

PUBLIC ACCOUNTS COMMITTEE (1966-67)

SIXTIETH REPORT

(THIRD LOK SABHA)

**[Para 57 of Audit Report (Civil), 1966—Excess payment
and avoidable expenditure]**



**LOK SABHA SECRETARIAT
NEW DELHI**

November, 1966/Kartika, 1888 (Saka)

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	Add stop(.) after word 'printed'	
2.25 9	aircraft	aircraft
2.38 2	year	years
2.43 4	Border	border
.. -- -	para 3.53	read 3.52
3.53 1	sortio	sortie
4.14 1	pair	paid
4.19 7	transport	Transport
Col.4 8	brought	bought

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(1966-67)

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Shri H. N. Trivedi—*Deputy Secretary.*

Shri R. M. Bhargava—*Under Secretary.*

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee do present on their behalf the Sixtieth Report on para 57 of the Audit Report (Civil), 1966 relating to the Ministry of Home Affairs, regarding excess payment and avoidable expenditure.

2. The Audit Report (Civil), 1966 was laid on the Table of the House on the 15th March, 1966. The Public Accounts Committee considered this para at their sittings held on 20th July, 5th, 10th and 18th August, 1966.

3. Minutes of the sittings of the Committee form part of this Report (Part II*).

4. The Committee considered and approved this Report at their sitting held on the 2nd November, 1966.

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

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

They would also like to express their thanks to the officers of the Ministry of Home Affairs and External Affairs for the co-operation extended by them in giving information to the Committee during the course of evidence.

R. R. MORARKA,

NEW DELHI;

November 8, 1966.

Kartika 17, 1888 (S).

Chairman,
Public Accounts Committee.

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I

INTRODUCTORY

Excess payment and avoidable expenditure—para 57—page 63 of Audit Report (Civil), 1966.

Regular and organised air-lifting of supplies for NEFA can be said to have begun from the year 1951. Prior to this period during the Second World War between 1939—45 supplies had been airlifted to some extent by the Royal Air Force.

1.2. During the year 1950, a severe earthquake disrupted land communications and great majority of the administrative centres and outposts located in the area, were cut off from the plains of Assam. To meet the emergent situation arising therefrom relief operations had to be carried out by air-lifting of essential supplies. Later, this arrangement of airlift of stores had to be continued on a regular basis from the year 1951.

1.3. At present there are 126 Administrative Centres and outposts in NEFA and Nagaland areas (78 in NEFA and 48 in Nagaland) which are fed by air. The tonnage estimated to be airlifted to meet the requirements of NEFA and Nagaland areas during the period 1960-61 to 1965-66 was as follows:—

1960-61	12500 tons, later revised to 13500 tons.
1961-62	13400 tons.
1962-63	19900 tons.
1963-64	28200 tons later revised to 25000 tons in February, 1964.
1964-65	22000 tons.
1965-66	20000 tons.

1.4. Under the Fourth Five Year Plan the road construction programme when completed, is likely to bring down the number of administrative centres and outposts, unconnected by roads in NEFA to 62 and in Nagaland to 31. Thus even after the successful execution of the Fourth Five Year Plan there would be about 93 centres and outposts supplies to which would continue to be sent by air.

1.5. Initially, during the year 1950, the air-supply operations had been carried on by the Indian Air Force. By January, 1951, aircraft

of Mis. Air Service (India) Bombay and Airways India were brought in. The Indian Airlines Corporation had also operated for the Administration for making supplies to NEFA and Nagaland areas upto the period ending 31st March, 1960. Since 10th May, 1960, a private company has been air-dropping the supplies to the areas under a contract with the NEFA Administration.

1.6. The airlift operations have thus been performed for the last several years by various agencies on different terms and conditions.

II

AWARDING OF CONTRACT FOR AIR SUPPLIES TO NEFA AND NHTA AREAS

2.1. The Director of Supply and Transport, North East Frontier Agency entered into a contract on May 10, 1960, with a private limited company for air-lifting/air-dropping of stores in North East Frontier Agency and, N.H.T.A. areas. Prior to the signing of that contract the Indian Airlines Corporation had been doing the job and their contract came to an end on the 31st March, 1960.

2.2. During evidence the Committee were informed by a representative of the Ministry of Home Affairs, that towards the beginning of the year 1960, the NEFA Administration were finding difficulties in airlift operations in their areas. The load of airlift operations had increased with the establishment of additional posts at various points. The supply position, due to famine in certain areas, had also deteriorated. The Indian Airlines Corporation were not only unable to carry additional supplies but were also finding it difficult to fulfil their commitments. They were expected to maintain four Dakotas for these operations, but there were days when, due to certain developments, there was only one aircraft available.

2.3. The NEFA Administration, the witness stated, therefore, approached the Government of India on the 5th January, 1960 requesting them to arrange four more Dakotas either from the Indian Airlines Corporation or the Indian Air Force, to enable them to meet their requirements. On the 13th January, 1960, the NEFA Administration telegraphically requested that the Indian Air Force be asked to augment the Indian Airlines Corporation operations to lift 150. tons required to be put up immediately.

2.4. On the 9th February, 1960, the witness added, a discussion was held in the Ministry of External Affairs. The representative of the Indian Airlines Corporation, who was present during the discussion, stated that with their available resources, it would not be possible for the Corporation to accept the entire commitment. He, however, informed the Government representative that he had talked the matter over with the Chief of Air Staff, as a result of which, it might be possible for the Indian Airlines Corporation and the Indian Air Force to accept this responsibility jointly. But for that purpose, he desired that a long term contract say for five years, for the airlift of supplies to NEFA, be entered into.

2.5. The Ministry's representative, however, felt that the above view, of the Indian Airlines Corporation official was neither a 'definite expression of their inability' nor an 'acceptance of their capacity to perform'. During the discussion, the representative of the Indian Air Force, the witness disclosed, had stated that they were not in a position to undertake the responsibility.

2.6. The Committee enquired what was the result of discussion. The witness stated that no decision was taken at the meeting. The witness added, it was a continuous process of discussion between the Ministry, the Indian Airlines Corporation and the Indian Air Force. It was as a result of those personal discussions that the Government of India informed the NEFA Administration on 9th February, 1960, that they had been able to persuade the Indian Air Force to place four of their aircraft for airlift operations and also the Indian Airlines Corporation to soon restore the full complement for airlift operations in NEFA.

2.7. The Committee then asked whether the Government saw any difficulty on the part of the Indian Airlines Corporation. The witness stated that the "difficulties were continuing and we had been reminding them about the backlog". Backlog, he added, had accumulated upto 1238 tons by the end of March, 1960.

2.8. The Secretary, Home Affairs, summing up, referred to the difficulties of Indian Airlines Corporation and stated: "They expressed their difficulties even at the meeting on the 9th February, and apart from what they said, there was the performance over months which was not satisfactory". He added that at the 9th February, meeting they had explained that they could do something only with the cooperation of the Indian Air Force. But the Indian Air Force representative had expressed inability of the IAF to assist the Indian Airlines Corporation in the air-dropping. The Indian Airlines Corporation representative had, however, promised to let Government know firmly within fortnight whether Indian Airlines Corporation could continue the existing responsibility. As he did not do that in time he was reminded about that. Eventually, in his letter dated the 21st March, 1960, he informed the Government about their dwindling resources in regard to pilots, aircraft etc. and finally stated that 'in the circumstances I regret that we are unable to accept the airlift commitment of 12000 tons during the year 1960-61, and we must performce withdraw from supply dropping operations as soon as, you can relieve us from that.'

2.9. The Committee were informed that in consequence of the above situation, when the Indian Airlines Corporation had expressed

their inability and the Indian Air Force was not in a position to help and the further fact that the existing contract with the I.A.C. was due to expire on the 31st March, 1960, with the backlog accumulating and the monsoon approaching, arrangement had to be made quickly to meet the situation. The Government of India therefore, on the 24th March, 1960, wrote to the NEFA Administration saying that it had been decided that the Administration should float tenders and invite quotations for airlift of 13,400 tons for NEFA, NHTA and Assam Rifles. It was also instructed that a clause might be provided in the tender to increase the airlift by another 600 tons subject to a month's notice for unforeseen requirements.

2.10. The Committee feel that it is most unfortunate that the Indian Airlines Corporation, which is a public undertaking, had not given careful consideration to a matter of vital importance i.e., supplying stores to the civil population living in remote and un-connected areas and to Assam Rifles; on the other hand they allowed the backlog to accumulate.

2.11. The Committee are not happy with the manner in which the Government of India dealt with the matter. When Indian Airlines Corporation and Indian Air Force had agreed in February, 1960 to meet the immediate requirements, perhaps it would not have been difficult to persuade the Indian Airlines Corporation to continue the operations with the assistance of Indian Air Force, which the Chief of Air Staff had already promised. The Committee are also of the view that the problem of airlifting/air-dropping of stores in the NEFA and N. H. T. A. areas could and should have been sorted out by proper co-ordination of the Ministries concerned instead of allowing the matter to drift.

Floating of Tenders

2.12. On the 11th April, 1960, the NEFA Administration issued a notice through the various newspapers inviting tenders from Chartered air companies, agencies etc. for air-lifting and air-dropping of approximately 11,900 tons of ration and other commodities in the areas of NEFA and NHTA for the period from 1st May, 1960 to 31st March, 1961. The notice was published in the Times of India on the 22nd April, 1960. The notice of tender did not indicate the maximum capacity per month required. The monthly requirements to be air-lifted were to be furnished by the Director Transport (NEFA Admn.) on the basis of demand of different authorities. The tender also did

not provide for any earnest money or deposit. Quotations were invited on rates for the flights in terms of flying hours and also in terms of cargo lifting. The tenderers were required to state their ability to undertake the entire operation or a part of it, in the latter case the maximum tonnage they could undertake was to be indicated. Source of aircraft with their number, types, ceiling heights etc. were to be specified. Number of aircraft which would be exclusively available during the operation of the contract for the commitments was to be mentioned. Whether they could base their aircraft at particular specified places and whether they would be able to carry additional tonnage if so required, subject to one month's prior notice were also to be indicated.

Selection of Air Company

2.13. During evidence, the Committee enquired the number of parties from whom tenders had been received in response to the notice. The witness replied that the only tender received was from the Company to whom the contract had been finally awarded. On being asked as to how many companies were interested and how many had taken the tender documents, the witness stated that one other company had also responded. They wrote that they would be interested to undertake the job only if some assurance was given by the NEFA Administration in regard to the payment of some outstandings, from 1957-58, on account of some supply dropping they had done for the Administration. The Committee were informed that this assurance was not given. According to record, the letter was opened on 2nd May, 1960, but there was nothing further mentioned in regard to that tender.

