

# ESTIMATES COMMITTEE (1971-72)

(FIFTH LOK SABHA)

## SIXTEENTH REPORT

### DEPARTMENT OF SUPPLY

Action taken by Government on the recommendations contained in the Hundred and Twenty-First Report of the Estimates Committee (Fourth Lok Sabha) on the Ministry of Supply—Directorate General of Supplies and Disposals (Supplies Wing).



LOK SABHA SECRETARIAT  
NEW DELHI

February, 1972/Magh, 1893 (Saka)

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(1971-72)

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26. Shri Venkatrao Babarao Tarodekar
27. Shri Krishnarao Thakur

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\*Died on the 27th January, 1972.

- 28. Shri N. Tombi Singh**
- 29. Shri Nanjibhai Ravjibhai Vekaria**
- 30. Shri N. P. Yadav.**

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**Shri T. N. Dhar—Under Secretary.**

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(1971-72)

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14. Shri N. P. Yadav.

## INTRODUCTION

I, the Chairman of the Estimates Committee having been authorised by the Committee to submit the Report on their behalf, present this Sixteenth Report on Action Taken by Government on the recommendations contained in the Hundred and Twenty-first Report of the Estimates Committee (Fourth Lok Sabha) on the Ministry of Supply—Directorate General of Supplies and Disposals (Supplies Wing).

2. The Hundred and Twenty-first Report of the Estimates Committee (Fourth Lok Sabha) was presented to Lok Sabha on the 29th April, 1970. Replies indicating action taken on the various recommendations contained in the Report were forwarded by Government on the 9th August, 1971. The Study Group F of the Estimates Committee considered the replies received from the Ministry on the 22nd December, 1971. The draft Report was adopted by the Committee on the 15th February, 1972.

3. The Report has been divided into the following Chapters:

Chapter I—Report.

Chapter II—Recommendations which have been accepted by Government.

Chapter III—Recommendations which the Committee do not desire to pursue in view of the Government's reply.

Chapter IV—Recommendations in respect of which replies have not been accepted by the Committee.

Chapter V—Recommendations in respect of which final replies of the Government are still awaited.

An analysis of the Action Taken by Government on the recommendations contained in the Hundred and Twenty-first Report of the Estimates Committee (Fourth Lok Sabha) is given in Appendix IX to this Report. It would be observed therefrom that out of 62 recommendations made in the said Report, 47 recommendations i.e. about 76 per cent have been accepted by Government. The Committee do not desire to pursue 9 recommendations i.e. about 15 per cent in view of Government's reply. Final reply of Government to 4 recommendations i.e. about 6 per cent have not yet been furnished to the Committee.

NEW DELHI;  
19th February, 1972.  
30th Magha 1893 (S).

KAMAL NATH TEWARI,  
Chairman,  
Estimates Committee.

## CHAPTER I

### REPORT

#### Recommendation (Serial No. 23, para 4.22)

In para 4.22 of their 121st Report (Fourth Lok Sabha) on the Ministry of Supply—Directorate General of Supplies and Disposals (Supplies Wing) the Estimates Committee expressed the view that the question of providing price preference upto 15 per cent in favour of small scale industries had not been given the serious consideration that it deserved. The factors which compelled the small scale sector to compete with the large scale sector which had the advantage of large production with relatively less expenditure on overheads were more in the nature of struggle for survival as against the challenge faced for extinction from the big industries. The Committee had recommended that in accordance with the policy of Government to promote small scale industries and to give them necessary impetus, the conditions for the grant of price preference should be so altered that benefits went to deserving ones and to entrepreneurs of such industries as were placed at a relatively disadvantageous position for instance, being away from the hub of metropolis and industrial areas and located in the backward areas so that such units were able to reap real benefit of the provision.

2. In their reply the Department of Supply have stated that according to the existing instructions price preference upto 15 per cent is accorded to SSI units in respect of items falling in Group III which can be purchased from large scale as well as small scale units. The actual quantum of price preference arises only where without it, the small scale units cannot secure orders being undercut by large scale units. Previously, Purchase Officers have had to take into account, where necessary, the break up of the cost of manufacture in order to find out that the cost of production in the small scale sector is really higher than that in the large scale units employing mass production technique. The Department of Supply have further intimated that with a view to make the grant of price preference more meaningful and effective, the matter was examined by the Department in consultation with the Ministry of Finance, and it has now been decided to accord price preference to the SSI Units on a tender to tender basis keeping of course, in view the

basic considerations of conformity to specifications, quality, delivery, capacity etc., without insisting on the firms to furnish the break up of cost of manufacture in each and every case as a matter of course. The Department of Supply have informed the Committee that instructions to this effect have been issued in the D.G.S. & D. vide Office Order No. 9-B dated the 25th November, 1970 (Appendix VIII).

3. The Committee note the efforts made by the Government towards making the grant of price preference more meaningful and effective by means of according preference to SSI Units on a tender to tender basis and without insisting on the firms to furnish the break up of cost of manufacture in each and every case. The Committee, however, find that the instructions issued to this effect do not provide for grant of price preference to entrepreneurs of such industries as are placed at a relatively disadvantageous position for instance being away from the hub of metropolis and industrial areas and are located in backward areas as recommended by the Committee in their original Report. The Committee, therefore, reiterate their earlier recommendation and hope that Government will incorporate this provision also in the existing instructions.

4. The Committee also wish to record that there has been considerable delay in the part of the Department of Supply in furnishing replies to recommendations contained in the Hundred and Twenty-first Report of the Estimates Committee. The Committee hope that such delays would be avoided in future.

## CHAPTER II

### RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

#### Recommendation (S. No. 1, Para 1.16)

The Committee note that ever since the setting up of the Central Purchase Organisation in India and its development from time to time upto 1947, the main functions of the Organisation had been the procurement of stores for the prosecution of two great Wars. The Committee also observe that the Organisation has stood the test of time and has shouldered the responsibilities cast on it in regard to the maintenance of supply lines in the country having due regard to the development of Indian industries both in times of peace and war and according to the exigencies of the situation resulting from emergencies from time to time.

#### Reply of Government

The above observation of the Estimates Committee has been noted.

[Dept. of Supply O.M. No. 22(2)/70-P III, dated 9th August, 1971].

#### Recommendation (Serial No. 2, para 2.4)

The Committee feel that the distribution of items of work among different Purchase Directorates should be periodically reviewed and re-allocated where necessary, so that there may be maximum efficiency in the work of the Directorates. . .

#### Reply of Government

The recommendation of the Committee has been noted. In fact, this is already being done.

[Dept. of Supply O.M. No. 22(2)/70-P III dated, 9th August, 1971].

#### Recommendation (S. No. 3, para 2.18)

The Committee agree with the recommendations of the Vidya-lankar Study Team that there should be an officer-oriented pattern

of working in the Purchase Wing both at the H. Qrs. and the Regional Offices. They hope that as a result of the working of the scheme, delays at various levels have been cut down. As regards difficulties experienced due to absence of staff, the Committee suggest that the Ministry should devise suitable steps so that flow of work is not hampered on this account and there is no wastage of other personnel when the base officer is on short leave.

#### Reply of Government

The officer oriented scheme introduced in November 1966 has come to stay. Its working has been reviewed from time to time and a comprehensive review was undertaken by the SIU in 1968 on whose recommendations the number of units was increased from 88 to 92, making also *inter se* changes by reducing the number of *ad hoc* units and increasing the number of *rate* running contract units. Guidelines have also been laid down for the Purchase Officers for various stage action, such as issue of tender enquiry, preparation of comparative statements, scrutiny of offers received, formulation of the purchase proposals and placement of contracts. This has resulted in speedy disposal of work at various stages.

2. The base officer has been provided with a complement of 5/6 persons including stenographic assistance to assist him in all respects so as to ensure smooth flow of work. When he is on leave for a period extending 30 days, a substitute is provided to look after his work. In case of short leave, there are standing arrangements that the Deputy Director in charge of the unit looks after the work of the base officer also. The dealing hands have been assigned clear-cut duties and there is no wastage of manpower at any time.

[Dept. of Supply O.M. No. 22(2) | 70-P III dated, 9th August, 1971].

