 1968, that an inquiry into the matter has been ordered.

[Paragraph No. 14, Audit Report (Defence Services), 1968].

2.107. The Committee enquired whether the enquiry ordered by the Ministry into this case had been completed and if so, what the findings were and the action taken thereon. The Department of Defence Production have informed the Committee that the Court of Inquiry had examined all the available logs (601 Nos.) and they had come to the following conclusions after going through the evidence on record:

- (i) 50 logs were as per specified standard.
- (ii) 228 logs were absolutely sub-standard and rejects.
- (iii) 323 logs with shakes and cracks were useable to the extent of 33-1/3 per cent.
- (iv) The loss [(ii) + (iii)] that had accrued to the State was of the order of Rs. 20,590 exclusive of sales tax, freight, handling and inspection charges etc.

2.108. The Court found that the field inspector did not personally stamp his acceptance mark on the accepted logs but got them stamp-

ed by a "mazdoor". He was, therefore, held responsible for the loss. Disciplinary action had accordingly been initiated against him.

2.109. The Committee enquired what action had been taken against the contractor and how it was proposed to recover the loss caused to Government. They were informed that the case had been referred to the Ministry of Law for advice on the following points:

- (i) whether the firm could be held responsible for supply of substandard timber and if so, whether compensation could be claimed from the firm; and
- (ii) whether a notice should be given to the firm for removal of the rejected stores or if the firm could not be held legally responsible whether the consignee could utilise the timber in the best interest of the State.

A reply from the Department of Supply as to the action to be taken against the contractor is still awaited.

2.110. The Ministry have, however, informed the Committee that it has since been decided that 323 logs having a yield of 33-1/3 per cent will be utilised for alternative purposes while the remaining 228 logs will be disposed of in the best interest of the State.

2.111. The Committee were also given to understand that the Engineer-in-Chief had suggested that contracts for supply of timber should contain a provision for joint inspection (by the inspection authorities and the users) to avoid future complications regarding the quality of stores. The Committee, therefore, enquired whether the suggestion had been considered in consultation with the Director General, Supplies and Disposals. (A reply from the Department of Supply on this point is also awaited).

2.112. The Committee desire that in the light of the advice given by the Ministry of Law the Department of Supply should take measures, without further delay, to recover the loss caused to Government through the default of the contractor.

2.113. The Committee note that action is being taken by Government against the officer held responsible for not carrying out proper inspection before passing the logs.

## **CHAPTER III**

### **ARMY**

#### **Over-provisioning of uniforms for National Cadet Corps**

##### **Audit Paragraph**

Prior to 1965, requirements of clothing and other items of uniform for the National Cadet Corps were being worked out by the National Cadet Corps Directorate with reference to certain scales for the entire authorised strength of the corps and the approved increase for the ensuing year, plus a 20 per cent. reserve thereon to cover wastage. Neither the stocks in hand, nor the actual rate of wastage of the uniforms issued to the cadets and withdrawn at the end of the training term were being taken into account. In practice there had always been a shortfall of about 10 per cent between the anticipated and actual recruitment, with the result that the provision of a 20 per cent wastage reserve afforded a cushion of 33 per cent over the actual requirements.

3.1. In May, 1965, the Ministry of Finance (Defence) suggested that requirements of clothing and other items of uniform should be assessed with reference to actual with reference to actual stocks (including quantities on order) and the rate of consumption/wastage. But even in a subsequent review undertaken in March, 1966, the wastage data were not collected and adopted. This review (covering 13 items) did not take into account the correct quantities ordered for supply, but still to materialise, in respect of 12 items. As a result, stores worth about Rs. 11 lakhs which were not required were purchased. This review also disclosed surpluses in some of the items, but no action was taken to cancel the outstanding orders, valued at over Rs. 25 lakhs, in respect of these items.

3.2. On the basis of an assumed wastage data, the requirements assessed in March, 1967, disclosed surpluses in 21 items, mostly clothing, valued at Rs. 1.23 crores.

3.3. The Ministry have stated (January, 1963) that out of the surplus stock valued at Rs. 1.23 crores, items costing Rs. 11.40 lakhs have since been transferred to other departments.

[Paragraph No. 8, Audit Report (Defence Services), 1968].

maintained as a reserve of 20 per cent was already sanctioned." Requirements were calculated as the difference between the authorisation worked out with reference to the projected strength of National Cadet Corps plus reserve and the available stocks plus "dues in" indent for 1966-67 which had already been placed on the Director General Ordnance Factories.

3.9. On the Committee pointing out that if the suggestions given by the Finance Ministry in May, 1965 had been followed, the situation now obtaining might have been avoided, the Defence Secretary state :—

"Actually, the past experience would have landed us in very great difficulties because on the basis of the average of the past, we would have found deficiency to the extent of a few lakhs every year."

"....I would say, the Ministry of Finance has also become wiser with experience and has approved a different formula now. As I pointed out, in the earlier years, due to changing numbers, the evolution of any particular formula would have been fraught with some risk. I do not think we could have done anything better than the annual system that we have followed. Ultimately, the test is whether there has been any wastage. As far as I could see, there has been none and there would be none considering that we have the stock for provisioning and we will be utilising the uniforms. Now that we have come to a stable figure, we have systematised the procedure of provisioning. I, personally, think that the purpose of the Audit has been eminently served in driving us to this systematisation of procedure."

3.10. The Committee enquired whether any assessment had been made of the period over which the uniforms were expected to be utilised and whether the possibility of their being utilised by the Border Security Force, the Home Guards, the Central Revenue Police etc. had been explored. A statement furnished by the Ministry is at Appendix III. The Ministry have stated that "the surpluses, are more or less expected to be wiped out by 1970 provided the total strength of the National Cadet Corps does not fall substantially."

3.11. The Committee observe from the statement given in Appendix III that large quantities of the following items were held in

stock on 30th September, 1968 as against authorisation :—

Items	(In lakhs)		
	Authorisa- tion	Held	Surplus
1. Shirts Mazri grey	13.78	23.57	9.79
2. Trousers drill khaki	13.89	23.67	9.78
3. Slacks drill Khaki	2.74	4.57	1.83
4. Salwar white	2.33	3.87	1.54
5. Kamiz white	2.33	4.31	1.98
6. Bush shirt Cell Khaki	2.74	3.89	1.15
7. Shoes canvas Brown	7.26	8.46	1.20

3.12. The Committee were informed that efforts were being made to sell the surplus stock to other organisations. 35,952 pairs of Trousers Drill Khaki, valued at Rs. 3,63,508. and 2,10,422 pairs of Shoes Canvas valued at Rs. 7,60,371 had already been transferred to other departments. The National Cadet Corps Directorates in the States were asked to ascertain from the State Governments, other organisations (Civil Defence, Home Guards, Central Reserve Police and Border Roads Organisation) whether the surplus stocks could be utilised by them. Their replies were awaited. The Central Reserved Police authorities had also collected samples of the surplus items for verifying their suitability for their forces.

3.13. To a question, what the value of the surplus garments as on 30th September, 1968 was, it has been stated that "the stocks with the National Cadet Corps are partly new and partly used... an accurate break-down of the totality of the garments held in stocks into new and part worn cannot be given. Adopting the Priced Vocabulary rate for new individual garment, the ceiling book value of the surplus garments works out to be Rs. 2,17,85,686. The actual value of the surplus garments would be substantially less, for the reasons mentioned above, possibly about 66 per cent of this figure."

3.14. In reply to a question whether the over-provisioning in this case could be attributed to the fault of any individual or whether



it was due to some long standing defect in the procedure itself, the Defence Secretary stated:

"I would say that this is, more or less, inevitability of circumstances. Nobody could fix the strength. You could not determine the actual need from year to year, you had to do it on an *ad hoc* yearly basis. I do not think any systematic policy could have been followed which would have avoided going wrong because, if you have to expand from 2½ lakhs to 6½ lakhs and then to 10 lakhs and further to 12 lakhs and 16 lakhs, you will not know the need and it would depend on the enrolments from year to year. So, it would not have been possible to fix any definite norms for provisioning in such fluctuating conditions. I think, you have to assess by this as to whether in actual fact any wastage has occurred or will occur. The estimate is that no wastage will occur."

3.15. Asked whether the new provisioning policy now laid down, could not have been thought of earlier, he stated that "because of the changing numbers, from year to year, it was not quite possible."

3.16. Further asked whether under the new arrangement provisioning of National Cadet Corps Uniforms would be more realistic, the Defence Secretary replied:—

"Particularly now that the strength of the corps would become more or less stabilised, you do not expect much variations from year to year. . . . We are not placing any orders until we have reduced substantially the existing stocks."

3.17. The Committee are surprised that provisioning of uniforms for the National Cadet Corps took place without regard to the fact that there was a consistent shortfall in recruitment every year in relation to the authorised strength. It is also regrettable that, in the course of provisioning, an arbitrary reserve of 20 per cent for "wastage" was provided for without any effort at ascertaining what the actual "wastage data" was. In the result, there has been an accumulation of surplus garments, the value of which amounted to Rs. 1.23 crores allowing for the fact that part of the stock might not be altogether new. The Secretary, Ministry of Defence, himself admitted during evidence that "there had not been a systematic approach to the question of provisioning" in the National Cadet Corps Directorate.

3.18. The Committee note that the Ministry of Defence have since overhauled the system of provisioning to take note of actual enrob-

ments in the National Cadet Corps as also the actual wastage data in respect of uniforms, based on information about their condemnation. The Committee trust that this would help in avoiding the accumulation of surpluses and that the provisioning procedures will be kept under constant review in the interest of economic inventory management. The Committee hope that the Ministry would also pursue vigorously the question of disposal of the surplus stocks which are not likely to be used by the National Cadet Corps in the near future and arrange to have them transferred to other organisations e.g. the Civil Defence Organisation, the Home Guards, the Central Reserve Police and the Border Roads Organisation.

#### **Excessive procurement of an item of 'snow clothing'**

3.19. In November, 1962, an order for the manufacture of 2.51 lakh pairs (estimated cost Rs. 1.84 crores) of parka trousers—an item of extreme winter clothing—was placed on the Director General, Ordnance Factories, for issue to troops on operational duties at high altitudes. In December, 1964, after the requirements were reviewed, additional orders for manufacture of further 1.40 lakh pairs of trousers (estimated cost Rs. 1.01 crores) were also placed.

3.20. When the trousers were issued on a large scale to troops at high altitudes in the winter of 1964-65, they were not found to be popular with the troops who preferred serge trousers to the bulky parka trousers. It was also found that serge trousers were as good as parka trousers for use at high altitudes. A suggestion in June, 1965, by a Command Head-quarters to restrict the issues of such trousers only to troops on guard, sentry and other static duties at high altitudes was accepted by Army Headquarters in February, 1966, and outstanding orders for the manufacture of the item were cancelled.

3.21. Consequent on the decision to reduce the issue of the trousers, 3.10 lakh pairs, valued at Rs. 1.77 crores, have become surplus. Raw material costing Rs. 9 lakhs, which has no foreseeable use, is also lying in stock.

3.22. The Ministry have stated that instructions have been issued by Army Headquarters in November, 1967, for the maximum use of the available stock of parka trousers, if necessary by issue of the item in lieu of serge trousers.

[Paragraph No. 7, Audit Report (Defence Service), 1968.]

3.23. The Committee desired to know the basis on which the requirements of 'Parka' trousers were originally assessed at 2.51 lakh pairs. They were informed that till 1961, Trousers Parka were being used only by troops employed on Guard/sentry duties in extremely cold regions. In October, 1962 on account of changed conditions on the borders, the number of troops at higher altitudes on the Northern borders increased. The requirement of 2.51 lakh pairs was assessed at the rate of one pair of trousers Parka per man as it was considered that the provisioning at a scale less than one per man would be tantamount to making the remaining Force unprepared for deployment in colder regions. Yearly wastage at 25 per cent for 1963-64 was also provided for.

3.24. Asked to explain the basis for placing an additional demand of 1.40 lakh pairs of Parka Trousers on the Director General, Ordnance Factories in December, 1964, the Ministry stated that in 1963-64 the position was reviewed and taking into account the number of troops likely to be deployed in colder regions, additional 1.40 lakh pairs of Parka trousers were demanded to meet the requirements for the years 1964-65, 1965-66 and 1966-67. The basis of provisioning was not changed.

3.25. The Committee asked about the actual number of Parka trousers issued upto December, 1964, when the additional demand was placed on the Director General, Ordnance Factories. They were informed that the Central Ordnance Depot, Kanpur started receiving supplies of trousers Parka from the Director General, Ordnance Factories in January, 1963 against the order placed in November, 1962 by Army Headquarters. The supplies to Central Ordnance Depot, Kanpur against the entire order of 2.51 lakh pairs of trousers Parka were completed by November, 1964. The Central Ordnance Depot, Kanpur, in turn, issued the available supplies to the Forward Ordnance Depots on the instructions of Army Headquarters. Information was not readily available to indicate the actual number of trousers Parka which were issued to various Units deployed at high altitudes, to meet the requirements during the winter of 1963-64 and 1964-65. However, a sufficient number of trousers Parka had been issued to enable the troops to acquire a large scale experience of the use of trousers Parka by the end of the winter season of 1964-65.

3.26. To a question whether before taking a decision to provision this item, any technical trials were carried out to verify the suitability of these trousers for use by troops on mobile operational duties, it was stated that "technical trials were carried out in January-February,

1963 and it was found that the trousers Parka were warm and comfortable; these provide adequate protection against cold during sentry duty at night; but were considered too heavy and cumbersome for all active duties. Certain modifications in the design were suggested and carried out before the latest version called 'Trousers Parka 1963 pattern' was cleared for production."

3.27. The Committee pointed out that technical trials were carried out in January-February, 1963 and enquired why these trials were not carried out at the time of placing the order in November, 1962. The Defence Secretary stated: "The indent of November, 1962 was not based on any trials of the article. It was based on the assessment of requirements on the basis of one per man and in all the regions which were likely to be operationally affected in certain contingencies .... I need not recall the events of 1962. "There was hardly any time for trials."

3.28. The Committee desired to know when Government first undertook a study of the kind of uniforms worn by troops in other countries for operations in extremely cold regions. It was stated in reply that a study of extreme winter clothing used by troops in foreign countries was first undertaken in April, 1950. The special features observed in the foreign patterns were taken into consideration while designing the Indian patterns of coats Parka and trousers Parka and the latter were subjected to trials by Army authorities in 1950.

3.29. Asked whether the problem was specially referred to the Defence Research Organisation, the Ministry have stated that the 1963 pattern of trousers parka was adopted on the recommendations of a Research and Development Team after trials by them in Ladakh.

3.30. On his attention being drawn to the statement in the Audit para that "when the trousers were issued on a large scale to troops at high altitudes in the winter of 1964-65, they were not found to be popular with the troops who preferred serge trousers to the bulky Parka trousers", the Defence Secretary stated:

"I have not been able to find any authority for it. Actually, the whole thing was revised on the basis of a letter from the Eastern Command and nowhere does the Eastern Command or the other Commands which were consulted, say that this was unpopular with the troops. I have tried to find out from the Army Headquarters how this 'unpopular' crept in and I have not been able to find a satisfactory answer. The fact of the matter was that this clothing has

been ordered for annual requirements and for reserves. Now the reserves were for an operational eventuality which I would not discuss here. The fact is that a certain number of troops were involved in the operational eventuality and secondly, the need of these trousers and coats was assessed on that basis. It is true that the coats were very popular but the only thing wrong with the trousers was that they are a bit cumbersome and bulky. This was the assessment made in 1963 and in 1963 certain modifications were made to make it less bulky and less cumbersome. But I do not think, as they are, you can do away with their cumbersomeness and bulkiness altogether."

3.31. The Committee note that the Army Headquarters had in a communication dated 29th November, 1967 to the Eastern Command referred to the fact that these trousers were not very popular with the troops and that therefore their provisioning had been restricted. The following extracts from the communication are reproduced below:

"As you are aware, the scale of trousers Parka, for provisioning purposes, which was one per man upto 4th March, 1966, was reduced to 5 per cent of the force, as this item was not found to be very popular with troops. However, huge stocks of trousers Parka, as a result of provisioning of the earlier scale, still exist and have to be fully utilised in the normal manner, to obviate the possibility of deterioration in storage. It should, therefore, be ensured that trousers Parka continue to be used in colder regions as much as possible, not in any case, less than the time when the scale was 100 per cent, so that the huge stocks are utilised. This could continue till the existing holdings deplete down to conform to the revised authorisation."

3.32. On its being pointed out that the reaction of the troops, as made known after extensive use of trousers Parka in the winter of 1964-65, was adverse in regard to the improved 1963-pattern also, the Defence Secretary stated that the serge trousers might have been more popular "because of the freedom of movement that it ensures and the lightness of the weight. I would certainly say that it is not the same as Parka trousers." In a note on this point, the Ministry have stated that "trousers serge can meet the requirements until conditions of extreme cold and/or snow prevail; trousers Parka on the other hand, are expected to provide adequate protection even under

most severe conditions of cold and/or snow. Trousers Parka are more wind-proof and water repellant than trousers serge and meet the requirement of camouflage against snow."

3.33. Asked about the number of Parka trousers, which had been supplied by the Director General, Ordnance Factories by the time the reaction of the troops became known, the Ministry have stated in a written reply that till August, 1965, 3,05,952 pairs of trousers Parka had been manufactured by the Director General, Ordnance Factories.

3.34. To a further question as to the level at which decision was taken to place the second order for manufacture of additional 1.40 lakh pairs of trousers in December, 1964, the Ministry have stated that in May, 1964 the Finance Ministry queried the necessity for the continued provisioning of trousers Parka at the 100 per cent scale earlier accepted in 1962. This was examined and the need for continuance of the existing scale for 2 to 3 years was accepted by the Ministries of Defence and Finance.

3.35. Based on the above scale, the requirement for the years 1964-65 to 1966-67 was worked out and it was found that a demand for 1.40 lakh pairs of trousers Parka had to be placed on the Director General, Ordnance Factories. In accordance with the prescribed procedure, the approval of the Finance Ministry was obtained to the placing of the order, as the cost involved exceeded Rs. 1 crore.

3.36. The Committee desired to know the reasons for the decision of the Army Headquarters taken in February, 1966, to reduce the scale of provisioning. The Defence Secretary stated that this was done on the basis of a letter dated 29th June, 1965, from the Eastern Command Headquarters, wherein it was inter-alia stated that:—

"From the past experience it has been found that certain items of Extreme Cold Clothing and Equipment though authorised in accordance with the scales laid down in your letter under reference, are not essential because of their limited use. Considering the quantum of snowfall and the climatic conditions prevalent in . . . area, it is felt that some of these items can be deleted from the schedule of Extreme Cold Clothing and Equipment while scales reduced in respect of others without jeopardising the operational efficiency of troops deployed in the mountains area. It is also pointed out that most of these items are rather bulky and use up the limited storage accommodation available in the depot and in forward areas." On a total assessment, they.

therefore, thought that the scale could be reduced from 100 per cent to 5 per cent. The above letter was referred by the Army Headquarters to Western Central Commands who agreed with the suggestion.

3.37. Asked whether the revision of requirements had nothing to do with the view that Serge trousers could do equally well, the Defence Secretary replied in the negative. To a further question whether the Army Headquarters conveyed to the Ministry their assessment of the reaction of the troops, he replied: "Actually they do assess the reactions of troops to a number of things and tell us. But, when a certain thing is prescribed as a result of scientific assessment, I would say that the reactions of the troops would not be such a material factor in regard to necessity of such an article. But they might be relevant for making modifications. That was exactly what was done here."

3.38. The Committee desired to know what the outstanding orders were in January, 1966 and the reasons why it took more than 8 months for the Army Headquarters to come to a decision to cancel the outstanding orders. The Defence Secretary stated that as on 1st January, 1966, "37,000 have been stated as dues leaving out 51,000 for which orders had been cancelled." The delay in cancelling the orders was due to the time taken in consulting the Western and Central Commands who, in turn, had to refer the matter to their different units. It was in January, 1966, that the Army Headquarters accepted the suggestion and recommended the reduction of scale to the Government in February. To a question whether the whole process did not take a lot of time, the Defence Secretary replied: "I would say it could certainly be cut down."

3.39. Asked whether any interim steps were taken to slow down or to curtail the production on receipt of the suggestion, keeping in view the possibility of its being eventually accepted, the Defence Secretary replied: "I think until Government accepted the decision to reduce the scale it would not have been possible to take an interim step and even if such a suggestion had been made, I doubt, whether it would have been accepted in view of the hostilities in August-September."

3.40. The Committee desired to know the latest position of holdings of Parka trousers and their value. They were informed that the all India stock of trousers Parka as on 1st July, 1967 was estimated to be 3,72,772. This included the numbers held in the Central Ordnance Depot, Kanpur, various Forward Ordnance Depots and

also those held by the Units themselves for the use of the soldiers. The value of these trousers was, however, stated to be not known as detailed figures regarding serviceable and part-worn serviceable trousers are not available.

3.41. Asked about the number of trousers issued since 1967, when instructions were given by the Army Headquarters for the maximum use of the available stock of Parka trousers, if necessary, by issue of the item in lieu of serge trousers, the Ministry have stated that from November, 1967 to the 18th September, 1968, 38,143 Parka trousers were issued from the Central Ordnance Depot, Kanpur mainly to the Forward Ordnance Depots. The number of trousers released to Commands for utilisation by troops in response to instructions issued in November, 1967 was 79,657 (upto October, 1968). These trousers were expected to be used during the winter 1968/69.

3.42 In reply to a question whether any alternative uses for the unutilised stock of Parka trousers had been considered, it was stated that the question of alternative uses of the unutilised stock of Parka trousers had not been finally decided.

3.43 The Committee then desired to know what the percentage of surplus stock was to the total quantity ordered. The Defence Secretary stated that he would furnish figures of consumption from 1962-63 onwards. In a note subsequently furnished to the Committee, the following information has been furnished:

- (i) Issues from COD, Kanpur were made not only to forward depots but in several cases, these were made direct to the units some of which have since been reorganised. The issues were as follows

Forward Ordnance Depots	3,19,097
Units	91,099

- (ii) Forward Ordnance Depots generally issued the stores to Ordnance Maintenance Coys who eventually issue stores to the actual user troops. A number of Ordnance Maintenance Coys have been reorganised after 1962.

3.44. To a question how long it would take to utilise the surplus stock, the Defence Secretary replied "The fact is that even afterwards when they found that these supplies were accumulating at a pace at which they should not have, they issued orders, directing the use of increased numbers. I find myself that the consumption in one year has been fairly satisfactory. The total issues in 1965-67



were 1,05,087.....On the basis of the consumption in 1965-66 it would not take more than 2-3 years. But it is not a question of exhausting the entire stock. You have to keep some reserves also for certain contingencies and I think the reserves taking into account the annual needs it is most unlikely that they would last say, beyond 1½ years."

3.45. The Committee enquired about the stock position of serge trousers and whether in view of the instructions issued in November, 1967 for issue of Parka trousers in lieu of serge trousers, it would be possible to utilise serge trousers within their normal shelf-life. It was stated that as on 18th September, 1968 the Central Ordnance Depot, Kanpur had 3,50,212 numbers of serge trousers in stock. Stocks were also held by Command Ordnance Depots and Forward Ordnance Depots. Having regard to the substantial shelf-life of trousers serge (10 years in both cases), their utilisation would not be affected to any appreciable extent.

3.46. In reply to a question about the comparative cost of serge and Parka trousers, the Ministry have stated that the production cost of one pair of trousers Parka was Rs. 59.65 in November, 1967 and that of one pair of serge trousers Rs. 49.93 in August, 1968.

3.47. The Committee desired to know how much expenditure had been incurred on the purchase of raw materials for the manufacture of 'Parka' trousers since 1962-63 (year-wise), the value of materials utilised during this period and the present position regarding disposal of the surplus material. The Ministry have accordingly furnished the following information:

Year	Expenditure incurred	Value of material utilised
	figures in lakhs of rupees	
1962-63	49.42	Nil
1963-64	119.77	40.74
1964-65	60.96	50.32
1965-66	48.80	42.55
1966-67	2.49	1.49
Total	281.44	135.10

3.48. As for the disposal of the surplus raw materials, the Committee were informed that the Director General, Ordnance Factories intimated in May, 1968 that materials worth Rs. 9.48 lakhs were lying surplus and the possibility of using 1" Pile Fabric costing Rs. 9.29 lakhs, for the manufacture of overalls for supply dropping personnel and three compartment gloves was being explored.

3.49. Asked to state the value of machines which had become surplus on the cessation of manufacture of Parka trousers and how these were proposed to be utilised. The Ministry have stated in a note that no machine was specifically procured for manufacture of Parka trousers. The machines previously engaged on the manufacture of Parka trousers were being utilised for the manufacture of other stores

3.50. To a further question if any of the labour force had become surplus, the Ministry have stated that idle time wages had not been paid to workers as a result of suspension of manufacture of trousers Parka, their services being utilised for manufacture of other stores.

3.51. Asked whether the Ministry had taken note of the salient points in regard to proper provisioning brought to light by this case and whether any corrective action had been taken to avoid recurrence of this type of overprovisioning, the Defence Secretary stated: "Actually Sir, I do not think there has been any over-provisioning."

I would like to emphasise with all the earnestness at my command that when you give the Service Chiefs certain tasks to be done and when they assess certain things that are required for those tasks to be done in certain contingencies, I think, we must be prepared to face certain losses if those contingencies do not arise."

3.52. The Committee note that till 1961 Parka trousers were being issued on a very restricted scale, i.e., to troops on static duties in extremely cold regions. The decision taken in November, 1962, to issue them on a large scale to troops on operational duties at high altitudes, therefore, involved a major change in the policy of provisioning warm clothing. While the Committee are prepared to concede that in the situation then obtaining there was not much time for trials, they are not able to appreciate why adequate follow up action was not taken to curtail the manufacturing programme when the field trials carried out as early as January-February, 1963, revealed that the trousers were "too heavy and cumbersome for all active duties."

3.53. The Committee further observe that soon after the completion against the first order were completed (November, 1964), another

order for supply of 1.40 lakh pairs of Parka trousers, 1963 pattern, was placed on the Director-General, Ordnance Factories in December, 1964. The Ministry have not been able to furnish to the Committee information regarding the number of trousers actually issued to troops till December, 1964. It is, therefore, evidence that this order was placed without taking into account the actual number of trousers issued to troops till then and without ascertaining the position about their actual utilisation.

3.54. The Committee further note that when these trousers were issued to troops on a large scale in the winter of 1964-65, it was found that they were "not very popular with troops." A decision was, therefore, taken in February, 1966, to reduce the scale of provisioning from 100 per cent to 5 per cent in pursuance of a suggestion received from the Eastern Command in June, 1965. It is a matter for regret that it took eight months for Army Headquarters to come to a decision after the matter was referred to them by Eastern Command and that in the meanwhile no effort was made to curtail the manufacturing programme for these trousers.

3.55. The Committee hope that the Ministry of Defence will make all possible efforts to put the surplus stock of Parka trousers to the best possible use and to dispose of raw materials which are no longer required. They hope that this case will serve as an eye opener and the Ministry will ensure that in future such instances of gross over-provisioning do not recur.

#### Excessive provisioning of parachutes

##### *Audit Paragraph*

3.56. During the period June, 1962, to July, 1963, the Master General of Ordnance placed orders on the Director General, Ordnance Factories, for the manufacture of a certain number of parachutes to be supplied between March, 1963, and October, 1964. These orders were based on the anticipated requirement of the item and reserve stocks to be maintained. In July, 1964; when the requirement for 1964-65 and reserve stocks were reviewed, it was found that a larger number than anticipated of these parachutes used for dropping supplies could be retrieved, and it was decided that the Director General, Ordnance Factories, should slow down the monthly rate of production of parachutes to 60 per cent of the existing capacity. In June, 1965, as sufficient reserve stocks had been built up, the rate of production was further reduced to 30 per cent of the original capacity to keep the factories busy till March, 1967.

3.57. In February, 1966, by which time a large stock of parachutes had been built up, it was proposed to cancel the outstanding orders on the Director General, Ordnance Factories, for these parachutes. However, as such a cancellation would have led to accumulation of large stocks of unfinished components and raw materials besides rendering a large number of workmen surplus, it was decided in May, 1966, to retain the orders for 50 per cent of parachutes outstanding on 1st April, 1966, and to cancel the rest. In February, 1967, it was finally decided that only those parachutes actually under production would be completed and the manufacture of 9 per cent of the quantity initially ordered, but outstanding would not be taken up. Consequent on this decision, raw materials on hand valued at Rs. 1.09 crores have become surplus.

3.58. A large number of parachutes, valued at about Rs. 7 crores, are also held in stock. The Ministry have stated (January, 1968) that it should be possible to utilise them within a period of 5 to 6 years.

[Paragraph No. 9, Audit Report (Defence Services), 1963.]

3.59. The Committee desired to know the basis on which the requirements of 28' parachutes referred to in the paragraph were initially assessed, the percentage of parachutes which were expected to be retrieved at the time of such assessment and how it compared with the actual retrievals during the preceding three years. The Committee were informed that before placing the orders during June, 1962-July, 1963, the available data with regard to the tonnage of stores to be paradropped, likely retrieval of parachutes, the use of other sizes of parachutes and the load carrying capacity of the parachutes were taken into account. When the indents for parachutes were placed in June and September, 1962, a 25 per cent retrieval was provided for. While placing the demands in November, 1962, the retrieval factor was not considered "as retrievals were not supposed to be possible in the area of operation then contemplated." However, in July, 1963, this retrieval factor was again introduced in the interest of avoiding overprovision. In this review the liabilities were calculated on the basis of 1.25 drops per parachute for meeting estimated maintenance requirements for 1963-64. Against these and the reserve requirements, a further demand was placed on the Director General, Ordnance Factories, after taking into account the supplies due from him against previous orders.

3.60. The Committee enquired from the representative of the Ministry whether the expectation of 25 per cent retrievals was

based on any analysis of past figures or whether it was just an assumption. The Defence Secretary stated that it was only an assumption and in actual practice the retrievals were found to be more than 25 per cent. He added: "Actually, this can be gained only from experience and it is only a long period of experience that can give you any accurate figures. It depends on the skill of pilots who drop, the terrain on which it is dropped and so many similar factors. Then, what may be true of one region may not be true of another region. So, ultimately, you can go only by the law of averages over a sufficiently long period of time." To a question if they had not gained any experience before 1962, he replied: "Not on the scale on which we had it afterwards; nor also in all the terrains."

3.61. The Committee enquired about the actual percentage of retrievals at the time of placing orders between June, 1962 and July, 1963 and subsequent reviews. They asked when exactly it came first to the notice of the Defence authorities that the retrievals were actually more than 25 per cent. It was stated that the number of parachutes retrieved could not be correlated to the number of parachutes dropped during a period as it was not possible to identify the parachutes lying at dropping zones by the year of dropping. However, the fact of large scale successful retrievals came to light in 1964 and this was one of the factors which led to the Government decision in July, 1964 to slow down the production of the parachutes by Director General, Ordnance Factories.

3.62. Asked if the orders to slow down production took fully into account the surplus that had arisen in Defence stocks or whether only a partial reduction was ordered to keep the factories busy, the Defence Secretary stated: "Actually the action taken from time to time as a result of reviews did include also the effect on the factories' production and at times orders were cancelled and at times production was staggered."