2.14. In reply to further questions, it was elicited that there was a third company who had stated that they would be interested if a 'period contract, i.e. contract for a longer duration was given. The Company, the witness stated, had not mentioned any particular period in terms of years, but no amplification of what term they desired was obtained from them. The letter was opened on the 2nd May, but no further particulars were on record.

2.15. On being asked the dates of receipt of the letters and the tender, the witness stated that according to the markings on the envelope the letters were received on the 28th April, 1960. There was no indication when the tender from the Company to whom the contract was awarded was received except that it was opened on the 2nd May, 1960. It was, however, stated that the tender was dated 30th April, 1960 and according to the letter-head it was from Calcutta. The tender was delivered personally by a Company's representative at about 4-5 p.m. on the 30th April, in Shillong. In reply to a further question whether there was anything on the file to indicate when or how it was received the witness stated that there was no such indication. When asked whether any entry in a register was made about

"..... documents witness gave no reply

2.16. The Committee are surprised to note that there was no proper system of recording the incoming dak in NEFA Administration, even in regard to the receipt of important documents like tenders. The Committee feel that it is necessary to introduce a proper system in this matter. If a system had been prescribed already, the lapse in the present case needs investigation.

2.17. The Committee were informed that a letter dated 23rd April, 1960 had also been received from the Company earlier in which they had used the words 'as already proposed and discussed'. The Committee desired to know with whom the Company had this discussion when the tender notice itself was published in the papers only a day earlier i.e., the 22nd April only. The witness replying stated that the notice was sent to the press on the 11th April, but there was nothing on record as to the person with whom the Company had a discussion. Nor was there any record to show, the witness added, that the "above statement of the Company was contradicted."

2.18. The above letter of the 23rd and another letter of 30th April, 1960 from the Company were opened on the 2nd May, 1960.

2.19. The Air Company in their letter of 23rd April, 1960 written only one day after the publication of the tender notice in the newspapers, had mentioned of a discussion they had with the Administration's official. But the fact of the discussion had neither been accepted by the Administration nor had the statement of the Company about it been contradicted. The Committee are thus unable to understand the reference to a discussion. It is not clear by whom it was held and with whom. The Committee are however surprised that the representative of the Company had a discussion on this subject. This seems to indicate that the Company had a prior knowledge of this tender which the other parties did not have.

2.20. The Committee were informed by the representative of the NEFA Administration, that the Ministry of Civil Aviation were not consulted to ascertain the number of Chartered carriers in the country. On being asked whether there was any particular reason for not doing that, witness stated that as in tender notice only chartered carriers were mentioned, it was presumed that only those who were competent to do that work would respond. The DGCA, the witness stated, was however associated at the time of considering and deciding the tenders.

2.21. The Committee then enquired why, when the Administration had received only one tender, it was not considered necessary

or desirable to invite tenders again or make some other arrangement to get a comparatively better offer and more so, when the General Manager, I.A.C. in his letter of 8th April, had inter-alia stated as under:

"I have discussed with the Air Force the possibility of their helping out with the Civil airlift while the IAC is short-handed. Their own commitments to the Army in NEFA and NHTA are very considerable and they are also engaged in dropping supplies for the Assam Government in the Mizo District. Even so, they are prepared to do what they can to supplement the IAC's effort. We have, therefore, come to a tentative arrangement whereby in the period 1st April to 15th May the IAC will try to drop 1200 tons while the Air Force takes on 700 to 800 tons. During the monsoon the IAC will aim to deliver 700 to 800 tons per month on its own, but should it be unable to do so, the Air Force will help if it can. The IAC and IAF together can, I think, keep the Civil Administration supplied till the end of September, provided of course that you are agreeable to this arrangement."

2.22. The witness stated that the above letter was duly considered but as the IAC who were already operating for the Administration were responsible for bringing the Administration on the verge of a crisis, it was felt that in the interest of maintaining supplies to the outposts a more satisfactory arrangement should be made.

2.23. When asked if it did not mean that I.A.C. and I.A.F., were not relied upon but that a private company was trusted, witness stated: "I regret to have to say that we could not under the circumstances take any risk. We found that the arrangement with IAC had landed us into a situation of nearly having to withdraw our outposts and we thought it as our responsibility to ensure a better arrangement which would not bring us again to a critical situation". The Administration, the witness added, was concerned with the aircraft for airlifting and not the source from which they came. As the efforts at the highest level had no effect and the I.A.C. letter of the 8th April was hedged with conditions the offer of the private company had to be accepted.

2.24. The Committee were informed that after I.A.C. had written a letter on 8th April, they sent another letter in which they stated that they had put up proposals to the Board. Again in a letter of

23rd April (received on 28th April) they requested 'increase in the basic rate from Rs. 725 to Rs. 775 per hour with similar increased rates in dropping, and they also stated therein that they would be able to get things moving before October.

2.25. In reply to a specific question, the witness disclosed that the above quotation from the I.A.C. was received on the 28th April, 1960, before the opening of other tenders. Asked further whether any effort was made to verify the claim made by the I.A.C. on the Air Force, the witness replied in the negative. He added that as the I.A.C. had stated that they would be able to make available two aircrafts only and had expressed their difficulty about pilots, the Administration thought that it would not be possible to carry on the operations with limited aircraft. Moreover, during the monsoon greater stocking (of stores) was required.

2.26. The Committee were informed in reply to a question that the other company which did not submit any formal tender had stated that they had no adequate capacity, but were willing to organise a unit to meet the requirements of the Administration, if no charterers in the country undertook the job and the contract was a 'period contract'. The witness added "the administration felt that this matter would not warrant any further delay. These tenders were dealt with by the Supply Advisory Board and it was on the recommendation of the Board that the Administration took action.

2.27. In regard to the third company, from whom a letter had also been received stating that they had a fleet of 7 Dakotas which they very much liked to put on the work, the witness stated that the Company had asked for an assurance for the clearance of their outstanding dues before submitting a detailed tender. In their letter the Company did not give any quotations.

2.28. The Company who submitted a formal tender quoted Rs. 750/- per hour as their rate. The Committee desired to be informed whether comparison of the rates quoted by the I.A.C. and charged by the Company who had undertaken the work earlier was made with those quoted by the Company to whom contract was given finally. The Ministry in a written reply have stated: "No record could be traced in the relevant files of the Admin. to show that the tendered rates of the....Airlines' (P) Ltd. were compared with the rates charged by other companies that had either operated earlier or were operating at that time."

2.29. In reply to a question whether I.A.C. (a public sector undertaking) was not considered for this job on account of their incom-

petence to undertake the job or because of the rates quoted by them, the witness stated: "There was no sufficient confidence. That was the main consideration rather than the question of the rate."

2.30. In the tender, the period of contract specified was one year i.e., from 1st May, 1960 to 31st March, 1961 but actually the contract was awarded for a period of three years.

2.31. During evidence, the Committee wanted to know reasons for awarding the contract for three years, when initially it had been advertised for one-year only. The witness replied that it was done because the Board had felt that they should be spared repetition of the critical situation, in which the Administration was at that time. Moreover, advice of the Director General of Civil Aviation was that it should be a long-term contract. The Company to whom the contract was awarded as also the other companies had insisted on a longer contract. Another reason was that from the Company selected certain concessions like reduction in the rate of abortive sorties from Rs. 400 to Rs. 350 and ferrying flights from Rs. 4 to Rs. 3.75 paise, could be had.

2.32. The Committee then enquired whether the Administration were satisfied that they were fulfilling the requirement of the tender system when they changed the duration of the contract on their own. The witness stated that the whole matter was considered by the Supply Advisory Board and it should be assumed that the Board examined the matter with care. When asked further, whether there was any record to indicate why the Board extended the period the witness gave no answer.

2.33. The Committee wanted to know why the tender was not floated for a longer period in the first instance and why the Administration felt later that a one-year period was inadequate. The witness stated that earlier it was done on a year to year basis and at that time the companies were also willing to work on that basis.

2.34. The Committee asked whether the companies, which had expressed willingness to quote on a long-term basis, were asked to quote again when it was decided to make the tender a long-term one. The witness replied in the negative and said that performance of one of the companies which had worked earlier was not satisfactory.

2.35. The Secretary (Union Territories) of the Ministry elaborating the above point stated that "having regard to the situation in

which the contract was entered into, the inviting of fresh tenders for a three year contract would have led to a time-lag which might have created difficulties". But the Administration, he added, could as well have entered into a contract for one year and later on in the light of subsequent development have asked for a long-range tender.

2.36. The Committee cannot but observe that the selection of an air company for air-dropping operations, was done in a haphazard manner and the other two companies which were willing to undertake the work, were given a summary disposal. Their letters were filed without giving them due consideration. They were not even asked whether they were agreeable to undertake the work and what their rates would be if the contract was for a period of three years, instead of one year as originally advertised.

2.37. The Committee are also not convinced of the arguments put forth for signing the contract for three years when the tender notice stipulated only one year. If the intention was to give a contract for three years, this point should have been clarified at the time of inviting tenders, in fairness to other competitors. Alternatively, as accepted by the Secretary (U.T.), the Administration could as well have entered into a contract for one year and later on in the light of subsequent development have asked for a long range tender, if absolutely necessary. This point assumes special importance because even the Airlines Corporation and the I.A.F. were asking for a longer term contract. Also another Company had stated in their reply to the tender notice that they would be willing to undertake the work if the contract period was a longer one.

2.38. It is significant that even though the Government knew that this need would remain with them for year to come they, for reasons best known to themselves, invited tenders only for one year. In the opinion of the Committee, this attitude of the Government lacked both imagination and justification. Further the decision on the part of the Administration to award the contract for 3 years instead of one year, was a violation of the sanctity of the tender system.

2.39. When asked whether the worthiness of the companies which had sent the letters was considered *vis-a-vis* the company to whom the contract was finally awarded, the witness (NEFA Adviser) stated that the tender and the letters were considered by a Supply Advisory Board on which the D.G.C.A. was also represented. He added that there were two air companies which had worked for the Administration earlier and a third company was operating at that time. This

Company had a contract from 1959 for transporting engineering materials for the C.P.W.D. in NEFA. The Administration had thus experience of the performance of two companies in addition to the one to whom the contract was awarded.

2.40. When asked who were the owners of the company and what was their share capital, the witness replied that the Administration did not enquire about that but relied, on that point, on the expert advice of the D.G.C.A. representative, who was an important member of the Board. The Administration itself did not make any enquiry in that regard. The witness however, added that in his letter to the D.G.C.A. on 18/19 April, 1960 he had informed him that the main considerations for deciding the contract were: the resources of the tenderers and their capabilities of doing the job; types of aircraft; utility value; suitability of the crew; finance involved etc.