#### Recommendation (Serial No. 4 para 2.21)

The Committee note that the saving as a result of Vidyalankar Study Team's recommendation about reduction of staff in the Directorate General of Supplies & Disposals was worked out at Rs. 15 lakhs approximately. But as there was considerable delay in the re-employment of surplus staff the saving was reduced to about Rs. 7 lakhs. The Committee further observe that as a result of subsequent increases in staff strength, the saving has been further reduced.

### **Reply of Government**

**The Committee's observations have been noted.**

[Dept. of Supply O.M. No. 22(2)/70-P-III, dated the 9th August, 1971].

#### **Recommendation (Serial No. 5, para 2.28)**

The Committee note that proposals for additional staff for the DGS&D Headquarters and Regional Offices are under consideration of the Staff Inspection Unit of the Ministry of Finance. The Committee hope that the proposals will be very carefully scrutinised and decisions taken promptly keeping in view the need for economy and efficiency.

### **Reply of Government**

In so far as the DGS&D Headquarters is concerned, the Staff Inspection Unit of the Ministry of Finance conducted a study of certain non-purchase Wings (Registration, Coordination, Progress and Litigation) during January-March 1970 and submitted their report on 30th March, 1970 which has been accepted and necessary action taken as recommended by them.

The SIU subsequently informed the DGS&D that the staff study of the remaining Regional Purchase Offices might be undertaken by the Internal Work of Study Unit. The Staff Study of the following units has been completed by the SIU/Internal Work Study Unit.

#### **(i) Director of Inspection, Calcutta:**

The Staff study was conducted by the Internal Work Study Unit. The additional posts recommended on the basis of the staff study have been sanctioned.

#### **(ii) Director of Inspection, Bombay:**

The office was inspected by the SIU in March 1971 and they have recommended reduction of certain posts and creation of certain new posts. This recommendation has not been accepted by the DGS&D who have requested the SIU on 28th May, 1971 to modify the recommendation. Reply from SIU is awaited.

#### **(iii) Director of Supplies (Textiles), Bombay:**

The office was inspected by the Internal Work Study Unit in December, 1970. The recommendations of the Work Study Unit

have not been implemented, as they involve the creation of additional posts and there is at present a ban on any increase in expenditure on the non-Plan side. The matter is under consideration.

(iv) *Director of Supplies and Disposals, Calcutta:*

The recommendations made by SIU after inspection of this office in February 1969 have already been implemented.

(v) *Director of Supplies and Disposals, Bombay:*

The recommendations made by the SIU after inspection of this Office in August 1969 have been implemented.

(vi) *Director of Inspection, Madras:*

The recommendations made by the SIU, after inspection of this office in May 1970, have been implemented.

(vii) *Director of Inspection, N.I. Circle: New Delhi:*

The recommendations made by the SIU in March 1968 have been implemented.

The inspection of the remaining units will be taken up by the SIU/Internal Work Study Unit as early as possible.

[Department of Supply O.M. No. 22(2)/70-PIII,  
Dated, 9th August, 1971].

**Recommendation (Serial No. 6, Para 2.30)**

The Committee note that the forums like the Central Purchase Advisory Council and the Advisory Panel for Engineering Industry facilitate a fruitful dialogue between the purchasers and the suppliers apart from the periodical meetings with the indentors by the DGS&D to exchange views and understand the practical difficulties. The Committee would, however, suggest that with a view to ensure close liaison and coordination between the indentors, the Directorate General of Supplies and Disposals and Suppliers and to exchange views and understand the practical difficulties of various parties, the desirability of calling for the representatives of suppliers at such meetings, where necessary, may be examined.

**Reply of Government**

Meetings are occasionally held by the DG(S&D) with the supplier and indentor in cases where supplies are not coming through

according to schedule. These meetings enable the purchase organisation to appreciate and sort out the various difficulties experienced by the supplier as well as by the indentor/inspector. On occasions where difficult items are to be procured, pre-contract meetings are also held with the indentors and the suppliers.

[Department of Supply O.M. No. 22(2)/70-PIII,  
Dated 9th August, 1971].

**Recommendation (Serial No. 7, Para 3.9)**

The Committee are glad to note that Government have accepted and implemented most of the recommendations of the Vidyalankar Study Team. They hope that the remaining 16 recommendations will also be implemented at an early date.

**Reply of Government**

Of the 16 pending recommendations the implementation of one recommendation (No. 94) was impracticable. The Department of Administrative Reforms have been informed accordingly. Of the remaining 15 recommendations nine have been implemented and the remaining six are being processed.

[Department of Supply O.M. No. 22(2)/70-PIII,  
Dated 9th August, 1971].

**Recommendation (Serial No. 8, Para 3.10)**

The Committee, however, note that despite all attempts some delay continues to attend on every stage of purchasing process and procedures followed by the DGS&D. In view of the enormous magnitude of the purchases made by the DGS&D, which is around Rs. 450 crores annually, the Committee suggest that no pains should be spared in locating the numerous, at times complex, causes of delay and applying remedial measures.

**Reply of Government**

Clear cut instructions and time limits have been prescribed for the processing of purchase cases from the stage of receipt of indent in the DGS&D and upto the stage of placement of order as briefly indicated below:—

- (i) O.O. No. 2 dated 1st January, 1971 containing instructions regarding policy and procedure for dealing with indents not printed. The indents are classified according to the nature and urgency of the demands and a time schedule

has been prescribed for the coverage of various categories of indents.

- (ii) O.O. No. 7 dated 1st January, 1971 containing instructions regarding coverage of demands through tenders, etc. not printed. A time schedule has been laid down for the issue of tender enquiries, the period upto which the offers are to be kept open and the time by which decision on tenders should be taken. The instructions are that decisions on tenders should be taken within the original validity period and that extension in the validity period of the offers should be sought only in exceptional circumstances.
- (iii) O.O. No. 5 dated 1st January, 1971 lays down the drill regarding progressing of supplies after the placement of the contract. Not printed.

Steps to further streamline the procedures which were taken after the recommendations of the Committee are given in the paragraphs noted against the Office orders as below:

- (i) O.O. No. 2 dated 1-1-71 : paras 6, 15(d) and 24.
- (ii) O.O. No. 7 dated 1-1-71 : paras 7(ii), and last instruction in para 10.

2. If any bottlenecks or lacuna are brought to notice, the instructions are reviewed and suitable remedial measures taken.

[Department of Supply O.M. No. 22(2)/70-PIII,  
Dated 9th August, 1971].

**Recommendation (Serial No. 9, Para 3.11)**

The Committee would further urge that relentless efforts should continue to be made in future also to simplify and streamline the procedures so that action may be taken expeditiously at every stage for allaying the apprehensions of the suppliers and satisfying the demands of the indentors.

**Reply of Government**

The Committee's recommendations have been noted. On the basis of past experience and of the suggestions made at periodical

meetings with the Trade and Industry and the Indenting Departments, the procedures are reviewed and instructions issued to ensure that action at every stage is taken expeditiously. Office Orders Nos. 2 dated 1st January, 1971, 5 dated 1st January, 1971 and 7 dated 1st January, 1971 referred to in the reply to recommendation No. 8 (para 3.10) contain instructions to eliminate delays in the processing of indents, coverage of demands and in the progressing of supplies after the placement of the contract.

[Department of Supply O.M. No. 22(2)/70-PIII,  
Dated 9th August, 1971].

#### **Recommendation (Serial No. 10, Para 3.18)**

The Committee feel that it would be useful to make a study of the specific types of spare parts purchased in bulk from abroad. Information regarding specifications are well as uses of the spare parts should be collected and compared with similar items produced within the country.