3.63. To a further question whether at the time of taking decision to slow down the rate of production, the Ministry took into consideration the question of diverting the capacity created in the ordnance factories for manufacturing parachutes to other items or of reverting to production of such sizes of parachutes as were likely to be in demand in NEFA etc. so that the men and materials could be fully utilised and at the same time unnecessary accumulation of stocks avoided, the Defence Secretary stated that in July, 1964, it was decided to stagger production for a longer period with a view to keeping the factories in production. Again in June, 1965, it was

decided to slow down the production further to keep the factories busy. Account was also taken of the additional work-load that was devolving on the ordnance factories for providing parachutes to civil users.

3.64. In a note, the Ministry have stated that the question of diversion of the production capacity of Ordnance Factories to other items was considered. Briefly the decisions were as follows:

- (i) To send some repairable parachutes to Director General, Ordnance Factories for repairs.
- (ii) Any quantity of parachutes for repair available in forward Ordnance Repairs Establishments should be off-loaded for repairs normally to the Director General, Ordnance Factories;
- (iii) Director, Ordnance Services, was asked to expedite placement of demands for clothing items required upto 1970-71 on Director General, Ordnance Factories and to examine the question of increasing the demand for shorts drill, caps water proof, overall combinations and mosquito nets; and
- (iv) NEFA Administration were requested to place demands on Director General, Ordnance Factories for parachutes for air dropping of supplies.

3.65. The Committee enquired whether the Director General, Ordnance Factories on his part, slowed down the procurement of raw materials taking into account the trend of reductions ordered by the ordnance authorities. The representative of the Ministry replied that in March, 1966, when the Director of Ordnance Services asked for suspension and cancellation of the pending orders, action was taken immediately to cancel all tenders and supply orders. Orders for material were reduced effectively on receipt of suspension orders. Materials were received after March, 1966, from trade firms with whom orders had been placed earlier.

3.66. The Committee were informed in reply to a question that the assets of parachutes were reviewed at least once in a year at the time of annual Air Maintenance Conference.

3.76. The Committee observe with concern that a large number of parachutes valued at about Rs. 7 crores were held in stock in January, 1968. Even after providing for reserves and requirements during the next 2-3 years, it is obvious that there is ample stock of parachutes which is surplus to requirements.

3.77. In the Committee's opinion, this situation was caused by the unscientific provisioning policy that was followed. While assessing the requirements in 1962 and 1963, retrievals were taken as 25 per cent of parachutes dropped without testing the accuracy of this assumption with reference to empirical data about retrievals. Even after it became clear in 1964 that retrievals were on a larger scale than assumed, steps to curtail production in the ordnance factories were taken only half-heartedly in stages between July, 1964 and February, 1967. The over-riding consideration apparently was to keep the ordnance factories busy, but this was hardly the best way of doing it. The consequences of the policy followed would be evident from the fact that, apart from surplus parachutes that have accumulated, the ordnance factories had acquired stocks of materials worth Rs. 72.12 lakhs for the production of these parachutes which were rendered surplus to their requirements in May, 1968. Of these, stocks valued at Rs. 28.63 lakhs only have been "earmarked for utilisation or are likely to be utilised." Part of this material (the value of which is yet to be intimated to the Committee) was imported. Apart from the money expended on these stores, the money expended on the staff employed on the production of these parachutes has also largely turned out to be avoidable.

3.78. The Committee would like the Ministry of Defence to assess realistically the number of parachutes rendered surplus and to take expeditious steps for their disposal to civil users before the shelf-life of these parachutes expires. Raw materials which have turned out to be surplus to requirements should also be speedily disposed of. Government should also take the lesson from this case of the need to put provisioning procedures on a scientific basis to avoid costly and wasteful accumulation of stocks.

3.79. The Committee have earlier in this Report recommended a high-level review of provisioning procedures for the Services so that the system could be effectively streamlined. The Committee would like Government to take an early action on this recommendation.

## Procurement of defective spare parts

### *Audit Paragraph*

3.80. To meet the requirements of the Army, the India Supply Mission, Washington, concluded a contract with a foreign firm in April, 1963, for supply of 500 Clutch Sleeves for Tanks at a cost of Rs. 29,983. The contract did not provide for inspection of the stores before despatch. On receipt of a part of the supplies in the depot in December, 1963, it was found that the item did not conform to the specification required by the Army authorities, in that

- (i) there was excessive clearance between the Clutch and the Sleeve; and
- (ii) the hardness of the material was less than half of that specified.

3.81. The defects were pointed out immediately to the Supply Mission but the suppliers did not agree to replace the item on the ground that the parts supplied agreed with the specifications of the manufacturers. In October, 1964, the India Supply Mission was further informed that the Technical Development Establishment had rejected the supplies as unsuitable.

3.82. In the meantime another indent for procurement of 600 more Clutch Sleeves was received by the India Supply Mission. On 5th February, 1964, the India Supply Mission requested the Army Headquarters to examine the desirability of suspending purchases of these 600 Clutch Sleeves from the same supplier. While this matter was under consideration, a further indent for 2,015 numbers of the same spare part was placed by the Army Headquarters on the Director General, Supplies and Disposals, on 29th February, 1964, without specifically mentioning whether the same quality of spares was acceptable or not. This indent was cross-mandated to the Supply Mission, Washington, who in July, 1964, concluded another contract for the supply of the item at a cost of Rs. 74,756 with the same firm, whose offer was the lower of the two received. The supplies received under this contract in the depot in May, 1965, also had the same defects.

3.83. The Ministry have stated (January, 1968) that these items are no longer required in view of the change in policy and reduced requirements and that the Supply Mission had been requested in



May, 1967, to persuade the firm to take back the stores and refund their value.

[Paragraph No. 13. Audit Report (Defence Services), 1968.]

3.84. The Committee enquired about the circumstances in which a second contract for supply of 2015 numbers of clutch sleeves was placed overlooking the performance of the firm against the first contract. The Committee were informed that, according to the India Supply Mission, the indent for the stores raised by the Defence authorities contained "no indication that the stores supplied by the (firm) ... against the first contract would not be acceptable." In fact, apart from this urgent indent, another ordinary indent for 600 numbers of clutch sleeves, duly cross-mandated by Director General, Supplies and Disposals, had been received in the Mission in the meanwhile. On receipt of that indent, the Mission wrote to the Master General of Ordnance on 5th February, 1964, stating that as there was a discrepancy in supplies made against a previous indent, "it would not be advisable to place an order against this (ordinary) indent." No reply was received to this reference. The discrepancy against the first contract was also not established. Since the indent had been classified as urgent, the India Supply Mission decided to place the contract.

3.85. The Ministry of Defence informed the Committee that on receipt of the reference dated 5th February, 1964, from the India Supply Mission for suspending purchase action against the ordinary indent for 600 clutch sleeves, the Army Headquarters informed the India Supply Mission, Washington on 31st March, 1965, that the matter was under examination of the Technical authorities and a further communication would be forwarded to them. On 24th June, 1964, the India Supply Mission, Washington were informed that the matter was still under consideration in consultation with the technical authorities and a further communication would be forwarded. On 31st October, 1964, the India Supply Mission, Washington were informed by Army Headquarters that the stores supplied by the firm against the contract dated 18th April, 1963, were not acceptable and the firm might be asked to replace them. When the indent for 2015 Nos. was placed on India Supply Mission, Washington no indication was given by the indenter as regards the sources from which they should be procured.

3.86. To a question why inspection of these stores was not provided for in the contract and whether in the absence of inspection, a guarantee was at least obtained from the firm, the Committee

were informed that inspection of MT surplus stores purchased by India Supply Mission, Washington had been dispensed with several years back in accordance with a decision taken by Government. The decision then taken was that, instead of having a permanent machinery for inspection, a safeguard for replacement of defective supplies should be incorporated in the contract itself. The India Supply Mission, Washington was, therefore, required to obtain from the suppliers of MT surplus stores a written guarantee along-with their invoices as a matter of standing arrangement. In the contract concluded on 18th April, 1963, for 500 clutch sleeves, a guarantee clause was included on the following lines:

"No inspection of the stores will be undertaken for the stores covered by this contract in view of your agreement to certify that in case of discrepancies/shortages/defective stores etc., etc., being notified to you within 12 months from the date of the receipt in our Depot in India, you will arrange replacement CIF Indian port free of all costs or agree to financial adjustment if no replacement is required."

3.87. Asked whether this clause was included in the subsequent contract also, the Ministry have stated that the above clause which used to be incorporated by a rubber stamp was inadvertently omitted in the acceptance of tender dated 7th July, 1964, in respect of the purchase of 2015 sleeve rankshaft driven clutch. The firm had, however, issued the following required certificate

"We certify that in regard to stores supplied on our invoice X-4843/XI-J-878, dated 18th December, 1964, in case of discrepancies/defective stores being notified to us by you within 12 months from the date of receipt at a destination in India, we will arrange replacement CIF Indian port free of all costs or agree to financial adjustments if no replacement is required."

3.88. In any case both the contracts were covered by warranty clause 13 of the India Supply Mission "Conditions of Contract". According to this clause it was the firm's liability to supply the correct material and, in case there was discrepancy, to settle it by arranging for free replacement or affording credit for the value of the stores.

3.89. In reply to a question whether timely action was taken to raise discrepancy reports for free replacement of stores, the

Ministry informed the Committee that the defect reports were all raised within the prescribed period of 12 months and there was no avoidable delay in pursuing the matter with Indian Supply Mission, Washington.

3.90. The Committee drew attention to the Ministry's observation quoted in the Audit para that these clutch sleeves has become superfluous due to a change in policy and asked when a decision in this regard was taken by Government. The Ministry informed the Committee that at a meeting held in the Defence Ministry on 6th April, 1966, it was decided, in the light of the Armour Re-organisation Plan, that further provisioning of spares for these tanks should be discontinued and the tank liability should be maintained by retrieval/cannibalisation of spares and tank to tank replacement. The requirements of sleeves crankshaft driven clutch were met by rolling over from the entire stock of repairable engines and selective fittings.

3.91. Under these circumstances, Army Headquarters informed India Supply Mission, Washington on 5th May, 1967, that the firm should be made to refund the value of the stores as the material supplied by them was not correct and also there was no requirement for the same due to the change in policy of the equipment on which the sleeves were to be used.

3.92. As regards the progress made in getting compensation from the firm for the defective stores, the Committee were informed that on 8th November, 1967, India Supply Mission, Washington informed the Defence Ministry that the supplier company was asked to settle the discrepancy by allowing refund of the entire value of the stores which was found sub-standard. The supplier company, however, maintained that correct supplies were made in compliance with the specifications and therefore they were not in a position to take back the stores but were prepared to accept any reasonable settlement that may be offered by the Government of India.

3.93. The case was examined in consultation with the Ministry of Law and was also referred to the Legal Adviser of India Supply Mission, Washington for their advice as to the further course of action that should be taken by India Supply Mission, Washington. Necessary instructions were issued to India Supply Mission, Washington to pursue and settle Government's claim against the supplier company. Further developments in the case were awaited from India Supply Mission, Washington.

3.94. From the correspondence on the subject furnished to the Committee, the Committee observe that the supplier had contended that his supplies were according to contract specification. He had also pointed out to Government that his stores had been inspected by an independent inspection agency. Government, however, took the position that it was not certain that the samples given to this inspection agency were the same as those supplied by the firm. The firm had, however, indicated that they were willing to reach a mutually acceptable negotiated settlement and offered a 25 per cent price reduction. Government had asked the India Supply Mission in October, 1968 to "negotiate and settle the matter on the most advantageous terms."

3.95. The Committee feel that procurement of defective stores that occurred in this case could have been avoided had the India Supply Mission Washington as well as Army Headquarters exercised due care. The indent for the stores was raised on an urgency basis by Army Headquarters in February, 1964 and a contract was placed by the India Supply Mission with a firm in July, 1964. The India Supply Mission were aware, at the time the contract was placed, that similar stores supplied by this firm against an earlier contract had been reported by Army Headquarters to be defective and that the question of acceptability of those stores was under consideration. The India Supply Mission themselves had, in fact, drawn the attention of Army Headquarters to this position in a communication they sent in February, 1964, on another ordinary indent for these stores on which they had for this reason suspended procurement action. It is, therefore, not clear why the Mission chose to place a contract without specific clearance from Army Headquarters. The fact that the indent in question was "urgent", whereas the one on which procurement action was suspended had been categorised as "ordinary", should have made no difference as the question involved was whether or not the earlier supplies were defective.

3.96. The Committee are also at a loss to understand why Army Headquarters failed to give appropriate instructions to the India Supply Mission, even after the latter had specifically addressed them in the matter in February, 1964. Army Headquarters became aware of the defects in the supplies in December, 1963, i.e. even before the indent for the subsequent lot was placed. They could, therefore, have well instructed the India Supply Mission not to place the orders with the firm till the question of the acceptability of the earlier supplies was settled. In fact, it took Army Headquarters eight months to reply to India Supply Mission's communication on this point and by that time India Supply Mission had already placed the contract.

The Committee would like both the Ministry of Defence and the Department of Supply to investigate the various lapses that occurred at various stages in this case and to fix responsibility for these.

### **Delay in setting up of medical facilities**

#### **Audit Paragraph**

3.97. (a) In April, 1964, Government sanctioned the establishment of a hospital with 50 beds, at an Air Force station in the Western sector, to provide medical cover to Defence personnel. The hospital was set up in January, 1965, in a building with accommodation sufficient for only 25 beds. During January, 1965, to December, 1967, a number of patients requiring hospitalisation were transferred to another hospital 82 Kms. away. The hospital was nevertheless, staffed during this period with personnel meant to cater for 50 beds. The expenditure on pay and allowances of the staff in excess of that authorised for a 25-bed hospital amounted to Rs. 0.96 lakh. Some of the surplus staff were posted away in April, 1967.

3.98. (b) At another Air Force station, in the Eastern sector, Government sanctioned in December, 1964, the setting up of a 40-bed hospital for Defence personnel. Due to increase in the strength of personnel in the station the capacity of the hospital was authorised by Government in June, 1966, to be increased to 100 beds. But the hospital could not be started for want of accommodation. Nevertheless, 41 airmen, mostly medical assistants, were posted against the sanctioned establishment of the hospital—15 in 1965, 5 more in 1966, and an additional 21 in 1967—and an expenditure of Rs. 0.55 lakh was incurred on their pay and allowances upto December, 1967.

3.99. The Ministry have stated that these 41 airmen, were utilised to provide outdoor medical treatment at the station with the help of the doctors in the Squadron/Wing and that the instructions have since been issued for all these personnel to be withdrawn.

[Paragraph No. 29. Audit Report (Defence Services). 1968.]

3.100. The Committee enquired why in respect of the hospital in the Western sector staff was posted in excess of requirements and no action was taken to withdraw the excess staff till April, 1967. In a note on this point, the Ministry have stated that the hospital was located in an important flying station and was intended to pro-

vide both outdoor and indoor medical care to personnel in and around the station. The nearest hospital was 82 kilometres away. The hospital was, therefore, staffed as for a 50-bed hospital so that the staff could receive adequate training and in case of any eventuality, other permanent accommodation that might become available at the station could be utilised for the hospital. The staff incidentally proved very useful for treating battle casualties when the nearby air-field was bombed by Pakistan during the September, 1965 conflict. The number of patients treated at the hospital during 1965—67 was 1,263. The staff posted at the hospital was fully utilised as they were employed not only in the hospital but also to provide medical cover to those treated in quarters. The question of withdrawal was not, therefore, considered.

3.101. The Committee enquired about the reasons for delay in providing permanent accommodation for the other hospital in the Eastern sector and posting the staff even before the accommodation became available. The Ministry have stated that when Government orders were issued on 1st December, 1964, sanctioning the establishment of a 40-bed hospital at the station, it was anticipated that some existing buildings would be available for locating the hospital temporarily. A small complement of staff was, therefore, placed in position in June, 1965 to prepare for the establishment of the hospital.

3.102. The question of finding locally available temporary accommodation and holding a Siting Board for a permanent building for the hospital were taken up simultaneously; but before this could be done, the garrison strength of the station increased considerably. A new proposal to increase the bed strength to 100 beds was, therefore, taken up and orders were issued accepting this proposal on 20th June, 1966 and more staff were posted.

3.103. In March, 1967, the Headquarters Eastern Air Command suggested that certain flying control building could accommodate as many as 200 beds. Consequently, further staff were posted. In June, 1967, however, due to certain unforeseen operational reasons, this suggestion was found to be not practicable.

3.104. While the estimates were being prepared by the engineers for a permanent building for a 100-bed hospital, the troop strength in that area got considerably reduced. The case for the provision of a 100-bed hospital was, therefore, held in abeyance, pending a firm decision regarding the revised bed strength of the hospital. The instructions were issued on 30th September, 1967 to the Air Force Record Office to post out all personnel on the strength of

this hospital. In the absence of an Air Force Hospital at the station, the needs were being met by patients being transferred to the nearest military hospital. At present, some temporary accommodation had become available and a 40 bed hospital was being started.

3.105. In regard to disposition of staff in the hospital, it has been stated that no Medical Officer was posted to the hospital. Medical attention was provided by the Wing and Squadron doctors at the station. The staff which was found from within the existing over-all establishment of the cadre, were utilised to provide outdoor medical facilities to the personnel and their families in the station and besides, were also constantly under training in the management of casualties and other station duties.

3.106. The Committee have been informed that instructions have been issued by all wings of the Services to ensure that "personnel are posted to newly raised units in phases according to work-load, actual or expected, and availability of facilities." The Committee observe from copies of instructions furnished that the following views were expressed by the Air Headquarters in regard to these two cases:

"The postings and continued retention of airmen of all trades in excess of actual requirements in two newly raised hospitals where adequate accommodation was not available have recently featured as a draft para for Audit Report of Defence Services. Ministry of Defence are not fully satisfied with the justifications that have been put forward by this Headquarters."

3.107. The Committee are not happy that staff were posted to two hospitals in excess of requirements and without regard to the fact that adequate facilities had not been developed in these hospitals. It has been stated that the staff were kept fully employed, but the Committee observe that the Ministry of Defence themselves expressed the view that they were "not fully satisfied" in this regard. The Committee hope that as a result of instructions issued, it will be ensured that staff are posted to the units in phases strictly "according to workload, actual or expected, and the availability of facilities."

### **Requisitioned land**

#### **Audit Paragraph**

3.108. 1,567 acres of cultivable land in a station were requisitioned and taken over in 1965 for Defence purposes, involving an initial compensation of Rs. 1.93 lakhs and a recurring compensation of Rs. 1.75 lakhs per year. Out of this land, only 953 acres

have been put to use. The remaining 614 acres, comprising about 40 per cent of the total area, are still lying vacant (December, 1967). The proportionate compensation in respect of these 614 acres of land requisitioned works out to Rs. 3.16 lakhs.

[Paragraph No. 31(b) Audit Report (Defence Services), 1968.]

3.109. The Committee enquired about the basis on which the requirement of land was worked out initially, the reasons for non-utilisation of nearly 40 per cent of the area of land requisitioned and whether the Ministry had reviewed the necessity for continued retention of these lands for which there was no immediate use. In a note on these points, the Ministry have stated that at the outbreak of hostilities with China in 1952, Headquarters Eastern Command estimated the requirement of land for various field maintenance units for logistic support at 2,000 acres based on the tonnage and strength of the units proposed to be located thereon. The actual area requisitioned by the Collector was 1576.23 acres. In August, 1965, a Board of Officers assessed the total land requirements at 2,758 acres for the various units which were proposed to be stationed in the area. Before planning the projects on the remaining land, the State Government was approached for the requirement of the additional area of 1180 acres. In July, 1967, the State Government indicated readiness to make available the additional required land. Meanwhile, the changed operational needs in the Eastern Theatre necessitated re-appraisal of the maintenance set, up. In April, 1968, the Army Headquarters considered that the ultimate location of the Units in the area should be restricted. On this basis, an area of 892.92 acres was de-requisitioned on 27th June, 1968. On the basis of the revised plans finalised in September, 1968 the land requirement was worked out as approximately 15 acres. An Ammunition Depot which occupies almost the entire area still under requisition was, however, likely to remain therefor a considerable period until the accommodation therefore was constructed at its permanent location. However, if and when any portion of the land still under requisition became surplus, it would be immediately de-requisitioned.

3.110. To a question whether a time limit had been fixed by Government between the date on which land should be requisitioned and the date by which it should be put to use, to obviate requisitioning of lands much in advance of actual requirement, the Ministry have stated that in accordance with the instructions, no immovable property could be requisitioned unless its possession was of vital importance for defence requirements. Requisitioning



could be resorted to only when property was required for immediate occupation. The availability of land had, however, to be irrevocably committed before a project could be planned.

3.111. To a further question regarding the procedure followed in the management of defence lands for which there was no immediate use, the Ministry have stated that defence lands not required for defence purposes were required to be handed over to the Military Estates Officer for management. Where the lands became permanently surplus to defence requirements, they were disposed of. Where the defence lands were temporarily surplus to defence requirements, they were leased out, where practicable, by the Military Estates Officer for cultivation purposes.

3.112. Asked if any periodical assessment was made of the actual requirements and steps taken to dispose of such land for which there was no foreseeable requirement, the Ministry have stated that a Station Committee consisting of representatives of user Services, Station Commander and the Military Estates Officer was entrusted with the task of periodically examining the existing land holdings at the station and determines the requirements of land for each of the services. Certain powers for dehiring/de-requisitioning land on which no assets have been created had been delegated to the local Commanders by Government letter dated 15th December, 1965. In the case of defence owned land considered permanently surplus to the defence requirements and in the case of surplus hired and requisitioned land beyond the powers delegated to the local Commander, the proposals were forwarded to the OMG's Inter Service Committee which made its recommendations to Government in matters requiring Government orders. The orders of the Defence Minister were then obtained for disposal, dehiring/de-requisitioning of the land and assets created thereon. A number of defence owned lands had thus been approved from time to time for permanent disposal, and a number of hired/requisitioned lands had been approved from time to time for dehiring/de-requisitioning.

The Committee desired the Ministry to furnish information on the following points:

- (a) The area of lands which are lying unused for the last 5 years;
- (b) whether the lands were requisitioned or acquired;
- (c) the annual rent being paid for such lands;

- (d) whether any of these lands were leased out for cultivation. If so, the lease money received.

The Ministry have stated that the information is not readily available.

3.113. The Committee asked the Ministry for information in respect of hired/requisitioned lands which had remained continuously vacant for a period of six months ending 30th September, 1968. The Committee have so far received information relating to lands in the possession or management of the Army and the Navy.

3.114. The Committee note that the ultimate requirement of land in this case is not likely to be for various reasons more than 15 acres as against 684 now under requisition. The Committee trust that the authorities will take speedy steps to derequisition the remaining land as soon as it becomes surplus.

3.115. From the information furnished to the Committee, it is seen that a number of plots of land with the Army and with the Navy are lying vacant at various stations. The Committee would like the question of de-hiring/derequisitioning of these plots of land to be speedily settled.

3.116. In their 15th Report (Fourth Lok Sabha), the Committee had drawn attention to certain cases of un-coordinated planning in requisitioning land. They had suggested that every care should be taken to see that land is requisitioned only after the most careful consideration of requirements and that Government should review the position about utilisation of lands every year. The Committee note that instructions were issued by the Ministry in March, 1967 for a periodic review at various levels of the properties lying vacant for more than six months. These instructions also provided that all cases where property had been lying vacant for more than a year should be referred to the Ministry for a decision whether it should be released or should continue under requisition hire. Quarterly statements were also required to be furnished by Army Navy Air Headquarters in this regard. The Committee hope that the new procedure adopted by the Ministry of Defence would be implemented in letter and spirit so as to make sure that requisitioned hired lands which are surplus to defence requirements are not unnecessarily kept with Government.

### Loss due to deterioration in stock

#### *Audit Paragraph*

3.117. 68 tonnes of walnuts (with shell) with a shelf-life of 1 to 3 months were received at Srinagar in June-August, 1963, from certain supply depots for issue to troops at high altitudes. Only 28 tonnes could be issued by October, 1963, when the stock was found unfit for human consumption. After utilising some portion for feeding animals, 38 tonnes of the unfit stock were sent to Pathankot for disposal. 13 out of 22 tonnes of another similar consignment of walnuts with estimated shelf-life upto September-October, 1963, on receipt, in September, 1963—November, 1963, at Pathankot, for onward despatch, were also found to be unfit. These 51 tonnes of inedible walnuts valued at Rs. 0.85 lakhs were disposed of by auction in November, 1964, for Rs. 0.12 lakh involving a loss of Rs. 0.73 lakh.

[Paragraph No. 21—Audit Report (Defence Services), 1966].

3.118. Asked to indicate the procedure prescribed by Government for stocking and issue of short-life items by the various Supply Depots, Government have stated in a note submitted to the Committee that "the provisioning, stocking and issues of the various items is so arranged in order to ensure, as far as possible, that the stock of each item is consumed within its expected life. However, if any particular item becomes short life because of any unforeseen reduction in demand or on account of climatic conditions or any unforeseen circumstances, it is issued by the Depot Commander on priority basis to the dependent units for consumption both as normal issues and as issues-in-lieu. In case the stocks cannot be consumed within the estimated storage life by the dependent units, the surplus stocks are reported by the Depot Commander to the higher authorities, viz. DADST of the Sub-Area/CASC of the formation/DDST of the Corps, the BASC Command who, in turn, arranges for inter-Depot transfers within the Sub-Area/Formation/Corps/Command, respectively depending upon the stocks of the item held by each Sub Depot, the estimated storage life of the item in stock and rate of consumption based on the feeding strength to be catered for. Stocks which cannot be consumed in this manner within the Command before the expiry of the storage life are reported to the KMG's Branch, Army Headquarters by the BASC Command for arranging transfer to other Commands. If consumption of the stocks within the storage life cannot be arranged by transfer to

other Commands due to the stock position of the item with the other Commands or the limited storage life of the item, orders are issued for their disposal by sale or auction."

"In order to avoid loss to the State due to the surplus stocks becoming unfit for human consumption, in cases where the storage life is so short that consumption of the stocks cannot be arranged by inter-Depot or inter-Area transfers against normal authorisation, the GOsC-in-C have been authorised to dispose of the stocks by sale or auction or by issue of such stocks in lieu of other authorised items. In exercising this power the GOsC-in-C would take into account the recommendation of the medical authorities, the causes leading to the accumulation of stocks and the financial interest of the State and submit a report to the Army Headquarters for the information of Government indicating *inter alia* the reasons for accumulation and the disciplinary aspect involved, if any."

3.119. The Ministry have stated that these orders were issued in October, 1967, in pursuance of the recommendation made by the Public Accounts Committee in their Seventy-first Report (Third Lok Sabha).

3.120. Asked to state the circumstances in which the walnuts were supplied when they had outlived their shelf-life, the Ministry have replied that the walnuts were received in the Supply Depots at Pathankot and Srinagar which served also as Transit Depots for despatch of stores to the forward Supply Depots. They were despatched within their shelf-life for quick local consumption in Pathankot, Jammu and Rajouri Sector in lieu of fresh fruit to avoid loss to the State. Unfortunately, a portion of the stocks became unfit after arrival or in transit. The relevant despatches were as follows:—

(i) About 17 tonnes of walnuts with estimated storage life upto 15th September, 1963, were despatched from Chandigarh to Pathankot as under for issue to troops in Pathankot, Jammu and Rajouri Sectors:

8.5 tonnes on 4th September, 1963, by road. These reached Pathankot on 6th September, 1963 and were issued to troops in lieu of fresh fruit, except a quantity of 1.8 tonnes which was declared unfit for human consumption on 12th September, 1963. Balance quantity of 8.66 tonnes was despatched by passenger train on 8th September, 1963, which unfortunately reached Pathankot only by 16th September, 1963. This quantity on further sampling was found unfit on 18th September, 1963.

(ii) A quantity of 3.06 tonnes with estimated storage life upto October, 1963, despatched from Supply Depot, Delhi Cantt., on 28th August, 1963, by goods train was received at Pathankot on 25th September 1963. On visual inspection the consignment was found to be infested and on sampling it was declared unfit for human consumption by the Composite Food Laboratory on 7th October, 1963.

3.121. Explaining the reasons for the delay of over one year in the disposal of unfit stores, the Ministry have stated that the stocks were declared unfit in September/October, 1963. A representative sample was sent to Army Headquarters ST-7 Laboratory at Delhi for their opinion on the life. They confirmed the earlier verdict of the Composite Food Laboratory on 27th December, 1963. On receipt of this verdict, the Army authorities took samples of kernels from these stocks with a view to retrieve some quantity for consumption and thus to minimise losses but the samples of kernels were also declared unfit for human consumption in March, 1964, by the Composite Food Laboratory, Jammu. Further efforts were made to explore the possibility of issue to animals but it was found that this would be uneconomical to the State due to labour involved in breaking the shells and the long period for which kernels would have to be stored for this purpose. This process took a couple of months and when it was found that the stocks could not be consumed in the best interest of the State, disposal instructions were asked for from the Government of India between July and November, 1964 and were given in November, 1964.

3.122. The Committee desired to know the reasons for the delay of about 4 years in ordering an enquiry into the losses and what the findings of the Court of Inquiry were. In a note on this point the Ministry have stated that the case was first reported to Army Headquarters in 1964 and the facts and circumstances leading to the stock becoming unfit for human consumption were sought to be ascertained by correspondence. Since a clear picture did not emerge, it was decided to hold a Court of Inquiry to ascertain the circumstances under which the loss occurred and to fix responsibility for the same, if any.

3.123. The Court of Inquiry has opined that there was no over-provisioning at any stage, that the movements of walnuts were made for good and necessary reasons and that there is no element of negligence leading to the 51.36 tonnes becoming unfit for human consumption. The Court of Inquiry recommended that the loss be borne by the State. The opinion of the Court has been endorsed by the Corps Commander and the GOC-in-C Western Command. Action is being taken to write off the loss.

3.124. The Committee observe that about 17 tonnes of walnuts with estimated shelf-life upto 15th September, 1963, were despatched to the consuming units as late as on 4th September, 1963, and 8th September, 1963, i.e. when their shelf-life had practically expired. Consequently, a major portion of these (10.46 tonnes) were found unfit for human consumption. Another consignment of 3.06 tonnes with shelf-life upto October, 1963, was found unfit for human consumption on arrival at Pathankot on 25th September, 1963. This consignment was despatched by goods train from Delhi on 28th August, 1963, and it took practically a month to reach its destination.

3.125. The Committee are left with the impression that due prudence and vigilance were not exercised by the authorities concerned in the provisioning, despatch and supply of walnuts which were prone to quick deterioration.

3.126. Besides, it took practically a year for the Army authorities to dispose of the inedible stock. As such items are prone to rapid deterioration, the delay in disposal naturally resulted in further deterioration and consequent loss to Government. The Committee note that Government have, in implementation of an earlier recommendation of the Committee, delegated in October, 1967, authority to GOs C-in-C to dispose of stocks by sale or auction or by issue of such stocks in lieu of other authorised items in cases where the storage life of the surplus stocks is so short that consumption of such stocks cannot be arranged by inter-depot or inter-Area transfers against normal authorisation. The Committee hope that such delays in disposal resulting in heavy loss to the State would not recur.

3.127. The Committee are not convinced by the reasons given by the Ministry for the delay of about four years in ordering an inquiry into the losses. As such inordinate delays are bound to blur the issues, it is necessary that an inquiry, where necessary, should be held promptly to determine the reasons for loss, recommend remedial measures and fix responsibility.