2.41. On being pointed out that the subscribed capital of the company, to whom the contract was finally awarded was in 1962, Rs. 20,000, in 1963 Rs. 50,000 and in 1964 Rs. 1.10,000, the representative of the Ministry of Home Affairs stated that if the financial resources were examined in retrospect "it is somewhat odd that such a company with a small paid up capital should have operated". In reply to a query whether that was not a material lapse to award contracts worth crores of rupees without ascertaining the financial position, the witness replied, "Normally it should be done".

2.42. It appears that the most important aspect of selecting a private company for operating a contract involving crores of rupees viz. verification of financial stability and suitability of the company had thus been ignored in this case. The Committee are unable to find sufficient justification for such action on the part of the Administration.

2.43. The Committee are unable to comprehend the reasons which led the Government to sign the contract with the private air company initially for undertaking work connected mainly with defence and the civilian population of the Border areas. It is all the more regrettable that such a contract was signed without:

- (i) verifying the capacity, capability and financial condition and stability of the company;
- (ii) obtaining advice of the D.G.C.A. on the working of the Company;
- (iii) making any comparative study of the rates quoted by the Company with those paid to other companies who had

either worked or were working for the N.E.F.A. Administration:

- (iv) having a final consultation with the I.A.C. and I.A.F., who had informed the authorities much ahead of the opening of tenders and awarding the contract, their willingness to undertake the job;
- (v) giving an opportunity to the other two companies who had responded to the tender-notice, to re-quote if they desired, when a decision to award the contract for a longer period (3 years instead of one year) had been taken.

2.44. The Committee feel that the opinion held by the N.E.F.A. Administration about the working and capacity of the I.A.C. and I.A.F. was most unfortunate. The I.A.C. being a public undertaking and I.A.F. being incharge of the security of the country should have been relied upon for such a strategic job, more than any private company. Even assuming that the I.A.C. were experiencing certain insuperable difficulties in the matter, the best course would have been to give a short term contract to a private party for six months or at the most a year, by which time a firm and satisfactory arrangement should have been arrived at with the I.A.C. in consultation with the I.A.F. or in the alternative looking to the long period need, the Government should have bought the required number of planes and created a special organisation for this important task.

Kathju Committee Report

2.45. During evidence the Committee enquired whether the Kathju Committee Report, which was submitted in February, 1960, on the alleged malpractices and irregularities indulged in by this particular Company had been seen by the N.E.F.A. Administration before awarding the contract in May, 1960. They were informed that though Shri Kathju himself was on the Board which decided to give contract to the Company, the Administration were not aware of the contents of the Report. It was also stated that even Shri Kathju did not mention the contents of the Report to the Advisory Board. It was in August, 1960 only that the Administration came to know of the investigations going on into the affairs of the Company. On an enquiry they were informed that there was no danger of the cancellation of the Company's licence, except that they might have to suspend their operations for about a week or ten days.

2.46. On being further asked, the Committee were informed that no one in the Ministry of Home Affairs had seen the Kathju Committee Report, even at the time of renewal of the contract.

2.47. The Committee are surprised that the Kathju Committee Report which had mentioned about the 'incomplete test flight reports', 'honouring of instructions more in the breach than in the observance' both by the pilots and engineers; non-maintenance of stores to the 'normally accepted aviation standards'; 'lack of vigilance on the part of company's management over the flying activities of the pilots in their employ'; submission of incorrect load manifests with forged signatures, etc., had missed Government's notice at the time of awarding contract to the Company in 1960, and at its subsequent renewals.

2.48. The Committee desired to be furnished with the figures of tonnage estimated to be dropped, actually dropped and required to be carried by the company under the contract during the years 1960-61 to 1965-66. The information furnished by the Ministry is as follows:

Year	Estimated tonnage	Actual tonnage airlifted	Tonnage as per contract
			1 2 3 4
1960-61 (May '60 to March '61)	13,500	10,706	11,900 (1-5-60 to 31-3-61)
1961-62	13,400	16,393	10,000 (approx.)
1962-63	19,900	15,152	10,000 (approx.)
1963-64	25,000	19,121	No specific tonnage
1964-65	22,000	15,256	15,500 (the company which was operating the contract) 4,500 (another company)
1965-66	20,000	17,214	15,500 (the company which was operating the contract) 4,500 (another company)

In regard to the above figures, the Ministry of Home Affairs has stated as under:

"From the above it will be seen that the tonnage achieved is lesser than that estimated in all the years except 1961-62. This shortfall is not attributable to any decreased requirements in the interior. At the same time, this cannot also be attributed to lesser capacity of the Company since it will be seen from the above statement that the Company has in almost all the years carried the tonnage allotted to them according to the contract. If in the process, certain stores including food-stuffs could not be sent to the interior of NEFA and Nagaland, this could not be helped. In this connection it may be stated that while the estimated tonnage is based on all the authorised items of food-stuffs and other items, during the course of the year it happens that the entire estimated quantity cannot always be procured in time due to scarcities in the market."

2.49. The Committee regret to note that the estimated tonnage did not actually materialise despite the fact that it represented the actual requirements as claimed by the Ministry. This seems to indicate that the requirements of the areas were not adequately met. The Committee are also unable to appreciate the reason given for non-procurement of the estimated supplies in time.

III

WORKING OF THE CONTRACT

Security Deposit

The contract signed with the Air Company in 1960, did not provide for the deposit of any security or earnest money. Instead, in the contract it was stipulated that "The Government will make an 'on account' payment to the Contractor to the extent of 90% of the amount of the bills presented by the Contractor within a period of 15 days from the date of presentation of the bills to the Director. The balance of 10% will be allowed to accumulate to Rs. 4 (four) lakhs which will be increased pro-rata on the basis of additional tonnage to be airlifted or dropped. After the said amount of Rs. 4 (four) lakhs or any increase therein as provided hereinbefore has been accumulated, which will be held by the Director as security, the contractor's bills shall be paid in full within 15 (fifteen) days by the Director."

3.2. During evidence it was stated that actually Rs. 4 lakhs and odd was so held but the money to be recovered from the company had not been adjusted as the total of losses to be recovered from the Company, had not been worked out.

3.3. The Committee are not aware of the reasons for which no proper provision for a security deposit or earnest money had been made in the contract. They feel that a security deposit or earnest money for a contract of this nature involving transactions worth crores of rupees and one relating to supplies to important border areas should have been made from the very beginning, particularly when they were dealing with a Company with small paid up capital and meagre financial resources.

(i) *Excess payment of Rs. 0.75 lakh*

3.4. During the period from December, 1961 to November, 1964 the Company was paid for 182 landing sorties to a certain place at rates applicable for dropping sorties. This led to an excess payment of Rs. 0.75 lakh.

3.5. During evidence, the witness (NEFA, Adviser) explaining the over-payment stated that between 1961 and 1964 the Company had

been paid for air-sorties between two particular places, on the basis of the average time fixed for the flight in 1960 contract. In 1961, however, a landing ground had been built whereby the average time for a flight was reduced. But the Company went on submitting bills and receiving payments according to the old timings, which resulted in over-payment. The witness added that the company which had been asked to refund the excess amount had agreed to do so. Asked as to when the Company had agreed to refund, the witness stated that they agreed to do so on the day previous to the meeting of the Public Accounts Committee on 10th August, 1966.

3.6. Asked about the steps taken to prevent such overpayments in future, all that the Home Secretary could state was that 'this is a case where somebody was not sufficiently careful.'

(ii) *Excess payment of Rs. 2.48 lakhs*

3.7. In respect of 242 sectors, instead of calculating the average flying time based upon the timing recorded by the Air Traffic Control in respect of the I.A.C./I.A.F. and another company for the purpose of payment to the company, the Administration ascertained the flying time direct from these Agencies. In some cases, the flying time as recorded in the Air Traffic Control register was much lower than that indicated by the agencies themselves. Further, it was noticed that the average time of one of the agencies was taken as basis for fixing flying time for some sectors even though the time taken by one or the other of the remaining agencies was lower.

3.8. In addition, in December, 1961, flying hours were fixed for 96 sectors. Out of these, flying hours for 75 sectors were based on the average timing of the company on the ground that the average flying time of none of the other three agencies was available. It was, however, noticed that in 12 sectors, the Indian Airlines Corporation had performed flights and the average time taken by them was less than that of the company.

3.9. During evidence the Committee were informed that in accordance with the provision of the contract timing for a flight was laid down on the basis of earlier performance of the three companies; where performance of those companies was not available it had to be done on the basis of minimum time taken by the contracting company.

3.10. It was stated that the Administration was now compiling the average timings in regard to the latter case and were revising the timings so far based on the average timings of the three com-

panies. In all, 872 timings of various sectors were involved. The Committee feel that there has been avoidable delay in fixing the average timing in a large number of sectors. They would stress that expeditious steps should be taken to complete the fixing of the average timing for the remaining sectors.

(iii) *Excess payment of Rs. 22,000*

3.11. During October, 1962 to March, 1963, the company operated 45 sorties in one sector in which flying time had not been fixed. The payments were, however, made at a higher rate admissible for a sortie in a different sector for which flying time had been fixed.

3.12. When attention of the witness at the time of evidence was drawn to the above over-payment of Rs. 22,000, he stated that in that case it was an error on the part of the company. The company had shown flights to a place different from that to which the actual flights had taken place. The place shown by the company in their bills being further away resulted in excess payment. The mistake had been committed from the year 1960. (beginning of the contract) but came to the notice of Administration in December, 1963 i.e., after a lapse of more than three years. It was stated that the company had accepted the overpayment and agreed to pay back. The witness stated that the Administration did not suspect that there was any attempt on the part of the company to defraud and did not investigate or order an inquiry as to why and how the overpayments had taken place, and also did not call for anyone's explanation.

3.13. When asked whether the money had been recovered, it was stated that the Company had agreed to the deduction of the amount from certain of their bills pending for payment. Those bills were still being examined and recoveries would be made.

3.14. In reply to a question as to why Rs. 20,000 were not deducted from the payments amounting to Rs. 96,95,410 made to the company after the overpayment came to notice, the witness stated that the Company had desired that it should be done from certain particular bills, which still had not been paid. The Home Secretary, expressing his view stated that action to effect recovery should have been taken promptly and at the earliest opportunity.

3.15. The Committee are surprised that these overpayments made from the public exchequer did not come to the notice of Government till they were brought out by the Audit. When noticed no effort was made to inquire into them and investigate the reasons behind them. The Committee feel that there has been a remissness on the

part of the Administration in regard to the financial aspects of the contract. The Committee also feel that the action of the Company in charging at rates higher than those prescribed was not proper. It is strange to note that the Administration took a lenient view of such over-charges and also those arising out of erroneous destinations. They also feel that the system under which this contract was working was faulty and further that the Company had no difficulty at any stage in enlisting the sympathy and cooperation of the authorities concerned even if it meant loss of public revenues.

3.16. The Committee are also of the view that the first available opportunity should have been utilised to effect the recoveries of over payments from the Company instead of allowing it to collect its subsequent bills in full, before adjusting overpayments.