#### **Reply of Government**

DGS&D is concerned with the purchases of spare parts for vehicles, earthmoving machinery etc. So far as vehicles spare parts are concerned, a majority of them are available indigenously as the manufacturing firms are themselves trying to tap the indigenous industry for their requirements of spare parts. Imports are restricted to certain important and essential items only. The position regarding imported spare parts for earthmoving and construction equipment is that the specifications of spare parts manufactured by a particular original equipment manufacturer or primary manufacturer is not divulged because their product is of a proprietary nature. The foreign manufacturers are not readily agreeable to furnish the details of their specifications, drawing and material specifications of imported spares unless some collaboration agreement is entered into with them by the sole selling agents or any other firms approved by them for the manufacture of spare parts in India conforming to their standards. Alternatively, these details could be obtained by paying some royalty to the original equipment manufacturers and then the details can be furnished to various entrepreneurs on some nominal fees or charges with a view to encouraging indigenous production. This suggestion, however, will not be a complete solution because of obvious practical difficulties and therefore, the matter will have to be left entirely to the indigenous manufacturers to obtain their essential data and speci-

fications under their own arrangement from the foreign manufacturers to prepare their own specifications on the basis of samples of imported spares after conducting necessary chemical, mechanical, metallurgical and other tests so that their own product conforms to the equipment specifications as that of the imported spare parts. The question of development of indigenous spare parts is basically the responsibility of the DGTD, and as desired by the Committee, the Department of Industrial Development have been requested to make a further study with a view to developing further indigenous capacity for the production of spare parts still being procured from abroad.

The DGS&D are however, fully conscious of the scope of import substitution in the field of spare parts despite the fact that it is fraught with some risk to the life of the main machinery in case the spare parts are purchased from sources other than the sole selling agents or their dealers. With a view to encouraging import substitution, indigenous manufacturers capable and competent to manufacture the spares to the requisite standards have been located and rate contracts have been concluded with them for the supply of a variety of spare parts. The total number of these items is 13,000. A further effort to cover about 7,000 more items is being made. These efforts have resulted in creation of indigenous capacity and saving of considerable foreign exchange.

[Department of Supply O.M. No. 22(2)/70-PIII,  
Dated 9th August, 1971].

**Recommendation (Serial No. 11, Para 3.10)**

The Committee would further suggest that the Government should also assess the requirements for individual items on a long-term basis so that the manufacturers may also be able to plan and create capacity in time for future manufacture.

**Reply of Government**

The Railways and P. & T. Department are already placing Works Programme indents for their long-term requirements on the DGS&D and in these cases procurement action is taken on a long-term basis. It has been decided that the Defence Services should also place Works Programme Indents on the DGS&D and the matter is under the active consideration of the Ministry of Defence. In cases of demands of recurring nature, procurement action is taken on long-term basis by concluding rate/running contracts for a period of two to three years.

[Department of Supply O.M. No. 22(2)/70-P-III, dated 9th August, 1971].

**Recommendation (Serial No. 12, Para 3.20)**

While the Committee agree that every care has to be taken to assess the suitability of indigenously manufactured spare parts before they are accepted, they feel that Government should adopt a helpful attitude in providing guidance to these manufacturers to come up to the standard. The Committee suggest that suitability or otherwise of spare parts manufactured in the country should be tested in as short a time as possible. They hope that the DG&TD is fully equipped with technical know-how and appropriate machinery for undertaking such tests within a reasonably short time.

**Reply of Government**

The Department of Industrial Development have offered the following comments on the above recommendation :

"It is true that the DG&TD have qualified and competent engineers. There are, however, no laboratories or other facilities available with them for testing the suitability of the locally manufactured spare parts. The Indian Standard Institution, New Delhi, with its regional offices and National Test House, Alipore, Calcutta, would be the appropriate agencies to carry out the job of testing and assessing the suitability of indigenous products."

As stated in the reply to the recommendation at S. No. 10 (para-3.18), a break through in the indigenous manufacture of spare parts for earthmoving machinery has been made, and a large number of items are being brought on the rate contracts on the basis of the manufacturer's warranty/guarantee for their reliability and suitability.

[Department of Supply O.M. No. 22(2)/70-P-III, dated 9th August, 1971].

**Recommendation (Serial No. 13, Para 3.21)**

The Committee would also recommend that feasibility of creating a climate for manufacturing spare parts in small industries of ancillary industries should be quickly examined by Government.

**Reply of Government**

The un-remitting efforts made by the DGS&D have already resulted in establishing indigenous capacity for the supply of 13,000 items of spares, which were formerly imported. Further efforts to locate another 7,000 items from indigenous suppliers are also in progress. A number of Rate Contracts have been concluded with ancillary units for the supply of spares for earthmoving and construction

machinery. Such Rate Contracts have also been concluded with small scale units.

A decision has also been taken to register manufacturers of spares and components as approved suppliers.

Instructions also exist that in respect of high value orders of Rs. 5 lakhs and above, the contractor should be asked to seek the assistance of the field officers of the NSIC, as well as the Regional Directors of the Small Industries Service Institute, as to how far he can place sub-contracts on the SSI units, in respect of the orders placed on him.

[Department of Supply O.M. No. 22(2)/70-P-III, dated 9th August, 1971].

#### **Recommendation (Serial No. 14, Para 3.26)**

The Committee note that industrial development has been promoted to some extent as a result of the role played by DGS&D. They are, however, of the opinion that there is enough scope in this field, and the Committee, therefore, suggest that the Ministry should keep the matter under constant review and in consultation with the Ministry of Industrial Development, explore the possibilities of giving a fillip to the industrial development in the country by nurturing the indigenous sources of supply and regulating the procedure of purchases made by the DGS&D on behalf of Government departments.

#### **Reply of Government**

The procedures and the policy being followed by the DGS&D is with the ultimate object of doing away with imports altogether and purchasing the various requirements of spare stores from indigenous sources. The gradual reduction in the figures of purchases through imports over the recent years is ample proof of the efforts made to restrict imports to the barest minimum.

Even when certain imports are insisted upon by the indentors, the nearest indigenous substitutes which would meet the end use, are offered and efforts made to persuade the indentors to accept the same. In a number of cases the efforts made in this connection have been successful. In cases where indigenous capacity is found to be inadequate to meet the requirements of the indentors and import has to be resorted to, the matter is brought to the notice of the

Department of Industrial Development/DGTD with the request to create additional capacity.

[Department of Supply O.M. No. 22(2)/70-P-III, dated 9th August, 1971].

**Recommendation (Serial No. 15, Para 3.28)**

The Committee feel that when a new capacity has been established particularly in promotion of the import substitution scheme, the Ministry should, in consultation with the Departments concerned, take steps to ensure that such capacity is not allowed to die out. They hope that the whole matter will be reviewed by the Ministry in consultation with the Ministry of Defence and the Ministry of Industrial Development so that a similar situation may not arise in future, and it is ensured that factories established are not closed down for want of orders of supplies. In view of the fact that the country has limited resources for planned development, the Committee suggest that concrete measures should be taken to obviate duplicate of manufacturing capacity of stores which are available in adequate quantities. They further suggest that the DGS&D should ensure that supply is of guaranteed quality, delivery is assured within time and the prices are competitive.

**Reply of Government**

So far as the DGS&D are concerned, utilization of the production capacity largely depends upon the demands received from the indentors for a particular item the manufacture of which has been developed in the country. However, the matter has been referred to the Department of Industrial Development. While making allocation of quantities against the contracts, efforts are made to see that fresh capacity developed is not dried up for want of orders. So far as Defence indentors are concerned, instructions already exist to ensure utilisation of indigenous capacity for the Defence stores developed in the country.

As regards the latter part of the recommendation relating to supply of stores of guaranteed quality, delivery within the prescribed time and competitive prices, the procedure of purchase in the DGS&D is based mainly on these considerations.

[Department of Supply O.M. No. 22(2)/70-P-III, dated 9th August, 1971].

**Recommendation (Serial No. 16, para 3.32.)**

The Committee note that if an indentor wants a particular brand of stores manufactured by a particular source, he has to submit to

the DGS&D necessary Proprietary Article Certificate along with his indent duly supported by his Associated Finance. They are, however, of the opinion that this procedure is not sufficient in itself to achieve the desired end of developing indigenous sources of supply. They hope that Government will ensure that competition is broad-based consistent with quality so as to secure maximum advantage to Government in price. The Committee recommend that a decision should be taken soon by the Government on the proposal under consideration that 'in case the DGS&D is in a position to offer an alternative substitute in conformity with the indentor's specifications from an alternative source, the indentor should be apprised of this and given a time limit to communicate his acceptance failing which the DGS&D will go ahead with the procurement of the stores from the alternative sources available.'