#### **Provision of Water Supply in a forward area**

##### **Audit Paragraph**

3.128. (a) In September, 1965, Government sanctioned under the Emergency Works Procedure a scheme for supply of water (4 lakh gallons a day) to troops in a forward area, at an estimated cost of Rs. 130 lakhs. The work was to be completed within 8 months and consisted of:

- (i) sinking of 3 new wells, improvement to 2 existing Government wells, acquisition and improvement to 5 existing

private wells at a station X near the forward area and pumping of water to forward areas through pipes;

- (ii) drilling of 3 tube wells at another station Y, about 52 miles from station X; and
- (iii) supplying water through a pipe line from station Y to the forward area, through station X.

3.129. The project was sanctioned on the basis of the recommendations of a Board of Officers convened in June, 1965. These visualised execution of works at both stations X and Y simultaneously as a geologist associated with the Board, had, after a day's rapid survey, reported that wells at station X could be developed for a maximum yield of only a lakh gallons of water a day.

3.130. The Superintending Geologist had, however, while forwarding the report of the geologist, suggested in July, 1965, that the actual yield of the wells in station X be tested before developing the new (tubewell) source at station Y. Nevertheless, the priorities for the execution of the work were not reviewed (according to the Ministry, there is nothing on record to show whether any decision was taken on the Superintending Geologist's letter) and the work on boring the wells in station Y and laying pipe line from station Y to X was taken up in December, 1965, for execution through troop labour, simultaneously with the renovation and digging of wells in station X.

3.131. At station X, only 3 wells were actually developed in February, 1966, and June, 1967, and as the safe yield of these wells in the dry season of 1967 was found to be 2.59 lakh gallons a day, development of the remaining wells was not taken up.

3.132. The boring of wells in station Y and laying of pipes from station Y to X were completed late in 1966 at a cost of Rs. 59 lakhs, but restricted pumping was commenced only in May, 1967. Soon thereafter in July, 1967, the pipe line was damaged due to heavy rains and was repaired in December, 1967. Till then the requirement of water in the forward area was being met from the 3 wells at station X. The simultaneous execution of the work in station Y for sinking wells and laying pipe line over a distance of 52 miles, at a cost of Rs. 59 lakhs, before developing and testing the yield of the remaining 7 wells in station X, suggested by the Superintending Geologist, was hasty and imprudent.

3.133. (b) For laying of rising mains the department decided to use asbestos cement pressure pipes and fittings and the Director General, Supplies and Disposals, placed orders on a firm in October, 1965, for their supply at a cost of Rs. 50 lakhs. Part of the supplies received were either damaged in transit, or were later found to be defective, sub-standard and not conforming to the specifications stipulated in the supply orders. While 2 per cent of the pipes got damaged during transit due to insufficient packing, over 13 per cent of those used in works burst during tests at a pressure far less than that stipulated in the supply orders. The components of the cast iron detachable joints (cost Rs. 10 lakhs) supplied were of varying sizes and so a large number of joints did not fit properly. Further, the firm supplied moulds of mild steel with aluminium paint instead of moulds made of aluminium metal as required and these were rejected.

3.134. The Chief Engineer requested the Director General, Supplies and Disposals, in August, 1967, to direct the firm to replace the defective stores supplied, or to recover Rs. 6.38 lakhs from the firm. The Ministry have stated (March, 1968) that in September, 1967, after a meeting with the suppliers, it was decided to carry out retesting of pipelines at full working pressure and that this is still to be done.

[Paragraph No. 22, Audit Report (Defence Services), 1968]

3.135. During evidence the Committee enquired from the representative of the Ministry why a big project costing as much as Rs. 130 crores was sanctioned after a day's rapid survey conducted by a Geologist and why a detailed survey could not be undertaken between June, 1965 when the Board of Officers recommended the execution of the Project and September, 1965 when it was actually sanctioned. The Defence Secretary replied:

"We should consider the time when this was done and the situation that obtained at that time. I doubt if there was much time for a very detailed survey. This was the time when we were involved in a crisis with Pakistan both in Kutch and Bhuj and we had to do things rapidly."

3.136. To a question whether the Geologist had actually been able to cover in a day the entire area of 73 miles stretching from station 'Y' to station 'X' and again from station 'X' to the front line, the Defence Secretary replied: "I think his inspection seems to have been confined to the local area, that is, only (station 'X') 'Y' is a fairly developed town. I do not think any special assessment was



needed (for 'Y')." Asked if he would not agree that the inspection was cursory or perfunctory, the Defence Secretary stated: "I would not say that ..... It seems to me that the Geologist alongwith others had done inspection of the local site."

3.137. The Committee pointed out that the Board of Officers, on whose recommendations the work was undertaken, met between the 9th and the 12th June, 1965. It was at this meeting that they decided that water resources both at station 'X' and station 'Y' should be tapped. The inspection by the Geologist took place only on the 24th June, 1965, i.e., after the Board formulated their recommendations. The Committee enquired whether it was not unusual that the Board should have come to conclusions about the availability of water resources even before the survey had been conducted. The Secretary, Ministry of Defence stated that the Geologist was a member of the Board. The proceedings of the Board would show that before coming to a decision on the project, the Board had the benefit of the Geologist's advice. In this connection, he brought to the Committee's notice the following portion of the recorded proceedings of the Board:

"The Board after survey and from the known local experience of the existing pumping and the reasons brought out by the Geologist, ..... came to the conclusion that the total requirements of 4 lakh gallons of water could not be met from the existing sources at ..... which was limited to 20,000/1,00,000 gallons per day."

3.138. The area is covered mostly by the rocks of middle Jurassic period. In the area ground water is being developed mainly by means of shallow dug wells. The wells are located mostly on the bank of dried stream courses. The impermeable nature of the middle Jurassic rocks has not permitted any ground water development by means of deep tube wells. At present about 40,000 g.p.d. is being developed from the shallow dug wells which are at villages. There is a possibility of increasing their supply to one lakh gallons by improving the existing dug wells and also by putting a few additional large diameter dug wells. The average annual precipitation over the area is about 300 and as the area is generally hilly with steep slopes and also due to impermeable nature of the rocks, percolation into the underground reservoir appears to be not much. For the reasons said above, chances of getting 4 lakh gallons of water per day from this source perennially are not bright."

3.139. The Committee pointed out that no survey as such could have been carried out before the meeting of the Board took place.

as the survey report of the Geologist was dated 24th June. Apparently the Geologist only "hazarded" an estimate and "confirmed it" on the 24th June. The Secretary, Ministry of Defence replied: "I would say with respect that he (the Geologist) did not hazard it, but he gave it as his opinion, not as a guesswork."

3.140. The Committee drew the attention of the Secretary, Ministry of Defence to the fact that on the Geologist's report that supply at station 'X' would not be adequate and, therefore, the resources at station 'X' as well as station 'Y' could be tapped, the Superintending Geologist had recorded an opinion that before proceeding to tap the resources at station 'Y' the wells which were proposed to be developed at 'X' should be "tested for yield" to determine "how much water could be developed by means of large diameter open wells piercing the alluvial materials" (at 'X'). The Committee enquired why no cognisance was taken of this suggestion and action taken to revise and redetermine the priorities for the execution of the work. The witness stated that the report of the Superintending Geologist reached the Chief Engineer on 14th August. "There is no record," he added, "of what action was taken. We consulted the officer who had received the report and he gave it as his recollection that the matter was discussed by him with the then Chief Engineer and as per that discussion it was considered desirable not to change the plan as recommended by the Board of Officers." The Committee pointed out that it was "very unsatisfactory" that this was not on record.

3.141. In reply to a question about the exact requirements of water from time to time for the Army in this area since 1964 and the extent to which these were being met from the existing sources at stations 'X' and 'Y' the Ministry have stated that "inspite of effort, it has so far not been possible to collect the information.... The number of troops, vehicles and animals in the area have been varying from time to time." "Details of water pumped and supplied since 1964 from Station 'X' for meeting Army requirements are as follows:

Year	Gallons per day
1964-65	13,000
1965-66	26,000
1966-67	25,000
1967-68	28,500

No water for Station 'X' was pumped from Station 'Y' to meet troop requirements."

3.142. To a question when the three new wells were developed at station 'X', the Ministry have stated in a note that in the initial stage, only the work of digging two new shallow wells was undertaken and completed in February, 1966. The optimum yield per day over a short period of pumping from these wells was 1.5 lakh and 0.90 lakh gallons per day. The sustained yield of these two new wells for long period during the dry season was not likely to yield the certified safe quantity of one lakh gallons per day. One out of two Government wells at station 'X' was accordingly renovated. The optimum yield per day over a short period of pumping from this Government well was one lakh gallons per day. The total yield from these three wells at station 'X' over a short period of pumping was therefore 2.59 lakh gallons per day. In the circumstances, the renovation of the second Government well as not taken up. Acquisition and renovation of private wells was also deferred as the acquisition of private wells would have deprived the local farmers of their only means of irrigation.

3.143. The Committee then enquired whether the question of giving up the development of water resources at station 'Y' in the light of developments at station 'X' was considered between February, 1966 and June, 1967. The Defence Secretary stated that taking into account the total number of troops deployed in the area and also the operational requirements that may eventually arise, the requirements of water were assessed at 4 lakh gallons a day whereas the yield from the resources at station 'X' was not expected to exceed 2.59 lakh gallons a day.

3.144. Asked whether the balance requirement of 1.41 lakh gallons could not be met by developing the other wells in the area, the Defence Secretary stated: "We have also to consider the Geologist's Report that not more than one lakh gallons of water per day in that area can be drawn and otherwise we run the risk of increasing the salinity. . . . This 2.59 lakh gallons of water is only for short periods and not as a result of continuous pumping. That is why I referred to the Geologist's Report that to continuously pump at that pressure, there would be the danger of salinity. In other words, there would be a difference between the capacity you can get out of it according to the normal mathematical formula and also the extent to which you can tap in the interests of maintaining sweet water supply. . . . The recommendation of the Board of Officers and the Geologist was unanimous that not more than one lakh gallons a day should be expected in the . . . area and the balance must come from somewhere else."

3.145. To a question whether the simultaneous execution of the work at stations 'X' and 'Y' had not, as later events proved, resulted in an infructuous expenditure of Rs. 59 lakhs, the Defence Secretary stated: "As you know this is a difficult area. We are up against the water problem in the area even now. New problems are also arising. Considering the sensitiveness of the area, it was a sound investment and will prove to be good in the long run. . . . My own tendency is, in the case of operational needs, we have to give the benefit of doubt to the Services. If you are too meticulous, you might run against risks which it would be most unpleasant to face."

3.146. On being pointed out that till December, 1967, all the requirements of water were being met from the resources at station 'X' alone, the representative of the Ministry stated: "What happened was that after the Tashkent Agreement, the demand was reduced. If there is any need to meet the operational requirements, we have to be prepared for that. . . . Installation (at station 'Y') has been completed and the pumping of water will start when requirements are there. But when the requirements are not there, there is no point in pumping water."

3.147. Asked to state the present position regarding utilisation of the facilities created and the average quantity of water pumped daily through the pipe-line from station 'Y' to the forward areas, the Ministry have replied that since there were no operations after the completion of the pipeline, the present daily requirements of water for the Army were approximately 28,500 gallons per day. These were met from Station 'X'. In addition, approximately 30,000 gallons per day were being supplied from station 'X' to the civil authorities. There was, however, a proposal to supply water to the State Government for civil purposes to the extent of 1.5 lakh gallons per day to a town in the forward area. The State Government was however, not yet in a position to take the full supplies sanctioned for them as they had still to develop fully the distribution arrangements. When these distribution arrangements were completed, the pumping of the requisite quantity would be made from station 'Y' to meet the shortfall of supplies from station 'X'.

3.148. The Committee cannot help feeling that the scheme was conceived and executed without a proper determination of requirements or priorities at any stage. The scheme, the cost of which was estimated as Rs. 1.30 crores, was formulated at a meeting of a Board of Officers held between the 9th and 12th June, 1965. The decision at this meeting was that the scheme should cover the development of water resources at station 'X' as well as station 'Y', as the total

requirements of water for the Army were estimated to exceed the known resources at station 'X'. However, the investigation of the water resources at station 'X' by the Geologist took place only on 24th June, i.e., after the scheme was formulated. The Superintending Geologist had, after examining this report, suggested that the yield at station 'X' should be tested before proceeding to develop the water resources at station 'Y'. There is, however, nothing on record to indicate that any attempt was made to re-determine the priorities of the work in the light of this suggestion. It is also significant that, after water resources were developed both at station 'X' and station 'Y' for supplying approximately 4 lakhs of gallons a day the actual supply that was made during the four years ending 1967-68 varied from 13,000 gallons a day to 28,500 gallons a day, i.e., about a tenth of the 'safe yield' of three out of five wells at 'X'. It is also significant that "in spite of effort", the Ministry of Defence have not been able to ascertain what the requirements of water for the Army in this region actually were and how they were worked out. Had the scheme been preceded by a survey and been executed on the lines suggested by the Superintending Geologist, an expenditure of Rs. 59 lakhs incurred on the development of water resources at station 'Y', which have largely remained unutilised, could have been avoided.

3.149. It was stated by a representative of the Ministry of Defence that the work was executed as a matter of operational urgency and that there was no time for a very detailed survey. The Committee are, however, unable to accept this explanation. Between the time the Board recommended the work (June, 1965) and the work commenced (September, 1965), there was an interval of more than three months during which the yields of wells at station 'X' could have been tested. Moreover, as against 8 months during which the work was planned to be executed, the execution was spread over one and a quarter years and during this period also the yield of these wells could have been tested and priorities redetermined. The Committee hope that the Ministry of Defence will issue suitable instructions to ensure that such instances of hasty planning and execution of work do not recur.

3.150. The Committee desired to know why in this case the Asbestos Cement pipes were preferred to the conventional cast iron pipes. The representative of the Ministry stated that asbestos cement pipe had to be used because the cast iron pipes were not readily available. The nearest manufacturer of asbestos cement pipes was approached so that these could be supplied in time and with least difficulty in transportation. Asked how they compared in price, reliability of service and amenability to quick repair, it was stated that A.C. pipes were cheaper, easier to handle and more readily

available than C.I. pipes, though they were more susceptible to breakage. Asked to state the value of pipes which were damaged in transit due to insufficient packing and the action taken to recover compensation from the contractor, the Defence Secretary stated that a claim for Rs. 6.38 lakhs had been preferred against the contractor through the Director General, Supplies and Disposals.

3.151. Asked who was responsible for inspecting the pipes and fittings before they were supplied and whether the procedure was strictly complied with, the representative of the Director General, Supplies and Disposals stated: "The inspection was entrusted to Director General, Supplies and Disposals. The inspection was conducted in the premises of the manufacturers. If any complaint later on arose, it could be attributed to several causes, e.g. due to transport or due to certain percentage of failings because we had inspected on sampling basis." The Committee pointed out that as much as 10,000 metres of pipe-lines supplied by the firm had been found defective. This constituted 13 per cent of the supplies made. They asked if the percentage of defects was normal. The representative of Director General, Supplies and Disposals stated: "It is not abnormal. Pipes are of a nature that one should be prepared to accept such sort of defects in handling or inspection and other stages. The percentage is not alarming." The representative of the Director General, Supplies and Disposals further clarified that it had yet to be examined whether the fault was on the suppliers' side or that of the users. The suppliers had stated that the causes of rejection did not be attributed to them. Their view was that the laying of the pipe line was defective and therefore many pipes failed on that account. A joint inspection was therefore thought to be the best method of arriving at a settlement.

3.152. The Committee then enquired about the pressure specified in the contract and the pressure at which the pipes actually burst. The representative of the Director General, Supplies and Disposals stated: "The pressure specified for the test was 15 Kg. per cm. To be on the safer side it was tested by the supplier at 17 Kg./cm. It stood that test. For bursting the figure is 22.5 Kg./cm. As against that, during the test, they burst at 25 to 32 Kg./cm. These are all on sample basis."

3.153. Asked to state how often the pipes in the field burst at a pressure far less than that stipulated in the supply orders, the witness replied that the matter was being investigated. On the basis of a police enquiry, charge sheets had been issued to the officers con-

cerned. Enquiry Officers had also been appointed. The Defence Secretary added: "I will admit that this was done with a great sense of urgency. And in the process perhaps they might not have been as cautious as they normally have to be."

3.154. The Committee asked why the joint inspection could not be concluded before the onset of the monsoon. The Engineer-in-Chief stated: "From February, 1968 onwards we asked the firm to send their representative for a period of 15 days to carry out complete test. But they had been sending their men only for one or two days and we wrote at least three letters, to prevail on the firm to send their representative for 15 days and when they sent the representative in July, it was too late. So the onus of the delay is on the part of the firm and not on us." Asked if in that case they could not proceed unilaterally, he replied that as per the agreement made in September, 1967, the inspection was to be carried out jointly. "If we do it ex-parte, there will be violation of the agreement." The Defence Secretary added: "... Since the representative of the firm has indicated a desire for settling the matter on a satisfactory basis without resort to the penal provisions, we have to accede to that in our mutual interests."

3.155. Asked if it was not their intention to claim damages, the Engineer-in-Chief replied: "That is the intention to claim compensation for below specification material but not to reject it outright. Then we may have to remove all the pipeline." He further stated: "Once the material has been laid down, it is extremely difficult to replace it when the percentage is very large. In this particular case it was over 10,000 metres. The normal practice is that where it may be below specification, but if it can still be used, we devalue the material."

3.156. The Defence Secretary informed the Committee in reply to another question that it had been decided to postpone the test till October, 1968 when the wet and submerged portion of the pipeline would become approachable. It was hoped to complete it by November, 1968.

3.157. In regard to the mild steel moulds supplied by the contractor the Committee wanted to know why these were not inspected and in the absence of inspection how the claim for compensation could be enforced in a court of law. The representative of the Director General, Supplies and Disposals stated: "... That is a small accessory in the whole context. The consignee has rejected saying that they were not aluminium moulds but were mild steel moulds painted aluminium. The Inspector's contention is they have

never put up for inspection. The contractor is prepared to compensate for the small accessory and for that matter there will be no difficulty."

3.158. The Ministry have further stated in a written reply that no separate rate for the moulds is given in the accepted tender. The moulds form part and parcel of the cast iron detachable joints. Since the accepted tender specifies the rate for the complete cast iron detachable joints (inclusive of the cost of aluminium moulds), the rate at which the recovery for the moulds is to be made, is to be decided by the Director General, Supplies and Disposals. The Director General, Supplies and Disposals have stated that the amount will be recoverable from the firm under the price finalisation clause of the contract which is now under consideration of the Chief Cost Accounts Officer.

3.159. Asked to what extent the use of mild steel mould would affect the efficiency of water supply, the Ministry have stated that during the laying of pipes and their jointing, it was observed that the moulds could be dispensed with. Accordingly, no moulds have been used. The mild steel moulds supplied by the firm have been rejected. Non use of moulds does not affect the efficiency of water supply.

3.160. The Committee note that over 13 per cent of the cement asbestos pipes valued at Rs. 50 lakhs supplied by the contractor for laying the mains for this scheme burst at a pressure far less than that specified in the contract, even though the pipes had been inspected and tested by the Director General, Supplies and Disposals before supply. As the matter is stated to be under police investigation, the Committee reserve their comments pending outcome of the enquiry.

3.161. The Committee also note that a claim for Rs. 6.38 lakhs has been preferred against the suppliers and that the matter is awaiting settlement, pending a joint inspection of the stores by the suppliers and the Department. The Committee would like to be apprised of the findings of this inspection and the progress made in settlement of the claims against the suppliers.

#### **Hiring of a paddle steamer**

##### ***Audit Paragraph.***

3.162. Since 1957, an Army inland water transport unit had been deficient of a paddle steamer authorised for training purposes and conveyance of troops. On 14th September, 1964, an Indian built



paddle steamer was requisitioned from a private firm for use by this unit. The vessel had been surveyed (without being dry-docked) and found fit by the Mercantile Marine authorities, who also fixed the hire charges for the vessel at Rs. 455 a day. The vessel was hired for about 3 years: during this period it was under repair for over a year and was utilised on training cruises for 2½ months. During the remaining period also it was stated to have been utilised for training purposes while it was stationary. It was never used for conveyance of troops.

3.163. Considering the heavy cost of repairs and the limited use to which the vessel had been put, the unit recommended in January, 1966, that the vessel be de-requisitioned: orders to de-requisition it were, however, given in April, 1967, while it was actually derequisitioned only in September, 1967. During the 3 years, September, 1964—August 1967, hire charges of over Rs. 5 lakhs were paid and a sum of over Rs. 3 lakhs was also spent on repairs and mooring charges. In addition, on de-requisition, a sum of Rs. 0.89 lakh was paid towards estimated cost of certain repairs which the owners were to get done themselves to restore it to its original condition.

3.164. The Ministry have stated that the vessel which was considered necessary and suitable to meet operational and training commitments was hired as efforts "to explore the possibility of getting a new paddle steamer manufactured for the unit" did not prove fruitful: that the expenditure incurred on repairs, or the period taken for repairs was not unusual: and that it was not de-requisitioned in January, 1966, because the Command authorities felt that operational conditions did not warrant such a step.

[Paragraph No. 17, Audit Report, (Defence Services), 1968].

3.165. The Committee desired to know how the needs of the Army inland water transport unit were being met from 1957 till 1964 when the paddle steamer was hired. They were informed that from 1957 till 1960, another paddle steamer was utilised for training purpose and was available for operational role. From 1960 till 1963, static training was imparted on this steamer. The steamer was disposed of in May, 1963, as a survey made by a Board of Officers in December, 1960 established its condition to be "beyond economical repairs." Until the requisition of the paddle steamer on 14th September, 1964, there was no paddle steamer with the

unit for training or operational purposes. Operational requirements for a paddle steamer did not also arise during this period.

3.166. Asked whether the Garden Reach Workshops which had built the paddle steamer (which was requisitioned) were asked to build a similar vessel for the Army and if so, what the reasons were for their inability to do so, the Ministry have stated that Garden Reach Workshops were first asked in October, 1960 whether they would be able to build a paddle steamer. They offered to construct only a quarter wheeler powered by a diesel engine at a cost of Rs. 24,00,000. As the requirement of the Unit was for a steam vessel, their offer was not accepted. After the disposal of the first steamer in May, 1963, efforts were made to get a paddle steamer built and all the leading ship builders including Garden Reach Workshops were contacted in July, 1963. Garden Reach Workshops regretted their inability to construct a paddle steamer mainly because their English collaborators were not in a position to undertake its designing.

3.167. Asked about the tonnage and troop carrying capacity of the paddle steamer that was requisitioned and the terms on which it was hired, the Ministry stated that its gross tonnage was 598.41 and it could carry 150 men. It was requisitioned under the Defence of India Rules by the Principal Officer, Mercantile Marine Department, Calcutta who was the notified Competent Authority for the purpose and the compensation charges were determined in accordance with the terms laid down. The charges were worked out on the basis of interest @ 4 per cent on capital cost (Rs. 11.33 lakhs) depreciation @ 10 per cent and loss of income (Rs. 756 p.a.). These amounted to Rs. 455.44 per day. During the period of requisitioning, the liability for maintenance and periodic overhauls or dry-docking was that of the users. Besides, at the time of de-requisitioning, it was to be brought up to the same state of river-worthiness as at the time of requisitioning.

3.168. The Committee were informed by Audit that the vessel was in the workshop for the following periods, after it was hired by the Army authorities in September, 1964:

11-1-1965 to 31-1-1965 — 20 days

18-2-1965 to 25-6-1965 — 4 months 10 days

13-7-1965 to 11-2-1966 — 7 months

The Committee, therefore, enquired whether the steamer was river-worthy and sea-worthy at the time of hiring. The representative of the Mercantile Marine Department stated: "It was in a fit condition to be used. It was certified as such." On its being pointed out that within four months of requisitioning, the steamer had to be sent to the workshop for repairs, the representative stated, "my information is that it had suffered some damage and it had to go to the workshop as the repairs could not be carried out on board the steamer." In a note on this point, the Ministry have stated that the vessel was not involved in any major accident during the time it was in the charge of the Army. However, two minor accidents were on record. The repairs were done without any cost to the Army by the owner in one case and the Garden Reach Workshops in the other.

3.169. Asked to state the other reasons which rendered the retention of the vessel in the workshop necessary almost continuously from January, 1965 to February, 1966, the Ministry have stated in a note that "In February, 1965 the steamer was admitted to Garden Reach Workshop for the following major repairs:

- (i) Repair to paddle
- (ii) Change of few shell plates
- (iii) Repair to engines.

While the vessel was still in the workshops, Operation 'X' started and it had to be withdrawn after emergency repairs only, to meet urgent operational requirements. On termination of operation 'X', the steamer was redocked in the workshops in July, 1965 for completion of repairs. In order to reduce the total time in the workshop, the four-yearly dry-dock survey of the vessel which was due to be done in May, 1966, was done alongwith the repairs simultaneously thus saving the cost of another dry-docking in May, 1966. Dry dock survey which involves stripping of all major assemblies, detailed examination of boilers, plates and accessories, itself takes about two months. Rectification and repairs of the defects which become apparent during the survey take normally 3 to 4 months more in M/s. Garden Reach Workshops."

3.170. The Committee enquired for what period the vessel was actually utilised. They were informed that the steamer was on the charge of an Army Company from 14th September, 1964 to

8th September, 1967 (1090 days). During the period this vessel was with the Army, it was used for training as follows:

- (i) 775 hours while plying, including training cruises.
- (ii) 7578 hours on static training with steam on.

During this period, a total of 22 courses of various types were conducted on board this vessel and 201 personnel of different trades and classifications were trained. The crew of the vessel were also being turned over periodically which involved an additional training commitment.

3.171. The Committee note from the information furnished by Audit that in January, 1966, the field unit concerned recommended that the vessel be derequisitioned for the following reasons:

"Although... (the steamer) is held by this unit since September, 1964, she has been put to very limited use, having been used only for collective training of... Engrs. Group of two training cruises. The cost of the defence budget on account of the steamer is considerable..... Total Rs. 5,44,679.52."

"Serious consideration should be given to the matter whether the expenditure as seen above justifies the continued retention of the steamer."

\* \* \* \* \*

"As regards use of a paddle steamer for transporting infantry personnel while patrolling inland water ways in my opinion it is inadvisable to use the Paddle Steamer for this purpose".

\* \* \* \* \*

"In view of the position as explained above, it is recommended that the steamer be derequisitioned." However, the Command felt that "the prevailing operational conditions did not warrant the derequisitioning of the craft at that stage."

In March, 1967, a high-level decision was taken to transfer "a certain amount of CP responsibility to the Border Security Force. In view of this proposal, action was taken to derequisition the vessel. Orders to derequisition were issued by the Ministry of Transport on 13th April, 1967. The vessel was then jointly surveyed by the Principal Officer, Mercantile Marine, Calcutta and the owners, as it was

to be brought to the appropriate state at the time of requisitioning. Estimate of the requisite repairs was given by M/s. Garden Reach Workshop Ltd. on 31st July, 1967. Sanction of the CFA was accorded with the concurrence of Finance on 17th August, 1967. As the repairs were likely to take 4 to 5 months more involving additional hire charges for that period, the owner was prevailed upon to accept the vessel back in its existing state along with the payment of the estimated expenditure for the repairs which they were to get done themselves. The vessel was finally handed over to them on 8th September, 1967."

3.172. In reply to a question whether the Ministry took up with the Mercantile Marine Department the question of reduction in the hire charges in view of the performance of the vessel, it was stated that the rental charges were fixed by the competent Authority in accordance with the provisions of law and were considered reasonable. The steamer was taken over in a good river-worthy condition immediately following an annual survey completed on 10th September, 1964. There thus arose no question of asking the competent Authority to reduce the compensation. On the other hand, the owners of the vessel made a determined effort for upward revision of the compensation on the plea that the Company was incurring heavy loss of earning due to the requisitioning of the vessel. The owners' representation was, however, rejected. The vessel was taken over shortly after an extensive overhaul by its owners and the extent of repairs which became necessary was not abnormal.

3.173. The Committee desired to know the reasons for not dry-docking the steamer for the purpose of the survey. The Ministry of Transport have stated in a note on this point: "While negotiations for requisitioning the vessel were going on, it was decided in a meeting held on 28-6-1964 under the Chairmanship of Principal Officer, Mercantile Marine Department, that the river-worthiness and fitness of the vessel would be certified by a Surveyor of Mercantile Marine Department who was then carrying out the annual survey of the vessel and that the army authorities would return the vessel, under a certificate of the Mercantile Marine Department in the same condition in which it was being taken over. In view of this and the fact that the vessel was last dry-docked on 2nd May, 1962, and dry-docking is compulsory only at four-yearly intervals, it was not considered necessary to insist on dry-docking the vessel for the purpose of the survey. Besides, dry-docking being an expensive and time-consuming process, would

have rendered it necessary for the Army authorities to get it dry-docked while returning the vessel."

3.174. Asked to state the operational considerations which made the continued retention of the steamer necessary from January, 1966 when the unit recommended that it may be derequisitioned, till September, 1967 when it was actually de-requisitioned, the Ministry have stated that the operational consideration was the commitment of the unit to an operational role in the area in case of any threat from the East. It was only when a part of this commitment was decided to be transferred to the Border Security Force in March, 1967 that action to de-requisition the vessel could be undertaken and de-requisitioning ordered in April, 1967. The vessel was handed back to the owners in September, 1967.

3.175. In reply to a further question whether Government had since examined the need for a vessel to meet the training requirements of the unit and if so, the action taken in this regard, the Ministry have informed the Committee that "a paddle steamer is required by an IWT Operation Company both for meeting its operational role as well as for training of its personnel in steam traction. The present training need is, however, small as it is confined to the refresher training of the crew and the initial training of men who are recruited subsequently. To meet this need, efforts have been made to locate a small steamer, but without success. Finally an arrangement has been negotiated with the North-Eastern Railway to train the personnel of the Operation Company in Assam on their steam tugs from October, 1968. Effort is also being made to arrange with the Central Inland Water Transport Corporation for training the personnel of the Operation Company located in Calcutta on their steam vessels plying in West Bengal."

3.176. The Committee cannot help expressing surprise over the fact that Government incurred an expenditure of Rs. 8.89 lakhs on the hire charges, repairs and maintenance of a paddle steamer costing Rs. 11.33 lakhs. During the period of three years from September, 1964 to September, 1967, for which the steamer was hired, it remained under repairs in three spells for a period of one year after it was hired. For the rest of the period it was used to provide training, of which as many as 7528 hours constituted "static training with steam on" and only 775 hours training "while plying". The field unit which was using the steamer had, as early as January, 1966, recommended that the vessel should be derequisitioned as it was "inadvis-

able" to use it "for transporting the infantry personnel." It was also pointed out by the unit that "the cost to the Defence Budget on account of the steamer is considerable." However, on "operational" considerations, it was decided that the vessel should continue with the unit till alternative arrangements were made. Ultimately, Government made arrangements with the Railways in 1968 to have the personnel trained on steam tugs. The Committee fail to understand why arrangements in this regard could not have been made much earlier. The Committee trust that Government will draw upon this experience and ensure that costly lapses of this nature do not recur.

**Extra expenditure due to use of precast cement concrete instead of stone for edging of roads**

*Audit Paragraph*

3.177. At a station, stone from local quarries was being used for edging of roads. In October, 1964, the Commander Works Engineer changed over from the use of stone to precast cement concrete slabs for edging on the ground that suitable stone of required size and specification was not available locally. Since the rate of precast cement concrete slabs used (Rs. 138 per CFR) was over twice the price of local stone (Rs. 50 to 64 per CFR) and as sufficient stones were actually available in the vicinity the Engineer-in-Chief issued instructions in October, 1965, at the instance of the Chief Technical Examiner, to stop the practice of providing precast cement concrete edging and use stone instead. The extra expenditure incurred in the meantime on the use of costlier precast cement concrete slabs for edging in 6 road contracts has been assessed at Rs. 1.28 lakhs.