3.17. To the Committee, it appears that special efforts and vigilance are needed on the part of the NEFA Administration to correct the matters and ensure that such lapses do not recur.

3.18. The Committee would recommend that a special enquiry into all past transactions, under the contract, be conducted forthwith, any mistakes committed brought to light and those found responsible for them suitably dealt with.

Avoidable extra expenditure (Rs. 10 lakhs)

3.19. In December, 1961, the Administration fixed the flying time for 74 sectors on the basis of average flying time taken by the company's aircraft, during the period from May, 1960 to March, 1961. The actual time taken in flights performed in these sectors after December, 1961 was, however, much less. During 1963-64 alone, the company received payment for 1759 hours against the actual flying time of 1239 hours of their aircraft in these sectors resulting in an extra expenditure of Rs. 3.90 lakhs. The total extra expenditure for the period from December, 1961 to December, 1964 was estimated to be about Rs. 10 lakhs.

3.20. It was also noticed that in 74 sectors mentioned above, an average reduction of about 29 per cent was achieved in the actual flying time after about 1½ years of commencement of the contract. In the case of 554 sectors where flying time for purposes of payment was not fixed after actual operation during an initial period, there has been no appreciable reduction in flying time even after 3 years of commencement of flights.

3.21. At the time of evidence the Committee were informed that the payment had been made on the basis of time fixed in the contract.

Though the company had actually taken less time, there was no provision in the contract to pay to the company on the basis of actual time taken.

3.22. The Committee then asked why in the light of experience the Administration did not revise the particular clause. The witness stated that "this was considered and we also had the experience earlier of the Indian Airlines working prior to 1960." The Home Secretary stated that it was safer to go by the average time taken by the Indian Air Force or the Indian Airlines Corporation as there was no question of their showing more timing than what they actually took. Since the average timings had been fixed in 1961, the contracting company's pilots started quicker flights "possibly by disregarding some of the safety regulations". The Committee desired to know whether on the basis of results and experience of the last few years any other system could not be worked out for making payments to the company. The witness was not sure whether, within the terms of contract, any change could be made. He however agreed to analysis being made.

3.23. It was also stated by the representative of the Ministry of External Affairs that in May, 1961 average timings were fixed on the basis of average timings of other companies. If the Company took more time because of weather conditions etc., it did not get any extra payment. On the other hand, if the time taken was less the company profited by it. In the 1964 contract, timings for certain sectors were incorporated. For the sectors, where average timings of other companies were not available, the actual time taken by the company was taken into account. The timings taken by the Company during the 1960 or 1963 contracts, whichever were more favourable to Government, were taken into account.

3.24. The Committee feel that there was a noticeable and unfortunate lacuna in the contract in regard to fixing of flight time to various sectors and this gave an undue advantage of about Rs. 10 lakhs to the Company in 74 sectors alone in three years. Time taken by the Company to places, for which no previous timings were available, should have been reviewed on the basis of first year's experience and averages fixed for the purposes of payment.

3.25. They further feel that there should have been arrangement under which the timings of air flights could be reviewed periodically and the averages fixed revised downward or upward as the case may be.

Non-finalisation of accounts.

3.26. In 242 sectors, where flying hours have been fixed on the basis of past experience, the time taken into account was only from 'take off' to 'touch down'. In respect of other sectors for which no flying time was fixed in the absence of data from a preceding period, the company has been paid provisionally in terms of the agreement on the basis of the time actually taken in flights plus a taxi time of 4 minutes in cases of dropping sorties and 8 minutes in cases of landing sorties. The payments made upto March, 1964 include a sum of about Rs. 2 lakhs on account of taxi time.

3.27. In regard to the sum of Rs. 2 lakhs paid on account of taxi time, upto March, 1964, the Committee were informed during evidence, that the entire amount would be adjusted at the time of final settlement.

3.28. The Committee regret that even after the lapse of 6 years' period no serious effort had been made to determine the actual flight timings in regard to a number of sectors and payments on account of them are still being made provisionally.

Provisional Payments.

3.29. In reply to a question, the witness, during evidence, disclosed that from May, 1960 to June, 1966 a provisional payment of Rs. 1,62,69,969 had been made. Asked why the payment had been kept as provisional even though three contracts had been signed, and when it was hoped to finalise the accounts, the witness (NEFA, Adviser) stated that by next month (September, 1966) it was hoped to complete the fixation of timings of sectors where other companies had not operated. The work in this connection had been started in May, 1966.

3.30. When asked why was it not done earlier the Secretary (U.T.) Ministry of Home Affairs, replied that the final fixation of timings had to be done on the basis of the provision made in the 1964 contract. The 1964 contract laid down that the timings should be fixed according to the average timings during the first two periods of the contract whichever was less. Hence the work on the finalisation of timings could only be started after 1st July, 1964.

3.31. Asked as to what would have happened if the contract had not been renewed with the Company, the representative of the Ministry stated that to that extent there was a lacuna in the 1960 contract.

3.32. It is most unfortunate that, as admitted by the witness, there was a lacuna in the 1960 contract in regard to the determination of

the final payments. To the Committee, it is all the more surprising that during the four years period the lacuna in the contract did not come to anyone's notice nor when noticed were any immediate steps taken to rectify the position. This, in the opinion of the Committee is yet another instance of the special treatment given to this company.

Unacknowledged sorties.

3.33. Under a provision of the Agreement the Company had to make good to Government any losses in dropping in excess of four per cent. The Agreement also provided that the contractor's account would be drawn up for final settlement at the end of each financial year.

3.34. During evidence, the witness (Adviser to Government of Assam, NEFA) informed the Committee that from the year 1960-61 to 1965-66 there were 985 unacknowledged sorties. Their value was Rs. 19,05,887. Break-up of the above sorties was:—

Year	No.	Value	
			Rs.
1960-61	34	69, 210.01	
1961-62	148	2,67, 860.59	
1962-63	382	7,31, 126.70	
1963-64	232	4,00, 442.95	
1964-65	84	1,72,297.76	
1965-66	105	2,65,020.80	
TOTAL		19,05, 887.81	

3.35. Asked why those sorties had not been settled so far, when the contract provided that this should be settled every year, the witness replied that it was due to various factors. The establishment of the Director of Supplies and Transport and of the various centres, in the interior, which received the air-dropped stores needed to be strengthened. The stores, after being dropped at locations, had to be checked and an account prepared. Thereafter an intimation to the Director of Supplies and Transport had to

be sent. The Director of Supplies and Transport being the despatching authority had to check and reconcile the figures sent to him by the dropping centres.

3.36. The Committee then asked whether it was not necessary to remove that deficiency in staff considering the fact that there was a provision to that effect in the Agreement and also that there were rumours and complaints of stores being diverted for sale to some of the markets. The witness stated that various measures had been taken to expedite the matter and to tone up the system of acknowledgement. An accounts Officer had been put on the work. He was to draw up a procedure for entering correctly the acknowledgements in the ledgers. These efforts had shown improvements. Audit parties were being sent to check the ledgers etc. Some of the sorties were old ones and it took time to check them. The witness added that they were making progress year after year and hoped to clear the outstandings 'within a month'.

3.37. The Committee, in reply to a query, were informed that in about April and July, 1963, the Administration realised that they were not complying with the requirement of the Agreement. The Home Secretary, explaining the point further, stated that there was 'no doubt that there was laxity in the matter; that arrangements, which should have been there all through, were not there.' He added that the arrangements were "either not adequate or were not working well and this fact was not recognised in good time....." He further stated that even after July, 1963 the performance had not been what it should have been and it was 'very unfortunate' that the matter had not been dealt with satisfactorily.

3.38. In reply to a further query the witness (Secretary, U.T.) stated that it was not that the Administration was not aware of the delay in settling unacknowledged sorties; it was rather due to the 'inadequacy and inefficiency of the Organisation.' Speaking of the progress now made, the witness disclosed that on 8th April, 1965 the total number of unacknowledged sorties was 2232, and in 1966, on that date, it was 985. He assured the Committee that in the next few months progress would be quick and the matter would be settled quickly. He admitted however, that arrears of 1960-61 "Have not shown satisfactory improvement."

3.39. In reply to a question, the witness stated that for every sortie, a load manifest was maintained which showed the items and their weight. Acknowledgement of stores from the location centres etc., under the Rules, was supposed to be received within 48 hours.

The Committee were, however, informed that the Administration had received no acknowledgements at all, though according to Rules they were to be expected within 48 hours telegraphically, the details being sent by post.

3.40. In reply to a further question, it was stated that the loss-account did not include the unacknowledged sorties. Provisional payment in regard to the unacknowledged sorties had already been made to the Company. Asked when the Administration hoped to settle the matter, the witness stated that it had been laid down that it should be completed by the end of September, 1966 and substantial progress in this regard had already been made.

3.41. The Committee understand that during the period upto March, 1964, a sum of Rs. 6.92 lakhs had been paid to the company as remuneration for airlifting/air-dropping charges of the unacknowledged sorties worth Rs. 13 lakhs.

3.42. The Committee regret to note that despite a clear provision in the Agreement that the contractors' amount should be drawn up for final settlement at the end of each financial year this was not done and there was an accumulation of the number of "unacknowledged sorties".

3.43. The Committee however note the assurances given to them during evidence that it had been 'laid down' that the account of unacknowledged sorties would be settled by the end of September, 1966. The Committee would like to be informed of result achieved. Considering the inordinate delay in the matter, they cannot refrain from observing that the most important provision of the Agreement had been ignored.

3.44. The Committee cannot appreciate the argument that because of certain difficulties of staff etc. the acknowledgements could not be received even after few years. The stipulation in the Rules to send the acknowledgement within 48 hours is very significant. The Committee are not at all convinced of the reasons for the failure to observe these rules.

3.45. The Committee are at a loss to understand how in the absence of such an account the Administration was able to know the extent to which it had met the demand for stores and supplies of the remote areas. Final settlement of the account at the end of each year, the Committee feel, is vital part of the Agreement, which they hope would now at least be brought upto date.

Loss in Stores Despatched.

3.46. The Committee note that in the Agreement following provision was made for making good the loss sustained by the Company during its air-dropping operations:—

"The Contractor will make good the losses which the Government may sustain in dropping in excess of 4 (four) per cent. The percentage of loss will be calculated at the end of each financial year taking into account the total gross weight of the stores, as shown in the load manifest, and the total gross weight of the stores acknowledged as having been received by the Political Officer or his representative at the dropping zone. If the loss thus assessed exceeds 4 (four) per cent of the weight of the stores as shown in the load manifest, any excess over the said 4 (four) per cent will in case of each item be priced at rates relative thereto and the amount so arrived at shall be realised from the contractor. The Director will effect such recovery of the said amount from the contractor before making final reconciliation payment in terms of the contract. The Government will provide the contractor with a copy of the schedule of rates as far as practicable, of the different commodities air-dropped on the basis of which the losses will be calculated. In case of reports received by the Director from an individual dropping zone regarding recurring heavy losses the contractor will be permitted to ascertain the actual reasons for such losses through the Agency of the Director. The Government will also take prompt and decisive action to investigate into the reasons for such losses and may even suspend dropping temporarily into the particular dropping zone."