#### **Reply of Government**

The revised procedure for procurement of stores supported by Proprietary Article Certificate in the prescribed form by the indentors, is contained in this Ministry's O.M. No. PII-1(18)/66/Pt. dated 12th March, 1970 (Appendix I). It has been decided that as and when on the basis of information directly in the possession of the DGS&D or which can be obtained from the DGTD., the DGS&D consider that an alternative or a variant can meet the indentors' requirements equally effectively, the DGS&D should convey that information to the indentor within 15 days of the receipt of indent and indicate to him their views about the propriety of proprietary article certificate in the light of the availability of alternative stores to the requisite specifications. While conveying this information, the indentor would be requested by the DGS&D to place their views before his associate Finance, wherever necessary. The DGS&D will not invite tenders till a definite reply is received. Under this procedure, the indentor is required to send his reply immediately and in any case not later than 30 days of the receipt of the communication from the DGS&D.

[Department of Supply O.M. No. 22(2)/70-PIII, dated 9th August, 1971].

#### **Recommendation (Serial No. 17, para 3.35.)**

The Committee note that with a view to promote the growth of indigenous industries in support of import substitution, the DGS&D have been allowing price preference in deserving cases.

**Reply of Government**

The observation made by the Committee has been noted.

[Department of Supply O.M. No. 22(2)/70-P III, dated 9th August, 1971].

**Recommendation (Serial No. 18, Para 3.40)**

"The Committee note that the formerly the Development Wing formed part of the Supply Department, and that later on it was separated and taken over by the Ministry of Industrial Development and Company Affairs. The Committee agree that in respect of stores for which indents are received in DGS & D, a regular procedure for an effective liaison with the Development Officers of the DGTD should be established, particularly to carry out a systematic study of imported stores requiring the use of imported raw materials with a view to getting them manufactured indigenously. With this end in view, the Committee would suggest that a high powered Committee consisting of representatives *inter alia* of the Ministries of Supply, Industrial Development and Finance should be appointed to review the entire position in this regard and devise ways and means as to how greater coordination between the DGS & D and DGTD should be effected in the interest of giving a fillip to industrial development."

**Reply of Government**

The liaison as suggested in the above recommendation already exists between the DGTD and the DGS&D. The DGTD are regularly receiving statements from the DGS&D showing particulars of indents crossmandated to the India Supply Mission, London/Washington. The statements, in question, are circulated internally in the DGTD to the concerned Development Officers for exploring the possibility of establishing indigenous capacity of the stores being imported into the country. In cases where the indigenous capacity is found to be inadequate to meet the requirements, the DGTD are asked to develop additional indigenous capacity so that imports are avoided.

As regards the suggestion for the appointment of a high-powered Committee, it is stated that a high powered Committee on Import Substitution is already functioning in the Department of Industrial Development, under the chairmanship of its Secretary. Among others, Secretary (Supply), the DGTD Secretary (Finance) Member, Railway Board and Secretary, Defence Production are its members. All matters relating to the growth of industrial development to achieve import substitution are considered by this Committee.

[Department of Supply O.M. No. 22(2)/70-P-III, dated 9th August, 1971].

**Recommendation (Serial No. 20, Para 4.13)**

The Committee further suggest that while inviting quotations for Group IV items, a special clause should invariably be incorporated in the tender notices to say that the items are reserved for purchase from small scale industries units.

**Reply of Government**

Instructions already exist regarding incorporation of a special clause in the tender notice that the items are reserved for purchase from small scale industries and will be purchased from them only and quotations received from tenderers who are not in the small scale sector will not be taken into consideration.

[Department of Supply O.M. 22(2)/70-PIII, dated 9th August, 1971].

**Recommendation (Serial No. 21, Para 4.14)**

The Committee note that purchases worth Rs. 29 crores from the small scale industries out of the total purchases made by the DGS&D amounting to Rs. 450 crores annually works out to about 6.5 per cent. The Committee further note that the contribution of small scale industries to the industrial production amounts to nearly 40 per cent. Similarly, Khadi purchases amounting to Rs. 1 crore annually constitute .2 per cent of the total purchases made by the DGS&D. The Committee regret to note that though the items reserved for exclusive purchase from the small scale sector have increased from 16 in 1957 to 146 in 1969, the purchase from this sector has increased by a small percentage to total purchase i.e. 4.56 per cent to 6.66 per cent. It is, therefore, not known how the decision to purchase 100 per cent of requirements from within 146 items is effectively adhered to. The Committee would like that a detailed examination of the whole matter should be made and the Committee informed of the action taken. The Committee suggest that with a view to encourage the Cottage and Small Scale Industries, effective steps should be taken to ensure that they are allowed to take much greater part in the stores purchase programme of the Government by liberalising the condition of awarding contracts to them in a larger measure.

**Reply of Government**

As per existing instructions quotations from small scale units only are considered for items exclusively reserved for them. To enable

the small scale units to participate more effectively in the Government stores purchase programme, the following concessions are accorded to them:—

- (i) Where basic considerations like quality, delivery dates etc. are comparable, the products of the cottage and small scale industries are given preference over the products of other manufacturers in the purchase of Government requirements. In the case of items in which SSI units have established themselves as suppliers to Government on competitive terms such preference is extended to orders being placed on SSI units to the extent possible before orders are placed on the large scale sector.
- (ii) The application forms for registration with the DGS&D are supplied free of cost to bona fide small scale units.
- (iii) One of the main requisites for registration as manufacturers with the DGS&D is that the firm should possess its own testing facilities. This condition has been relaxed in the case of SSI units to the extent that a firm need not have its own testing facilities but must have regular arrangements with other agencies like SISI in its area for testing its products.
- (iv) In the case of Group III items which can be purchased from both large scale and small scale units, the small scale units are now accorded price preference over large scale units upto 15 per cent on a tender to tender basis without insisting on the firms to furnish the break-up of cost of manufacture. Further details of this decision are given in the Office Order dated 25th November, 1970, a copy of which is enclosed with the reply to recommendation No. 23 (para 4.22).
- (v) The small scale units not registered with the DGS&D have the facility of getting copies of advertised tenders, specifications and drawings in respect of items in which they are interested, free of cost from the N.S.I.C. to whom copies of tender sets are supplied without any charge by the DGS&D for free distribution to the SSI units. The

SSI units registered with the DGS&D are supplied tender forms free of cost direct.

- (vi) Normally a firm not registered with the DGS&D is required to deposit 5 per cent of the contract value as security for due performance of the contract. This is, however, not insisted upon in the case of an SSI Unit provided it furnishes a satisfactory competency certificate from the N.S.I.C.
- (vii) The S.S.I. units registered with the State Directors of Industries are entitled to all the benefits allowed to SSI units registered with the N.S.I.C.

2. In addition to the above concessions and facilities the DGS&D have started sending teams of technical experts to visit the industrial estates and units in different States to assist and educate the small scale units on proper techniques in production for the manufacture of such of the items as are required by Government indentors from time to time. The technical team has already covered the eastern, western and southern regions of the country and have visited over 250 SSI units.

3. The reasons for the purchases by the DGS&D from the small scale industries being below their scale of contribution in the total industrial production in the country are that the DGS&D buys only those stores indents in respect of which are placed on them by the Government Departments according to their specifications. Some of the items indented for are not produced in the small scale sector. For instance, in the total purchases of Rs. 518 crores made indigenously in 1970-71 out of which items worth Rs. 42.63 crores were purchased from the small scale sector, items like cement, petroleum products, paper, jute, vehicles storage batteries, etc., valuing Rs. 318 crores were purchased only from the large scale units as the small scale sector has no production capacity for these items. If this figure of Rs. 318 crores is taken out from the total purchases of Rs. 518 crores, the percentage of purchases made from the small scale sector in relation to the purchase of items procurable both from the large scale sector and the small scale sector, would be more than 20 per cent. It will thus be seen that in respect of the purchases of stores procurable both from the SSI units and the large scale sector, the DGS&D as a matter of policy, gives the maximum feasible preference to the products of the small scale sector. It has also to be realised that Government Departments do not need each and every variety of stores manufactured in the small scale sector. Besides the figures of DGS&D's purchases do not constitute the totality of all Government

purchases. Government departments, State Governments, public sector undertakings and other Government or semi-Government organisations have powers to make their purchases direct. It is not unlikely that quite a few of these purchases are from the small scale sector. The figures of such purchases are not included in the figure of the DGS&D purchases.