[Paragraph No. 25. Audit Report (Defence Services), 1968].

3.178. The Committee enquired to what extent the existing instructions empowered the local Commanders to change the approved specifications of works. The Ministry have stated in a note that "In accordance with para 26 of the normal works procedure, the Commander Works Engineer is competent to depart from the specifications shown in the approximate estimate at the time the schedules of work are finalised provided that:

- (i) the deviations are necessitated by engineering reasons and are not such as to alter the scope of the work;
- (ii) there is no departure from authorised general specifications; and
- (iii) the total cost of the project, as administratively approved, is not exceeded."

3.179. The Ministry further stated that instructions were issued by the Engineer-in-Chief on 16th October, 1965 directing the Chief Engineer "to stop the practice of providing pre-cast concrete edging. These instructions have been complied with." From a copy of the instructions issued, the Committee observe that the Engineer-in-Chief Branch held the use of pre-cast P.C.C. edging to be "a waste of money" for the following reasons:

- (i) "Ample stone is readily available in the vicinity";
- (ii) Provision of P.C.C. edging at the end of moorum berms on both sides of the road is not "normal engineering practice";
- (iii) The work involved use of cement to an extent which was not justified "considering the present emergency and shortage of cement."

3.180. The Committee note that the local officer in this case departed from the authorised general specifications for certain work without requisite approval. In the result, an extra expenditure of Rs. 1.12 lakhs was incurred. The Committee would like the Ministry of Defence to examine in the light of all the circumstances of the case whether any further action is called for.

#### **Payment of excess demand charges**

##### *Audit Paragraph:*

3.181. As per tariff of a State Electricity Board for supply of electricity, demand charges were payable in addition to charges for electricity actually consumed, at the highest of:

- (i) the actual maximum demand recorded during the month.
- (ii) 75 per cent of the highest maximum demand during the preceding 11 months.
- (iii) 75 per cent of the contract demand.

3.182. At a station while the maximum contract demand indicated by the Military Engineer Services to the State Electricity Board in September, 1965, at the time of obtaining electric power, was 500 KVA, the connected load was only 250 KVA. The actual requirement was still less, being not more than 100 KVA, and the remaining connected load was lying idle. But as per the tariff the department was billed demand charges for 375 KVA—75 per cent of the maximum contract demand. In June, 1966, the Garrison Engineer requested the State Electricity Board to restrict the contract demand to 100 KVA which was agreed to. The extra expenditure



on the payment of higher demand charges between September, 1965, and June 1966, amounted to Rs. 0.55 lakh.

3.183. The Ministry have stated that the higher contract demand was intimated on the basis of anticipated increase in load. The Electricity Board has also been approached to refund the excess charges levied during September, 1965 to June, 1966.

[Paragraph No. 30. Audit Report, (Defence Services), 1968].

3.184. The Committee desired to know the basis on which the original demand of 500 KVA was arrived at. The Ministry informed the Committee that the Assistant Garrison Engineer concerned worked out the load requirements as 500 KVA, taking into account the then load of 250 KVA and an anticipated load of 250 KVA for certain works which had been initiated. "The anticipated load of 250 KVA did not materialise due to change in operational requirements." Asked when this change in operational requirements occurred, the Ministry stated, "The change in requirements was indicated by Headquarters.....Command on 7th January, 1967." The Committee pointed out that against the connected load of 250 KVA only 100 KVA was used. It was stated in reply that "the connected load was 250 KVA but a transformer of only 100 KVA was installed at the time of taking electric connection on 20th September, 1965, as the actual requirement then was not more than that. The remaining connected load was idle as the airfield was not in actual use, though it has to be kept in a state of readiness for use at short notice."

3.185. Asked if the State Electricity Board had since agreed to refund the extra payments made on the basis of 75 per cent of the maximum contract demand, the Ministry have stated in a note that the Board had agreed to refund an amount of Rs. 47,714 for the period from 4th June, 1966 to January, 1967. Out of this, a refund of Rs. 45,284 had been made and the balance was to be adjusted in subsequent bills.

3.186. The State Electricity Board had however not yet agreed to refund the excess charges amounting to Rs. 0.55 lakh for the period 20th September, 1965 to 3rd June, 1966 and the matter is being taken up at Government level.

3.187. The Committee observe that an Air Force Station paid electricity charges from September, 1965, till January, 1967, on the basis of 75 per cent of the maximum contract demand, viz. 500 KVA, though

the actual consumption was not more than 100 KVA. It has been stated that the connected load was 250 KVA and a further load of 250 KVA was anticipated. The anticipated load did not, however, materialise due to a change in operational requirements, which was "indicated" by the Command Authorities in January, 1967. It is not, however, clear how, when the change in operational requirements was "indicated" only in January, 1967, the Garrison Engineer could have approached the Electricity Board for scaling down the contract demand to 100 KVA even in September, 1966. The Committee would like the Ministry of Defence to examine whether there was a failure to scale down the demand sufficiently in time.

3.188. The Committee note that the excess charges for the period June, 1966, to January, 1967, have been refunded or are likely to be adjusted but that the State Electricity Board have not agreed to refund the excess charges levied for the earlier period, viz. September, 1965, to May, 1966.

3.189. The Committee would like the question of refund of excess charges for the period September, 1965, to May, 1966 to be pursued vigorously. They would also like the Ministry to impress upon the authorities concerned the need to assess their requirements more realistically.

## **CHAPTER IV**

### **NAVY**

#### **Lack of proper planning in construction of a jetty**

##### *Audit Paragraph*

A jetty constructed at a cost of about Rs. 1.75 crores and handed over to Naval authorities in April, 1966, is lying practically inoperative on account of accumulation of silt.

4.1. In May, 1959, Government sanctioned the construction of a jetty at a newly established Naval armament depot to provide for loading and unloading facilities for ammunition to and from ships. Its design was based on tidal model experiments carried out by the Central Water and Power Research Station. The design consisted of an initial open bridge for the first 2,000 feet and rubble mound for the remaining 3,000 feet with a pier of 250 feet by 50 feet at the end, and was expected to prevent heavy silt deposits on the inner face of the pier. Initially it was contemplated that loading and unloading at the pier would be carried out by barges and tugs and a depth of 12 feet was considered sufficient at the pier end.

4.2. In April, 1963, it was decided, after further experiments at the Central Water and Power Research Station, to extend the rubble mound by 238 feet, increase the size of the pier to 400 feet by 70 feet and to increase the depth to provide for the anchorage of destroyers/frigates with a draught of 20 feet at the pier, to facilitate direct loading and unloading of ammunition.

4.3. Since the construction of the first 2,000 feet of bridge was expected to take over 2 years, the contract concluded in December, 1961, for the construction of the jetty permitted the contractor to construct a temporary bund alongside the open portion of the jetty to enable him to transport material and labour required for the simultaneous construction of the rubble mound and open bridge and also to speed up the work. In January, 1964, Naval authorities noticed that the presence of this approach bund had resulted in accumulation of a considerable amount of silt. The temporary bund was removed in February, 1965, but the accumulation of the

silt had reduced the available depth at the pier to only 6 to 8 feet. It is stated that the jetty is being put to limited use by lighters and tugs instead of providing anchorage to destroyers and frigates, as originally envisaged.

4.4. The problem of removal of the deposited silt is stated to be under examination (January, 1968).

[Paragraph No. 23, Audit Report (Defence Services), 1968].

4.5. The Committee enquired whether a proper survey and investigation took place before the project was undertaken. They were informed that a study of all relevant and available material pertaining to the survey of the area was carried out and necessary investigations made before taking up the project. Asked whether Government consulted the admiralty maps of this area before undertaking the project, the representative of the Navy stated that they did study the charts prepared by the Navy but they were not detailed charts. He added "In an area like this which is not used for navigation, normally people do not take a careful survey." However, the advice of a retired Chief Engineer of the Bombay Port Trust, who was the Adviser for the project, was taken. His preliminary report was referred to the then Chief Engineer of Bombay Port Trust in 1954-55, who suggested that the alignment of the break water be studied on the new Bombay Harbour model under construction at the Hydraulic Research Station at Khadakvasla, before final adoption. "Based on the report of the CWPRS, E-in-C prepared a design and estimates and the administrative approval by the Government was based on these estimates."

4.6. To a question if any alternative sites were considered, the Ministry have stated that the jetty was required to serve a Naval armament Depot and the site had necessarily to be as close to the Naval Armament Depot as practicable. The site having been fixed, five alternative alignments were considered and models were studied by CWPRS at Khadakvasla. The most suitable of them was adopted on the recommendations of CWPRS.

4.7. Asked to indicate the circumstances in which the original scheme was revised in April, 1963, to make the pier longer and the anchorage point deeper, the representative of the Navy stated: "Actually in 1963, the proposal was to extend the rubble mound by 238 ft., increase the size of the pier to 400 ft. x 70 ft. and increase the depth to provide for the anchorage of destroyers/frigates with

a draught of 20 ft. at the pier. These three were part of a project intended to bring the destroyers/frigates in a position where they could be loaded directly..... But the original proposal did not contemplate a depth of 22 ft. at all; it only contemplated a depth of 12 ft. in order to enable barges, tugs and lighters to take.... (stores) from the island to the destroyers or cruisers wherever they were .... When originally this scheme was mooted, it was thought that with the know-how available at that time, this would not be possible. So research was carried out by the Central Water and Power Research people. They gave us the indication that it would be possible to construct it. Therefore it was revised. Had it been possible in the first instance, this is what we would have gone in for."

4.8. The Committee were informed that according to the original programme the expected date of the completion of the jetty was 31st October, 1963. However, as the design underwent a change and it was decided to extend the length of the pier from 250' to 400', it was not possible to adhere to this date. The construction of buildings on the jetty, their electrification etc. could be taken up only after the Jetty was completed. The permanent Jetty including the open bridge, rubble mound and pier were completed in April, 1966. The buildings etc. are expected to be completed by December, 1969. The dredging for Mooring Pool etc. will be completed one year after finalisation of the dredging pattern. Dredging of the area in the vicinity of the Jetty has not yet been undertaken because the silt pattern has not yet stabilised.

4.9. The Committee pointed out that due to siltation the jetty had not been used and enquired what it would cost to remove the silt by dredging. The Department stated: "The quantity and the cost of dredging now required to be done cannot be estimated till the siltation in the basin has settled down to a stabilised pattern and the CWPRS evolves a suitable scheme of dredging."

4.10. The Committee enquired what the rate of siltation in the basin (where the jetty was located) was and how it compared with siltation nearby. It has been stated in a note that the rate of siltation in the basin is stated to be 5' in a century. "Efforts are being made to ascertain the rate of siltation .... (nearby)."

4.11. The Committee note that the Central Water and Power Research Station, who conducted experiments with different models for the purpose of deciding on the most suitable alignment of the jetty came to the following conclusions about the likely siltation:

"It is to be expected that the emplacement of the breakwater will result in the silting of the sheltered region. To investigate the extent of this siltation, plastic balls were used in the Bombay harbour model to study the nature of bed movement. Of Course, no quantitative conclusions can be drawn from these experiments. It was observed that the movement of plastic balls, indicating velocities near the bed, was similar to that of the surface currents studied by means of floats. When alignment 4(b) (the alignment adopted) was put in, balls showing the least movement were confined to the anchorage area which is obviously expected to silt up to some extent, although, during ebb, there was considerable discharge between the shore and the southern tip of the breakwater. Nevertheless, the advantage of an open jetty to connect the rubble mound was seen when a part of the balls deposited in the anchorage area found their way outside into the main stream by rolling out along the inner face of the rubble mound. This advantage was lost when the rubble mound breakwater started as in alignment 4(b), from the shore; only a small quantity of the deposited silt could escape outside the sheltered area by the eddy prevailing in it during flood; the ebb was particularly ineffective. These tests show that to reduce maintenance dredging, an open portion in the breakwater near the shore is beneficial. The effect of leaving a greater opening was also studied, e.g. alignment 4(c), in which the rubble mound starts from the 3 ft. depth contour. It was observed that this brings about only a slight improvement over alignment 4(b). Nor did the alignments 4(d) & 4(e), which employed a lee breakwater in addition to the weather breakwater, were any better. Thus, since the construction of an open jetty below low water may be more expensive than that of a rubble mound alignment 4(b) was taken to be the most advantageous of its type."

4.12. In reply to a question whether the bund put up by the contractor was responsible for siltation and if so, whether the cost of dredging should not be his liability, the Committee were informed: "The temporary bund was put up in order to enable simultaneous construction of the open portion of the jetty from the land-end and the rubble mound from a distance of 2000'. The contract executed by the Government with the contractor provided for the construction of this temporary bund. The contractor is not liable for any extra cost on dredging. The temporary bund can be said to have induced siltation only to marginal extent inasmuch as the main jetty structure is much larger and would have made greater construction towards siltation."

4.13. The Committee enquired whether the construction of the temporary bund was included in the designs accepted by the

engineering authorities. The Defence Secretary stated: "It was not included in the design. But construction of a temporary bund of this type is a normal feature of construction because when you have to expedite construction, you have to protect the works from further damage and you can do that only by constructing this temporary bund.....It was not part of the tender, it was part of the contract.....The contractor was permitted to construct this bund alongside the open portion of the jetty at the time of the conclusion of the contract in December, 1961." To a question at what level the decision was taken, the Defence Secretary stated that it was authorised by the Chief Engineer of the Project. In reply to a question whether any other technical authority was consulted, the Committee were given an answer in the negative.

4.14. Referring to the Department's view that the temporary bund could have induced siltation only to a marginal extent, the Committee enquired what exactly their expectation was regarding siltation at the time the construction of the bund was started. The representative of the Navy stated: "When the construction started, we did expect a certain amount of siltation. At a particular point, when the process of siltation is complete—there is not much damage done by the tide. The process of desiltation has started and what was land has become water. The whole siltation is moving out to the sea. If this process continues, over a period of time, we expect that the entire siltation will have cleared itself. 2 million cubic yards have actually shifted out and the depth is increasing now.... This siltation is normal and inherent feature of any construction which is subject to tidal streams. This was taken into consideration." In a note the Ministry have stated that "It is not possible to apportion quantities of siltation induced on account of the temporary bund and the much larger rubble mound break-water." In this connection the Department invited the Committee's attention to the report of the Central Water Power Research Station, which had stated: "It is to be expected that the emplacing of the break-water will result in the silting of the sheltered region."

4.15. Asked about the actual rate of siltation desiltation before and after the removal of the bund, the Defence Secretary stated that the bund was constructed in 1961 and removed in 1965. The rate of siltation in the basin was 1 foot per year. The siltation increased upto March, 1965 and then it began to decrease. The original depth was 12 feet and it came down to 8 feet in four years. He added: "about this rubble mound, every body knew that the putting up of this was going to cause a certain amount of siltation. But if you put an obstruction in a natural way, it can cause siltation;

when you remove it, the process of desiltation also will take place; that also we knew. That process is going on now.....In 2½ years the desiltation process had got the depth back to 12 feet. This is the situation that we always envisage."

4.16. To a question whether the quantity of material to be used for constructing the temporary bund was specified in the contract, the Ministry have stated in a note that the contract stipulated dumping of stone rubble for the temporary bund and its removal, but no quantity was specified. The actual amount of materials put in by the contractor was 1.30 lakhs tons.

4.17. Asked at what stage the contractor was asked to remove the bund, the witness stated that in January, 1964 when phase-I of the project joining the open bridge on the shore with the rubble mound had been completed, the Naval authorities, were continuously watching the progress through regular visits, asked the contractor to remove the bund as per the agreement. Further asked if any amount had been paid for removing the bund, he stated that "the whole thing was for both construction and removal.....In the contract it was included that the construction of the bund and the removal of the bund would be his responsibility for which we have paid Rs. 1.70 lakhs."

4.18. Asked if it had been ensured that rubble and other material used by the contractor for raising the temporary bund had been fully removed and that it had not been washed back into the sea, the representative stated that tests had been carried out to see the soundings in every place to make sure that the rubble had been totally removed. The contractor had actually utilised the material for constructing the rubble mound which extended beyond the open bridge. The Committee were further informed that after the removal of the temporary bund, a hydrographic survey of the area was carried out in 1966 and January, 1968 and another one was in progress. This was expected to be completed in January, 1969. The findings of the Hydrographic Survey of January, 1968 were:

- (i) The depths of 8 to 12 feet continue to be available at the pier.
- (ii) The accumulation of silt is on the decrease.
- (iii) There is a noticeable movement of the silt deposited near the shore towards the sea.



- (iv) The area where limited dredging was carried out for the construction of the berthing pier has not shown any appreciable siltation."

4.19. The Committee pointed out that an amount of Rs. 13.8 lakhs was reserved for further dredging and asked whether it would be sufficient. The representative of the Navy stated that it would depend entirely upon what the dredging pattern was. The quantity of silt that was required to be removed was about 3½ lakhs cubic yards.

4.20. The Committee enquired how much time it would take to complete the investigation regarding siltation and start dredging so that the jetty could be put to use as early as possible. The representative of the Navy stated: "If we put in our dredgers there tomorrow and start capital dredging certainly we can remove all this silt and the jetty will be ready for use in six months' time depending on the number of dredgers we put and the effort we put in. But if we do that it will be a total waste of effort because we will go on dredging haphazardly without following any particular pattern. We considered that it would be much better for the research people to work out, carry out trials and give us the actual pattern of capital dredging so that it is done scientifically. We cannot say what will be the period of time for this research to take place and how long it will take for the nascent state of silt to settle down." On Committee's pointing out that, if that was the position, the stage was far off when frigates and destroyers would be able to go right upto the pier, the Defence Secretary stated: "The project is not yet completed. We have reached a stage when we can use the jetty for lighters, barges. This is quite in line with the original use that we intended the jetty to be put to. We are enlarging it for using it for destroyers etc. That would be possible only after completion of further civil works consequential to whatever the recommendation of the Research Station would be."

4.21. To a question to what use the jetty was being put to at present, the representative of the Navy stated that they had reached the first phase of construction of the jetty, that is, it was being operated for loading the barges with stores which was then transferred to ships anchored at a distance. It was inoperative in the sense that the destroyers and frigates could not directly berth alongside to load the stores. To a question if they hoped to succeed in respect of this project, the representative the Navy stated: "I am quite fully convinced that we will succeed, Sir. I have no doubt about that whatsoever."

4.22. The Committee drew the attention of Government to the fact that a foreign firm was engaged in quarrying and dredging operations in the area and enquired whether considering that the Naval Depot was located there, a security risk was not involved. In a note, the Ministry of Defence have stated:

"A foreign firm.....has been given the contract under Stage II of the Naval Dockyard.....for the construction of the South breakwater. Quarrying of stones for this project, as per the terms of the contract, is to be carried out in the.....Island. For that purpose the said contracting company has been allowed to establish a temporary camp in the.....Island. The Contractor had quoted two separate rates depending upon whether he would be allowed the use of quarry and temporary jetty at....or not. The rates based upon such uses were far less than the other alternative and it was in the Government's interest to accept the first alternative. No land has been granted to this company in the protected area of the Naval.....Depot.....Only use of some land in the residential areas has been permitted for construction of a temporary camp. In this area no security risk is involved.

4.23. The contractors have been permitted the use of the quarry in the.....Island and to convey the stones to the construction site of the South breakwater. For this purpose, use of the temporary Jetty.....has been permitted. According to terms of the contract the contractors have been allowed free use of the existing small jetty inside the Naval area and have been permitted to carry out necessary dredging and extensions thereto with prior approval. The modified jetty, except cranes and other appliances erected by the contractor, shall remain the property of the Navy. All necessary dredging for use of this jetty including maintenance dredging of its approaches is being carried out by the contractors at their own expense."

4.24. The Committee observe that a jetty built for the Naval authorities at a cost of Rs. 1.75 crores has not become fully operative as a result of siltation. In the Committee's view, this situation arose because of inadequate attention to the location and design of the jetty. Government were aware that the silt in the basin where the jetty was constructed "is in a nascent stage" and had not stabilised. Besides, experiments conducted by the Central Water and Power Research Station with different models for the purpose of deciding on the most suitable alignment for the jetty had indicated that siltation occurred with all the alignments and that the most advantageous course was to have an open jetty below low water which would however 'be more expensive'. The Naval authorities could have, in the light of these observations, reconsidered their scheme.

4.25. It is also surprising that after having consulted the Central Water and Power Research Station on the most suitable design for the jetty, the Naval authorities did not take their clearance before agreeing to the construction of a temporary bund by the contractor for the purpose of execution of the work. It is significant that, after this bund was put up, siltation increased, reducing the depth from 12 feet to 8 feet in four years.

4.26. The Committee note that experiments conducted in 1968 show that the basin is getting desilted and that at present the jetty is being used for loading and unloading barges. The Committee consider that before incurring heavy capital expenditure in providing handling and other facilities at the jetty, Government should make sure that the jetty will have a draught of 20 feet at the pier to permit direct loading and unloading by destroyers and frigates.

#### **Delay in construction of seaward defence boats**

##### *Audit Paragraph :*

4.27. In March, 1960, Government sanctioned the construction of 3 seaward defence boats in India at a cost of Rs. 60 lakhs (subsequently revised to Rs. 78 lakhs). The order for construction of these boats was placed, on the Garden Reach Workshop, Ltd., Calcutta, a public sector undertaking, on 17th December, 1962, with expected delivery in August-December, 1964. Initially it was proposed to utilise indigenous steel in construction of the boats but in May, 1963, the workshop was asked to arrange for import of the required steel through the Iron and Steel Controller for which an import licence was also issued to when in October, 1963. The workshop tried to procure the steel and when their attempts failed, they asked the Naval Headquarters in January, 1964, to arrange for supplies from abroad through the India Supply Mission. Accordingly, steel valued at Rs. 1.75 lakhs was imported and supplied to the workshop by the end of 1965. The keel was laid in June, 1966, and the boats are expected to be ready for trial by the middle of 1968. In the meantime machinery, equipment and certain weapons costing Rs. 41 lakhs procured by the Navy during 1962 to 1967 for installation in the boats have been lying idle due to delay in their construction.

[Paragraph No. 11, Audit Report (Defence Services), 1968.]

4.28. Explaining the reasons for the delay of about three years in placing of orders for construction of the boats after receiving Government sanction in March, 1960, the Ministry have stated in a note furnished to the Committee that the sanction for the construction of the three Seaward Defence Boats as issued originally on 16th March,

1960, contemplated the construction of the boats by shipbuilders in India through the Director General of Supplies and Disposals. In April 1960, the Garden Reach Workshops Ltd. and Mazagon Dock Limited, Bombay were taken over by Government of India and a policy decision was taken in May, 1960 to the effect that all orders for naval works should be entrusted to these two Companies. Even prior to this policy decision, in April, 1960, Naval Headquarters had floated preliminary enquiries with the Garden Reach Workshops who informed them in November, 1960 that due to the heavy pressure of work in their Estimating Section, they would not be able to submit their estimates before end of December, 1960. Meanwhile the Naval Headquarters undertook a revision of the specifications of the Seaward Defence Boats in the light of various advances made by the ship-building industry in India, and their own experience with the earlier seaward Defence Boats built in India. This revision of specifications which involved a complete change of electrical equipment and the substitution of indigenous equipment for imported ones, was intimated to the Garden Reach Workshop as and when modifications were decided upon. The first quotation from Garden Reach Workshop was received in June, 1961. Various technical and costing details of the firm's offer had to be obtained and further correspondence entered into with Garden Reach Workshop. The final quotation was received from the firm in January, 1962. This was considered in detail by Naval Headquarters and the Ministries of Defence and Finance (Defence) and the revised Government sanction was finally issued on 4th December, 1962. Thereafter orders were placed on Garden Reach Workshop on 17th December 1962.

4.29. In reply to a further question the Ministry have stated that the work of revision of specifications was taken up on 24th May 1960 and completed on 1st January 1962. The specifications and equipment for the earlier Seaward Defence Boats constructed in India were based on direct current supply. However, when the Indian marine electrical industry developed, it concentrated on the development of alternating current equipment in accordance with trends abroad. With a view to conserving foreign exchange and utilising Indian equipment to the maximum extent possible, the specifications were altered and modified to suit alternating current instead of direct current.

4.30. Asked whether any efforts were made to obtain the steel required on a replacement basis, from sources other than trade e.g. Vizag Shipyard, Mazagon Docks Ltd., etc., to avoid delay in the construction of these boats, the Ministry have stated that no such efforts were made since the thickness and sizes of the steel plates

required for the seaward defence boats, were much smaller than those used by the Hindustan Steel Ltd., and Mazagon Docks Ltd., for the construction of ships of much larger tonnage than Seaward Defence Boats.

4.31. The Ministry have further stated that the specifications for the Seaward Defence Boats were obtained from the U.K. Ministry of Defence (Navy) and were based on the foot pound system. The Indian steel Industry was originally producing steel in accordance with the foot pound system and the Naval Headquarters did not, therefore, anticipate any difficulty in regard to indigenous availability, particularly because steel of the required specifications had been made available by the Indian steel producers for the Seaward Defence Boats previously constructed for the Indian Navy. However, by the time the order was communicated to the builder, the steel rolling mills in India had switched over to the metric system and due to further rationalisation of sizes by the steel industry, the steel requirements for the Seaward Defence Boats which satisfied the weight specifications could not be met indigenously.

4.32. Asked whether the question of making maximum use of the indigenous equipment was considered, the Ministry have stated that before issuing the sanction, the Director of Stores Production (Navy) who was then the prescribed authority for clearance for the indigenous angle, had been consulted in September, 1959. Later, while revising the specifications, maximum use of indigenous electrical equipment was made. Orders for the machines equipment and weapons which had to be imported were placed between January, 1961 and February, 1965.

4.33. The Committee are further informed that the warranty period for the equipment which comprises more than 600 items ranges from nil to one year and has already expired in the case of all items. The amount of foreign exchange involved is stated to be approximately £3,06,160. Asked whether at the time of placing the orders, it was not known that the construction of boats would be delayed, the Ministry have stated that "though it was realised that the project would be subject to some delay, the extent of such delay could not be anticipated."

4.34. Asked about the latest position, the Ministry have stated that the trials of the boats expected to commence from December, 1968. The main reason why the trials could not be conducted in the middle of 1968 as anticipated, was the delay that occurred in the supply of the items which the Navy was required to supply to the builder. This delay occurred as a result of difficulties experienced in identifying and checking the serviceability of the stores to be sent

to the builder from time to time as well as difficulties in regard to the availability of suitable rail transport. The boats are now likely to be commissioned by the middle of 1969.

4.35. Asked whether any alternative arrangements had been made to meet the defence requirements till the boats are commissioned, the Ministry have stated that the existing ships are put to more extensive use as and when necessity arises.

4.36. The Committee observe that the three Seaward Defence Boats which were expected to be delivered to the Navy between August—December, 1964, will now be available only in the middle of 1969 i.e. after a delay of about 4½ years. This delay was, in the main, due to the time taken in the revision of specifications and in importing steel of the required specifications.

4.37. The Committee note that, within two months of sanctioning the scheme, the Naval Headquarters undertook a major revision of specifications which took as much as 1½ years to complete. The Committee can only conclude that due note was not taken by Naval Headquarters/Ministry of Defence at the time of sanctioning the project in March, 1960, of the advances made by the ship-building industry in India and of their own experience with the Seaward Defence Boats built earlier in the country.

4.38. The Committee further note that, though the Garden Reach Workshops were issued a licence for import of steel through the Iron and Steel Controller in October, 1963, supplies were actually received only towards the end of 1965. Thus, a further delay of more than two years was caused.

4.39. The Committee are constrained to observe that, as a result of delays due to various factors and at various stages, machinery, equipment and certain weapons costing Rs. 41 lakhs acquired for installation in the boats, are lying unused. The warranty period for these items of supply has already expired. Even when it became obvious in May, 1963, that there would be delay in construction due to steel having to be imported, Naval Headquarters/Government did not take any measures to reschedule the delivery period of these stores.

4.40. The project thus appears to the Committee to have been conceived in a hurry and executed at leisure. The Committee would like Government to analyse in detail the reasons for delays of this nature and take suitable remedial measures. They would impress upon Government the need for more careful planning and coordination between the various agencies so as to avoid recurrence of cases of this nature.

## **CHAPTER V**

### **AIR FORCE**

#### **Loss of aero-engines and delay in repair of trolleys**

In the following 2 cases, Defence stores received from a foreign source and landed at Indian ports were either not claimed or were traced after considerable delay, resulting in loss or damage amounting to Rs. 7.33 lakhs :—

<b>Name of Stores and Value.</b>	<b>Brief particulars</b>
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<b>Aero-engines (Rs. 7 lakhs)</b>	
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	2 spare aero engines valued at over Rs. 7 lakhs shipped from a foreign country after over-haul, in May, 1962 in 4 packing cases could not be traced at Bombay port and were declared as short-landed. The packages were actually landed at Madras port. As their outward appearance indicated that the packages belonged to Defence, the port authorities notified the Embarkation Commander, Madras in May, 1964, to take delivery of the packages within 10 days. The packages were stated to have been examined by the Embarkation Commander on receipt of notice from the Port Trust but he could not identify them as Defence stores. Since, however, no reply was received from the Embarkation Commander, the unclaimed packages were auctioned by the Port Trust in July, 1964. The packages passed to the custody of a private firm who paid Rs. 2,320 for them. In November, 1964, the packages were offered by this private firm for sale to the Indian Air Force. The technical specialists of the Air Force, however, held that the engines could not be made use of as whole engines because they had been lying with the firm for a long time without proper storage precautions. But with a view to retrieve the serviceable parts, an offer of Rs. 2,320 for the packages was made to the firm in July, 1967. The matter is still under negotiation.
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**Nature of stores  
and value.**

**Brief particulars**

**Ammunition  
trolleys  
(Rs. 0.33 lakhs).**

2 trolleys procured for handling ammunition to aircraft were landed at Bombay port in September, 1957. They were traced by the Embarkation Commandant only in December, 1962, and sent to the consignee in June, 1963. On receipt in the depot in July, 1963, they were found to be badly damaged by corrosion due to the effect of sea water and were categorised as repairable.

The equipment has not been repaired so far (January, 1968) though in the meantime in May, 1965, two more trolleys have been purchased, to meet operational requirements, at a cost of Rs. 0.55 lakh, from the same foreign source.

The reasons for not repairing the trolleys and the circumstances in which the Embarkation Commandant did not clear the trolleys in time are being investigated.

[Paragraph No. 19, Audit Report (Defence Services), 1968].

**(a) Aero-Engines**

5.1. The Defence Secretary informed the Committee that the packages containing the aero-engines were shipped from France to Bombay in May, 1962. "By accident" the stores got off-loaded at Madras instead of Bombay. The Embarkation Commandant, Bombay, who was unable to trace the packages, therefore, took up the matter with the shippers, who said that "they had not been off-loaded at any other port." The shippers also accepted liability on this basis for compensation for these packages amounting to £800, which was their maximum liability under the Gold Clause Agreement.

5.2. In reply to a question whether the change in destination was intimated to the Defence authorities, the witness stated "I do not think that in this case the change of destination was made deliberately." To a further question when the ship touched Bombay and Madras, it has been stated in a note that the ship "SS Indian Endeavour" reached Bombay on 27th May, 1962. "The ship did not call at Madras", but "confirmation clarification in this regard is being obtained by the Ministry of Transport from Madras Port Trust." The Ministry of Transport have on this point stated that "the required information is being collected."