3.47. During evidence the Committee asked whether a discrepancy, when noticed, in the stores despatched and received, was taken up with the Company, the witness stated that only when losses were more than 4 per cent they were recovered from the company and that also at the end of a year.

3.48. The Committee then asked whether it meant that even if the losses were 50 per cent they could not be taken up till the end of a year. The witness replied: 'if there is a bad case naturally that will be taken up', but so far there had been no such case. He also stated that as and when load manifests were sent, a monthly account from the other side was received. When the Committee asked what was the maximum percentage of loss suffered in any one sortie, they were informed that 'in fact the Administration did not have a monthly account.'

3.49. In a written* reply to a question whether cases of losses below 4 per cent are investigated or not the Ministry of Home Affairs had stated:

"Whenever stores are dropped at dropping zones a Board consisting of local officers inspect the stores and furnish report to the Director of Supply and Transport, regarding the losses, if any, due to bursting of bags, non-opening of parachutes and mis-dropping."

3.50. The Committee would like the Ministry of Home Affairs to investigate to what extent, if any, these instructions have been properly followed.

3.51. The Committee desired to be furnished with a statement showing the tonnage despatched for air droppings and air landing separately from the year 1960-61 to 1965-66 with the actual tonnage received at the receiving end. They also desired to be informed whether there was any loss in tonnage received, if so, what was the loss in tonnage and value. The information* furnished by the Ministry is at Appendix I. The Committee find therefrom that the tonnage lost during 1960-61 to 1965-66 in respect of the acknowledged dropping sorties came to 2973, its value being Rs. 31,16,250.

3.53. It is most unfortunate that the account is not kept sortie-wise had increased substantially year after year. In the year 1960-61, the value of the stores lost was Rs. 2,82,873 whereas in 1965-66 it rose to Rs. 9,50,622.

3.53. It is most unfortunate that the account is not kept sortie-wise and due to some misunderstanding these 4 per cent are calculated on the annual turnover. The Committee feel that 4 per cent margin of loss given was in respect of each sortie and not for the whole year. This has caused a very serious and avoidable loss to the public exchequer. The Committee suggest that a special check should be conducted to calculate the loss sorties-wise and then make the necessary recoveries from the company where due.

Payment for 'abortive' Sorties.

3.54. The contract provides for a payment of Rs. 350 per flying hour for 'abortive' sorties. 'Abortive' sorties were mostly due to bad

*Not vetted by Audit.

weather conditions, as a plane after taking off from the base might not be able to drop or land the supplies. Record of such sorties, the Committee were informed, was maintained by the Director of Supply and Transport, who had his organisation at the base from where the planes operated. During evidence, the Committee were told that a sum of Rs. 8.93,663.52 had been paid towards 'abortive' sorties for the period 1960 to 1966.

3.55. The Committee feel that the payment of more than Rs. 125 lakhs on an average in a year for 'abortive' sorties is on the high side. They would like this to be looked into and the payment on this account to be brought down.

Complaints regarding the diversion of Stores to Markets.

3.56. In reply to a question, it was stated that it was on the 5th January, 1963 that the Government of India came to know from the Press that there were complaints about the diversion of stores, meant for air-dropping by the company concerned, to a market.

3.57. In view of the complaints regarding diversion of stores meant for air-dropping in the NEFA and NHTA areas, which had appeared in the Press and had also been made in Parliament, the Committee wished to know whether any enquiry was instituted into those allegations and if so, with what results. The Ministry's representative, during evidence stated that the S.P.E. held confidential enquiries and came to the conclusion that the allegations were not substantiated. When asked whether the S.P.E. contacted the source of information, the witness stated that he was not sure of that. It was stated that the S.P.E. investigated into the matter on the basis of reference made to it by the Ministries of Home Affairs and Defence. The Ministries had received complaints which they had passed on to the S.P.E.

3.58. The Committee enquired whether apart from the S.P.E. findings the NEFA Administration tried to check whether the stores had been air-dropped or diverted, by looking into the figures of stores actually despatched and those actually picked up. The Committee were informed that those figures were not readily available. The witness further added that records were being maintained but the figures relating to stores despatched and picked up had not been worked out.

3.59. The Committee would like in this context to quote from the S.P.E. Report on the above inquiry, supplied to them by the Ministry of Home Affairs. The Report says: "Air-droppings, according to the S.P., S.P.E., Shillong, were always accompanied with Load Map-

test Sheets (LMS) and were paid by NEFA authorities on the basis of bills accompanied by L.M.S. Local confidential enquiries did not reveal if the NEFA authorities had found fault with any Load Manifest Sheets. No such report was also made by NEFA Administration to the local S.P., S.P.E."

3.60. The Committee are surprised on the above reported statement of the NEFA Administration. As stated earlier, the Administration had no complete record of supplies received at the other end and there were a large number of unacknowledged sorties. In the absence of complete information with the NEFA authorities, they were obviously not in a position to vouchsafe for the correct receipt of stores at the receiving ends.

3.61. The Committee are not happy over the treatment given to the complaints from Press and public. The Committee feel that the mere fact that the NEFA authorities had not made any report to the S.P.E. should not have been considered enough to assume that there was no basis of the complaints. They expect that such complaints are taken up with greater seriousness and that they are looked into more thoroughly and intensively.

3.62. In reply to a question during evidence, it was stated that the Agreement of 1960 with the company was drafted by the Legal Adviser, NEFA Administration, on the lines of the agreement already in operation with the company at that time. The Government of India were informed of the terms and conditions of the contract, only after it had been executed. However, the 1964 contract was finalised by the Government of India in consultation with the Law Ministry. On being asked why the Law Ministry was not consulted in 1963, when the contract was extended, the Committee were informed that in 1963 the decision was to renew the existing contract, whereas in 1964 a new contract was to be signed. Moreover, in 1963 as the whole matter was gone into in great details and thoroughness, as the Ministries of Defence, Transport, Director General of Civil Aviation, etc. had been brought into picture, no need was felt to consult the Law Ministry. It was also disclosed to the Committee that the Law Officer of NEFA Administration, who was well qualified in legal matters, had discussion with the officers of Law Ministry before finalising the 1963 agreement.

3.63. On being asked whether it was correct to say that there was lack of proper, regular and strict supervision of the working of the agreement, the witness replied, that "I do not contend that. I don't say that. There were lapses and not quite prompt action."

3.64. The Committee regret to note that the contract for air supplies to NEFA had neither been drafted carefully nor had it been implemented properly. There has been lack of care and supervision in the execution of the contract from the very beginning. Instances of over-payments were neither detected nor promptly investigated. Provisional payments have been made to the company from year to year, and the accounts with the company have not been settled finally at the end of the financial year, as stipulated in the Agreement.

IV

RENEWALS/EXTENSION OF THE CONTRACT

The contract was extended for one year (upto 30th April, 1964) on 16th March, 1963; and on 1st July, 1964, a fresh contract was entered into with the same company for a period of three years i.e. upto 30th June, 1967. Thus in all, the contract with the same private company, would be in operation for seven years.

4.2. The representatives of Government when asked, during evidence, to explain the basis on which the above extensions were given, informed the Committee that the first contract was from the 10th May, 1960 for three years i.e. upto 30th April, 1963. It was renewed for one year upto 30th April, 1964. The third contract, which is current is for a period of 3 years i.e. from 1st July, 1964 to 30th June, 1967. When asked about the reasons for giving first extension, it was stated that the first contract, in force upto 1963, provided for such an extension for two years. But the extension actually given was for one year with a view to ensure that if in the meantime the Indian Airlines Corporation or Indian Air Force could undertake whole or part of the job, they should be enabled to do so. The needs for airlift supplies in NEFA and NHTA were extensive for both civil and military personnel and in supplementing the operations with a contract with a private company, it was felt that this would help ease the difficulties considerably. It would also provide a second line of supply which could be used to relieve the strain on the Indian Air Force.

4.3. In reply to a question whether it was ascertained from the Indian Air Force if they could undertake the job or not, before the extension was given, the witness stated that "the record does not say anything on this point." The Committee were, however, informed that the Air Company's request in their letter of 9th October, 1962 for extension was discussed by the Foreign Secretary with the Defence Minister. In the note dated 11th October, 1962, recorded by the Foreign Secretary in regard to the discussion, it had been stated inter-alia:

"Defence Minister is not in favour of renewal of the contract beyond 30th April, 1963, when it expires. His main reasons are that this is a job which should be done by the

Indian Air Force which should acquire the extra aircraft required as these supply arrangements are intimately connected with defence operations in the areas of NEFA and Nagaland. Though it is true that some of the air supplies made by the Airlines also satisfy the needs of the civil administration in certain outlying areas, Defence Minister feels that the Air Force should be able to deal with the supplies of the civil administration as well. Apart from security considerations to which the Defence Minister attaches importance, his main argument is that in an emergency a private company can fold up and say that they regret they cannot carry out certain tasks and it will be impossible to organise supplies by the Air Force in a contingency of this nature. We should, therefore, rely completely on the Indian Air Force to do this work."

4.4. The Foreign Secretary held the view that air supply needs of NEFA and Nagaland were so extensive that supplementing by a private company would help considerably. In the end, it was stated in the same note that the Defence Minister agreed reluctantly to the extension but desired that no foreign exchange should be released to the company for the purchase of aircraft, which was required by the Indian Air Force for their own purposes, nor should the Indian Air Force be asked to release any aircraft for that company. The proposal to extend the contract of the private Airlines at the existing terms by one year received the approval of the Prime Minister and orders were accordingly issued to the NEFA Administration.

4.5. The Committee pointed out that in view of this stand of the Defence Minister, how could it be said that the I.A.F. was not prepared to undertake this task. The Committee further asked who was more competent to judge the capabilities of the I.A.F.—the Defence Minister or the External Affairs Secretary. In reply to the question, the Home Secretary stated that it was "really a matter to be considered both by the External Affairs which was concerned with this as well as the Defence Ministry. The Defence Minister was in a better position to say as to what the I.A.F. could or could not do."

4.6. Asked whether any assessment of the I.A.F. capacity was made after the execution of the contract on 10th May, 1960 till the time of its renewal w.e.f. 1st May, 1963, the witness stated that there was "nothing on record to show that any effort was made."

4.7. Explaining the background of the second contract, the representative of the External Affairs Ministry, stated that in a sense it

was a new contract as some new provisions, like, renewal for one year, non-mention of minimum tonnage etc. were also made.