[Department of Supply O.M. No. 22(2)/70-P III, dated 9th August, 1971].

**Recommendation (Serial No. 22, Para 4.15)**

The Committee note that the items categorised in Group III can be purchased both from large scale and small scale units. There is apprehension that taking advantage of this category, items produced by the small scale sector may not be purchased from it. The Committee, therefore, desire that Government may examine whether the items which can be purchased from small scale sector may be taken out from Group III and included in Group IV. The Committee recommend that serious efforts should be made to promote the growth of small scale industries by enabling them to contribute to the stores purchase programme of Government in a larger measure.

**Reply of Government**

Please refer to the reply given against recommendation No. 19 (para 4.12). As stated therein, the *ad hoc* Committee has expanded the list of items reserved in Group IV for exclusive purchase from the small scale sector from 110 to 167 items. The items in Group III procurable both from the large scale and small scale sectors, are kept constantly under review with a view to include in Group IV as many items as possible.

[Department of Supply O.M. No. 22(2)/70-PIII, dated 9th August, 1971].

**Recommendation (Serial No. 25, Para 4.28)**

The Committee feel that adequate representation has not been given to the small scale industries on the Central and Regional Purchase Advisory Councils. They suggest that the position may be reviewed and suitable action taken to alleviate the grievances of the small scale sector by giving them greater representation on the Purchase Advisory Councils.

### **Reply of Government**

In the Central and Regional Purchase Advisory Councils, the nominee of small scale industry is represented, by the Federation of Associations of Small Industries of India, and also by the National Small Industries Corporation. In the Regional Purchase Advisory Councils, the Directors of Industries of each State also sponsor the interests of the small scale sector. So far, there has not been any complaint of inadequate representation of the small scale interests in the Central and the Regional Purchase Advisory Councils.

However, the matter has been further examined; and it has been decided that the representation of the Federation of Associations of Small Scale Industries on the Central Purchase Advisory Council may be increased from one nominee to three nominees in such a manner that they represent a cross-section of industries in the small scale sector.

[Department of Supply O.M. No. 22(2)/70-PIII, dated 9th August, 1971].

### **Recommendation (Serial No. 27, Para 4.32)**

The Committee hope that Government will ensure that the various concessions and facilities offered to the small scale units for securing a greater share in the Central Purchases will be made available to them in actual practice and in time.

### **Reply of Government**

The observations of the Committee have been noted.

[Department of Supply O.M. No. 22(2)/70-PIII, dated 9th August, 1971].

### **Recommendation (Serial No. 29, Para 5.17)**

The Committee note that on the recommendations of the Study Team, the DGS&D have since fixed definite time-limits for the completion of different jobs right from the initial stage of the receipt of order for Inspection till the last stage of issue of covering Inspection note and also where complaints are received, the time-limit to attend to their investigation has been laid down. The Committee further note that adherence to these time-limits is watched through the periodical statements. Though delays in inspection have been cut down to a great extent as a result of laying down specific time-limits, the Committee are constrained to observe that in some cases avoidable

delay has taken place. The Committee would, therefore, strongly recommend that efforts should be continuously made to effect improvements by enquiring into the individual cases of delay in inspection and taking remedial measures where necessary.

#### **Reply of Government**

Efforts are continuously being made to effect improvements by enquiring into individual cases of delay in inspection and taking remedial measures, where necessary. A circular to all the Regional Inspectorate emphasising strict compliance of instructions regarding the time-limits fixed for completion of different items of inspection jobs in view of the Estimates Committee's recommendation, has been issued, and a copy thereof is enclosed.

[Department of Supply O.M. No. 22(2)/70-PIII, dated 9th August, 1971].

#### **Recommendation (Serial No. 30, Para 5.18)**

The Committee suggest that the work of preparing uniform inspection procedures should be completed early. They also suggest that an early decision may be taken with regard to utilisation of Defence Laboratories for the testing of samples.

#### **Reply of Government**

Uniform inspection procedures on 20 engineering items were finalised earlier and circulated to the Regional Inspectorates for their guidance inspection. Inspection procedures on two more items have been finalised and circulated to the Regional Inspectorates. The procedures for the remaining items are under review and will be circulated as soon as finalised.

Instructions regarding utilisation of testing facilities available at regional Defence Laboratories were issued vide DGS&D Office Circular Nos. 249(1)/66/IC-1 dated 4-9-68 and dated 11-2-1970 (Appendices II and III).

[Department of Supply O.M. No. 22(2)/70-P III, dated the 9th August, 1971].

#### **Recommendation (Serial No. 31, Para 5.19)**

The Committee also note that during the past three years only two periodical inspections of the Regional Offices have been conducted by the Deputy Director General (Inspection) except in respect

of Calcutta Office and Metallurgical Inspectorates which have been inspected only once. The Committee feel that the periodical inspections by the Deputy Director General (Inspection) have been few and far between, and suggest that these inspections should be more frequent.

#### **Reply of Government**

The recommendation has been noted and is being implemented.

The Deputy Director General (Inspection) has undertaken inspection of the offices of the Directorates of Inspection at Calcutta and Bombay and their sub-centres at Kulti and Baroda during 1970. The office of the Director of Inspection, Madras and of the Deputy Director of Inspection, Bangalore were also inspected by him.

The inspection of the Offices of the Directors of Inspection at Tatanagar, Burnpur and Calcutta, which was scheduled for this year could not be undertaken due to the sudden rush of work connected with the supply of stores to the refugees from Bangla Desh, which requires the presence of the Deputy Director General at the Headquarters. These inspections will, however, be carried out at the earliest possible opportunity.

[Department of Supply O.M. No. 22(2)/70-PIII, dated 9th August, 1971].

#### **Recommendation (Serial No. 32, Para 6.9)**

The Committee find that only 5,000 firms are registered to purchase goods worth Rs. 445 crores. The Committee feel that with the growth of trade, commerce and industry in the country the number of registered firms with the DGS&D should also be appreciably increased. A firm date-line may be fixed every year to induct new registered firms and proper notice given in the press accordingly. Since purchase stimulates industrial growth, care should be taken to see that purchases are made from all States, as far as practicable, and not confining them to a few metropolitan cities and industrial areas.

#### **Reply of Government**

To induct new firms for supply of various types of stores, advertisements are given in the leading Newspapers and the Indian Trade Journal from time to time inviting the firms to get themselves registered with the DGS&D. In addition to the medium of publicity, cer-

tain other measures to attract new firms have also been taken as noted below:—

- (i) Forms of tender enquiry are sent to the National Small Industries Corporation and to the Directors of Industries in the States for supply to the Small Scale Industrial Units free of cost.
- (ii) The State Directors of Industries are asked from time to time to recommend suitable firms both in the small and large scale sectors.
- (iii) In cases where small scale units do not have their own facilities for testing and quality control, they can be registered provided they are able to make suitable arrangement with any other laboratory|industrial estate in their region.
- (iv) Registration fee for large scale units has been reduced from Rs. 20 to Rs. 10; and no fee is levied on SSI Units.

The policy of the DGS&D, therefore, is to encourage as many firms as possible to get themselves registered as approved contractors with them.

As regards the recommendation on purchases to be made from all States as far as practicable, it is stated that the purchase policy followed by the Central Purchase Organisation has always been to make purchases on the basis of the competitive quotations received from tenderers in all States in the country, and not from a few metropolitan cities, industrial areas or selected regions.

[Department of Supply O.M. No. 22(2) |70-PIII, dated 9th August, 1971].

#### **Recommendation (Serial No. 33, Para 6.10)**

The Committee note that the Ministry of Supply have decided that the process of registration should be completed within a period of two months. However, on examination of a few specific cases brought to their notice, the Committee are unhappy to point out that there has been some delay on the part of the DGS&D regarding the disposal of these applications for registration. The Committee would, therefore, suggest that in the interest of efficiency of work and to avoid any harassment to the parties concerned, effective steps should be taken to lay down realistic time-limits for the various steps of the processes involved in the disposal of applications for registration of firms.