5.3. The Committee enquired whether advance intimation of despatch of consignment was sent. The Defence Secretary replied in the affirmative. In a note, it has been indicated that this intimation was given on 11th May, 1962. When the "High Commission in U.K. intimated to Air Headquarters the despatch details of engines S. No. 286 and 1083 shipped S. S. Indian Endeavour ex-Dunkirk on 23rd April, 1962."

5.4. The Committee enquired whether the packages did not contain markings to show to which place they were consigned. They were informed that in the normal course all packages had such markings, but in this case the markings on all the four packages got "obliterated". The Defence Secretary further explained that "in a case like this all we could do was to find out from the manufacturers about the details of despatch and from the shippers as to the ship by which they carried it and off-loaded and where" and this was done. The Committee enquired whether the circumstances leading to the obliteration of the markings had been investigated. It was stated that this was referred to India Supply Mission, who procured and shipped these stores but they said that "it is not clear how the markings on the case disappeared."

5.5. The Committee enquired why when auction notice about these packages was received from the Madras Port Trust, they were not taken possession of. The Defence Secretary stated that the notice from the Madras Port Trust was received in May, 1964. He added: "If these consignments had markings that they pertained to Defence property, it would have been easier. The markings were not there and it was understood from the reports that these were tanks.....Nobody knew what was inside." The Defence Secretary further stated "Actually on receipt of the notice, the clearance staff at Embarkation Headquarters examined these four cases on 20th May, 1964 and after inspection the auction notice was returned to the Port Trust without any further action."

5.6. The Committee enquired what led the inspecting officers to the conclusion that these packages were not defence property. The Secretary stated: "I can only say from the inspection report of the two officers who examined it:..... 'No markings, no indication that these are the property of Defence'. The Port Trust have given these: 'Steamers Name : unknown. Date of arrival—blank. Markings—Blue and white strips or nil. No. of packages—four tanks.'"

5.7. The Committee enquired why it proved difficult to identify these packages as Defence stores, when the Port Trust had stated that the packages belonged to Defence. The witness stated that the notice issued by the Port Trust was "a general notice under Section 58" which was issued to all shipping agents. "I do not think that that would indicate that the Port Trust thought that they were defence stores."

5.8. The representative of the Madras Port Trust explaining the position stated: "These four packages that were there did not bear any markings. They were not cases or crates; they were steel tanks. The packing was like that of tanks, completely bolted and nutted. We tried to decipher what was written there but it was not possible to read it. However, the colour of the packages was something like greyish khaki which being normally Defence colour, we thought that they might be interested in it. That is why we gave them that notice. We wrote to them and asked them to inspect these packages and see whether they pertained to their consignment. Actually, these four packages were originally consigned to Bombay but were landed at Madras without any documents." In reply to a question why the packages were not opened if there was doubt, the witness stated: "Unfortunately, we do not have the authority to open any package. It is only the Customs who can open the packages. Secondly, even if we had opened the packages, we did not have any machinery to tell us whether they were aero engines or loco engines or whatever they were."

5.9. The Secretary, Ministry of Defence explained that the Defence authorities did not open these packages; unless they were in a position to claim ownership "it would not have been possible" to open these consignments. Besides "nobody would allow us to open a package unless we reseal it in the same way and we found that it would not be possible to do so on our own resources." The Secretary further stated that the party who bought these stores at the auction was able to identify it as Defence stores because while trying to open the cases, he found some literature which indicated that these stores belonged to the Air Force.

5.10. The Committee enquired from the representative of the Port Trust whether the customs authorities were approached for permission to open the packages. The witness stated that the Customs authorities had appraised the goods and fixed the value as Rs. 4,000. The Committee pointed out that the packages were sold with their seals intact. They enquired what kind of examination

took place prior to fixation of the value. The witness replied, "Opening and examination of the contents is always done by the Customs. In this particular case, I am not sure whether they opened. I am rather doubtful, but they had certified the value as Rs. 4,000." The Committee asked for a note from the Ministry of Finance on the point whether the packages were actually opened and if not, on what basis value was assessed as Rs. 4,000.

5.11. The Department of Revenue and Insurance have, in a note stated as follows:

"It has been reported by the Collector of Customs, Madras, that the origin of the goods or the Steamer by which the four boxes were brought to Madras Port are not known. Before the packages were put up for auction by the Madras Port Trust in 1964, the goods were inspected by the Customs Shed Examiner on 15.1.1964. The packages appeared to him to be big iron tanks by their outward appearance and size. They were not suspected to be containing any cargo and were therefore not opened. Moreover, there were no facilities for opening containers of that size and type in the Harbour.

"The Customs Appraiser, after inspecting the packages recorded further on the Bill of Entry these remarks: "Appears to be Defence Cargo. withdraw and enquire." It appears that the Embarkation Commandant was informed by the Madras Port Trust and the goods were inspected by him. Since the packages were not claimed by the Defence Department, the goods were put up for auction by the Madras Port Trust.

"In the circumstances, the four containers were appraised as iron tanks falling under item 63(28) I.C.T. and the fair price was estimated at Rs. 4,800 and the reserve price was fixed at Rs. 4,000. These were ultimately sold in auction for Rs. 1,250 in July, 1964 as that was the highest offer till that date."

5.12. The Committee pointed out to the representative of the Port Trust that these goods were received in 1962 and it took the greater part of two years to discover the packages in an iron dump. The witness clarified that 'iron dump' is "a nomenclature given to a particular area where uncleared packages are stored." He added that normally it took four months to clear unclaimed packages, but "at that particular time" there was "heavy congestion in the port."

5.13. The Committee pointed out that these stores were not actually consigned for Madras Port and enquired how it came to be unloaded there. The witness stated that it was "just possible" that the

markings had got obliterated even before landing. To a further question whether there was no procedure for checking landing of goods not consigned to the place where they were actually unloaded and whether in such cases, the Port authorities did not have instructions to carry out a survey expeditiously, it has been stated in a note as follows:

"The goods unloaded from the ship are delivered to the respective consignees on completion of the Port Trust documents and release of the goods by the Customs on the Bill of Entry. The outturn for the ship is drawn at the end of a month from the date of completion of discharge. It is then that an excess landing or short landing could be checked.

"Ordinarily, before landing goods that do not pertain to this port, the Steamer Agents take permission to land such goods. The Port Trust does not give this permission unless landing has been permitted by the Customs. No permission for landing these packages is on record.

"Of course, due to error on the part of Stevedores' Steamer Agents, other Ports' packages are landed alongwith the Madras packages. Such packages are shown in the outturn, whereupon the Steamer Agents are to make necessary arrangements to re-ship them. In this case, the packages missed the outturn on account of the non-availability of the marks and stencillation of Steamer's name. Bringing the unclaimed stores for disposal by sale generally takes about 5 to 6 months from the date of landing on account of the statutory requirements on notice of sale, gazetting, examination and appraisal etc. Until the beginning of 1964 auctions were being held only in alternate months. There was no auction from November, 1957 to December, 1958 due to dispute with the Customs over the procedure for auction. During this period there was heavy congestion in the Harbour. The traffic in general cargo including structurals and iron materials was quite heavy even during 1964. The clearance was also slow. On account of the back-log of the arrears, generally the unclaimed goods could not be brought for auction until after a year or more of the actual date of landing. On account of this delay in the disposal of the goods and mounting arrears of unclaimed stores, more frequent auction sales were re-stored to. Therefore, since January, 1964 auction is being held every month. Even then goods once withdrawn or goods that are not sold in an auction could be re-listed only in the next but one auction on account of the normal procedural delay of gazetting the sale again. This had now been overcome by procedural adjustment. Since January, 1967 goods

once withdrawn or that are not sold are being re-listed in the next auction itself. The present position is that except for a few stray cases held up on account of specific reasons as being sub-judice or pending adjudication by the Customs, etc., the unclaimed goods are being disposed of within about 6 to 9 months. Even after bringing the goods for sale, actual disposal takes a longer time on account of want of bid or more often on account of the Customs not releasing the goods."

5.14. The Committee enquired why after the packages were traced, no efforts were made by the Port Trust to contact the consignees. The witness stated that the Port Trust did not know who the consignors or consignees were and, therefore, wrote to all the shipping agents.

5.15. The Committee enquired why there was delay in claiming compensation from the shippers. The Defence Secretary stated that the shortlanding certificate was given by the Port Trust on 7th December, 1963 and the shippers offered the compensation due in terms of Gold Clause Agreement on 21st May, 1964. The Embarkation Commandant had addressed the Port Trust for shortlanding confirmation on the 11th December, 1962 itself. As regards the quantum of compensation, the I.S.M., London were examining "the feasibility of claiming reimbursement of £10,650, which is the maximum that can be reimbursed. The claim has been made and we are awaiting a reply from the I.S.M." He indicated further that this amount might be forthcoming from the Marine Insurance Fund (a Government constituted fund).

5.16. The Committee enquired whether this case did not disclose defects in system needing rectification so that in future such losses could be avoided. The Secretary, Ministry of Defence stated:

"The point is that these are normal procedure of despatch of goods, and safeguards are all provided in the agreement. Once these goods leave the factory and are loaded on the ship, it becomes the responsibility of the shipping agents and the shippers to deliver them at the port to which they are consigned. If they fail in that, all that we can do is to invoke the clause which is contained in the international Act which operates in every case. The only alternative for us to safeguard ourselves would be to insure it further, but the Government have decided as a matter of policy not to insure it because the coverage is so vast that the cost of premium on every type of goods insured would hardly be worth-while." The Secretary, however, stated in reply to a further question: "Actually, I think we have now to reorganise the Embarkation Command procedures etc. to take note of these happenings and also to provide against

such things and to provide for a more accelerated procedure for tracing missing consignments etc."

5.17. The Committee invited attention to their recommendations in para 1.14 of the 15th Report (Fourth Lok Sabha) about the need for streamlining procedures in the Embarkation Commandant's Organisation and enquired what steps had been taken. The Secretary replied: "In pursuance of the recommendation, we have already systematised the procedure of the embarkation to provide against things being lost sight of; secondly, also accelerating the process of clearance and also accelerating the process of getting certificates so that we could put in our claims without delay."

5.18. In a note indicating the remedial measures taken to ensure that defence stores do not pass into unauthorised hands, the Ministry of Defence have stated as follows:

"As regards the defence equipment received from abroad, the landing Officers are basically required to have advance information of the details of the stores expected ex a particular vessel. As far as possible, necessary arrangements are made to supervise the landing operations to ensure that all the manifested stores, as per the available information/documents, are landed. The shortlandings are reported to the Carriers at the earliest possible opportunity to ensure their delivery. The stores, on landing, are entrusted to the port authorities for completion of various shipping formalities prior to their clearance from port custody. Expeditious steps are taken by the Defence authorities to clear the Defence stores from the port custody. Cases of pilferage/loss are investigated by the port authorities through the police. The Embarkation authorities extend maximum assistance to the port trust staff to trace the missing Defence stores.

"In regard to the Defence equipment sent abroad, a copy of the invoice is sent to our Service Adviser concerned in the country to which the equipment is consigned.

"It may be added that the instance of the aero-engine was the only one of its kind in several years where a package containing no details eventually turned out to contain Defence stores. It has, however, been decided that, in future, such consignments notified under Section 58 of the Madras Port Trust Act, should be opened by Embarkation Headquarters staff before ignoring the statutory notice of the Port Trust. The advisability of issuing similar instructions to other Embarkation Commandants is also under examination."

5.19. The Committee enquired whether the Air Force had purchased these stores from the party who obtained it from the Port

Trust. The Ministry of Defence have in a note explained the position in this regard as under:

"It was explained to the representative of the firm that although the Indian Air Force had no requirement for these engines, he could, if he so desired, make available the engines at the appropriate Air Force Depot where they could be stripped open at the risk of the firm to see whether there were any parts which could be utilised as spares. It was also mentioned that a reasonable price could be negotiated for such of the items as were found useful for retention by the Indian Air Force. Even though the firm had agreed to convey acceptance of the above arrangement, no communication was received from them till 9th October, 1968, when the matter was treated as closed. The firm was informed accordingly. No further communication has since been received from the firm."

5.20. The Committee observe that a series of lapses on the part of different authorities led to a valuable Defence consignment passing into unauthorised hands and Government sustaining a loss of Rs. 7 lakhs. The stores were consigned to Bombay in April, 1962, but were apparently not off-loaded there. The Port Trust authorities at Madras who got this consignment some time in 1962 allowed it to remain in an 'Iron dump', "where uncleared packages are stored", for the best part of two years, before deciding to put them up for auction in May, 1964, as unidentified and unconnected stores. According to the procedure, they were required to check the "outturn" from every ship by the end of the month from the date of completion of discharge. This they failed to do and the consignment also "missed the outturn", resulting in its being dumped in their premises for about two years. The customs authorities, who cleared the consignment prior to its auction, appraised its value as Rs. 4,000 but did not apparently even open the consignment. Had the consignment been properly examined, it would have been identified at least at that stage.

5.21. One aspect of the case in particular needs close investigation by Government. It was stated before the Committee that the consignment got off-loaded at Madras instead of Bombay "by accident." The Committee, however, observe from the information furnished by the Ministry of Defence that the ship by which the consignment was sent, "did not call at Madras." The Ministry of Defence have, however, added that "confirmation/clarification" in this regard is being obtained from the Ministry of Transport and the Port Trust authorities. The Committee would like the matter to be followed up. In case it is established that the ship did not touch Madras, it should be thoroughly investigated how a Defence consignment meant for Bombay found its way to Madras without the knowledge of any of the authorities concerned.

5.22. The Committee also find that it took over one year for the Bombay Port Trust authorities to issue a short-landing certificate for the goods. Such a delay argues poorly of the state of efficiency of the Port Trust and may result in claims against shippers becoming time barred. The Committee desire that concerted action should be taken to ensure that such delays are eliminated. The Committee stress that Port authorities should arrange for speedy identification of all unclaimed/unconnected consignments.

5.23. In their 15th Report (Fourth Lok Sabha) the Committee have comprehensively reviewed the position in regard to the clearance of defence consignments by the Defence Embarkation authorities and have stressed the need to ensure that Defence stores are expeditiously cleared through proper liaison with Port Trust authorities. The present case highlights the need for such action. The Committee note that, pursuant to their observations, Government have issued instructions to the organisations concerned. The Committee would like to watch the implementation of these instructions through future Audit Reports.

(b) *Trolleys*

5.24. The Committee desired to know whether the proposed investigation in this case had been completed and if so, what the findings were and the action that had been taken in pursuance thereof. The Ministry have informed the Committee that a Court of Inquiry was instituted by Air Headquarters on the 27th December, 1967 to investigate the reasons for not repairing the trolleys in time. According to the findings of the Court, the trolleys, when received at the consignee Depot were brought on charge on the 14th August, 1963 as Category 'D' item. In Air Headquarters, the PCR Card for this item, however, did not reveal the item as having been brought on charge, as the posting slip had either not been received or "not actioned" by the dealing clerk. It was only on receipt of the draft audit para in September, 1967 that a query was raised with the Depot by Air Headquarters and the PCR card was brought upto date.

5.25. Soon after August 1963 the Depot transferred the trolleys to the repairable equipment site alongwith other repairable stores. A Board of Survey was convened for survey of repairable items including the trolleys for disposal purposes and the proceedings of the Board were sent to Air Headquarters on 18-12-1964 for issuing necessary disposal instructions or issuing the repair task. But the section concerned with the issue of disposal instructions about the trolleys did not take any action in the matter. The Court had found an assistant to blame because he had put away the relevant file without ensuring action thereon. This was the main reason which



caused the non-issue of the disposal instructions. Necessary disciplinary action had been initiated against him and it was being progressed. The Court had also blamed a Squadron Leader who was the Assistant Director of the Section during the material period, for not ensuring action on all papers received in his section. Accordingly, he had been awarded 'reproof' as punishment.

The Ministry of Defence have added that the two trolleys have since been repaired.

5.26. Another Court of Inquiry instituted by Army Headquarters on 8-7-1968 investigated the circumstances in which the Embarkation Commandant did not clear the trolleys in time. According to the findings of the Court, the ship which carried the consignment berthed in Bombay docks on 20-9-57 and general landing of consignment took place between 20-9-57 to 30-9-57. All the packages shipped in the vessel were cleared from Bombay Port Trust except the package containing the two trolleys in question. A log entry was, therefore, made with the Bombay Port Trust on 4th October, 1957 and a letter of liability was issued by Embarkation Headquarters to the Port Trust. The Port Trust confirmed that the package was not traceable. Later, however, the package was traced by Military Forwarding Organisation on 3rd March, 1958 and the Deputy Docks Manager was requested to release the Bill of entry to enable the clearance of the package.

5.27. Despite various reminders and personal contact by Embarkation Headquarters with the Port Trust and Customs authorities, a copy of the bill of entry could not be obtained. The correspondence continued till 25-9-58 when the Deputy Docks Manager of the Bombay Port Trust expressed his inability to supply the bill of entry and asked Embarkation Headquarters to prepare duplicate set of the same. It appears that Embarkation Headquarters made efforts to get duplicate copy of the bill of entry. But unfortunately the correspondence from October 1960 onwards could not be traced till the package was cleared on the 16th December, 1962. "The authorities had lost sight of the case for over two years." The package was cleared on the 16th December, 1962 without documents under general orders to clear all outstanding cargo. This order apparently was given due to the emergency created by the Chinese aggression in October, 1962. The package was then found in a damaged condition.

5.28. The Court of Inquiry came to the conclusion "that it is not possible to fix responsibility for the late clearance of the consignment and eventual damage to the two trolleys, because—

- (i) The initial delay in clearing stores in question was due to the procedure adopted for clearing imported cargoes, and

- (ii) in the absence of original documents (bill of entry), the clearance of the stores should have been effected by preparing a duplicate set of documents on the advice of Bombay Port Trust and with necessary endorsement with Customs. Why this was not done cannot be ascertained because two officers directly connected with the case have been released from Army and they have settled abroad and also because the relevant documents could not be made available to the Court."

5.29. The Ministry have further stated that pursuant to the observation made by the PAC in their 15th Report (Fourth Lok Sabha), steps had been taken to streamline the procedures for clearance of defence consignments and bring about greater coordination in the matter of clearance with Port Trust authorities.

5.30. The Committee cannot refrain from expressing the view that this case speaks rather poorly of the state of affairs in the Embarkation Commandant's Organisation at Bombay. The stores were unloaded between the 20th September, 1957 and 30th September, 1957, and could not be located till after a search on 3rd March, 1958. Due, however, to records getting misplaced, it could be cleared only on the 16th December, 1962, after which it was found to be badly damaged. The Committee note that the officials directly connected with the case have been released from Army Services. The Committee hope, however, that in the light of experience of this case and the observations made by the Committee in the earlier portion of this Report steps will be taken to guard against the recurrence of such nature.

#### Unnecessary procurement of stores

##### *Audit Paragraph :*

5.31. (a) Tyres.—Based on a review of requirements for 24 months from December, 1963, an urgent demand for 600 tyres for a certain type of aircraft was placed by the Air Headquarters on the Director General, Supplies and Disposals, in May, 1964. After obtaining necessary foreign exchange from Air Headquarters the Director General, Supplies and Disposals, entered into a contract for the purchase in September, 1964. In the meantime, a subsequent review of requirements in July, 1964, had disclosed that after taking into account the demand for 600 tyres already placed, there would be a surplus of 611 tyres. No action was, however, taken by the Air Headquarters then to cancel the Indent placed on the Director General, Supplies and Disposals.

5.32. 600 tyres costing Rs. 1.17 lakhs were actually received from abroad during April to July, 1965. In December, 1965, Air Headquarters decided to offer 585 tyres for disposal to the Director General, Supplies and Disposals, after retaining requirements up to August, 1971, as the shelf life of the tyres was only 5 years. The tyres are yet to be disposed of (December, 1967).

5.33. After Audit drew the Ministry's attention to the case, the Ministry have asked Air Headquarters to enquire into the circumstances of the over provisioning and to fix responsibility. The results of the inquiry are awaited (December, 1967).

5.34. (b) *Brushes*.—In April, 1964, Air Headquarters placed an operational indent for 34,314 engine cleaning brushes on the Director General, Supplies and Disposals, to meet 2 years' requirements (March, 1964 to February, 1966). While assessing the requirement, Air Headquarters omitted to take into account 13,885 brushes already on order. A subsequent review of requirement-due in September, 1964, but stated to have been carried out in January, 1965—disclosed a surplus of 40,019 brushes. No action was, however, taken then to cancel the demand for 34,314 brushes already placed on the Director General, Supplies and Disposals, who in the same month had entered into a contract for their purchase for Rs. 1.21 lakhs which he could have cancelled if approached at the time.

5.35. 41,553 brushes costing Rs. 1.45 lakhs including 34,314 numbers received during March-July, 1965, are now lying in stock.

5.36. The Ministry have stated that 35,000 brushes are proposed to be transferred to the Army (at 50 per cent of their purchase price) for use in lieu of a similar item (the cost of which is less than half that of the brushes already procured). A Court of Inquiry is being instituted to investigate the circumstances in which the over-provisioning occurred (November, 1967).

[Paragraph No. 10. Audit Report (Defence Services) 1968.]

### **Tyres**

5.37. The Committee were informed that the tyres in this case were purchased for one particular type of aircraft. This was an aircraft which had become obsolete in 1940 but they were in use "as trainers". Reviews of requirements of spares etc. for all the aircrafts were periodically carried out in June and December every year. The indent in this case was raised on the basis of a review carried out in December, 1963.

5.38. Explaining the basis on which the requirements were generally worked out by Air Headquarters, the Secretary, Ministry of Defence stated that the following factors were taken into account in the course of the review: "One is the consumption rate which they give for the past twelve months. The consumption rate is the average wastage in the past one year. Then they take into account the actual flying effort that they would put in the next twenty-four months, and the formula for it is that they give the planned effort divided by the actual serviceability because it is not always that the plan is realised cent per cent."

5.39. The Committee pointed out that after an indent for these tyres was raised based on the December, 1963 review, a review carried out in June, 1964, the results of which became available in July, 1964, disclosed a surplus. Explaining how this occurred, the Secretary, Ministry of Defence stated that this was due to the fact that the consumption of the tyres varied. He added: "In December, 1963, the consumption rate for the previous 12 months was 507. In June, 1964, when the review was made, the consumption rate for the previous 12 months was only 209. The forecast pattern... is arrived at by dividing the planned effort for the next 24 months by the actual serviceability in the previous 12 months. This was 3.7 in December, 1963 when the decision to purchase these was taken. It came to 2.8 in June, 1964. The requirement for the next 24 months that we had worked out on that formula in December, 1963 was 1,876. The requirement in June, 1964 on the new formula dropped down to 585. In stock in December, 1963 were 526 and in June, 1964, 596. The net requirements in December, 1963, against which an order of only 600 was placed, was 1,350. The net requirement in June, 1964, taking into account the indent for 600 that had been ordered for, was a surplus of 611."

5.40. Asked why when this review disclosed a surplus of 611 tyres, the indent was not cancelled; he replied: "After that review showed 611 tyres surplus, the officer concerned used his discretion and took into account the aircraft that were coming in. That is why he did not initiate any steps to cancel the indent." "He did not", the witness added, "take any action to cancel because he thought that as a result of other aircraft coming in, he might need those 611 (tyres) also. I am only giving his statement. There is nothing on record... Unfortunately those 33 aircraft were not purchased. Had they come to the country those tyres also would have been needed. He could not have known this fact when he did this." In reply to a further question, the witness stated that "at the next review carried

out in January, 1965, it was known that the aircraft would not be purchased". The Director General, Supplies and Disposals was addressed for cancellation of indent on 19th March, 1965, but that was too late.

5.41. The Secretary, Ministry of Defence stated that after the review carried out in June 1964, "there was another review in August, 1964 which was carried out to determine the requirements for the next 24 months, taking into account the possibility of these arrivals. That showed the requirement of 955 tyres and the assets at that time were calculated at 1053-453 in stock plus these 600 tyres. This review indicated that there was just a balance between what were to come and what were likely to be used. We must judge this action in terms of that review, because in October we purchased 22 . . . aircraft. It was in January, 1965 we decided not to buy another 33 . . . aircraft. So that, at the time this review was done, based on the anticipated plan of purchasing these 33 as well, it indicated a clear nominal surplus of about 100 tyres only."

5.42. The Committee drew attention to the conflicting results brought out by the reviews conducted at different points of time and enquired whether this did not impair their utility. The Secretary Ministry of Defence replied: "This arithmetical exercise which is done every six months was not treated as conclusive at any time. It was not as if on the result of it orders upto the numbers indicated were necessarily placed. It was taken as indicative of the possible requirements and then the officers applied their judgement depending on the position as it was and also the position as it was likely to be in the next 24 months before placing the order."

5.43. In reply to another question, the witness stated: "This calculation is done every 6 months. I think the result given by this calculation is somewhat confusing and if the provisioning is more systematic, these confusing results would not have arisen. It is not as if the Air Headquarters take the mathematical result of this formula without any further scrutiny. They exercise their own discretion. In this particular case, when this review was done, a surplus of 600 was discovered. The Officer concerned took into account the possibility of more of these aircraft coming in because the training had been stepped up."

5.44. The Committee enquired whether the surplus tyres had been disposed of. They were informed that "the surplus quantity of 585 tyres was auctioned by the Director General, Supplies and Disposals on 2nd April, 1968 for Rs. 61,000 "

5.45. The Committee asked for figures of consumption of the tyres for the period June, 1962 to June, 1968. The figures given in this respect are tabulated below:

June 1962—May 1963	..	600
June 1963—May 1964	..	209
June 1964—May 1965	..	159
June 1965—May 1966	..	68
June 1966—May 1967	..	141
June 1967—May 1968	..	21

5.46. The Ministry of Defence have further stated that according to the review made in June, 1968, the stock of tyres was 272 as against which the requirement was 44 tyres leaving a net surplus of 228 tyres.

5.47. The Committee pointed out that the indent was raised in May, 1964, i.e. five months after the review. Another review carried out in June, 1964, i.e., one month after the indent was raised, disclosed a surplus. They enquired whether it was not necessary to streamline the procedure so that indents were raised soon after the review. The Secretary, Ministry of Defence replied: "The review is made and the results and proposals for purchase are processed by the Air Headquarters. It has to be settled with Finance. In that process they take about three or four months. We are now trying to cut down that period."

5.48. The Committee enquired what the findings of the Court of Enquiry in this case were. The witness informed the Committee:

"The court of inquiry was held and had found that Squadron Leader.....was responsible for not cancelling the surplus quantity on the contract but decided that he had exercised his judgment rationally with the information available to him at that time—in other words, at best it was an error of judgement, which did not call for any disciplinary action."

5.49. The Committee note that 585 out of 600 tyres procured for an aircraft at a cost of Rs. 1.14 lakhs turned out to be surplus and had to be auctioned for Rs. 61,000. These tyres were procured on an urgent demand raised after a review of requirements carried out in December, 1963, but were found to be surplus as a result of another review carried out a year thereafter. A further surplus of another lot of 228 tyres has also come to light as a result of subsequent review of the stock position conducted in January, 1968. All these ——— that the procurement of these items was

not done on a realistic assessment of requirements. It was explained during evidence that assessments of requirements of spares for aircraft are based on past consumption data as modified by a 'forecast factor' determined with reference to the future plans for flying operations. The recurring surplus disclosed in this case coupled with the erratic consumption of this item over the last five years varying from 600 to 21 indicate that either no systematic plan for flying operations was drawn up for this aircraft or that procurement was undertaken without regard to such plans. The Secretary, Ministry of Defence, himself stated during evidence that the results of various provisioning reviews carried out in this case were "somewhat confusing" and that "if the provisioning is more systematic these confusing results would not have arisen." The Committee would like Government to examine how best the existing system of provisioning in respect of aircraft can be systematised by evolving realistic 'forecast factor', so that costly and wasteful accumulation of inventories does not occur.

#### *Brushes*

5.50. The Committee desired to know whether the Court of Inquiry had completed their investigation into this case and if so, what their findings were. The Ministry stated that the Court of Inquiry, originally convened, had completed their investigations. They had attributed blame to 4 officers, 1 civilian Store Keeper and 1 Airman Equipment Assistant. The proceedings were examined by the Directorate of Personnel Services who recommended that the Court of Inquiry should be reconvened to collect further evidence on certain aspects. Accordingly the Court of Inquiry was reconvened. The additional findings of the Court of Inquiry reiterated the earlier findings. Suitable disciplinary action had been taken against the officers held responsible for the various lapses.

5.51. In reply to a question whether the proposed transfer of 35,000 brushes to the Army had since been effected and what action was proposed to be taken to dispose of the remaining 6,553 brushes, the Ministry have stated that these brushes were transferred to the Army in October, 1967. At present the Air Force had 5,436 numbers in stock. The requirement of the item, taking into consideration the intake of airmen upto December, 1968 was 1,526 brushes. However the anticipated future requirements of the Air Force for this item were being worked out by Air Headquarters afresh in the light of the intake figures of airmen for 1969. Simultaneously, all the Command Headquarters had been instructed by Air Headquarters that all units under them should complete their establishment of this item as per authorised scale. After the required information was collected from the various Air Force Commands, appropriate action would be initiated by Air Headquarters.

5.52. The Committee note from the Report of the Court of Inquiry that they found the state of maintenance of the stores records to be unsatisfactory. Their findings in this respect are reproduced below:

"P.C.R. Card Index Registers are required to be maintained..... This index register is a very important provisioning document. Although the P.C.R. Cards bear old serial numbers, P.C.R. Card Index Registers for the period prior to July, 1964 are not available. In July, 1964, a P.C.R. Card Index Register was opened....with the intention of indexing all the P.C.R. Cards in the section. This register should have been completed. Many P.C.R. Cards of vocabulary sections...handled by...bear endorsement of serial numbers which should have been allotted from this July, 1964 index register for which other volumes might have been opened. These are not available now. In June, 1966 another register was opened without any cross reference to the previous register. It appears that no effort was made to coordinate June, 1966 index register with the July, 1964 register. At the time of opening the index register in June, 1966, and also during the later period proper instructions were not given. No supervision was carried out in the maintenance of this index register. It was left entirely to the discretion of the various provisioning clerks....P.C.R. Cards have been registered twice in the register June, 1966 and in number of cases two sets of serial Nos. have been given to the P.C.R. Cards. It appears that pages from this register wherein section...Cards might have been registered are torn away from the register presumably by the Posting Clerks. The total numbers of sheets opened for each P.C.R. Card are also not given in this register. This reveals complete lack supervision in opening and maintenance of the P.C.R.C. Index Register in the period following June, 1966."

"Subsequently another P.C.R.C. Index Register was opened sometime in September, 1967 under instructions from DDE-9. No effort was made at the level of ADE-4 Officer Supervisor Prov. Cell and the Prov. Cell to bring to light the existence of previous P.C.R.C. Index Register and to coordinate this new register with the old ones and also to maintain this as per instructions."