4.8. In regard to the conclusion of the contract for another three years i.e. from 1st July 1964, to 30th June, 1967, the witness (External Affairs Ministry's representative) stated that the question of future airlift arrangement was examined in about October, 1963. The Ministry of Defence who were approached first, not only expressed inability of the I.A.F. to undertake the job, but also desired that the private airlift capacity be maintained. The witness further said that at the same time enquiry was also made whether the Indian Airlines Corporation would be able to take up the job. To this, the D.G.C.A. in consultation with I.A.C. replied that the latter were not in a position to take it up.

4.9. The Committee were also informed that the question of utilising any other private company for the contract was then looked into and the conclusion arrived at was that except two other companies, there was none who could be entrusted with the work. But those two companies also had limited capacities and were unable to undertake the entire work. However, it was held that the assignment could be split into two or more units and those two companies might be in a position to undertake individually the work for one or more of those units. D.G.C.A. was also of the opinion that, if there were no practical difficulties in splitting the work into smaller units, tenders could be invited for those units separately.

4.10. In April, 1964, the witness stated, a high level inter-ministerial meeting was held represented by the Ministries of Transport, Defence, External Affairs, Law and Finance and the Civil Aviation Deptt. At the meeting the D.G.C.A. disclosed that there were only three operators in the field. Out of those, one was not interested. The second company, which was already working the contract, wanted to continue. The third one wished to be considered at the rates and terms then in force. When the implications of the fresh tender were considered at the meeting, it was felt that the calling of fresh tenders would invalidate earlier commitments regarding extension of the contract at existing rates.

4.11. The Committee then asked whether it meant that tenders were not invited because of the fear that the contracting company might enhance their rates. The witness replied that it was so. The Home Secretary, however, held the view that the decision not to invite tenders "showed only half an understanding of the law of supply and demand" and that the fear that the company would quote higher rates "was not well-founded."

4.12. The Committee would like to draw attention to the following facts: (i) the Defence Minister was not in favour of renewal of the contract expiring on the 30th April, 1963; (ii) he was of the opinion that the work was connected with defence operations and should be done by the Air Force by acquiring extra aircraft and they (Air Force) should also deal with supplies for Civil Administration; (iii) he (the Defence Minister) was of the view that apart from security considerations a private company should not be depended upon as it might create a difficult situation in an emergency; (iv) he (the Defence Minister) wanted that the Indian Air Force should be relied upon completely for the job; and (v) the Defence Minister reluctantly agreed to the extension of the contract by one year.

4.13. The thinking in the Ministry of Defence apparently underwent a radical change subsequently, for reasons not easy to understand, because sometime in October, 1963 when the question of future airlift arrangement was examined, and the Ministry of Defence were approached, they not only expressed inability of the Indian Air Force to undertake the job, but also desired that the private airlift capacity be maintained.

The Committee further note with surprise that a further contract was further concluded for three years without calling for fresh tenders for imaginary fear that the contracted company might increase its rates. The Committee cannot appreciate the argument that mere calling of fresh tenders would have altered the conditions of the existing contract i.e. invalidate the condition or commitment covering extension of the existing contract.

Increase in rates for landing and dropping sorties.

4.14. According to the first Agreement, the company was paid remuneration for the landing and dropping sorties at the rate of Rs. 750 per flying hour on the basis of average time taken for flights from Jorhat or Mohanbari, as the case may be, to the landing or dropping Zones and back, as might be recorded by the Air Traffic Control in respect of Indian Airlines Corporation, Indian Air Force and another company's flight to such dropping Zones and landing grounds.

4.15. The rate of Rs. 750 per hour was increased by Rs. 71.62 with effect from 1st March, 1963 and by Rs. 78.10 from 11th June, 1963 due to increase in operational costs in terms of the agreements.

4.16. In regard to the above increases in the rate granted to the Company, it was stated, during evidence, that in the 1960 contract there was a provision for increase or decrease in the operating cost

with mutual agreement. In the second contract of 1963, the same rate of Rs. 750 per flying hour as provided in the first contract, was retained. The increase in the rate from Rs. 750 to Rs. 821.62 from 1st March, 1963 and to Rs. 828.10 from 11th June, 1963 was notified in the Government of India letter of 13th April, 1964.

4.17. It was stated that the company had requested for the upward revision of rate by Rs. 96.78 in March, 1963, as they contended that cost of operation had gone up on account of rise in price of fuel, maintenance charges of aircraft, cost of accessories etc. The Ministry of External Affairs before examining the proposal sent it to the Director General of Civil Aviation in July, 1963 with a view to ascertain whether it was reasonable. The latter, after five months, informed the Ministry that the increase in rate by Rs. 71.62 from 1st March, 1963 and by Rs. 78.10 from 11th June, 1963 was reasonable. After obtaining approval of the Finance Ministry, President's sanction was conveyed in 1964 for the increases.

4.18. From the above it is evident that the representation from the Company for the increase in the rate was with the authorities before the contract was actually renewed from 1st May, 1963. The Committee are of the view that the fact that the company had asked for enhanced rates was an additional reason for calling fresh tenders instead of renewing the contract at the old rate and then enhancing the rates with retrospective effect.

Alternative proposal for air-lifting of supplies

4.19. During evidence the Committee desired to know whether the Government ever examined the economics of acquiring aircraft for the purpose, since the air-dropping and air-landing of supplies seemed to be a permanent feature with the NEFA Administration. The representative of the Ministry of Home Affairs (Secretary, U.T.) stated that at one time, in 1960, setting up an organisation was thought of and a reference to the Ministry of transport was also made. But that did not make much headway.

4.20. From the written replies furnished to the Committee, in response to its questionnaire, by the Ministry, it is noted that in July, 1960 the Ministry of Transport & Communications received a proposal from the Indian Airlines Corporation for the setting up of a self-contained and sufficiently autonomous organisation to meet the civil aircraft commitments in the NEFA region. The proposal envi-

saged that the capital and recurring expenditure for the setting up of the proposed organisation should be borne by the Government and should not be on the corporation finances.

4.21. The Ministry of Transport & Communications invited the opinion of the Ministries of External Affairs and Defence on the proposal. But the Ministry of Transport & Communications after receiving their comments came to a conclusion that as the supply problem in NEFA was the responsibility of the Ministry of External Affairs, therefore 'a decision as to the need for setting up a separate organisation of the kind proposed should be left to the Ministry of External Affairs'. The Transport Ministry further desired the External Affairs Ministry 'to contact the I.A.C. direct for working out the details of such an organisation'.

4.22. The Ministry of External Affairs, however, on 4th April, 1961 wrote back to the Ministry of Transport & Communications saying that 'in view of the latter's specialised knowledge of the working of the I.A.C. and the private airlines, it was primarily for them to consider whether such an organisation should be set up and if so, to get the proposal approved by the appropriate authority.'

4.23. The Committee are sorry to learn that neither the Ministry of Transport and Communications sent any reply to the above communication nor the Ministry of External Affairs pursued the matter further. It is most unfortunate that a proposal to meet the long term needs of airlifts to border areas was given such a discouraging treatment.

4.24. The Committee regret to observe that due to lack of proper co-ordination at the Ministry level, the public cause has suffered. This shows the need for remedial steps and clear-cut definition of responsibilities of respective ministries in a case like this.

4.25. It has been intimated to the Committee that at the initiative of the Ministry of Home Affairs the Department of Aviation is presently studying the question of setting up a separate Air Transport Organisation for transportation of Commercial cargo all over India including NEFA and Nagaland. The Department of Aviation hopes to come to a decision by the end of October, 1966.

4.26. The Ministry of Home Affairs in their memorandum to the Committee, in regard to the above scheme, have stated as under:—

"It is difficult to hazard a guess as to the position which will obtain next year as such will depend on the possibility or feasibility of the freighter unit contemplated by the Depart-

ment of Aviation being set up. The Home Ministry are urging that this unit should be brought into operation as soon as possible. Such a unit will need the right type of aircraft and pilots of special aptitude to work in NEFA where operations are extremely difficult and hazardous. Present indications are that even if such a unit is decided to be set up, it may not be in a position to start operations in June, 1967. Supplies for NEFA are a matter of vital national importance and will have to be maintained at any cost. If Government agencies are not in a position to take up the work by the time the existing contract runs out, other appropriate arrangements will have to be made with private agencies in the field."

4.27. This seems to indicate that the importance and urgency of setting up a suitable Government agency for this work have not been fully realised.

V

CONCLUSIONS

A. Inquiry into the working of the Agreement.

5.1. Examination of the working of the contract for air-dropping operations in NEFA and NHTA areas with a private air company has revealed the following unsatisfactory features:

- (a) Contract was given to the private company even though I.A.C. with I.A.F. was willing to undertake the task;
- (b) the contract to the Company was awarded ignoring certain basic principles of the tender system and without making essential enquiries about the financial capacity etc. of the Company;
- (c) the Agreement was drafted in a haphazard and not unambiguous manner;
- (d) the contract has been renewed or extended from time to time without following the normal procedure of inviting tenders;
- (e) the execution of the contract lacked proper supervision and effective control;
- (f) an amount exceeding a crore of rupees has been paid to the Company provisionally and no attempt has been made to finalise the payments even after the lapse of a number of years and renewal of contract twice;
- (g) several cases of over-payments based on wrong calculations have been detected;
- (h) the recovery of nearly Rs. 32 lakhs from the Company on account of stores lost, has not been initiated so far; and
- (i) 985 air-dropping sorties, valuing Rs. 19,05,987 have remained unacknowledged till the end of year 1965-66. Yet, provisional payments in respect of these sorties have been made.

In the circumstances, the Committee are of the view that there is an immediate need for the appointment of a Committee, consisting of the senior representatives of Ministry of Finance, the Auditor-General and the Central Bureau of Investigation which should make a thorough probe into the working of the Agreements to assess the

extent of loss to Government and undue advantage to the Company. The Inquiry Committee should also fix responsibility for the unsatisfactory implementation of the various provisions of the Agreements.

B. Need of entrusting the task to a suitable Government Agency.

5.2. The review of the working of the agreement with the private company also has indicated that the agreement has not worked to the best advantage of the exchequer. Though the private company has played a useful role in airlifting the cargo in the strategic areas, the Committee cannot ignore the following important factors:

- (i) The strong views held by the Defence Minister in October, 1962, which have great validity even today.
- (ii) The administrative Ministry in charge viz., the Ministry of Home Affairs have been urging that a proper unit in the State Sector should be brought into operation as soon as possible; and
- (iii) The following provision in the Industrial Policy Resolution of 1956:

"In the first category will be industries the future development of which will be the exclusive responsibility of the State— Railways and air transport, arms and ammunition and atomic energy will, however, be developed as Central Government monopolies. Whenever co-operation with private enterprise is necessary, the State will ensure that it has the requisite powers to guide the policy and control the operations of the undertaking."