### Reply of Government

According to the present time schedule, the process of registration of firms normally takes about 8 weeks as indicated below:

- (i) Scrutiny of application 1 week.
- (ii) Bank and inspection reports 4-6 weeks.
- (iii) Recommendation and issue of final action 1 week.

Normally registration cases are finalised within the time schedules and there have been a number of cases where the registration was finalised much earlier. Delays occur in exceptional cases where in spite of elaborate fool-proof instructions the firms do not fill up the forms properly and furnish incomplete documents. This entails back references or even return of the applications to the firms upsetting the time schedule. The registration machinery has, however, been streamlined for eliminating avoidable delays. Applicants who call on the DGS&D are advised to complete the information in the proper form so that the registration can be finalised within the target period of 2 months.

[Department of Supply O.M. No. 22(2)/70-P III, dated the 9th August, 1971].

### Recommendation (Serial No. 34, Para 6.11)

The Committee also suggest that where registration is refused, the reasons for such refusal should be communicated by the DGS&D to the firm concerned.

### Reply of Government

The reasons for refusal of registration are always communicated to the firms unless they are of a confidential nature which may cause embarrassment to the Government. Even in such cases technical and financial deficiencies are communicated to them.

[Department of Supply O.M. No. 22(2)/70-PIII, dated 9th August, 1971].

### Recommendation (Serial No. 36, Para 6.20)

The Committee agree that the description of stores required should be complete in all details to facilitate prompt action for procurement. The Committee suggest that the Ministry of Supply should impress upon the indentors the imperative need for giving

the correct and detailed description of stores in the indents to avoid unnecessary correspondence resulting in delay in supply of stores.

**Reply of Government**

The above recommendation has been brought to the notice of all the indentors for strict compliance *vide* this Ministry's O.M. No. PIII-1(39)/70, dated the 17th October, 1970 (Appendix IV).

[Department of Supply O.M. No. 22(2)/70-P III, dated the 9th August, 1971].

**Recommendation (Serial No. 37, Para 6.22)**

The Committee agree that the requirements of various indentors should be bulked by the DGS&D and there should be continuity in placing the orders.

**Reply of Government**

Instructions already exist *vide* para 4 of O.O. No. 2 dated 1-1-1971 for combining and bulking of demands from various indentors which will result in economy in purchase.

There is also a provision for the coverage of supplementary demands of 25 per cent and above in respect of demands of a repetitive nature which are received after the issue of the T|E but before expiry of the validity period of the tender without going for fresh Tender Enquiry *vide* Para 5 of O.O. No. 7 dated 1-1-71.

There is also provision for coverage by placement of Report Orders. (Para 2 of O.O. No. 7 dated 1-1-1971).

[Department of Supply O.M. No. 22(2)/70-P III, dated the 9th August, 1971].

**Recommendation (Serial No. 39, Para 6.32)**

The Committee are unhappy to note that purchases in some cases are not finalised within one month of the opening of the tenders the time usually given for offers to remain open. With a view to remove complaints of the firms that long time is taken in deciding the tenders. The Committee recommend that the DGS&D should ensure that the decisions on tenders are expedited and purchases are by large finalised within one month of the date of opening of tenders.

### **Reply of Government**

Instructions already exist which have been reiterated from time to time that decision on tenders should be taken within the original validity period *vide* para 15(ii) of the DGS&D Office Order No. 7 dated 1st January, 1971. The offers are extended only in cases where it is inescapable for valid reasons.

[Department of Supply O.M. No. 22(2)/70-PIII, dated 9th August, 1971].

### **Recommendation (Serial No. 40, Para 6.36)**

As the practice of quoting unduly high prices as a result of formation of rings by Trade Groups or having monopolies in supplies is most undesirable and anti-national on the part of the firms concerned, the Committee suggest that the DGS&D should be vigilant for detecting and indentifying such undesirable practices, persons and firms in time and black-listed them for future deal.

### **Reply of Government**

The problem arises in the DGS&D especially in the case of firms who have a near monopoly in the production of certain stores but are not very cooperative in the matter of disclosing the break up of prices, the margin of profit or even in the matter of timely supply. Specific instances have been reported to the Ministry of Industrial Development.

Besides, the Government of India have also set up a Bureau of Industrial Costs and Prices *vide* Resolution No. 42011/1/70-I, dated the 15th January, 1970. Certain items of stores of a monopolistic nature and where ring formations have been noticed have been reported to the Bureau with the request to undertake cost study.

[Department of Supply O.M. No. 22(2)/70-PIII, dated 9th August, 1971].

### **Recommendation (Serial No. 41, Para 6.37)**

In view of the inherent pit-falls attendant on post-tender negotiations the Committee suggest that this practice should not be resorted to as a rule unless it is established on valid grounds that the firms have formed a ring to defeat the purpose of the tender.

### **Reply of Government**

According to the existing instructions negotiations are resorted to only in exceptional circumstances such as lack of competition, formation of ring or in the case of stores of proprietary nature where the prices quoted are considered abnormally high.

The recommendation of the Committee has been noted.

[Department of Supply O.M. No. 22(2)/70-PIII, dated 9th August, 1971].

### **Recommendation (Serial No. 42 para 6.47)**

The Committee are unhappy that in some cases specifications have been laid down without due regard to the availability of raw materials and components of requisite specifications for manufacture of the same. They trust that the matter will be finalised by the DGS&D through negotiation with the parties concerned and the difficulty in this direction will be resolved as early as possible.

### **Reply of Government**

Specifications are adopted by the Indian Standards Institution after consulting all the interests concerned including non-official organisation. Thus the availability and quality of raw materials and components would normally be taken into consideration while formulating the standard specifications. However, the difficulties relating to such specifications that are brought to the notice of the DGS&D by the trade are carefully considered and relaxation is allowed where feasible in consultation with the user Department. In the case of Departmental specifications like those of the Railways, P&T, Defence, etc., similar action is being taken in consultation with those Departments.

[Department of Supply O.M. No. 22(2)/70-PIII, dated 9th August, 1971].

### **Recommendation (Serial No. 43 para 6.50)**

The Committee suggest that with a view to develop indigenous capacity for various stores in support of import substitution, Government should seriously consider the question of revision of specifications in consultation with the indentors and Indian Standards Institution in order to accommodate Indian suppliers having due regard to the production of quality goods.

### **Reply of Government**

The ultimate aim of the DGS&D is to achieve import substitution. To this end all possible steps are being taken. Efforts are always made to make the indentors agree to accept the indigenously developed alternative store in place of the imported one.

The specifications are under constant review by the various technical authorities including the Indian Standard Institute; and modifications are carried out where necessary without impairing the quality and functional aspect, above all keeping in view the end use.

[Department of Supply O.M. No. 22(2)/70-PIII, dated 9th August, 1971].

### **Recommendation (Serial No. 44 para 7.5)**

The Committee suggest that the Directorate General of Supplies and Disposals should ensure that clarification and confirmation of any points of the contract required by the contractors concerned should be issued to them expeditiously to avoid any delay in execution of the orders.

### **Reply of Government**

Suitable instructions have been issued to Purchase Officers vide DGS&D Office Order No. 18(F) dated 24-7-1970 (Appendix V).

[Department of Supply O.M. No. 22(2)/70-PIII, dated 9th August, 1971].

### **Recommendation (Serial No. 47 para 7.22)**

The Committee note that a number of suppliers of automobiles have filed claims for increase in prices and that these are under examination of Government. Most of the claims of the automobile manufacturers for an increase in the price relate to a period when there existed formal or informal control on sale price of automobiles. The representative of the Ministry has stated in evidence that "there is no adequate justification for asking for such high price increase and the firms are also claiming increase in respect of certain items which were already disallowed." But again the representative of the Ministry has stated that once the break-up of price is given, "we shall decide what is the reasonable price increase which we can agree to". While the Committee would like all matters to be settled with expedition, they need hardly stress that every care should be

taken in finalising the pending claims to ensure that in no case such increase is allowed beyond the prices fixed under formal or informal control on sale of automobiles.

### **Reply of Government**

It is confirmed that in no case increases asked for by the automobiles manufacturers have been allowed beyond the prices fixed under formal or informal control on sale of automobiles.