"P.C.R. Card for item....Brushes Engine Cleaning was registered....in the index register opened in July, 1964, and it had seven sheets. Out of these seven sheets, only the seventh sheet is available now. Sheet Numbers 1 to 6 are missing. Some of the sheets opened after sheet No. 8 are also missing. One of these subsequent sheets appears to be fake. Out of 48 lines, only nine lines record entries and even out of these nine entries, seven appear to have been



5.54. The Committee observe that over-provisioning to the tune of Rs. 1.45 lakhs occurred in this case due to omissions on the part of the staff entrusted with the maintenance of stores records. A Court of Inquiry which investigated the case found "very important provisioning documents" for certain periods to be not available and some of the entries in the available records "to be fake". The Court of Inquiry also pointed out that the staff did not have adequate training or experience in provisioning procedures and that adequate supervision was lacking. They suggested that the question of improving the system of stores records should be considered and adequate training provided to the staff. The Committee trust that Government will examine the situation in regard to the state of stores accounts in other Depots having large holdings, to ascertain whether there are similar shortcomings in those depots and how best they could be remedied through better training, closer supervision and rationalisation of the system of accounts and procedures for provisioning. The Committee have in their 15th Report (Fourth Lok Sabha) already emphasised the importance to the Air Force of modern technique of stores control and inventory management. The Committee hope these techniques will progressively be adopted in all stores depots.

"Before any individual is employed on provisioning duties, he should be given proper training in the provisioning procedures and system followed at Air Headquarters."

"Only such persons should be employed as A.D.S. or Officer i/c Prov. Cell or Officer i/c Prov. Correspondence who are well versed with the provisioning system and equipment procedures followed at units and equipment depots, and have adequate practical experience of their working."

"A committee should be appointed to examine the feasibility of improving the present P.C.R. Card, reducing its size and redesigning its format so that it could be maintained under Kardex/Visadex or any other similar system considered suitable, till the manual postings of the P.C.R. Cards are necessary."

5.53. The Court of Inquiry made inter alia the following suggestions for improving the situation:

tenance of this P.C.R. Card is not satisfactory."

was not made to trace the missing sheets of this P.C.R. Card. Main- the first sheet of the P.C.R. Card. While doing this adequate effort Serial No. . . in the September, 1967 index register and is recorded as 1965. Sheet No. 8 of this P.C.R. Card has been registered again at cover a period of ten months between March, 1964 and February, made on the same day in the same ink even though the transactions

**Loss due to delay in release of foreign exchange**

**Audit Paragraph:**

5.55. In August, 1963, Air Headquarters placed an indent on the Director General, Supplies and Disposals, for an item of store required to be supplied by March, 1964. The Director General, Supplies and Disposals, concluded a contract in March, 1964, with a firm 'A' for its supply by September, 1964, at a cost of Rs. 2.23 lakhs without any commitment to provide foreign exchange, though earlier, before the conclusion of the contract, the Director General, Supplies and Disposals, based on his past experience, had asked the indenter for release of foreign exchange. As the contractor failed to execute the order, a notice was issued to him on 31st August, 1964, by the Director General, Supplies and Disposals, that the contract was liable to be cancelled at his risk and expense. This notice was also subsequently confirmed on 20th January, 1965.

5.56. In December, 1964, the Director General, Supplies and Disposals, requested Air Headquarters for the release of foreign exchange to the extent of Rs. 1.06 lakhs to enable him to conclude a fresh contract for which tenders had been invited and opened in September, 1964. He further emphasised in January, February, and March, 1965, the necessity of releasing the foreign exchange quickly, as the risk and expense purchase would have to be effected by 31st March, 1965 (i.e. within 6 months of the expiry of the delivery period specified in the contract with firm 'A'), and as the offer on hand was open only up to the end of March, 1965. The foreign exchange was, however, released only on 9th June, 1965, by the Ministry of Defence as there was delay in determining as to which department should release it. (The foreign exchange was, however, not utilised ultimately by the Director General, Supplies and Disposals). The Director General, Supplies and Disposals, after calling for fresh tenders, concluded a contract in September, 1965, with the same firm which had successfully tendered in September, 1964, for supply of the item by 10th March, 1966, at a cost of Rs. 2.79 lakhs when it was too late to operate on the "risk and expense purchase" clause. As a result, Government had to forego recovery of about Rs. 0.56 lakh from firm 'A'.

5.57. The Ministry have stated (January, 1968) that the question of release of foreign exchange to the extent of Rs. 1.06 lakhs was linked with the general policy issue regarding the source from which foreign exchange should be met for Defence indents on normal civil trade and that a decision in the matter was taken only in May, 1965.

[Paragraph No. 12, Audit Report (Defence Services) 1968.]

5.58. The Committee desired to know whether in accordance with the normal procedure it was not the responsibility of the Ministry

of Defence (Air Headquarters) as the indenter to have provided the foreign exchange in this case. The Ministry have stated that under the then existing procedure, in respect of items of the nature required in this case, foreign exchange was not to be released from the Defence quota but was to be found from the commercial allocations. Such release was to be made by the Director General, Supplies & Disposals not because he was the procuring agency but because the Department of Supply got *ad hoc* allocation of foreign exchange for Defence orders. In any case, no release could be made by the Ministry of Defence since they were procuring items from the civil market just like any other consumer.

5.59. The Committee enquired why if that was the position, the Director General, Supplies and Disposals requested the Ministry of Defence to release the foreign exchange and why the Ministry of Defence also ultimately provided the foreign exchange out of its allocation. From a note on these points furnished conjointly by the Ministry of Defence and the Department of Supply, the following position emerges:—

(a) The Director General, Supplies & Disposals informed the indenter in October, 1963, that their past experience showed that the only suppliers of the Store (Firm 'B') manufactured it from imported raw material and that foreign exchange to the tune of about Rs. 75,000 would be required to be furnished by the indenter.

(b) The indenter/Ministry of Defence took the view that as the item was similar to another item supplied by trade and the requirement was small, it should be possible to meet it out of the commercial quota. Hence no release from Defence quota was necessary. The Director General, Supplies & Disposals however, stated that their foreign exchange allotment had already been exhausted and that the Ministry of Defence should therefore have to release the foreign exchange the requirement for which was revised from Rs. 75,000 to Rs. 1.06 lakhs.

(c) The Ministry of Defence again reiterated (March, 1964) their view that the foreign exchange should be procured from the trade quota allocated by the Director General, Technical Development and not from the Defence Ministry's allocation. In the same month, against the tenders received, an order was placed on the lowest tenderer, Firm 'A', 'a new comer' who did not want foreign exchange. The firm could not, however, supply the stores and the order was cancelled on them on 20th January, 1965 at their own risk and cost. . . . . Stand-by tenders against the risk purchase had been invited and opened in the meantime (September, 1964). Only

4 offers were received out of which 3 offers were with import licence assistance and one from the defaulting firm (Firm 'A') was without import licence assistance again but they offered the stores according to their own sample. This offer could not be accepted for obvious reasons. The Director General, Supplies & Disposals had therefore to fall back upon offers with import licence assistance. The indenter was therefore again asked to make available the foreign exchange by 27th February, 1965 or else to withdraw the indent.

(d) As the question of meeting the foreign exchange requirements in such cases was already under reference to the Ministry of Finance, a high level meeting was called by the Secretary (Co-ordination) on 19th February, 1965 at which the following decisions were *inter alia* taken:—

- (i) Whenever the DGS&D negotiates an order on the civil sector on behalf of the Defence Ministry that Directorate should take the assistance of the DGTD's official concerned or of the representative of the authority in-charge of import licensing relevant in the case to persuade the civil sector unit to comply with Defence orders without seeking extra foreign exchange allocation (i.e. by correspondingly limiting the supplies delivered to the civil consumers). Where necessary, it should be pointed out that willingness to use a given allocation of foreign exchange to meet Defence orders would be a factor that would be borne in mind when making allocations in subsequent periods.
- (ii) To the extent that there are specific allocations from the commercial quota for specific commodities, the authorities concerned when being intimated of their sub-allocation out of the commercial quota, would, be required to keep back appropriate amounts which, if ultimately necessity arose, could be made available for the import of such commodities to meet Defence Orders placed on civil industry through the DGS&D.; and
- (iii) The Defence Ministry would release foreign exchange from the Defence allocation for the import of items which are special to Defence requirements.

(e) In view of the decisions taken at the aforesaid meeting, the indenter requested Director General, Supplies and Disposals, Calcutta to arrange for foreign exchange of Rs. 1.06 lakhs from the commercial quota. Firm 'B', who were being allotted Rs. 20 lakhs annually for meeting both civil and defence requirements.

therefore approached to accommodate Air Headquarter's demand. The Firm, however, expressed its inability to do so on the ground that even though the demand for their products, for which they were the only supplies had increased considerably and they were getting less raw materials because of rising costs, their quota of foreign exchange had not been increased. The Director General, Supplies and Disposals consequently returned the indent (May, 1965) for re-submission of a fresh indent alongwith the necessary foreign exchange and DGTD's clearance if the material was still required by Air Headquarters.

(f) As an *ad-hoc* arrangement to meet the immediate requirements, the Ministry of Defence suggested to the Ministry of Finance to place at their disposal an amount of Rs. 1 crore. In pursuance of this request, the Ministry of Finance (EAD) placed at the disposal of the Ministry of Defence in May, 1965 an amount of Rs. 25 lakhs for meeting the requirements of defence orders on civil producers in India. The foreign exchange required in this case was thereupon released immediately against this special allocation.

5.60. The Committee are not happy that it took nearly two years in this case to settle the question of foreign exchange required for certain items of stores indented for by the Air Headquarters. The delay resulted in an extra expenditure of Rs. 56,000. The Committee note that the delay arose mainly because the firm with whom the orders were placed was reluctant to provide the foreign exchange out of its commercial quota though the quota was intended to cover Defence requirements also. This suggests the need for evolving satisfactory arrangements to ensure that where a quota is intended to cover Defence orders also, it is effectively made available for the execution of such orders. The Committee suggest that the matter be considered by the Ministry of Defence in consultation with the Department of Supply and the Director General, Technical Development and a satisfactory procedure worked out in this regard.

#### Non-utilisation/under-utilisation of lands

##### *Audit Paragraph*

5.61. *Acquired land in an abandoned airfield.*—An airfield constructed during the Second World War at a cost of Rs. 84.34 lakhs was abandoned in April, 1946. The assets created at the airfield, except the runways, taxi tracks and roads, were disposed of by public auction in April, 1949, and the lands hired/requisitioned from various agencies were dehired/released during the period 1948 to 1950 leaving a balance of 1,676 acres and 10 gunthas of land (acquired by the Defence Department in 1942—44 at a cost

of Rs. 4.86 lakhs. The land had not been placed under the management of any Defence unit. The Ministry have stated (February, 1968) according to the instructions issued by Government, the Collectors were authorised to grant necessary licences for leasing any available portion of airfield land and the position regarding the extent of land utilised in pursuance of this arrangement is being ascertained.

[Paragraph No. 31(a), Audit Report, (Defence Services), 1968.]

5.62. The Committee enquired why the acquired lands for which there was no immediate use were not placed under the management of the Military Estate Officer or any other Defence Unit and how much of this land was being actually utilised now. The Ministry have stated in reply that the airfield, which was constructed during the World War II, was abandoned in April, 1946. The assets created on the airfield except runways, taxi tracks and the roads were disposed of by public auction in April, 1949. However, the airfield continued to be on the records of the Military Estate Officer. Orders had since been issued regarding handing over of the lands to Military Farms.

5.63. Asked if the question of retention or de-hiring/derequisitioning of this land was considered by the Station Committee and if so, what its recommendations were and the action taken thereon, the Ministry have stated that the Air Commands were asked in November, 1966 to constitute Boards of Officers to make on-the-spot study of all Indian Air Force abandoned airfields in their respective areas and to forward recommendations in respect of each airfield, giving details of the land and assets which were permanently required and those which were surplus to the Indian Air Force requirement. It was decided in January, 1968 to retain only 3 abandoned airfields for the use of the Indian Air Force and dispose of the lands and assets in the remaining abandoned airfields (including the subject airfield) in the best interest of the State.

5.64. The Committee asked why the question of leasing out the unutilised land which was acquired as early as 1942-44 was not considered. The Ministry have replied that in 1946, Government of India had authorised the District Collectors to grant necessary licences for leasing any available portion of any airfield for cultivation purposes in connection with the 'Grow More Food' campaign. Since then, the Collectors have licensed these lands for cultivation purposes. According to the information furnished by the Military Estate Officers, Bombay and Gujarat Circles, the Revenue authorities had realised rent to the extent of Rs. 12,421 upto 1956. No amount has been realised from 1956 onwards.

5.65. The Committee are not happy that the Military authorities should have continued to retain land measuring 1,676 acres acquired in 1942—44 which had ceased to be of use to them as far back as 1946. It was only in January, 1968, that it was decided to dispose of these lands. Even after that no action was taken in the matter. Apparently, after the issue was raised by Audit, it was decided to hand the lands over to Military Farms.

5.66. The Committee would like in this connection to draw attention to their observations in para 1.3 of their Fifteenth Report (Fourth Lok Sabha) where they had stressed the need for a periodical review of the position in regard to acquired lands. The Committee hope that such a review will be made and that land which is not required for Defence purposes will be speedily disposed of.

**Loss of an Air Force plane by fire due to neglect or default**

*Audit Paragraph:*

5.67. In November, 1964, an Air Force transport plane caught fire while being serviced by a Government company and was completely burnt. The accident occurred while a check was being conducted on the jet pack fuel system; the hose to the fuel control unit was being tightened when due to the spillage of fuel over the auxiliary power plant, the plane suddenly caught fire.

5.68. A Court of Inquiry, convened immediately to inquire into the fire accident, found that the methods adopted by the Company's mechanics for carrying out servicing were not proper and held the servicing personnel of the company directly responsible for the accident, which resulted in the loss of the aircraft valued at Rs. 8.80 lakhs. The loss awaits regularisation.

5.69. The Ministry have stated (January, 1968) that the company had taken disciplinary action against the employees concerned and that they have also issued suitable instructions to avoid recurrence of such accidents.

[Paragraph No. 18. Audit Report (Defence Services), 1968.]

5.70. The Committee desired to know what precisely were the arrangements made by the Indian Air Force with the Hindustan Aeronautics Limited for servicing the aircraft and whether these arrangements had been incorporated in any contract or agreement with Hindustan Aeronautics Limited. In a note on this point, the Ministry have stated that Messrs Hindustan Aeronautics Limited are responsible for carrying out second line servicing of packet aircraft which includes 150 hours periodic inspection of packet airframe as also the servicing of the jet pack, if installed on the aircraft. The servicing of the packet aircraft in question is not covered by any particular contract but is entrusted to Hindustan Aero-

nautics Ltd. on the authority of a Government letter dated 1-7-1960, as extended from time to time.

5.71. To a question whether under the existing arrangements Hindustan Aeronautics Limited were responsible for the safety of the aircraft, the Ministry have stated in a written note: "The responsibility of Hindustan Aeronautics Limited has not been specifically defined. The contention of Hindustan Aeronautics Limited, however, is that they can accept responsibility for accidents only if aircraft can be insured and insurance premium refunded to them as part of overhaul cost. In line with the general policy of the Government, no such insurance is taken. Moreover, aircraft in operational bases are not insured by Life Insurance Corporation. Hindustan Aeronautics Limited have also pointed out that during the last ten years there have been only four other cases of loss and the total amount involved in these four cases was Rs. 11,701, which would show that all reasonable precautions are taken by them."

5.72. From a statement showing the recommendations of the Court of Inquiry ordered into the case and the action taken thereon, the Committee find that one of the recommendations of the Court of Inquiry was that the terms of contract between the Indian Air Force and the Hindustan Aeronautics Limited be examined to determine whether the whole or part of the cost of damage (Rs. 8,83,062)\* is to be written off against the State. The Ministry have stated that the matter was taken up with Hindustan Aeronautics Limited, who replied that in view of the circumstances under which the fire had taken place, the Hindustan Aeronautics Limited could not be held responsible for the accident and the cost of damage should, therefore, be written off against the State. The Ministry have further stated that the matter is under consideration and the loss has not yet been written off. In order to avoid recurrence of such cases instructions amplifying the existing fire precautions have, however, been issued by Hindustan Aeronautics Limited to their personnel. The need for the formality of entering into contracts with the Hindustan Aeronautics Limited was examined in consultation with the Ministry of Law and it was considered that instead of such contracts, a standard form of agreement between the Government of India and Hindustan Aeronautics Ltd. which should form an annexure to Government letters sanctioning overhaul etc., of Indian Air Force aircraft, engines and other equipment by Hindustan Aeronautics Limited would meet the requirements. The standard form of agreement between Indian Air Force and Hindustan Aeronautics Limited is expected to be finalised shortly.

5.73. The Committee note that the Court of Inquiry have held the servicing personnel of Hindustan Aeronautics Limited directly res-

\*Subsequently amended to read as Rs. 8,33,062.



possible for the accident to an aircraft entrusted to them for servicing which resulted in a loss of as much as Rs. 8.33 lakhs to the exchequer. They further observe that, in the absence of any contract with the Government undertaking defining their responsibility in cases of such accidents, it may not be possible for Government to claim compensation for the loss. The Committee note that Government are now in process of finishing the standard form of agreement to govern the execution of servicing and repair jobs to be entrusted to Hindustan Aeronautics hereafter. While finalising the proposed standard form of agreement with the Hindustan Aeronautics, the Committee would like Government to lay down in precise terms the responsibility of the Hindustan Aeronautics in case of damage to aircraft due to negligence or default on the part of the Undertaking.

**Avoidable outlay on improvements to signal centres for Indian Air Force**

*Audit Paragraph:*

5.74. In 1962, Air Headquarters sanctioned under the Emergency Works Procedure certain works for the augmentation of air-conditioning at 3 Signal Operational Centres; the works were to be taken in hand immediately and completed in the shortest possible period. They were, however, not taken up for execution immediately due to delay in release of foreign exchange for imported equipment and were later abandoned as indicated below:—

Station	Work	Administrative approval		Date of	
		Rate	Cost (lakhs of rupees)	commencement	abandonment
A	Provision of additional condensing unit for air-conditioning . . .	30-7-63	0.64	20-7-64	27-11-65
B	Renewal and augmentation of air-conditioning and provision of allied services . . .	26-9-63	0.36	15-5-64	10-8-65
C	Improvements/modifications to air-conditioning plants with allied electrical and building works	30-11-63	13.26	18-9-64	10-8-65

5.75. In August, 1965, Air Headquarters found that the progress on the works was slow and since new radar installations (sanctioned in June-October, 1964) were being set up in the vicinity, they decided to limit the existing signal centres to stand-by and training roles. Instructions were, therefore, issued in August/November, 1965, to stop the works. In the result, air-conditioning and other equipment costing Rs. 0.86 lakh already procured in stations A and C have become surplus and an infructuous expenditure of Rs. 0.26 lakh was incurred on civil works in station C. Certain buildings (Rs. 0.27 lakh) constructed in station B have also become surplus to requirement.

5.76. The Ministry have stated that at the time of sanctioning the new radar installations in the middle of 1964, the revised role of the existing centres could not be visualised and that the decision to suspend the works was taken later in August, 1965, when it was found that the progress was too slow for existing signal centres to serve any useful purpose once the new radar installations had been completed.

[Paragraph No. 24, Audit Report (Defence Services), 1968.]

5.77. The Committee enquired when tender notices in respect of each of the three works were issued and when foreign exchange for the equipment required for the works was sanctioned. The following information was furnished to the Committee in this regard:

	Station 'A'	Station 'B'	Station 'C'
Tenders issued on . . . . .	3-6-1964	6-4-1964	12-8-1964
Tenders opened on . . . . .	17-6-1964	22-4-1964	10-9-1964
Question of release of foreign exchange taken on . . . . .	13-11-1964	27-11-1964	14-1-1965
Foreign Exchange sanctioned on . . . . .	November, 1965	7-6-1965	21-5-1965

5.78. Explaining the reasons for delay in the release of foreign exchange in this case, the Ministry stated:

"When the works services were sanctioned for the three stations . . . , it was not known that foreign exchange would be required since the necessary stores and equipment were also indigenously available. It was only on receipt of the tenders that it was found that indigenous compressors were much more costly than the

imported ones. Therefore, the necessity arose for obtaining the release of foreign exchange. On account of these circumstances, the proposals to initiate action for the release of foreign exchange were floated by Administration authorities almost one year after approval."

"As air-conditioning is not an authorised item of work under the Works Procedure, the work could have been sanctioned only by the Government of India. This had, therefore, to be sorted out before agreeing to the release of foreign exchange. A decision has since been taken that authorities lower than Government of India can sanction air-conditioning upto Rs. 5 lakhs. Cases involving higher amounts only are to be referred to Government of India in future. It took six to seven months in getting the foreign exchange released in consultation with the Director General, Technical Development, Ministry of Defence, Ministry of Finance (Defence) Air Headquarters and E-in-C's Branch. This much of time was taken in the normal scrutiny of the requirements carried on between different agencies involved in the procedure of the release of the foreign exchange."

5.79. The Committee enquired whether it was not necessary to streamline the procedure in regard to release of foreign exchange for such emergent works. They were informed: "The time which was consumed in obtaining the clearance for the release of foreign exchange was just normal in the prevailing circumstances and no individual or no particular Department was responsible for the delay. No special steps have so far been taken or are proposed to be taken."

5.80. Asked to indicate the extent to which the slow progress in providing additional facilities affected the operational efficiency of the signal units, the Ministry have stated: "The Sector Operational Centre... is the nerve centre of air defence system where minute to minute control of technical air battle is exercised. This effective minute to minute control is carried out by radar equipment for whose 100 per cent efficiency air-conditioning is necessary. Air-conditioning was sanctioned for the Signal Centres in order to ensure 100 per cent efficiency. The delay in execution of works would have affected the operational efficiency of the Signal Units, but in actual practice the operational requirements were met by other existing facilities."

5.81. To a question whether any alternate use had been found for the surplus equipment, the position was explained to the Committee as follows:—

(i) Station 'A'

5.82. Air-conditioning equipment|components costing Rs. 35,100

were delivered by the contractor for being installed along with the main equipment which was to be imported. But since the main equipment was not imported, these components remained uninstalled. A list of these surplus articles was circulated to all priority indentors but no demand had been received so far. A technical team was also formed to recommend disposal of these stores. The Chief Engineer concerned with Station 'A' had been asked to utilise the surplus stores in current/anticipated projects. A sum of Rs. 4,484 was spent for extending plant room and this was being utilised as storage accommodation by the Garrison Engineer.

(ii) Station 'B'

5.83. All surplus stores had since been utilised in other works. However, the buildings constructed at this station were utilised by one of the Units till it was dis-established. After 5th November, 1967, the buildings were not regularly occupied but in between two mobile units were temporarily located. No decision had been taken how these should be utilised.

(iii) Station 'C'

5.84. The contract for compressors was terminated without any financial implications as the works services were abandoned. Building and repair work was completed and electrical and mechanical stores/equipment were received before the order to abandon the work was issued. All E&M stores/equipment had been disposed off/utilised against other works except the following:

Crane C/M 10 ton—One	Rs. 27,335
LT switch-gears—Three	Rs. 19,349
	<hr/>
	Rs. 46,684

At the moment only the crane remained unutilised. A technical team has also been formed to recommend the disposal of these stores. If the technical team was unable to recommend the utilisation of these items in any service installation (Army, Navy or Air Force), the Director General, Supplies and Disposals would notify for the disposal of the surplus items.

5.85. The Committee observe that work costing Rs. 14.26 lakhs was sanctioned between July—November, 1963 under the Emergency Works Procedure for improving the operational efficiency of three signal centres. The work, which commenced between May and September, 1964, was abandoned between August—November, 1965, in view of new radar installations in the vicinity sanctioned in the meanwhile. The new radar installations were sanctioned in June—October, 1964, by which time work on these three signal centres had

either not started or, having started was in the preliminary stages. Besides, the proposal for these new installations would have been under consideration for some time before these were actually sanctioned. The Committee fail to understand why in the circumstances, instructions could not be issued for immediate cessation of work on these signal centres. The failure to do so rendered an expenditure of Rs. 1.39 lakhs incurred on these centres on purchase of air-conditioning and other equipment (Rs. 86,000), Civil works (Rs. 26,000) and on construction of certain buildings (Rs. 27,000) infructuous/avoidable. The Committee would like Government to investigate whether there was any failure by the authorities concerned in effecting coordination.

5.86. Another point calling for comment is the delay in release of foreign exchange for this work. The proposal for release of foreign exchange was initiated "almost one year" after administrative approval of the work and it took another "six to seven months" to get release of foreign exchange. It is surprising that the Ministry of Defence should consider this time-lag to be "just normal" for work which, on their own assessment, constituted "the nerve centre of the air defence system." The Committee would like Government to consider what procedure should be devised for eliminating such delays in the release of foreign exchange for emergency operational works.

**CHAPTER VI**  
**BUDGETARY CONTROL**  
**Budget and actuals**

*Audit Paragraph:*

The table below compares the expenditure incurred by the Defence Services in the year ended March, 1967, with the amounts authorised by the Parliament to be spent during the year:—

	Voted	Charged (Crores of rupees)	Total
<hr/>			
Authorised to be spent—			
Original . . . . .	968.48	0.22	968.70
Supplementary . . . . .	35.02	..	35.02
Total . . . . .	1,003.50	0.22	1,003.72
Actual expenditure . . . . .	974.77	0.07	974.84
Net shortfall . . . . .	—28.73	—0.15 (Percentages)	—28.88
<hr/>			
Net shortfall as percentage of total provision . . . . .	2.9	68.2	2.9
<hr/>			

6.1. The net shortfall of Rs. 28.73 crores in the voted grants was made up of—

- (i) Unutilised provision, totalling Rs. 28.82 crores, in four grants—three Revenue Grants viz., 'Army' (Rs. 15.63 crores), 'Navy' (Rs. 1.05 crores) and 'Air Force' (Rs. 4.18 crores) and one Capital Grant, viz., 'Capital Outlay' (Rs. 7.96 crores). Out of the unutilised provision, an amount of Rs. 5.85 crores under 'Capital Outlay' was surrendered in February, 1967, and another amount of Rs. 13.75 crores (Revenue Grants—Rs. 11.92 crores and Capital Outlay—Rs. 1.83 crores) on the 31st March 1967.
- (ii) Excess expenditure of Rs. 0.60 crore under one Revenue Grant viz., 'Defence Services, Non-Effective', which requires regularisation under Article 115 of the Constitution.

[Paragraph No. 1, Audit Report (Defence Services) 1968.]

6.2. From the figures of Budget Estimates (including Supplementary Grants) and actual expenditure during the last five years furnished to them by Audit, the Committee observe that there was an overall saving of Rs. 146.29 crores during this period, out of which the saving in capital expenditure alone was about Rs. 80 crores. The year-wise break-up of saving is as follows:—

	(Rs. in crores)
1962-63	28.21
1963-64	43.06
1964-65	45.53
1965-66	0.62
1966-67	28.87
Total	146.29

6.3. The Committee desired to know whether Government had analysed the reasons for such large savings in revenue as well as capital expenditure during this period and taken steps to ensure that budgeting was made more realistic. The Defence Secretary stated in his evidence that they had been trying to have as accurate a budget as possible but there were certain factors which it was difficult to foresee. One of the handicaps was that the budget proposals were framed six months before the beginning of the financial year and 18 months before it ended. It was, therefore, very difficult to forecast accurately certain items of expenditure particularly those connected with stores purchases abroad and also increases in allowances etc., that were given from time to time during the course of the year. Moreover, the strength of the armed forces was difficult to establish at a particular stage as certain proposals were put up by the Services as a matter of urgency. He added:—

“I think 1962-63 and 1963-64 figures you will have to take with certain amount of magnanimity, if I may say so, because those were the years where under pressure of urgency and emergency expenditure soared and anticipated expenditure was put at somewhat high figure. Actually the availabilities of materials etc., and also raising of troops was not to the extent that it was anticipated and, therefore, there were heavy shortfalls in expenditure. But I think, if you consider the figures of percentage of shortfalls you will find in 1962-63 it was 5.28 per cent; 1963-64—4.76 per cent; 1964-65—5.97 per cent; 1965-66—0.10 per cent and 1966-67—2.88 per cent. On the whole, I think, our

efforts to keep the expenditure within the forecast that we make have been bearing fruit. I think we will continue to do so. Actually, in these matters what I find is generally it is the similar failures, same types of omissions, same types of difficulties that arise every year and all that we can do is to get wiser by experience and proceed on the basis of averages of the last few years. That average is useful if the expenditure pattern has settled down and I think it is now settling down after the initial 3 years of uncertainties. Even now, as I said, certain factors will continue to give us trouble particularly, imports from abroad and then delivery of materials in the country according to scheduled time and thirdly, also presentation of bills within the financial year."

6.4. To a question whether, in the matter of Defence, they considered slight over-budgeting better than under-budgeting, he replied:

"We err on the side of excess than caution because we would like to get as much as possible."

6.5. To a further question whether considerable over-budgeting was not likely to starve other Departments, the Defence Secretary stated that 2 per cent over-budgeting was not likely to make much difference to the other Departments.

6.6. On its being pointed out that while an element of uncertainty was unavoidable in matters of Defence, a shortfall of 2 to 3 per cent actually meant a saving of Rs. 29 crores, which was quite substantial, the Defence Secretary stated—

"Actually if you would look at the figures more closely, you will find that even though the shortfall over the budget is 2.9 per cent, we took care to surrender certain amounts which were not likely to be spent and ultimately the shortfall works out to less than 1 per cent."

6.7. Asked to state when this money was surrendered, he stated that the first surrender was in February and the other on the last day of the year. When the Committee pointed out that that was too late to permit utilisation of funds for other projects, he replied:—

"I would like to point out that the progress of expenditure in the first six months which is normally available at the time of preparing the revised estimates does not give a



correct idea of the trend of expenditure. You get the correct idea only after the nine monthly figures are known and these figures are known only about the middle of February or end of February."

6.8. Asked whether any steps were being taken to rationalise the procedure for budgeting so as to make the figures of estimates more realistic, he stated:—

"Actually I had a meeting with the Vice Chiefs of Staff only last week with a view to eliminating or reducing the incidence of certain factors which are operating towards upsetting the budgetary calculations. I had another meeting with a view to issuing instructions in order to ensure that these irregularities which have been noticed in the Audit Report do not happen or happen as few as possible and secondly that our budgeting is more accurate."

6.9. In a written note furnished to the Committee, the Ministry have stated that the question of large savings for the last five years has been analysed with special reference to continued shortfalls under Capital Works. The main reasons for shortfalls under Capital Works were the uncertainty regarding the final location of the Units, some delays in issue of final sanction of Works, non-availability of land in time, unavoidable delays in conclusion of contracts and surrenders in respect of agency works entrusted to CPWD etc. On the revenue side, the shortfalls were mostly in respect of stores. Though every effort was made to frame the estimates on a realistic assessment of materialisation of stores, accuracy was difficult to achieve due to multiplicity of factors, such as location of the sources of procurement, large number of contracts, and the nature of negotiations, delays in conclusion of contracts and materialisation of supplies especially in respect of warlike stores. These matters were under constant review and the various assumptions made at the Budget stage on the basis of known facts then available were corrected with reference to the information available later at the various stages of Budget reviews. Ways and means to improve budgeting of Capital expenditure were under review.

6.10. The Ministry have also stated that the increase in powers to sanction works under the normal works procedure delegated to the Lower Commanders recently would reduce the time-lag in the issue of sanctions which was one of the causes for shortfalls of expenditure under Capital Works.

6.11. The Committee note that the shortfall in expenditure in relation to the total voted Grants amounted to 2.9 per cent during the

year 1966-67 as against 0.1 per cent in the previous year. The short-fall under charged items was 68.2 per cent as against 61.9 per cent in the previous year. The Committee note that, in pursuance of the observations made by them in their 19th Report (Fourth Lok Sabha), instructions have been issued by the Ministry for processing expeditiously all works accepted for inclusion in the Budget Estimates and avoiding delays in according Government sanction at all levels as also in payment of bills. The Committee hope that these instructions will be implemented, so that the expenditure approximates more closely to the allotment.