Keeping these factors in view and taking into account the heavy amount paid to the Company for this contract (Rs. 4.42 crores upto 31st October, 1965), the Committee are of the opinion that this task of air-lifting of stores in NEFA and NHTA areas should be taken up by a suitable Government agency. They are also of the opinion that such an agency should be set up well in time to undertake the work on the expiry of the present contract after June, 1967.

NEW DELHI;

November 8, 1966.

Kartika 17, 1888 (S).

R. R. MORARKA,

Chairman,

Public Accounts Committee.

APPENDIX I

List of points on which further information was required by the Public Accounts Committee

(a) Question:

Please furnish a statement showing the tonnage despatched for air-dropping and air-landing separately from the year 1960-61 to 1965-66?

Answer:

The total tonnage of supplies actually airlanded and air-dropped is as follows:—

Year 1	Tonnage airlanded 2	Tonnage airdropped 3	Total 4
1960-61	2612	8094	10,706
1961-62	5610	10783	16,393
1962-63	4549	10603	15,152
1963-64	4954	14167	19,121
1964-65	4002	11254	15,256
1965-66	2688	14526	17,214

(b) Question.—The tonnage actually received at the receiving end?

Answer.—(b) (i) The total tonnage airlifted in respect of NEFA and Nagaland during the year 1960-61 to 1965-66 is included in 35,243 load manifests. Of these 916 load manifests still remain unacknowledged. These unacknowledged load manifests are in respect of dropping sorties only as there are no unacknowledged landing sorties.

(ii) The total tonnage in respect of Load manifests pertaining to dropping sorties only, the tonnage in respect of unacknowledged load

manifests pertaining to these dropping sorties and the balance tonnage in respect of acknowledged load manifests also pertaining to the same dropping sorties are as follows:—

Year	Total tonnage in respect of load manifests pertaining to dropping sorties only	Tonnage in respect of unacknowledged load manifests pertaining to dropping sorties	Balance tonnage in respect of acknowledged load manifests pertaining to dropping sorties only
1	2	3	4
1960-61	8,094	59	8,035
1961-62	10,621	162	10,621
1962-63	10,603	765	9,838
1963-64	14,167	689	13,478
1964-65	11,254	179	11,075
1965-66	14,526	223	14,303

(iii) The position of tonnage received and tonnage reported lost against Col. 4 above in respect of the acknowledged dropping sorties is as follows:—

Year	Tonnage despatched as per LMS (pertaining to acknowledged dropping sorties only)	Tonnage received as per actual acknowledgements	Tonnage lost
1	2	3	4
1960-61	8,035	7,777	258
1961-62	10,621	10,289	332
1962-63	9,838	9,366	472

1	2	3	4
1963-64	13,578	12,991	587
1964-65	11,075	10,480	586
1965-66	14,303	13,565	738

(c) **Question.**—If there is a loss in Tonnage received, what is the value of that?

Answer.—The value of stores reported lost in respect of acknowledged Load manifests pertaining to dropping sorties is as under:—

Year	Value of Stores lost	
	Rs	
1960-61		2,82,873
1961-62		3,33,913
1962-63		4,09,821
1963-64		4,47,878
1964-65		6,91,143
1965-66		9,50,622
TOTAL		31,16,250

(d) **Question.**—Percentage of losses, year-wise may also be given.

Answer.—As already mentioned 916 LMs still remain unacknowledged with the result that the percentage of yearwise losses could be worked out only in respect of acknowledged sorties with reference to the total load included therein. The position in this respect is as follows:—

1	2	3	4
1960-61	8,035	258	3.21%
1961-62	10,621	332	3.13%

1	2	3	4
1962-63	9,838	472	4.8%
1963-64	13,578	587	4.32%
1964-65	11,075	586	5.29%
1965-66	14,303	738	5.16%

APPENDIX II

Summary of main conclusions recommendations of the Sixtieth Report of the Public Accounts Committee on para 57 of Audit Report (Civil), 1966.

S. No	Para No. of Report	Ministry Deptt concerned	Conclusions Recommendations
1	2	3	4
1	2.10	Aviation	The Committee feel that it is most unfortunate that the Indian Airlines Corporation, which is a public undertaking, had not given careful consideration to a matter of vital importance i.e. supplying stores to the civil population living in remote and unconnected areas and to Assam Rifles; on the other hand they allowed the backlog to accumulate.
2	2.11	Home Affairs	The Committee are not happy with the manner in which the Government of India dealt with the matter. When Indian Air-

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Airlines Corporation and Indian Air Force had agreed in February, 1960 to meet the immediate requirements, perhaps it would not have been difficult to persuade the Indian Airlines Corporation to continue the operations with the assistance of Indian Air Force, which the Chief of Air Staff had already promised. The Committee are also of the view that the problem of airlifting/air-dropping of stores in the NEFA and N.H.T.A. areas could and should have been sorted out by proper co-ordination of the Ministries concerned instead of allowing the matter to drift.

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2.16

Home Affairs

The Committee are surprised to note that there was no proper system of recording the incoming dak in NEFA Administration, even in regard to the receipt of important documents like tenders. The Committee feel that it is necessary to introduce a proper system in this matter. If a system had been prescribed already, the lapse in the present case needs investigation.

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2.19

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The Air Company in their letter of 23rd April, 1960 written only one day after the publication of the tender notice in the newspapers, had mentioned of a discussion they had with the Administration's official. But the fact of the discussion had neither been accepted by the Administration nor had the statement of the Company about it been contradicted. The Committee are thus unable

5 2.36

-do-

to understand the reference to a discussion. It is not clear by whom it was held and with whom. The Committee are however surprised that the representative of the Company had a discussion on this subject. This seems to indicate that the Company had a prior knowledge of this tender which the other parties did not have.

6 2.37

-do-

The Committee cannot but observe that the selection of an air company for air-dropping operations, was done in a haphazard manner and the other two companies which were willing to undertake the work, were given a summary disposal. Their letters were filed without giving them due consideration. They were not even asked whether they were agreeable to undertake the work and what their rates would be if the contract was for a period of three years, instead of one year as originally advertised.

The Committee are also not convinced of the arguments put forth for signing the contract for three years when the tender notice stipulated only one year. If the intention was to give a contract for three years, this point should have been clarified at the time of inviting tenders, in fairness to other competitors. Alternatively, as accepted by the Secretary (U.T.), the Administration could as well have entered into a contract for one year and later on in the light of subsequent development have asked for a long range tender, if absolutely necessary. This point assumes special importance because even the Airlines Corporation and the I.A.F. were asking for a longer term contract. Also another Com-

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pany had stated in their reply to the tender notice that they would be willing to undertake the work if the contract period was a longer one.

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2.38

Home Affairs

It is significant that even though the Government knew that the need for air-lifting supplies to NEFA etc., would remain with them for years to come they, for reasons best known to themselves, invited tenders only for one year. In the opinion of the Committee, this attitude of the Government lacked both imagination and justification. Further the decision on the part of the Administration to award the contract for 3 years instead of one year, was a violation of the sanctity of the tender system.

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2.42

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It appears that the most important aspect of selecting a private company for operating a contract involving crores of rupees viz. verification of financial stability and suitability of the company; had thus been ignored in this case. The Committee are unable to find sufficient justification for such action on the part of the Administration.

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2.43

-do-

The Committee are unable to comprehend the reasons which led the Government to sign the contract with the private air company initially for undertaking work connected mainly with defence

and the civilian population of the Border areas. It is all the more regrettable that such a contract was signed without:

- (i) verifying capacity, capability and financial condition and stability of the company;
- (ii) obtaining advice of the DGCA on the working of the Company;
- (iii) making any comparative study of the rates quoted by the Company with those paid to other companies who had either worked or were working for the NEFA Administration;
- (iv) having a final consultation with the IAC and IAF, who had informed the authorities much ahead of the opening of tenders and awarding the contract, their willingness to undertake the job;
- (v) giving an opportunity to the other two companies who had responded to the tender-notice, to re-quote if they desired, when a decision to award the contract for a longer period (3 year instead of one year) had been taken.

The Committee feel that the opinion held by the NEFA Administration about the working and capacity of the I.A.C. and I.A.F. was most unfortunate. The I.A.C. being a public undertaking and I.A.F. being incharge of the security of the country should

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have been relied upon for such a strategic job, more than any private company. Even assuming that the I.A.C. were experiencing certain insuperable difficulties in the matter, the best course would have been to give a short term contract to a private party for six months or at the most a year, by which time a firm and satisfactory arrangement should have been arrived at with the I.A.C. in consultation with the I.A.F. or in the alternative looking to the long period need, the Government should have brought the required number of planes and created a special organisation for this important task.

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2.47

Home Affairs

The Committee are surprised that the Kathju Committee Report which had mentioned about the 'incomplete test flight reports', honouring of instructions more in the breach than in the observance' both by the pilots and engineers; non-maintenance of stans to the 'normally accepted aviation standards'; 'lack of vigilance on the part of company's management over the flying activities of the pilots in their employ'; submission of incorrect load manifests with forged signatures, etc., had missed Government's notice at the time of awarding contract to the Company in 1960, and at its subsequent renewals.

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2.49

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The Committee regret to note that the estimated tonnage did not actually materialise despite the fact that it represented the actual requirements as claimed by the Ministry. This seems to

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3.3

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indicate that the requirements of the areas were not adequately met. The Committee are also unable to appreciate the reason given for non-procurement of the estimated supplies in time.

The Committee are not aware of the reasons for which no proper provision for a security deposit or earnest money had been made in the contract. They feel that a security deposit or earnest money for a contract of this nature involving transactions worth crores of rupees and one relating to supplies to important border areas should have been made from the very beginning, particularly when they were dealing with a Company with small paid up capital and meagre financial resources.

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3.10

-do-

The Committee feel that there has been avoidable delay in fixing the average timing in a large number of sectors. They would stress that expeditious steps should be taken to complete the fixing of the average timing for the remaining sectors. 6

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3.15

-do-

The Committee are surprised that the overpayments made from the public exchequer to the Company did not come to the notice of Government till they were brought out by the Audit. When noticed no effort was made to inquire into them and investigate the reasons behind them. The Committee feel that there has been a remissness on the part of the Administration in regard to the financial aspects of the contract. The Committee also feel that the

1	2	3	4

action of the Company in charging at higher rates than prescribed was not proper. It is strange to note that the Administration took a lenient view of such over charges and also those arising out of erroneous destinations. They also feel that the system under which this contract was working was faulty and further that the Company had no difficulty at any stage in enlisting the sympathy and co-operation of the authorities concerned even if it meant loss of public revenues.