As regards the increases in the prices claimed by the firms after the lifting of the price control, negotiations were held with them and in consultation with the Department of Industrial Development and the Ministry of Finance, the price increases were cost examined and they have since finalised with all the firms and fresh rate contracts concluded with them.

[Department of Supply O.M. No. 22(2)/70-PIII, dated 9th August, 1971].

### **Recommendation (Serial No. 49 para 8.10)**

The Committee agree that in the case of *ad-hoc* indents by and large *status quo* should be maintained in regard to the present ratio of 95 per cent payment against proof of despatch and balance 5 per cent against receipt certificates from consignees subject to automatic payment within 90 days from the date of advance payment. The Committee feel that keeping a margin of 5 per cent is essential on account of change in excise duty, customs duty, sales tax, variation in price etc.

### **Reply of Government**

No comments.

[Department of Supply O.M. No. 22(2)/70-PIII, dated 9th August, 1971].

### **Recommendation (Serial No. 50, Para 8.12)**

The Committee are constrained to observe that in the DGS&D as many as 2565 finalisation cases were pending on 1st August, 1968. The Committee note that the number of pending cases was reduced to the present figure as a result of concerted drive launched by the Ministry as the number of such cases on 1st January, 1967 was as high as 6491. The Committee are unhappy to observe that the present state of affairs in regard to pending finalisation cases is a ~~well~~

commentary on the working of the DGS&D and casts a reflection on the efficiency of work in that Organisation. The Committee would, therefore, urge that suitable steps should be taken by the Ministry of Supply on a high priority basis to liquidate the pending cases early.

#### **Reply of Government**

2565 finalisation cases were pending on 1st August, 1969. This included 431 cases which had already been finalised but had to be reopened due to representations from the firms regarding the penalty imposed or claims disallowed. The position has further improved; and as on 1-7-71, the pendency of finalisation cases was 1573 only. A sample study of the cases pending for finalisation was carried out. The study has revealed that bulk of the hard core of these cases are pending for want of supporting documents from firms in respect of increase in price on account of increase in the price of raw materials, excise duty, wages etc.

A regular fortnightly review of the cases pending for finalisation is being carried out to ensure that no cases are kept pending for avoidable reasons.

[Department of Supply O.M. No. 22(2)/70-PIII, dated 9th August, 1971].

#### **Recommendation (Serial No. 51 Para 8.15)**

The Committee regret to note that a large number of cases involving payment to the firms concerned against devaluation have not been settled by the DGS&D so far though more than three years have elapsed. The Committee urge that the Ministry of Supply should take immediate steps to settle all pending cases on account of devaluation.

#### **Reply of Government**

Instructions already exist for the expeditious finalisation of cases arising out of devaluation. As on 31-8-70, the number of cases awaiting finalisation of claims on account of devaluation, was 101 including 8 cases pending in the regional offices of the DGS&D. Out of 93 cases in the Headquarters' office, 54 cases have since been finalised and the break-up of 39 pending cases is as under:—

1. Documents awaited from the parties	22
2. Under arbitration	2

3. Under Consideration	9
4. Cases re-opened afresh because the firms did not accept the rejection decision.	6
	39

As regards the 8 cases pending in the regional offices, the latest position is being ascertained and will be intimated shortly.

[Department of Supply O.M. No. 22(2)/70-PIII, dated 9th August, 1971].

**Recommendation (Serial No. 53 para 8.29)**

As regards percentage of loss to the total amount of purchases made by the DGS&D, the Committee do not agree that losses are on the lower side. The fact remains that in one single case the Government has been put to a loss amounting to as high a figure as Rs. 2 crores. The Committee suggest that the procedure of inspection and payment etc., obtaining in the office of the DGS&D should be reviewed and streamlined, loopholes plugged, wherever necessary, and suitable effective steps taken to put a stop to such serious irregular practices resulting in heavy losses to Government. They further suggest that Government should ensure that the procedure as evolved is implemented fully. The Committee also stress that no stone should be left unturned by Govt. to recover as much of the amount of loss as possible from the party concerned and bring to book those who are found guilty of the serious lapses so that it may serve as a deterrent to others.

**Reply of Government**

The various safeguards that have been adopted by the Government for preventing contractors from obtaining payments fraudulently by quoting fictitious/bogus R/R. No. and date in their bills for advance payments have already been intimated to the Estimates Committee in reply to Supplementary Question No. 24. The adoption of safeguards is a continuous process and as soon as any loophole comes to light remedial measures are taken to plug it. Strict instructions already exist and have been recently reiterated that whenever any departure in the standard system of payment is proposed in any case, the orders of the DGS&D and Chief Pay and Accounts Officer this Department and also of the Financial Adviser in cases involving substantial financial repurcussions, should be obtained before final relaxation in payment terms is allowed.

All possible steps are being taken to recover as much money from M/s. UPCC (P) Ltd. as possible. Since the firm have gone into liquidation, claims have been/are being filed before the official Liquidator. On the basis of the investigation carried out by the Central Bureau of Investigation in this case at the instance of this Department, the CBI have instituted criminal proceedings against certain Directors and officers of the firm, including a few Inspecting officials of the DGS&D. Departmental proceedings against some Government officials are also in progress.

[Department of Supply O.M. No. 22(2)/70-PIII, dated 9th August, 1971].

**Recommendation (Serial No. 54 para 8.32)**

The Committee suggest that the DGS&D should take suitable steps to ensure that the delivery period stipulated in the contract is adhered to as far as possible, and there are no delays in supplies of stores to the indentors. The Committee feel that, wherever necessary, arrangements for procuring scarce raw materials to the suppliers, release of controlled items and removal of bottlenecks should be made to ensure timely supplies of stores against the DGS&D contracts.

**Reply of Government**

In order to ensure timey supplies of stores to the indentor and removal of bottlenecks 100 per cent progressing of orders for indigenous stores is done by the Progress Wing of the DGS&D. Wherever the stores ordered are subject to assistance in the procurement of raw materials such as scarce category of Steel, Essentiality Certificates are issued and physical delivery of the same is watched and expedited by the Deputy Director (Steel) posted in the office of the Iron and Steel Controller, Calcutta who keeps a constant liaison with the J.P.C. However, the overall shortage of steel in the country and the difficulty in the procurement of certain other scarce raw materials, like aluminium, raw wool, nylon etc., has adversely affected the supply of stores to the indentors against the DGS&D contracts. In order to handle this problem, a Study Team under the chairmanship of the Director General of Supplies & Disposals is at present undertaking a thorough study of the short supply items and provisioning of raw materials. This Team has covered some ground in consultation with the Departments responsible for the production and distribution of raw

materials and is expected to make practical and useful recommendations shortly. Meanwhile, concerted efforts have been made to obtain assurance from the Departments responsible for the release of raw materials required for certain important items for the main indentors, like the Defence and the Railways.

[Department of Supply O.M. No. 22(2)/70-PIII, dated 9th August, 1971].

#### **Comments of the Committee**

**The Committee may be apprised in due course of the findings of the Study Team going into the problem of short supply items and provisioning of raw materials.**

#### **Recommendation (Serial No. 55 para 8.39)**

The Committee feel that the DGS&D should ensure that no such cases arise where the liquidated damages are imposed on the suppliers when it becomes obligatory for them to seek extension of delivery period due to delay on the part of Government in issue of import licences or revalidation of import licences etc.

#### **Reply of Government**

Suitable instructions for the guidance of Purchase Officers have been issued *vide* DGS&D Office Order No. 20(D), dated 24th July, 1970 (Appendix VI).

[Department of Supply O.M. No. 22(2)/70-PIII, dated 9th August, 1971].

#### **Recommendation (Serial No. 58 para 9.3)**

The Committee note that a firm of Bombay cheated Government to the extent of a sum of Rs. 2 lakhs in connection with the supply of lining cloth against an order placed by the Director of Supplies (Textiles), Bombay during July-November, 1967.

#### **Reply of Government**

The proceedings in the court are pending. The CBI have, however, reported that the firm had deposited all the money involved in this case in full in the court.

[Department of Supply O.M. No. 22(2)/70-PIII, dated 9th August, 1971].