6.12. The Committee find that the Ministry of Defence surrendered savings amounting to Rs. 5.58 crores in February, 1967, and further savings of Rs. 13.75 crores on the last day of the financial year. The Committee would like to impress upon the Ministry of Defence/Ministry of Finance (Defence) the need to ensure that funds which are not required are not surrendered so late as to preclude their utilisation elsewhere. A careful watch on the progress of expenditure during the course of the year should be kept so that the amounts which are not likely to be utilised during the year are surrendered well in time.

### Supplementary Grants

#### *Audit Paragraph:*

6.13. Supplementary grants of Rs. 35.02 crores obtained during the year included Rs. 23.24 crores and Rs. 6.43 crores for 'Army' and 'Air Force' Grants respectively, nearly two-thirds of which remained unspent.

[Paragraph No. 2. Audit Report (Defence Services), 1968.]

6.14. The data in the Appropriation Accounts (Defence Services), 1966-67 would show that in respect of Grant No. 5—Army, there was a saving of Rs. 15.63 crores which represented nearly two-thirds of the supplementary grant of Rs. 23.24 crores obtained in March, 1967. A sum of Rs. 9 crores was surrendered on the 31st March, 1967.

6.15. Similarly, in respect of Grant No. 7—Air Force, of the utilised provision of Rs. 4.18 crores, of sum of Rs. 2.06 crores was surrendered on the 31st March, 1967, though a supplementary Grant of Rs. 6.43 crores had been obtained earlier in the same month.

6.16. In regard to the first (i.e., Grant No. 5) the representative of the Ministry explained during evidence that out of the supplementary grant of Rs. 23.24 crores, a sum of Rs. 16.08 crores, was asked for to cover "Pay and Allowances" (including pay and

allowances of civilians) because of the sanction of dearness allowance at higher rates subsequent to the passing of the Budget and a sum of Rs. 7.15 crores was asked for "Manufacturing Establishments". The amount under the head "Pay and Allowances" was actually spent; in fact, there was an excess of Rs. 2.05 crores. However, under the head "Manufacturing Establishments" there was a saving of Rs. 5.25 crores because materials which had been ordered did not arrive.

6.17. The witness further stated that the saving under Grant No. 7—Air Force was mainly under stores. A sum of Rs. 6.43 crores was asked for to meet additional expenditure under "Charges in England" as a result of devaluation and larger materialisation of supplies. These additional funds to the extent of Rs. 4 crores became surplus on account of reduced requirements of stores.

6.18. To a question when the Supplementary Demands were prepared, he stated that they were got ready and printed along with the budget estimates as usual in January, 1967. As it happened to be an election year and the lame duck session of the outgoing Lok Sabha was not held, the Supplementary Demands were presented to the new Lok Sabha in March, 1967. On its being pointed out that in that case there was enough time to have a final check before the Supplementary Demands were presented, the Defence Secretary stated:—

"The point made is very valid. I do not know whether we did have that exercise. But my impression is that the Supplementary Demand was sent to the Finance Ministry by early January. Subsequently, I think it was decided not to change it.

Actually, during the period of one month or more, it should be possible to have a little more accurate assessment."

6.19. In a note on this point, furnished to the Committee, the Ministry have stated that the Supplementary Demand was first forwarded to the Ministry of Finance on 23rd January, 1967. Under the existing procedure, after the Revised Estimates were finalised and Supplementary Demands were presented, the last budgetary review was undertaken only at the modified Appropriation Stage. This last appreciation was generally received from the various Branches between 10th to 15th of March. Normally by this time, the Supplementary Demands would have been passed and there would hardly be a chance of having another look at the Supplementary Demands. The feasibility of recasting the Supplementary Demands on the basis of later review at the Modified Appropria-

tion Stage was examined very recently by the Ministry of Finance and they had intimated that there was no serious objection in principle to such a course of action. It was, therefore, decided to re-appraise Supplementary Demands if, before they are passed a re-appraisal at the Modified Appropriation Stage indicated the possibility of a substantial saving.

6.20. The Committee are glad to learn that the Ministry of Defence, have, in consultation with the Ministry of Finance, undertaken to re-cast the Supplementary Demands in case a review made at the Modified Appropriation stage indicates the possibility of substantial savings. They hope that this step would go some way towards ensuring that Supplementary Demands reflect the correct requirements of funds.

M. R. MASANI,

*Chairman,*

*Public Accounts Committee.*

NEW DELHI;

April 10, 1969.

Chaitra 20, 1891 (Saka).

## **APPENDIX I**

**(Vide para 1.47)**

### ***Details of measures taken to improve provisioning procedures in the Air Force***

- (i)** With the introduction from 1st February, 1967 of Forward Supply System at all units, holding of spares in the flight lock-ups has been eliminated. Issues of stores are now made across the counter against actual requirements. On the basis of such issues, replenishments of stocks are obtained from the depots, which provide a true consumption data for provisioning. This system would ultimately help to relieve the user sections from carrying large inventories which, in turn, lead to a shorter inventory in the I.A.F.
- (ii)** A system of checks and counter-checks at various levels has been introduced to ensure accuracy in provisioning. It has been decided to carry out 100 per cent check of provisioning reviews at various stages before submitting the draft indents to Government for approval. Indents are required to be sponsored at specified levels depending on the cost.
- (iii)** For better co-ordination, Equipment and Technical Staff have been made to sit next to each other to enable them to discuss various problems, thereby reducing the inter-sectional notings and movement of files. Similarly, at policy level, a joint approach is ensured for all maintenance problems.
- (iv)** Reduction in pipe-line and delays in provisioning has been effected by authorising despatch of repairable rotables to repair agencies by quicker means to reduce turn-round time and thereby reducing the need for fresh imports. Formation of Overhaul Spares Depots alongside the repair agencies will reduce the pipe-line between the Overhaul Spares Storage Unit and Repair Agencies in addition to reducing the timelag between actual consumption and provisioning reviews.
- (v)** High Value Control System with the aim of selective high-value management to control centrally, high value

items for better supply capability as also to reduce expenditure wherever possible, has been introduced in the IAF. This system applies to high value items selected by Air Headquarters.

- (vi) Special procedure for control of issue, movement and repair of rotables (item which can be repaired and put back into service), which are quite costly, has been evolved. Floats of these items authorised for repair agencies and consumer units have been laid down to control holdings at various levels.
- (vii) An analysis is in progress to determine the fast moving items. Cards pertaining to such items would be marked with a distinctive colour code and reviews of such cards would be done once a month or so, so that continuous replenishment action can be undertaken without waiting for the normal review cycle.
- (viii) Consumable stores called 'C' class stores cost very little as compared to rotables. Their periodicity of review has, therefore, been changed from 6 months to 1 year so that more attention can be focussed on review of rotables.
- (ix) A Cell has been formed in Air Hqrs. for catalogueing all the equipment in use in IAF to provide standard catalogue of stores for reference purposes. Proper catalogueing will not only help in standardisation of various stores, it will also assist in easy identification of items and in establishing common items and thus decreasing incorrect or duplicate holdings.
- (x) A Committee has been formed within existing resources to compile a Manual of Provisioning, codifying provisioning instructions issued from time to time. With the completion of this Manual there will be a systematic book covering various activities relating to provisioning.
- (xi) It has been decided to adopt commercial practice, for provisioning purposes by No. 30 Equipment Depot, with suitable modification (in respect of Super Constellation Aircraft and Wright Cyclone Engines). The detailed procedures to be adopted by No. 30 E.D. for this purpose are under active consideration. Based on the experience gained, the feasibility of constituting Local Provisioning Committees for other equipment Depots will be considered.

- (xii) The question of introducing mechanisation for speedy processing of inventory control data at Air Headquarters is also under consideration of Government.

## APPENDIX II

(Referred to in Para 2.3)

### PART I

*Components of Shaktiman trucks to be manufactured in Ordnance factories with foreign collaboration*

Sl. No.	Component and Cost	Date of collaboration agreement	Date of establishment of indigenous manufacture		Remarks
			Anticipated	Actual	
1	2	3	4	5	6
1	Gear Box (Rs. 1,792)	April, 1962	March, 1964	July, 1964	Production in first year was 30 per month which was increased in the next year to 50 per month. Production in the Ordnance factory could not meet the full requirements and as such imports continued.
2	Universal Joint (Rs. 943)	June, 1962	May, 1965	Dec., 1967	According to the collaboration agreement all information and technical data were to be Supplied by September, 1962. These were received in German language in October, 1962, and in English in February, 1963.  Orders were placed for plant and machinery in March, 1964, for forgings, in November, 1964,



1	2	3	4	5	6
					and for special types of jigs and tools in August, 1966.
3	Crank Case (of Axle Assembly) (Rs. 1,355)	Sept., 1958	May, 1965	Not yet established.	29 machines received in March, 1964—December, 1966, are lying idle for want of fixtures which are still to be supplied.
4	Cylinder Head (of Engine Assembly) (Rs. 621)	Sept., 1958	May, 1965	Do.	7 Machines received in August, 1964—March, 1967, are lying without use for want of fixtures which are awaited from the suppliers.

## PART II

*Components of Shaktiman trucks to be manufactured by Trade or in Ordnance factories with forgings received from Trade*

Sl. No.	Component and Cost	Date of establishment of indigenous manufacture		Remarks
		Anticipated	Actual	
<i>Trade</i>				
1	Rubber Pad Mounting (Rs. 117)	June, 1963	July, 1965	
2	Brake Assembly (Rs. 196)	Jan., 1965	April, 1967	
3	Oil Filter (Rs. 119)	May, 1965	May, 1966	
<i>Ordnance Factory</i>				
4	Connecting Rod (Rs. 375)	Oct., 1963	May, 1965	Production in the factory is insignificant and imports continue, the last order having been placed in May, 1967.
5	Camshaft (Rs. 172)	June, 1964	Aug., 1966	

# APPENDIX III

(Vide para 3-10)

Statement of Surplus of Clothing and Necessaries as on 30 Sep. 68 and the Quantities likely to be utilised by 1976

Item	Authorisation (As on 30-9-68)	Held	Surplus	Nov. 68			Feb 69			Nov. 69			Feb 70		
				Likely* to be Condem- ned	Balance of Surplus	Likely* to be Condem- ned	Likely* to be Condem- ned	Balance of Surplus	Likely* to be Condem- ned	Likely* to be Condem- ned	Balance of Surplus	Likely* to be Condem- ned	Likely* to be Condem- ned	Balance of Surplus	Likely* to be Condem- ned
1	2	3	4	5	6	7	8	9	10	11	12				
Shirt Mazri Grey	13,78,171	23,57,222	2,79,931	1,17,817	8,41,334	2,00,025	63,509	2,75,634	35875	3,44,543	14332				
Trousers Drill Khaki	13,89,370	23,67,660	2,79,931	1,17,817	8,39,353	2,08,405	63,915	2,77,874	353074	3,47,342	5732				
Slacks Drill Khaki	2,74,538	4,57,970	1,83,432	2,14,54	1,59,978	41,181	114,797	54,908	59889	68,634	8745				
Blouse Shirt Khaki	6,034	24,828	18,794												
Shirt Short Khaki	6,034	25,028	18,994												
Salwar White	2,33,157	3,67,651	1,54,494	23,315	1,31,179	11,962	90,217	47,619	49508	58,276	8678				
Kamis White	2,33,157	4,31,678	1,98,521	23,315	1,75,206	14,973	1,12,224	46,619	93625	58,276	35349				
Shorts Light Blue	1,33,498	1,83,183	49,685	6,675	4,3010	10,012	32,098	11,350	19648	16,687	2961				
Trousers Light Blue Grey	21,996	39,174	17,178	2,860	14,318	4,290	1,0028	5,720	4308	7,150	2842				
Shirt Light Blue Grey	1,44,190	1,95,372	51,192	7,210	43972	10,815	33157	14,420	18737	18,025	7121				
Blush Shirt Cell Khaki	2,74,538	3,89,008	1,14,470	15,472	97938	24,708	73200	32,944	40346	41,180	834				
Shoes Canvas White	76,650	1,21,488	44,838	9,198	35610	13,797	21843	18,396	3447	22,995	19548				

\* Based on annual strength of cadets as on 30-9-1968, also includes the authorised 20 per cent reserve.

\* Based on the percentages of wastages as shown in the next sheet.

1	2	3	4	5	6	7	8	9	10	11	12
Shoes Canvas Brown	7,26,553	8,47,540	1,20,987	1,59,842	38855	..	..	..	..	..	..
Canvas Brown	1,45,968	1,94,158	48,590	13,101	35489	19,651	15838	26,202	10364	..	..
Socha Cotton Khaki (Boys)	2,80,572	2,84,859	4,287	25,251	20964	..	..	..	..	..	..

*Percentages of Wastages*

Item	Average of percentages condemned by Boards held in Nov 67 and Feb 1968	Assumed percentage for condemnation in Nov. 68	Assumed percentage for condemnation in Feb. 69	Assumed percentage for condemnation in Nov. 69	Assumed percentage for condemnation in Feb. 70
Shirts Mazri Grey	10	10	15	20	25
Trousers Drill Khaki	10	10	15	20	25
Slacks Drill Khaki	10	10	15	20	25
Blouse Shirt Khaki Skirt Short Khaki Salwar White	10	10	15	20	25
Kamiz White	10	10	15	20	25
Shorts Light Blue Grey	5	5	7½	10	12½
Trousers Light Blue Grey	18	18	19½	26	33½
Shirts Light Blue Grey	5	5	7½	10	12½
Bush Shirt Cell Khaki	6	6	9	12	15
Shoes Canvas White	12	12	18	24	30
Canes Brown	9	9	13	18	..
Socks Cotton Khaki (Boys)	9	0	..	..	..

*List of surpluses and their value as on 30th September, 1968.*

Sl. No.	Item	Q'y. Surplus	PV Rate	Total Value
			Rs.	Rs.
1	Shirt Mazri Grey	9,79,051	6·17	60,40,744·67
2	Trousers Drill Khaki	9,78,290	8·99	87,94,827·10
3	Slacks Drill Khaki	1,83,432	9·57	17,55,444·24
4	Blouse Shirt Khaki	18,794	9·14	1,71,777·16
5	Skirt Short Khaki	18,994	7·96	1,51,192·24
6	Salwar White	1,54,494	5·71	8,82,160·74
7	Kamiz White	1,98,521	4·85	9,62,826·85
8	Shorts Light Blue Grey	49,685	8·97	4,45,674·45
9	Trousers Light Blue Grey	17,178	11·99	1,92,221·82
10	Shirt Light Blue Grey	51,182	11·44	5,85,522·08
11	Bush Shirt Cell Khaki	1,14,470	9·14	10,46,255·80
12	Shoes Canvas White	44,838	4·17	1,86,974·48
13	Shoes Canvas Brown	1,20,987	4·12	4,98,466·44
14	Canes Brown	48,590	1·38	67,054·20
15	Socks Cotton Khaki	4,287	1·06	4,544·22
				<b>2,17,85,635·47</b>

#### APPENDIX IV

*Summary of main conclusions/recommendations (referred to in para 4 of Introduction)*

S. No.	Para No. of Report	Ministry/Department concerned	Conclusions/Recommendations
1	2	3	4
1.	1.4	Ministry of Defence/ Deptt. of Defence Production	<p>The Committee recognise that for various reasons the country will stand committed to a substantial outlay on the Defence effort in the years to come. This lends importance all the more to the necessity to plan the outlay judiciously and economically. The Committee would like to commend in this connection the following lines of approach:</p> <p>(i) The Armed Forces will have to be provided with greater fire power and the equipment policy in this respect will have to take note of the rapid changes in technology that are occurring. However, before new equipment is accepted for use, it will be necessary to recognise that it will have to be tested intensively in Indian conditions and that the forces will have to be trained in its use.</p> <p>(ii) Equipment for the Armed Forces is not to be viewed as an item in itself: it is part of a system. Before its addition to the armoury is considered, it will have to be</p>

examined whether it will add to the complexity and cost of maintenance. A multiplicity of types will undoubtedly complicate the problem of maintenance.

(iii) The provision of new types of equipment will have to take into account the need to provide a ready bank of spares, based on a realistic assessment of requirements as also the need to train the maintenance staff thoroughly in repair and maintenance jobs.

(iv) Before new equipment is introduced, there should be a careful examination of its merits *vis-a-vis* existing equipment and of its suitability for tasks ahead in the light of existing knowledge and expertise. Equipment which may cease to be considered suitable for frontline troops may have to be kept in reserve for Reserve Forces in the secondary sectors which may have to be mobilised in an emergency.

(v) Rationalisation of demand and standardisation of somewhat similar articles required by different Services might help to make the programme of production economic.

1	2	3	4
2.	1.8	Ministry of Defence/ Deptt. of Defence Production	The foregoing consideration illustrate the need for an integrated approach to the problem of equipping the Armed Forces. The experience of some other countries indicates that such an approach to problems has been considerably facilitated by the introduction of the Planning-Programming-Budgeting system. The Committee would like it to be examined how such a system could be of assistance in effecting better coordination and implementation of Defence plans.
3	1.12	Ministry of Defence/ Finance (Defence)	The Committee cannot too strongly emphasise the need to effect economies in Defence expenditure consistently with the requirements of security. While they are happy to learn that economies of the order of Rs. 52 crores were effected last year, they are of the view that a systematic exercise will have to be conducted covering distinct areas of logistics management in a phased manner. The aim should be producing in the country what we need, buying what we cannot produce, "buying at the lowest sound price" and "reducing operational costs". The Committee would like in this connection to commend the suggestions made in the Report of the Team of Officers who visited the United States of America for the introduction of a phased programme of cost effectiveness. For this purpose, it is imperative that training facilities in different branches in management and cost effectiveness techniques are suitably and speedily augmented.
4	1.13	Ministry of Defence/ Deptt. of Defence Production	A basic factor in any cost effectiveness programme would be computerisation. The Committee would like the Ministry in this

connection to expedite progress on the pilot project study on inventory control through electronic data processing system which was introduced in the Central Ordnance Depot, Delhi Cantt. last year. The aim should be to extend this facility expeditiously to other centres in the light of experience gathered.

5 1.19 -do-

The Committee are glad to observe that both the Ministry of Defence and the Department of Defence Production are alive to the need to make the country self-reliant in the matter of armaments and equipment required by our armed forces. However, as stated by the Defence Secretary, "we have yet to go a long way before it is possible to attain the comparative self-sufficiency which it is possible to attain."

In the Committee opinion, the development of indigenous production of items required by the Armed Forces is a crucial factor in Defence preparedness. There is, therefore, need to pool the production resources available both in Governmental as well as the private sector and to enlist the assistance of skills and capacities that the private sector offers, particularly in the engineering and chemical industries.

6 1.20 -do-

In the Committee's view, this requires the formulation of a carefully prepared industrial mobilisation plan in liaison with the trade and with assistance to Industry to enable them to familiarise themselves with the techniques of production and quality control that would meet Defence requirements.

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1	2	3	4
7	1.21	Ministry of Defence/ Deptt. of Defence Production	No less important is the need to encourage research in indigenous design and indigenous manufacture so that weapons and systems which are suited to Indian conditions are developed in the national interest.
8	1.32	-do-	The Committee feel that appreciable progress has not been made in off-loading to the trade items available in the market at a cheaper price. If production for Defence requirement is to be 'indigenised' speedily, it is essential that sustained efforts should be made to tap the industrial capacity available in the civil sector, more so when that sector has been able to supply successfully critical and sophisticated items required by Defence.
9	1.33	-do-	In this connection, the Committee would like to recall their observations made in their 16th Report (Fourth Lok Sabha) that Government may consider seriously whether items which are available at a comparatively cheap price from the trade and where there is no risk of the supplies falling at a crucial time, may not be obtained from the civil sector. The Committee had then also pointed out that procurement of defence supplies from civil industries in peace time had the added advantage of providing a cushion for increasing the supplies at short notice during an emergency.
10	1.34	Deptt. of Defence Supplies	The Committee note that a Department of Defence Supplies has been in existence since 1965 and has been charged with the task of

encouraging indigenous production of Defence items which are being imported. That Department should pay sustained attention to the question how best the resources available in the civil sector could be tapped in an increasing measure.

11      1.25      Deptt. of Defence  
                                 Production

The Committee also consider that Ordnance factories should concentrate on producing vital and critical items for which capacity is either not available or cannot be established in the civil sector for various reasons, leaving it to the trade to supply common user items for civil and defence purposes.

12      1.42      -do-

The Committee can hardly over-emphasise the importance of advance planning and programming of production in Ordnance Factories with a view to ensuring utilisation of assets both of men and machines in a most efficient manner. They note that the Department of Defence Production has recently initiated steps in this direction in the light of the recommendations made by a Study Team which was set up in pursuance of the recommendations contained in the Sixteenth and Nineteenth Reports of Public Accounts Committee last year.

13      1.43      -do-

The Committee would like in this connection to draw attention to their observations in their Fifty-Second Report (Fourth Lok Sabha) where they have suggested that while allocating the workload the production cost factor should be kept continuously in view. Better programming could be achieved by the use of computer facilities which have been made available to the Director General, Ord-

nance Factories in 1964. It is also essential that sustained efforts should be made to achieve quality control and minimise rejection occurring at present on a fairly large scale both during production as well as in the course of inspection.

The Committee are not happy that such gross over-provisioning should have occurred. As would be evident from the findings in later section of this Report, there was on the one hand a tendency to overpitch the requirements and on the other hand an omission to collect certain basic data regarding actual consumption/wastage/retrievals as a preliminary to the placing of orders.

Ministry of Defence

While the Committee are fully conscious of the fact that these cases occurred at a time when the security of the country was at stake, they feel that the omission to take certain elementary measures calls for a high level review of the provisioning procedure for the three Services. The Committee, therefore, suggest that Government appoint a Committee comprising of senior officers drawn from the three Services as well as from the Ministry of Defence/Finance (Defence) with a view to laying down proper guidelines for provisioning and for evolving a suitable machinery for keeping a continuous watch on the utilisation of stores so as to ensure that provisioning is done more realistically in future and that wastages are avoided.

**Ministry of Defence  
Deptt. of Defence  
Production.**

The Committee note that in Britain no centralised purchase agency exists and that each Ministry/Department is free to make its own purchases (excluding Aircraft and their spares). Inter-departmental consultations, however, do take place in regard to the purchase of items of a similar nature. While the Committee concede that the existing arrangements for procurement of Defence Stores in India through a centralised agency, viz., the Department of Supply (Director General, Supplies and Disposals), might be of advantage in the interests of economy, they do wish to emphasise that while catering to Defence requirements time is of the essence of the matter. Government should, therefore, devise a machinery which would ensure the procurement of high priority operational items with the least possible delay. The Committee consider that one method of doing this would be to set up a high level standing Committee consisting of the representatives of the Department of Supply, the Ministry of Defence/Finance (Defence), Department of Defence Production and Department of Defence Supplies to act as a clearing house for indents of this nature so that in appropriate cases they could give authority for direct procurement to save time.

**Ministry of Defence**

The Committee observe that as a result of the measures taken by the Ministry during the past year considerable progress has been made in the disposal of surplus/obsolete stores. The Committee, however, find that the value of stores yet to be examined by the Inter-Services Technical Team has doubled from Rs. 3.14 crores as on 30th April, 1967 to Rs. 6.42 crores as on 30th April, 1968. The Committee, therefore, urge the Ministry to pursue vigorously its

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efforts to accelerate the pace of examination and disposal of these stores. So far as the disposal of MT spares is concerned, the Committee would like the Ministry to issue instructions to the Depot Commanders to have them segregated make-wise, expeditiously, so that their disposal is facilitated and better value is obtained.

**18****1-63****Ministry of Defence**

The increasing incidence of surpluses raises a question whether the existing techniques of inventory control and management are effective. The Committee would like in this connection to draw attention to their observations in their 43rd Report about the need to rationalise the existing techniques and to introduce modern methods of provisioning and stores control.

**19****1-66****Deptt. of Defence  
Production/Ministry of  
Finance (Defence)**

The Committee note that substantial economies by way of curtailment in the strength of the gazetted and non-gazetted staff in the Office of the Director General, Ordnance Factories, have been suggested by the Staff Inspection Unit of the Ministry of Finance, but their recommendations have not been found to be workable by the Director General, Ordnance Factories. The question of implementation of the suggestions is, however, stated to be under active consideration in consultation with the Director General, Ordnance Factories and the Staff Inspection Unit.

20 1-67 -do-

The Committee would like Government to finalise the matter at an early date and effect maximum economy consistently with requirements.

21 1-68 -do-

The Committee further suggest that there should be a standing arrangement whereby the requirements of staff at the headquarters of the Director General, Ordnance factories as well as the production units (mainly ordnance factories) which have not been examined by the Staff Inspection Unit, are periodically examined at a high level to effect all possible economies consistently with the need for maintaining efficient production.

22 2-38 Deptt of Defence Production.

The Committee are not at all happy about the situation that has developed concerning Shaktiman Trucks. They note that there has been a consistent shortfall in the production of Shaktiman trucks in relation to targets fixed. It was stated by the Secretary, Department of Defence Production, that the "practice" has been to fix the targets on the high side, but the Committee observe, that, even after the annual target of production was scaled down in 1967-68 from 1,500 to 1,200 trucks, production has continued to lag behind the target.

23 2-39 -do-

The shortfalls in production have been attributed mainly to defects that developed in certain major components of the truck like piston assembly, gear box and transfer case which are now being indigenous y produced. This situation emphasises the necessity for a strict and continued watch by the Department over the quality of indigenous components and quick and timely action to rectify the shortcomings noticed in these components.

1	2	3	4
24	2.40	Deptt. of Defence Production	<p>The Committee also observe that the pace of indigenous production of components has been rather slow. The imported components used per truck (Rs. 13,466) in 1967-68, about eight years after production was started, accounted for over a fifth of its total cost (Rs. 62,642). In fact, due to periodical set-backs in the programme for indigenous manufacture of components, Government have been obliged to fall back upon imports which, during seven years ending 1967-68, amounted to Rs. 1.31 crores. The Committee would like it to be examined how import substitution can best be speeded up, consistently with the maintenance of quality of the trucks.</p>

25	2.41	-do-	<p>There has been particular delay in the establishment of indigenous production in the ordnance factories of some major components of the trucks like universal joints, crank case and cylinder heads. The Committee observe that a collaboration agreement was executed as early as June, 1962, for the production of universal joints and production was planned from May, 1965, onwards. However, due to various reasons, production was not started till 1967-68 and the components produced are still to be fitted to the trucks. In respect of crank case and cylinder heads, for which collaboration agreements were executed in September, 1958, production is yet to be established, more than three years after the planned date i.e. May, 1965).</p>
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26      2.42      -do-

The Committee would like the Department of Defence Production to ensure that indigenous production is speedily established and that rigorous quality control is maintained so that the parts indigenously produced can be used in the trucks

27      2.43      -do-

Apart from quality control, there is also a compelling need to enforce strict cost control. The cost of a Shaktiman truck as on 18th July, 1967, was Rs. 62,642, as against which the cost of a civil truck procured by the Army was Rs. 51,000. It was stated by the Department of Defence Production that certain of its features make the Shaktiman truck 'superior'. The Committee would like the Department of Defence Production to examine how best the cost of the Shaktiman truck could be brought down through systematic cost control at every stage of production.

28      2.44      -do-

So far as the project for setting up a new full fledged unit in the State Sector for manufacture of Shaktiman Trucks as well as Nissan trucks and patrols is concerned, the Committee would like Government to give careful consideration to the following factors which have a bearing on the economics of the venture: --

(i) According to the information given to the Committee, the proposed unit would be producing 1,100 trucks per month

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so that it could take advantage of economies of scale. The Army's requirement for trucks over the last six years has varied from 5,200 to 9,600 trucks per year. It is, therefore, obvious that production at an economic level cannot be sustained on the strength of demand from Army alone.

- (ii) If the proposed unit is geared to a level of production which demand from Army alone cannot sustain, it will inevitably have to look to the internal and export markets to keep its production going. The internal market is being catered to already by units in the private sector which are at present producing trucks at cheaper cost than the ordnance factories. The unit cannot, therefore, compete with private sector units unless the existing level of cost is proportionately brought down. The scope for such reduction in cost, and the competitiveness of the trucks produced at such reduced costs vis-a-vis trucks produced in the private sector will, therefore, require very careful examination.

(iii) So far as export markets are concerned, the data furnished by the Department about the ex-works prices of both Shaktiman and Nissan trucks show that these prices are at present higher than similar prices of trucks produced in Germany and Japan. Admittedly, there may be a reduction in internal prices if production is established on a larger scale, but it will still have to be considered whether the prices will even then be competitive with those at which the collaborators are at present producing them. The other point is whether the terms of the collaboration agreements leave scope for exports on a scale that would be necessary. Another point no less important is how potential export markets which Government have in view are at present being served and whether the proposed unit will be able to compete with existing suppliers to those markets on equal terms.

187

1	2	3	4
			to execute the work. What is surprising is the fact that a printed brochure given by the firm about various institutions to whom they had supplied gas holders and gas plants on a "laboratory scale" was considered as adequate proof of their capacity to fulfil their contractual commitment.
30	2-59	Ministry of Defence' Deptt. of Supply	The Committee note that the gas plant is stil to be commissioned over four years after the scheduled date of its commissioning. Preliminary trials with the Plant have brought to light defects which the firm has been asked to rectify and Government is, therefore, not in a position to say when the plant is likely to be put into operation. The Committee would like to be apprised of the progress in this regard as also the action taken against the firm.
31	2-60	-do-	One point arising out of the information furnished to the Committee needs mention. Due to non-commissioning of the gas plant, Government have been forced to buy gas from the market. While the cost of production of gas from the gas plant as originally estimated was lower than the price at which gas is being purchased in the market, these estimates were based on certain data regarding the cost of furnace oil and diesel oil which are no longer valid. In

view of the substantial increase in the prices of these oils, it needs examination whether the Plant would be able to produce gas at rates comparable with the market rates

- 32      2-68      Ministry of Defence      The Committee observe that the factory contracted originally for a demand of 14,000 KVA which was later reduced to 5,000 KVA. Even the reduced demand has turned out to be a gross over-estimation of requirements. Over a period of four years ending July, 1968, the payments for electricity on the basis of stipulated percentages of contract demand exceeded by Rs. 8.27 lakhs the charges that would have been payable on the basis of actual consumption. The Committee note that this question of excess payment as well as the payment of certain charges demanded by the Electricity Board at the time of reduction of the contract demand to 5,000 KVA are under discussion. They would like to be apprised of the outcome of the efforts in this regard.
- 33      2-73      Deptt of Defence Production      The Committee observe that due to un-coordinated planning in the matter of provision of housing accommodation for the staff employed in the factory, a Bachelors' Mess constructed at a cost of about Rs. 3 lakhs has been lying un-occupied since October, 1966. The programme for construction of the Mess, which was intended for housing junior officers, was advanced so that it could be used by officers, foreign technicians and other senior staff posted to the factory for installation purposes. Due to a delay of more than 2 years in construction, this objective could not be realised. The ultimate objective of the Mess being used to house officers employed on

production work has also not been realised as there is "surplus accommodation even in residential quarters" that were separately put up and the tempo of production in the factory has been well below the original expectation. The Committee would like it to be examined why the programme for provision of accommodation was not coordinated with the programme of production in the factory. Government should also take steps to ensure that such instances of lack of coordination do not recur.