16 3.16

Home Affairs

The Committee are also of the view that the first available opportunity should have been utilised to effect the recoveries of over payments from the Company instead of allowing to collect its subsequent bills in full, before adjusting overpayments.

17 3.17

-do-

To the Committee, it appears that special efforts and vigilance are needed on the part of the NEFA Administration to correct the matters and ensure that such lapses do not recur.

18 3.18

-do-

The Committee would recommend that a special enquiry into all past transactions, under the contract, be conducted forthwith, any mistakes committed brought to light and those found responsible for them suitably dealt with.

19 3.24

-do-

The Committee feel that there was a noticeable and unfortunate lacuna in the contract in regard to fixing of flight time to various

sectors and this gave an undue advantage of about Rs. 10 lakhs to the Company in 74 sectors alone in three years. Time taken by the Company to places, for which no previous timings were available, should have been reviewed on the basis of first year's experience and averages fixed for the purposes of payment.

20	3.25	-do-	The Committee feel that there should have been arrangement under which the timings of air flights could be reviewed periodically and the averages fixed revised downward or upward, as the case may be.
21	3.28	-do-	The Committee regret that even after the lapse of 6 years' period no serious effort had been made to determine the actual flight timings in regard to a number of sectors and payments on account of them are still being made provisionally.
22	3.32	-do-	It is most unfortunate that, as admitted by the witness, there was a lacuna in the 1960 contract in regard to the determination of the final payments. To the Committee, it is all the more surprising that during the four years period the lacuna in the contract did not come to anyone's notice nor when noticed were any immediate steps taken to rectify the position. This, in the opinion of the Committee is yet another instance of the special treatment given to this company.
23	3.42	-do-	The Committee regret to note that despite a clear provision in the Agreement that the contractors' amount should be drawn up for final settlement at the end of each financial year this was not done and there was an accumulation of the number of "unacknowledged sorties".

1	2	3	4
21	3.43	Home Affairs	The Committee, however, note the assurance given to them during evidence that it had been 'laid down' that the account of unacknowledged sorties would be settled by the end of September, 1966. The Committee would like to be informed of result achieved. Considering the inordinate delay in the matter, they cannot refrain from observing that the most important provision of the Agreement had been ignored.
25	3.44	-do-	The Committee cannot appreciate the argument that because of certain difficulties of staff etc. the acknowledgements could not be received even after few years. The stipulation in the Rules to send the acknowledgement within 48 hours is very significant. The Committee are not at all convinced of the reasons for the failure to observe these rules.
26	3.45	-do-	The Committee are at a loss to understand how in the absence of such an account the Administration was able to know the extent to which it had met the demand for stores and supplies of the remote areas. Final settlement of the account at the end of each year, the Committee feel, is vital part of the Agreement, which they hope would now at least be brought up to date.
27	3.50	-do-	The Committee would like the Ministry of Home Affairs to investigate to what extent, if any, the instructions regarding inspection of stores dropped at dropping zones by a Board consisting of local officers, have been properly followed.

28 3.51
and 3.52

-do-

The Committee find that the tonnage lost during 1960-61 to 1965-66 in respect of the acknowledged dropping sorties came to 2,973, its value being Rs. 31,16,250. The Committee also observe that the value of stores lost had increased substantially year after year. In the year 1960-61, the value of the stores lost was Rs. 2,82,873 whereas in 1965-66 it rose to Rs. 9,50,622.

29 3.53

-do-

It is most unfortunate that the account is not kept sortie-wise and due to some misunderstanding these 4% are calculated on the annual turnover. The Committee feel that 4% margin of loss given was in respect of each sortie and not for the whole year. This has caused a very serious and avoidable loss to the public exchequer. The Committee suggest that a special check should be conducted to calculate the loss sortie-wise and then make the necessary recoveries from the company where due. 53

30 3.55

-do-

The Committee feel that the payment of more than Rs. 1.25 lakhs on an average in a year for 'abortive' sorties is on the high side. They would like this to be looked into and the payment on this account to be brought down.

31 3.60

-do-

The Committee are surprised on the reported statement of the NEFA Administration. As stated earlier, the Administration had no complete record of supplies received at the other end and there were a large number of unacknowledged sorties. In the absence of complete information with the NEFA Authorities, they were obviously not in a position to vouchsafe for the correct receipt of stores at the receiving ends.

1	2	3	4
32	3.61	Home Affairs	The Committee are not happy over the treatment given to the complaints from Press and public. The Committee feel that the mere fact that the NEFA authorities had not made any report to the S.P.E. should not have been considered enough to assume that there was no basis of the complaints. They expect that such complaints are taken with greater seriousness and that they are looked into more thoroughly and intensively.
33	3.64	-do-	The Committee regret to note that the contract for air supplies to NEFA had neither been drafted carefully nor had it been implemented properly. There has been lack of care and supervision in the execution of the contract from the very beginning. Instances of over-payments were neither detected nor promptly investigated. Provisional payments have been made to the company from year to year, and the accounts with the company have not been settled finally at the end of the financial year, as stipulated in the Agreement.
34	4.12	-do-	The Committee would like to draw attention to the following facts: (i) the Defence Minister was not in favour of renewal of the contract expiring on the 30th April, 1963; (ii) he was of the opinion that the work was connected with defence operations and should be done by the Air Force by acquiring extra aircraft and they (Air Force) should also deal with supplies for Civil Administration; (iii) he (the Defence Minister) was of the view that apart from security

considerations a private company should not be depended upon as it might create a difficult situation in an emergency; (iv) he (the Defence Minister) wanted that the Indian Air Force should be relied upon completely for the job; and (v) the Defence Minister reluctantly agreed to the extension of the contract by one year.

35 4.13

Defence

The thinking in the Ministry of Defence apparently underwent a radical change subsequently, for reasons not easy to understand, because sometime in October, 1963 when the question of future airlift arrangement was examined, and the Ministry of Defence were approached, they not only expressed inability of the Indian Air Force to undertake the job, but also desired that the private airlift capacity be maintained.

36 4.13

Home Affairs.

The Committee note with surprise that a further contract was concluded for three years without calling for fresh tenders for imaginary fear that the contracted company might increase its rates. The Committee cannot appreciate the argument that mere calling of fresh tenders would have altered the conditions of the existing contract i.e., invalidate the condition or commitment covering extension of the existing contract.

37 4.18

-do-

The Committee note that the representation from the Company for the increase in the rate was with the authorities before the contract was actually renewed from 1st May, 1963. The Committee are of the view that the fact that the company had asked for enhanced

1	2	3	4
38	4.23	Home Affairs.	rates was an additional reason for calling fresh tenders instead of renewing the contract at the old rate and then enhancing the rates with retrospective effect.
39	4.24	Home Affairs, External Affairs. Aviation.	The Committee are sorry to learn that neither the Ministry of Transport & Communications sent any reply to the communication dated 4th April, 1961 of the Ministry of External Affairs nor the latter pursued the matter further. It is most unfortunate that a proposal to meet the long term needs of airlifts to border areas was given such a discouraging treatment.
40	4.27	Home Affairs.	The Committee regret to observe that due to lack of proper co-ordination at the Ministry level, the public cause has suffered. This shows the need for remedial steps and clear-cut definition of responsibilities of respective ministries in a case like this.
41	5.1	-do-	Explanation of the Ministry does not seem to indicate that the importance and urgency of setting up a suitable Government agency for the airlifting of supplies to NEFA and NHTA areas have not been fully realised.
			Examination of the working of the contract for air-dropping operations in NEFA and NHTA areas with a private air company has revealed the following unsatisfactory features: (a) Contract was given to the private company even though I.A.C. with I.A.F. was willing to undertake the task;

- (b) the contract to the Company was awarded ignoring certain basic principles of the tender system and without making essential enquiries about the financial capacity etc. of the Company;
- (c) the Agreement was drafted in a haphazard and not unambiguous manner;
- (d) contract has been renewed or extended from time to time without following the normal procedure of inviting tenders;
- (e) the execution of the contract lacked proper supervision and effective control;
- (f) an amount exceeding a crore of rupees has been paid to the Company provisionally and no attempt has been made to finalize the payments even after the lapse of a number of years and renewal of contract twice;
- (g) several cases of over-payments based on wrong calculations have been detected;
- (h) the recovery of nearly Rs. 32 lakhs from the Company on account of stores lost, has not been initiated so far; and
- (i) 985 air-dropping sorties, valuing Rs. 19,05,987 have remained unacknowledged till the end of year 1965-66. Yet, provisional payments in respect of these sorties have been made.

In the circumstances, the Committee are of the view that there is an immediate need for the appointment of a Committee, consisting of the senior representatives of Ministry of Finance, the Auditor-general and the Central Bureau of Investigation which should make a thorough probe into the working of the Agreement to assess the extent of loss to Government and undue advantage to the Company. The Inquiry Committee should also fix responsibility for the unsatisfactory implementation of the various provisions of the Agreements.

42

5.2

Home Affairs

The review of the working of the agreement with the private company also has indicated that the agreement has not worked to the best advantage of the exchequer. Though the private company has played a useful role in air-lifting the cargo in the strategic areas, the Committee cannot ignore the following important factors:

- (i) The strong views held by the Defence Minister in October, 1962, which have great validity even today.
- (ii) The administrative Ministry in charge viz., the Ministry of Home Affairs have been urging that a proper unit in the State Sector should be brought into operation as soon as possible; and
- (iii) The following provision in the Industrial Policy Resolution of 1956:

"In the first category will be industries the future development of which will be the exclusive responsibility of the State . . . Railways and air transport, arms and ammunition and atomic energy will, however, be developed as Central Government monopolies. Whenever co-operation with private enterprise is necessary, the State will ensure, that it has the requisite powers to guide the policy and control the operations of the undertaking."

Keeping these factors in view and taking into account the heavy amount paid to the Company for this contract (Rs. 4.42 crores upto 31st October, 1965), the Committee are of the opinion that this task of air-lifting of stores in NEFA and NHTA areas should be taken up by a suitable Government agency. They are also of the opinion that such an agency should be set up well in time to undertake the work on the expiry of the present contract after June, 1967.

SL No	Name of Agent	Agency No.	SL No	Name of Agent	Agency No.
27.	Bahree Brothers, 183, Lai-patni Market, Delhi-6.	27	33.	Bookwell, 4, Sant Naran-kari Colony, Kingaway Camp, Delhi-9.	90
28.	Jayans Book Depot, Chap-parwala Khan, Karol Bagh, New Delhi.	66			
29.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi.—1.	68	34.	Shri N. Choba Singh, News Agent, Ramlal Paul High School Annex, Imphal.	77
30.	People's Publishing House, Rani Jhansi Road, New Delhi.	76			
31.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88	35.	AGENTS IN FOREIGN COUNTRIES	
32.	Hind Book House, 82, Janpath, New Delhi.	94		The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.—2.	



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