34

2-88

Deptt. of Defence  
Production

The Committee fail to understand why when the Air Force authorities had clearly indicated in January, 1965 that unheat-treated bombs would not be acceptable to them beyond March, 1965, the Ordnance Factory producing these bombs continued to supply them till, April, 1966. It is regrettable that this should have occurred, particularly as the Factory had by then (December, 1964) developed facilities for heat treatment of bombs which were capable of meeting "the actual requirements of the Air Force almost fully." The Air Force finally decided in March, 1968 not to accept these bombs in view of the "very large stock" that had by that time accumulated. By that time bomb bodies components valued at Rs. 12.20 lakhs had also accumulated with the Factory. The Committee consider that if prompt action had been taken to stop production of unheat-treated bombs after the requisite capacity for heat treatment was established, it might have been possible to reduce substantially the accumulation of unheat-treated bombs with the Air Force as well

as the factory. The Committee trust that the Department of Defence Production will issue instructions to ensure that such instances do not recur. The Committee also hope that the available bomb bodies will be put to the best possible use.

35      2.101      -do-

The Committee observe that a deficiency in stores to the tune of Rs. 5 lakhs came to light in one of the ordnance factories as a result of stock verification. It is regrettable that physical verification of the stock in the factory was not carried out for two consecutive years, i.e., 1964 and 1965 and that a false report was sent to the Director General, Ordnance Factories that the verification for the year 1964-65 had been done. The Committee note that, though a Court of Enquiry which investigated the case found the deficiencies to be attributable to wrong book-keeping and held no specific individual to be responsible, a fresh Board of Enquiry has since been constituted by Government to investigate the case and pinpoint individual|individuals responsible for the shortage. The Committee would like to be apprised for their findings.

36      2.112      -do-

The Committee desire that in the light of the advice given by the Ministry of Law the Department of Supply should take measures, without further delay, to recover the loss caused to Government through the default of the contractor.

37      2.113      -do-

The Committee note that action is being taken by Government against the officer held responsible for not carrying out proper inspection before passing the logs.

1	2	3	4
38	3-17	Ministry of Defence.	<p>The Committee are surprised that provisioning of uniforms for the National Cadet Corps took place without regard to the fact that there was a consistent shortfall in recruitment every year in relation to the authorised strength. It is also regrettable that, in the course of provisioning, an arbitrary reserve of 20 per cent for "wastage" was provided for without any effort at ascertaining what the actual "wastage data" was. In the result, there has been an accumulation of surplus garments, the value of which amounted to Rs. 1.23 crores allowing for the fact that part of the stock might not be altogether new. The Secretary, Ministry of Defence, himself admitted during evidence that "there had not been a systematic approach to the question of provisioning" in the National Cadet Corps Directorate.</p>
39	3-18	-do-	<p>The Committee note that the Ministry of Defence have since overhauled the system of provisioning to take note of actual enrolments in the National Cadet Corps as also the actual wastage data in respect of uniforms, based on information about their condemnation. The Committee trust that this would help in avoiding the accumulation of surpluses and that the provisioning procedures will be kept under constant review in the interest of economic inventory management. The Committee hope that the Ministry would also pursue vigorously the question of disposal of the surplus stocks which are not likely to be used by the National Cadet Corps in the</p>

near future and arrange to have them transferred to other organisations e.g. the Civil Defence Organisation, the Home Guards, the Central Reserve Police and the Border Roads Organisation.

40      3 52      -do-

The Committee note that till 1961 Parka trousers were being issued on a very restricted scale i.e., to troops on static duties in extremely cold regions. The decision taken in November, 1962, to issue them on a large scale to troops on operational duties at high altitudes, therefore, involved a major change in the policy of provisioning warm clothing. While the Committee are prepared to concede that in the situation then obtaining there was not much time for trials, they are not able to appreciate why adequate follow up action was not taken to curtail the manufacturing programme when the field trials carried out as early as January-February, 1963, revealed that the trousers were "too heavy and cumbersome for all active duties."

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41      3 53      -do-

The Committee further observe that soon after the supplies against the first order were completed (November, 1964), another order for supply of 1.40 lakh pairs of Parka trousers, 1963 pattern, was placed on the Director-General, Ordnance Factories in December, 1964. The Ministry have not been able to furnish to the Committee information regarding the number of trousers actually issued to troops till December, 1964. It is, therefore, evident that this order was placed without taking into account the actual number of trousers issued to troops till then and without ascertaining the position about their actual utilisation.

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1	2	3	4
42	3 54	Ministry of Defence	<p>The Committee further note that when these trousers were issued to troops on a large scale in the winter of 1964-65, it was found that they were "not very popular with troops." A decision was, therefore, taken in February, 1966, to reduce the scale of provisioning from 100 per cent to 5 per cent in pursuance of a suggestion received from the Eastern Command in June, 1965. It is a matter for regret that it took eight months for Army Headquarters to come to a decision after the matter was referred to them by Eastern Command and that in the meanwhile no effort was made to curtail the manufacturing programme for these trousers.</p>
43	3 55	-do-	<p>The Committee hope that the Ministry of Defence will make all possible efforts to put the surplus stock of Parka trousers to the best possible use and to dispose of raw materials which are no longer required. They hope that this case will serve as an eye opener and the Ministry will ensure that in future such instances of gross over-provisioning do not recur.</p>
44	3 76	-do-	<p>The Committee observe with concern that a large number of parachutes valued at about Rs. 7 crores were held in stock in January, 1968. Even after providing for reserves and requirements during the next 2-3 years, it is obvious that there is ample stock of parachutes which is surplus to requirements.</p>

In the Committee's opinion, this situation was caused by the unscientific provisioning policy that was followed. While assessing the requirements in 1962 and 1963, retrievals were taken as 25 per cent of parachutes dropped without testing the accuracy of this assumption with reference to empirical data about retrievals. Even after it became clear in 1964 that retrievals were on a larger scale than assumed, steps to curtail production in the ordnance factories were taken only half-heartedly in stages between July, 1964 and February, 1967. The over-riding consideration apparently was to keep the ordnance factories busy, but this was hardly the best way of doing it. The consequences of the policy followed would be evident from the fact that, apart from surplus parachutes that have accumulated, the ordnance factories had acquired stocks of material's worth Rs. 72.12 lakhs for the production of these parachutes which were rendered surplus to their requirements in May, 1968. Of these, stocks valued at Rs. 28.63 lakhs only have been "earmarked for utilisation or are likely to be utilised." Part of this material (the value of which is yet to be intimated to the Committee) was imported. Apart from the money expended on these stores, the money expended on the staff employed on the production of these parachutes has also largely turned out to be avoidable.

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1	2	3
46	3-78	Ministry of Defence

The Committee would like the Ministry of Defence to assess realistically the number of parachutes rendered surplus and to take expeditious steps for their disposal to civil users before the shelf-life of these parachutes expires. Raw materials which have turned out to be surplus to requirements should also be speedily disposed of. Government should also take the lesson from this case of the need to put provisioning procedures on a scientific basis to avoid costly and wasteful accumulation of stocks.

47	3-79	-do-
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The Committee have earlier in this Report recommended a high level review of provisioning procedures for the Services so that the system could be effectively streamlined. The Committee would like Government to take an early action on this recommendation.

48	3-95	Ministry of Defence/ Deptt of Supply
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The Committee feel that procurement of defective stores that occurred in this case could have been avoided had the India Supply Mission Washington as well as Army Headquarters exercised due care. The indent for the stores was raised on an urgency basis by Army Headquarters in February, 1964 and a contract was placed by the India Supply Mission with a firm in July, 1964. The India Supply Mission were aware, at the time the contract was placed, that similar stores supplied by this firm against an earlier contract had been reported by Army Headquarters to be defective and that the question of acceptability of those stores was under consideration. The India Supply Mission themselves had, in fact, drawn the attention of

Army Headquarters to this position in a communication they sent in February, 1964, on another ordinary indent for these stores on which they had for this reason suspended procurement action. It is, therefore, not clear why the Mission chose to place a contract without specific clearance from Army Headquarters. The fact that the indent in question was "urgent", whereas the one on which procurement action was suspended had been categorised as "ordinary", should have made no difference as the question involved was whether or not the earlier supplies were defective.

49      3 96      -do-

The Committee are also at a loss to understand why Army Headquarters failed to give appropriate instructions to the India Supply Mission, even after the latter had specifically addressed them in the matter in February, 1964. Army Headquarters became aware of the defects in the supplies in December, 1963, i.e. even before the indent for the subsequent lot was placed. They could, therefore, have well instructed the India Supply Mission not to place the orders with the firm till the question of the acceptability of the earlier supplies was settled. In fact, it took Army Headquarters eight months to reply to India Supply Mission's communication on this point and by that time India Supply Mission had already placed the contract.

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The Committee would like both the Ministry of Defence and the Department of Supply to investigate the various lapses that occurred at various stages in this case and to fix responsibility for these.

50      3 107      Ministry of Defence

The Committee are not happy that staff were posted to two hospitals in excess of requirements and without regard to the fact

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			that adequate facilities had not been developed in these hospitals. It has been stated that the staff were kept fully employed, but the Committee observe that the Ministry of Defence themselves expressed the view that they were "not fully satisfied" in this regard. The Committee hope that as a result of instructions issued, it will be ensured that staff are posted to the units in phases strictly "according to work-load, actual or expected, and the availability of facilities."
51	3-114	Ministry of Defence	The Committee note that the ultimate requirement of land in this case is not likely to be for various reasons more than 15 acres as against 684 now under requisition. The Committee trust that the authorities will take speedy steps to derequisition the remaining land as soon as it becomes surplus.
52	3-115	-do-	From the information furnished to the Committee, it is seen that a number of plots of land with the Army and with the Navy are lying vacant at various stations. The Committee would like the question of dehiring/derequisitioning of these plots of land to be speedily settled.
53	3-116	-do-	In their 15th Report (Fourth Lok Sabha), the Committee had drawn attention to certain cases of un-coordinated planning in requisitioning land. They had suggested that every care should be taken to see that land is requisitioned only after the most careful consideration of requirements and that Government should review

the position about utilisation of lands every year. The Committee note that instructions were issued by the Ministry in March, 1967 for a periodic review at various levels of the properties lying vacant for more than six months. These instructions also provided that all cases where property had been lying vacant for more than a year should be referred to the Ministry for a decision whether it should be released or should continue under requisition/hire. Quarterly statements were also required to be furnished by Army/Naval Air Headquarters in this regard. The Committee hope that the new procedure adopted by the Ministry of Defence would be implemented in letter and spirit so as to make sure that requisitioned/hired lands which are surplus to defence requirements are not unnecessarily kept with Government.

The Committee observe that about 17 tonnes of walnuts with estimated shelf-life upto 15th September, 1963, were despatched to the consuming units as late as on 4th September, 1963, and 8th September, 1963, i.e. when their shelf-life had practically expired. Consequently, a major portion of these (10.46 tonnes) were found unfit for human consumption. Another consignment of 3.6 tonnes with shelf-life upto October, 1963, was found unfit for human consumption on arrival at Pathankot on 25th September, 1963. This consignment was despatched by goods train from Delhi on 28th August, 1963, and it took practically a month to reach its destination.

The Committee are left with the impression that due prudence and vigilance were not exercised by the authorities concerned in the provisioning, despatch and supply of walnuts which were prone to quick deterioration.

Besides, it took practically a year for the Army authorities to dispose of the inedible stock. As such items are prone to rapid deterioration, the delay in disposal naturally resulted in further deterioration and consequent loss to Government. The Committee note that Government have, in implementation of an earlier recommendation of the Committee, delegated in October, 1967, authority to G.Os C-in-C to dispose of stocks by sale or auction or by issue of such stocks in lieu of other authorised items in cases where the storage life of the surplus stocks is so short that consumption of such stocks cannot be arranged by inter-depot or inter-Area transfers against normal authorisation. The Committee hope that such delays in disposal resulting in heavy loss to the State would not recur.

The Committee are not convinced by the reasons given by the Ministry for the delay of about four years in ordering an inquiry into the losses. As such inordinate delays are bound to blur the issues, it is necessary that an inquiry, where necessary, should be held promptly to determine the reasons for loss, recommend remedial measures and fix responsibility.

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Ministry of Defence

55 3 125

56 3 126 do-

57 3 127 -do-

The Committee cannot help feeling that the scheme was conceived and executed without a proper determination of requirements or priorities at any stage. The scheme, the cost of which was estimated as Rs. 1.30 crores, was formulated at a meeting of a Board of Officers held between the 9th and 12th June, 1965. The decision at this meeting was that the scheme should cover the development of water resources at station 'X' as well as station 'Y', as the total requirements of water for the Army were estimated to exceed the known resources at station 'X'. However, the investigation of the water resources at station 'X' by the Geologist took place only on 24th June, i.e., after the scheme was formulated. The Superintending Geologist had, after examining this report, suggested that the yield at station 'X' should be tested before proceeding to develop the water resources at station 'Y'. There is, however, nothing on record to indicate that any attempt was made to re-determine the priorities of the work in the light of this suggestion. It is also significant that, after water resources were developed both at station 'X' and station 'Y' for supplying approximately 4 lakhs of gallons a day the actual supply that was made during the four years ending 1967-68 varied from 13,000 gallons a day to 28,500 gallons a day, i.e., about a tenth of the safe yield' of three out of five wells at 'X'. It is also significant that "in spite of effort", the Ministry of Defence have not been able to ascertain what the requirements of water for the Army in this region actually were and how they were worked out. Had the scheme been preceded by a survey and been executed on the lines suggested by the Superintending



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			Geologist, an expenditure of Rs. 59 lakhs incurred on the development of water resources at station 'Y', which have largely remained unutilised, could have been avoided.
59	3 149	Ministry of Defence	<p>It was stated by a representative of the Ministry of Defence that the work was executed as a matter of operational urgency and that there was no time for a very detailed survey. The Committee are, however, unable to accept this explanation. Between the time the Board recommended the work (June, 1965) and the work commenced (September, 1965), there was an interval of more than three months during which the yields of wells at station 'X' could have been tested. Moreover, as against 8 months during which the work was planned to be executed, the execution was spread over one and a quarter years and during this period also the yield of these wells could have been tested and priorities redetermined. The Committee hope that the Ministry of Defence will issue suitable instructions to ensure that such instances of hasty planning and execution of work do not recur.</p>
60	3 160	Ministry of Defence Deptt. of Supply	<p>The Committee note that over 13 per cent of the cement asbestos pipes valued at Rs. 50 lakhs supplied by the contractor for laying the mains for this scheme burst at a pressure far less than that specified in the contract, even though the pipes had been inspected and tested by the Director General, Supplies and Disposals before supply. As the matter is stated to be under police investigation, the Committee reserve their comments pending outcome of the enquiry.</p>

The Committee also note that a claim for Rs. 6.38 lakhs has been preferred against the suppliers and that the matter is awaiting settlement, pending a joint inspection of the stores by the suppliers and the Department. The Committee would like to be apprised of the findings of this inspection and the progress made in settlement of the claims against the suppliers.

The Committee cannot help expressing surprise over the fact that Government incurred an expenditure of Rs. 8.89 lakhs on the hire charges, repairs and maintenance of a paddle steamer costing Rs. 11.33 lakhs. During the period of three years from September, 1964 to September, 1967, for which the steamer was hired, it remained under repairs in three spells for a period of one year after it was hired. For the rest of the period it was used to provide training, of which as many as 7528 hours constituted "static training with steam on" and only 775 hours training "while plying". The field unit which was using the steamer had, as early as January, 1966, recommended that the vessel should be derequisitioned as it was "inadvisable" to use it "for transporting the infantry personnel." It was also pointed out by the unit that "the cost to the Defence Budget on account of the steamer is considerable". However, on "operational" considerations, it was decided that the vessel should continue with the unit till alternative arrangements were made. Ultimately, Government made arrangements with the Railways in 1968 to have the personnel trained on steam tugs. The Committee fail to understand why arrangements in this regard could not have been made much earlier. The Committee trust that Government will draw upon this experience and ensure that costly lapses of this nature do not recur.

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63	3 180	Ministry of Defence	<p>The Committee note that the local officer in this case departed from the authorised general specifications for certain work without requisite approval. In the result, an extra expenditure of Rs. 1.12 lakhs was incurred. The Committee would like the Ministry of Defence to examine in the light of all the circumstances of the case whether any further action is called for.</p>	
64	3 187	-do-	<p>The Committee observe that an Air Force Station paid electricity charges from September, 1965, till January, 1967, on the basis of 75 per cent of the maximum contract demand, viz. 500 KVA, though the actual consumption was not more than 100 KVA. It has been stated that the connected load was 250 KVA and a further load of 250 KVA was anticipated. The anticipated load did not, however, materialise due to a change in operational requirements, which was "indicated" by the Command Authorities in January, 1967. It is not, however, clear how, when the change in operational requirements was "indicated" only in January, 1967, the Garrison Engineer could have approached the Electricity Board for scaling down the contract demand to 100 KVA even in September, 1966. The Committee would like the Ministry of Defence to examine whether there was a failure to scale down the demand sufficiently in time.</p>	for
65	3 188	-do-	<p>The Committee note that the excess charges for the period June, 1966, to January, 1967, have been refunded or are likely to be</p>	

adjusted but that the State Electricity Board have not agreed to refund the excess charges levied for the earlier period, viz. September, 1965, to May, 1966.

66 3 129 -do-

The Committee would like the question of refund of excess charges for the period September, 1965, to May, 1966 to be pursued vigorously. They would also like the Ministry to impress upon the authorities concerned the need to assess their requirements more realistically.

67 4 24 -do-

The Committee observe that a jetty built for the Naval authorities at a cost of Rs. 1.75 crores has not become fully operative as a result of siltation. In the Committee's view, this situation arose because of inadequate attention to the location and design of the jetty. Government were aware that the silt in the basin where the jetty was constructed "is in a nascent stage" and had not stabilised. Besides, experiments conducted by the Central Water and Power Research Station with different models for the purpose of deciding on the most suitable alignment for the jetty had indicated that siltation occurred with all the alignments and that the most advantageous course was to have an open jetty below low water which would however 'be more expensive'. The Naval authorities could have, in the light of these observations, reconsidered their scheme.

68 4 25 -do-

It is also surprising that after having consulted the Central Water and Power Research Station on the most suitable design for the jetty, the Naval authorities did not take their clearance before

1	2	3	4
			agreeing to the construction of a temporary bund by the contractor for the purpose of execution of the work. It is significant that, after this bund was put up, siltation increased, reducing the depth from 12 feet to 8 feet in four years.
69	4-2	Ministry of Defence	<p>The Committee note that experiments conducted in 1968 show that the basin is getting desilted and that at present the jetty is being used for loading and unloading barges. The Committee consider that before incurring heavy capital expenditure in providing handling and other facilities at the jetty, Government should make sure that the jetty will have a draught of 20 feet at the pier to permit direct loading and unloading by destroyers and frigates.</p>
70	4-36	-do-	<p>The Committee observe that the three Seaward Defence Boats which were expected to be delivered to the Navy between August—December, 1964, will now be available only in the middle of 1969 i.e. after a delay of about 4½ years. This delay was, in the main, due to the time taken in the revision of specifications and in importing steel of the required specifications.</p>
71	4-37	-do-	<p>The Committee note that, within two months of sanctioning the scheme, the Naval Headquarters undertook a major revision of specifications which took as much as 1½ years to complete. The Committee can only conclude that due note was not taken by Naval Headquarters/Ministry of Defence at the time of sanctioning the pro-</p>

ject in March, 1960, of the advances made by the ship-building industry in India and of their own experience with the Seaward Defence Boats built earlier in the country.

72      4 38      -do-

The Committee further note that, though the Garden Reach Workshops were issued a licence for import of steel through the Iron and Steel Controller in October, 1963, supplies were actually received only towards the end of 1965. Thus, a further delay of more than two years was caused.

73      4 39      -do-

The Committee are constrained to observe that, as a result of delays due to various factors and at various stages, machinery, equipment and certain weapons costing Rs. 41 lakhs acquired for installation in the boats, are lying unused. The warranty period for these items of supply has already expired. Even when it became obvious in May, 1963, that there would be delay in construction due to steel having to be imported, Naval Headquarters/Government did not take any measures to reschedule the delivery period of these stores.

74      4 40      -do-

The project thus appears to the Committee to have been conceived in a hurry and executed at leisure. The Committee would like Government to analyse in detail the reasons for delays of this nature and take suitable remedial measures. They would impress upon Government the need for more careful planning and coordination between the various agencies so as to avoid recurrence of cases of this nature.

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75	5-20	Ministry of Defence/ Ministry of Finance Ministry Transport and Shipping.	<p>The Committee observe that a series of lapses on the part of different authorities led to a valuable Defence consignment passing into unauthorised hands and Government sustaining a loss of Rs. 7 lakhs. The stores were consigned to Bombay in April, 1962, but were apparently not off-loaded there. The Port Trust authorities at Madras who got this consignment some time in 1962 allowed it to remain in an 'Iron dump', "where uncleared packages are stored", for the best part of two years, before deciding to put them up for auction in May, 1964, as unidentified and unconnected stores. According to the procedure, they were required to check the "outturn" from every ship by the end of the month from the date of completion of discharge. This they failed to do and the consignment also "missed the outturn", resulting in its being dumped in their premises for about two years. The customs authorities, who cleared the consignment prior to its auction, appraised its value as Rs. 4,000 but did not apparently even open the consignment. Had the consignment been properly examined, it would have been identified at least at that stage.</p>
76	5-21	Ministry of Defence/ Ministry of Transport and Shipping	<p>One aspect of the case in particular needs close investigation by Government. It was stated before the Committee that the consignment got off-loaded at Madras instead of Bombay "by accident." The Committee, however, observe from the information furnished by the Ministry of Defence that the ship by which the consignment was sent, "did not call at Madras." The Ministry of Defence have,</p>

however, added that "confirmation/clarification" in this regard is being obtained from the Ministry of Transport and the Port Trust authorities. The Committee would like the matter to be followed up. In case it is established that the ship did not touch Madras, it should be thoroughly investigated how a Defence consignment meant for Bombay found its way to Madras without the knowledge of any of the authorities concerned.

77      § 22      -do-

The Committee also find that it took over one year for the Bombay Port Trust authorities to issue a short-landing certificate for the goods. Such a delay argues poorly of the state of efficiency of the Port Trust and may result in claims against shippers becoming time barred. The Committee desire that concerted action should be taken to ensure that such delays are eliminated. The Committee stress that Port authorities should arrange for speedy identification of all unclaimed, unconnected consignments.

78      § 23      -do-

In their 15th Report (Fourth Lok Sabha) the Committee have comprehensively reviewed the position in regard to the clearance of defence consignments by the Defence Embarkation authorities and have stressed the need to ensure that Defence stores are expeditiously cleared through proper liaison with Port Trust authorities. The present case highlights the need for such action. The Committee note that, pursuant to their observations Government have issued instructions to the organisations concerned. The Committee would like to watch the implementation of these instructions through future Audit Reports.



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70	5 30	Ministry of Defence	<p>The Committee cannot refrain from expressing the view that this case speaks rather poorly of the state of affairs in the Embarkation Commandant's Organisation at Bombay. The stores were unloaded between the 20th September, 1957 and 30th September, 1957, and could not be located till after a search on 3rd March, 1958. Due, however, to records getting misplaced, it could be cleared only on the 16th December, 1962, after which it was found to be badly damaged. The Committee note that the officials directly connected with the case have been released from Army Service. The Committee hope, however, that in the light of experience of this case and the observations made by the Committee in the earlier portion of this Report steps will be taken to guard against the recurrences of such nature.</p>
80	5 49	-do-	<p>The Committee note that 585 out of 600 tyres procured for an aircraft at a cost of Rs. 1.14 lakhs turned out to be surplus and had to be auctioned for Rs. 61,000. These tyres were procured on an urgent demand raised after a review of requirements carried out in December, 1963, but were found to be surplus as a result of another review carried out a year thereafter. A further surplus of another lot of 228 tyres has also come to light as a result of subsequent review of the stock position conducted in January, 1968. All these suggest that the procurement of these items was not done on a realistic assessment of requirements. It was explained during evidence that assessments of requirements of spares</p>

for aircraft are based on past consumption data as modified by a 'forecast factor' determined with reference to the future plans for flying operations. The recurring surplus disclosed in this case coupled with the erratic consumption of this item over the last five years varying from 600 to 21 indicate that either no systematic plan for flying operations was drawn up for this aircraft or that procurement was undertaken without regard to such plans. The Secretary, Ministry of Defence, himself stated during evidence that the results of various provisioning reviews carried out in this case were "somewhat confusing" and that "if the provisioning is more systematic these confusing results would not have arisen." The Committee would like Government to examine how best the existing system of provisioning in respect of aircraft can be systematised by evolving realistic 'forecast factor' so that costly and wasteful accumulation of inventories does not occur.

211

81      5.54      -do-

The Committee observe that over-provisioning to the tune of Rs. 1.45 lakhs occurred in this case due to omissions on the part of the staff entrusted with the maintenance of stores records. A Court of Inquiry which investigated the case found "very important provisioning documents" for certain periods to be not available and some of the entries in the available records "to be fake". The Court of Inquiry also pointed out that the staff did not have adequate training or experience in provisioning procedures and that adequate supervision was lacking. They suggested that the question of improving the system of stores records should be considered and adequate training provided to the staff. The Committee trust that Gov-

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ernment will examine the situation in regard to the state of stores accounts in other Depots having large holdings, to ascertain whether there are similar shortcomings in those depots and how best they could be remedied through better training, closer supervision and rationalisation of the system of accounts and procedures for provisioning. The Committee have in their 15th Report (Fourth Lok Sabha) already emphasised the importance to the Air Force of modern techniques of stores control and inventory management. The Committee hope these techniques will progressively be adopted in all stores depots.

82      5.60      Ministry of Defence/  
Finance/Dept. of  
Supply

The Committee are not happy that it took nearly two years in this case to settle the question of foreign exchange required for certain items of stores indented for by the Air Headquarters. The delay resulted in an extra expenditure of Rs. 56,000. The Committee note that the delay arose mainly because the firm with whom the orders were placed was reluctant to provide the foreign exchange out of its commercial quota though the quota was intended to cover Defence requirements also. This suggests the need for evolving satisfactory arrangements to ensure that where a quota is intended to cover Defence orders also, it is effectively made available for the execution of such orders. The Committee suggest that the matter be considered by the Ministry of Defence in consultation with the Department of Supply and the Director General, Technical Development and a satisfactory procedure worked out in this regard.

21

83      5 65      Ministry of Defence

The Committee are not happy that the Military authorities should have continued to retain land measuring 1,676 acres acquired in 1942—44 which had ceased to be of use to them as far back as 1946. It was only in January, 1968, that it was decided to dispose of these lands. Even after that no action was taken in the matter. Apparently, after the issue was raised by Audit, it was decided to hand the lands over to Military Farms.

84      5 66      -do-

The Committee would like in this connection to draw attention to their observations in para 1.3 of their Fifteenth Report (Fourth Lok Sabha) where they had stressed the need for a periodical review of the position in regard to acquired lands. The Committee hope that such a review will be made and that land which is not required for Defence purposes will be speedily disposed of.

85      5 73      -do-

The Committee note that the Court of Inquiry have held the servicing personnel of Hindustan Aeronautics Limited directly responsible for the accident to an aircraft entrusted to them for servicing which resulted in a loss of as much as Rs. 8.33 lakhs to the exchequer. They further observe that, in the absence of any contract with the Government undertaking defining their responsibility in cases of such accidents, it may not be possible for Government, to claim compensation for the loss. The Committee note that Government are now in the process of finalising the standard form of agreement to govern the execution of servicing and repair jobs to be entrusted to Hindustan Aeronautics, hereafter. While finalising the proposed standard form of agreement with the Hindustan Aero-

nautics, the Committee would like Government to lay down in precise terms the responsibility of the Hindustan Aeronautics in case of damage to aircraft due to negligence or default on the part of the Undertaking.

The Committee observe that work costing Rs. 14.26 lakhs was sanctioned between July—November, 1963 under the Emergency Works Procedure for improving the operational efficiency of three signal centres. The work, which commenced between May and September, 1964, was abandoned between August—November, 1965, in view of new radar installations in the vicinity sanctioned in the meanwhile. The new radar installations were sanctioned in June—October, 1964, by which time work on these three signal centres had either not started or, having started was in the preliminary stages. Besides, the proposal for these new installations would have been under consideration for some time before these were actually sanctioned. The Committee fail to understand why in the circumstances, instructions could not be issued for immediate cessation of work on these signal centres. The failure to do so rendered an expenditure of Rs. 1.39 lakhs incurred on these centres on purchase of air-conditioning and other equipment (Rs. 86,000). Civil works (Rs. 26,000) and on construction of certain buildings (Rs. 27,000) infructuous/avoidable. The Committee would like Government to investigate whether there was any failure by the authorities concerned in effecting coordination.

Ministry of Defence

§ 35

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87 5-46 Ministry of Defence Finance Another point calling for comment is the delay in release of foreign exchange for this work. The proposal for release of foreign exchange was initiated "almost one year" after administrative approval of the work and it took another "six to seven months" to get release of foreign exchange. It is surprising that the Ministry of Defence should consider this time-lag to be "just normal" for work which, on their own assessment, constituted "the nerve centre of the air defence system." The Committee would like Government to consider what procedures should be devised for eliminating such delays in the release of foreign exchange for emergency operational works.

88 6-11 Ministry of Defence Finance (Defence) The Committee note that the shortfall in expenditure in relation to the total voted Grants amounted to 2.9 per cent during the year 1966-67 as against 0.1 per cent in the previous year. The shortfall under charged items was 68.2 per cent as against 61.9 per cent in the previous year. The Committee note that, in pursuance of the observations made by them in their 19th Report (Fourth Lok Sabha), instructions have been issued by the Ministry for processing expeditiously all works accepted for inclusion in the Budget Estimates and avoiding delays in according Government sanction at all levels as also in payment of bills. The Committee hope that these instructions will be implemented, so that the expenditure approximates more closely to the allotment.

89 6-12 -do- The Committee find that the Ministry of Defence surrendered savings amounting to Rs. 5.58 crores in February, 1967, and further savings of Rs. 13.75 crores on the last day of the financial year.

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
<b>DELHI</b>			33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi—1.	68
24.	Jain Book Agency, Connaught Place, New Delhi.	11			
25.	Sat Narain & Sons, 3114, Mohd. Ali Bazar, Mori Gate, Delhi.	3	34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
26.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9	35.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
27.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11	36.	Hind Book House, 82, Janpath, New Delhi.	95
28.	The Central News Agency, 25/90, Connaught Place, New Delhi.	15	37.	Bookwell, 4, Sant Naranhari Colony, Kingsway Camp, Delhi-9.	96
29.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20	<b>MANIPUR</b>		
30.	Lakshmi Book Store, 42, Municipal Market, Janpath New Delhi.	23	38.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal.	77
31.	Bahree Brothers, 189, Lajpatrai Market, Delhi-6.	27	<b>AGENTS IN FOREIGN COUNTRIES</b>		
32.	Jayana Book Depot, Chaparwala Kuan, Karol Bagh, New Delhi.	66	39.	The Secretary, Establishment Department, The High Commission of India, 'India House', Albemarle, LONDON W.C.—2.	93





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PUBLISHED UNDER RULE 382 OF THE RULES OF PROCEDURE AND CONDUCT OF  
BUSINESS IN LOK SABHA (FIFTH EDITION) AND PRINTED BY THE GENERAL  
MANAGER, GOVERNMENT OF INDIA PRESS, MINTO ROAD, NEW DELHI.

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