#### **Recommendation (Serial No. 59 para 9.4)**

The Committee urge that the entire procedure of payment should be streamlined and suitable remedial steps taken to avoid such

### **Reply of Government**

The DSG&D have introduced a scheme of 100 per cent progressing of supplies, both at the consignee's and the firm's end. Instructions have also been issued to the consignees to report any shortages/ damages and malpractice promptly. As a further measure of safeguard, the Pay and Accounts Officer after settling the suppliers' advance 95 per cent payment bills, obtain a confirmation from the consignees within 45 days that the stores have been received by them in full or in short supply. It has also been decided to obtain from the supplying firms a certificate on the bill itself about the genuineness and correctness of the R/R No. and date etc., quoted in their bill for advance payment.

[Department of Supply O.M. No. 22(2)/70-PIII, dated 9th August, 1971].

### **Recommendation (Serial No. 60 para 9.8)**

The Committee are concerned about the delays in supplies of manufactured items like tents, bags etc. against the orders placed by the Director of Supplies (Textiles) Bombay. The Committee understand that there is only one supplier of tents in the Bombay region and that the majority of the tent suppliers are small-scale units with limited means. These suppliers have to depend on the smooth flow of supply of the correct quality of Dasooti, which is the main basic raw material and is manufactured by a limited number of mills. The Committee urge that Government should take suitable steps for removing the difficulties coming in the way of the suppliers early.

### **Reply of Government**

The Committee's recommendation has been noted and the Director of Supplies (Textiles), Bombay asked to take suitable remediable measures.

[Department of Supply O.M. No. 22(2)/70-P III, dated the 9th August, 1971].

### **Comments of the Committee**

**The Committee may be apprised of the remedial measures taken in the direction of removing difficulties coming in the way of suppliers.**

[L.S.S. O.M. No. 5/23/EC-II/70, dated 10-2-1972].

## CHAPTER III

### RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLY

#### Recommendation (Serial No. 19 para 4.12)

The Committee note that 146 items are included in the list of items which are entirely reserved for procurement from small scale units. The Committee also note that though small industries started with modest beginnings, many of them have by now undergone modernisation and have employed sophisticated techniques and equipment. Moreover the Committee are of the opinion that to meet the growing unemployment problem in our country, small scale industries which are usually employment-oriented should be encouraged to flourish. They are of the view that in the light of the experience gained more and more items should be brought within this group. The Committee, therefore, suggest that a periodical review should be carried out in consultation with the NSIC and fresh items should be added to this list in consultation with the Director-General and Ministries of Defence, Railways and Finance. The review should include to identify the indented items which are available in the small scale sector, and from the experience of the trends of purchase an attempt should be made to persuade the manufacturers to set apart more products in the small scale sector. The meetings of such a Review Committee should be organised at least three times a year and targets drawn up, and decision taken be communicated to all concerned.

#### Reply of Government

The policy followed by this Department is to give as much encouragement to the products of small scale sector as possible in the procurement programme. In accordance with this policy, the Government have reserved certain items (Group IV items for exclusive purchase from the small scale sector units to the exclusion of the large scale sector).

2. Before September, 1968, the review of items included in Group-III was undertaken by the DGS&D in consultation with the NSIC and the Development Commissioner (SSI). In recognition of the fact that modern small scale industries were producing many

sophisticated and non-traditional items and also in view of their importance to the industrial development of the country, a Committee was set up in September, 1968 with the Secretary, Ministry of Supply as its Chairman and Development Commissioner (SSI), Chairman NSIC, DGTD, DGS&D, Financial Adviser and senior Officials of each of the major indenting Departments like Defence and Railways, as its Members, to consider the question of inclusion of additional items in Group-IV. This Committee held three meetings—September, 1968—March, 1969 and August, 1970 and have so far reviewed 120 items for inclusion in Group-IV and decided to include 56 items. Thus the list of 110 items has now been expanded to 167 items for exclusive purchase from the small scale sector (Appendix VII). It will be seen from the items included in this list that out of 167 items reserved so far, 54 items are non-traditional in character. These items have been included taking into account the fact that the small scale units have undergone modernisation and have employed sophisticated techniques and equipment.

As regards the suggestion made by the Committee that the meetings of the Ad hoc Committee should be organised at least three times a year, the frequency of the meetings will depend on the items that the Development Commissioner (SSI)/NSIC and Trade and able to suggest for inclusion in Group-IV, and for that purpose complete information is collected by the Development Commissioner (SSI) justifying their inclusion in the reserved list for placement before the Committee. A further list of about 80 items for inclusion in Group IV had been forwarded by the Development Commissioner and this list will be considered by the Committee very shortly.

[Department of Supply O.M. No. 22(2)/70-PIII, dated  
9th August, 1971].

#### **Recommendation (Serial No. 24 Para 4.25)**

The Committee note that in respect of Group II items, the DGS&D have no objection to the large scale units on whom orders are placed, purchasing ancillaries and components from small scale units for completion of the contractual obligations. They would, however, suggest that the Government may examine the feasibility of discouraging the tendency among the large scale units to fabricate in their own factories all the minor items which could be otherwise manufactured by small scale sector.

### **Reply of Government**

The DGS&D as a Purchase Organisation, cannot contractually force the large scale units not to produce items which can be manufactured by the small scale units. This is a matter which can be taken up by the Development Commissioner (SSI) with the Ministry of Industrial Development and it has accordingly been brought to their notice for suitable action. The DGS&D can only suggest to the large scale units as is already being done at present, to procure their requirements of ancillary items from the small scale units.

[Department of Supply O.M. No. 22(2)/70-PIII,  
dated 9th August, 1971].

### **Further information called for by the Committee**

The Committee may be apprised of the final action taken to ensure that the large scale units do not fabricate in their own units all minor items which could be otherwise manufactured by small scale sector.

[L.S.S. O.M. No. 5/23/ECII/70, dated 24th December, 1971].

### **Reply of Government**

In our reply to this recommendation, it had been stated that the D.G.S. & D. as a Purchase Organisation, cannot contractually force the large scale units not to produce items which can be manufactured by the small scale units. The D.G.S. & D. only suggest to the large scale units from time to time to procure their requirements of ancillary items from the small scale units. The matter was also taken up with the Ministry of Industrial Development for suitable action. The Ministry of Industrial Development have replied vide their letter dated 19th August, 1971 and the position is as under:—

“In so far as the industrial licences are concerned, guidelines for farming out ancillaries to the small scale sector, while considering applications for industrial licences, has been issued by the Ministry in circular No. 10(57)/Lic. Pol/70 dated the 22nd April, 1971 (copy enclosed).”

It is stated therein, *inter alia*, that in respect of licences to be granted, if there are items in the production programme of the applications, which can be usefully manufactured as ancillaries in the small scale sector, the licensing authority should see that such

ancillaries are not included as part of the licence and that they are set apart for manufacture in the small scale sector.

[Department of Supply O.M. No. 22(2)/70-PIII, dated the 13th January, 1972].

### **Recommendation (Sl. No. 28 Para 5.16)**

The Committee note that a separate Inspection Organisation is maintained by the DGS&D to safeguard Government interests more effectively by providing consignment-wise inspection 'while the inspection under the ISI Scheme is a sort of periodic check' on the quality control methods. It has been further stated that 'on receipt of the application ISI send Inspectors to find out if they (parties) are in a position to manufacture the stores in question according to a particular specification after they are satisfied with methods of production and quality control, etc.'. It has been suggested that DGS&D inspection team carries on inspection of 'every consignment'. Besides the DGS&D, some of the indentors like the Railways have their own inspection team.

The Committee recommend that greater advice/assistance of the Indian Standards Institution may also be obtained regarding the inspection of stores against the DGS&D purchases. The Committee also suggest that effective steps should be taken by Government to avoid duplication of inspection by the authorities concerned.

### **Reply of Government**

There is no duplication of inspection by different authorities. The jurisdictions of different Inspection Authorities of Government of India, viz. the Inspection wing of the DGS&D, the Director General (Inspection), Defence and the RDSO (Rlys) are well defined and do not overlap.

As regards ISI, their functions are quite different. They are primarily concerned with the formulation of Indian Standards in place of the existing British Standards etc., wherever possible, and also new ones. DGS&D Inspection Wing is actively associated with the different ISI Sub-Committees entrusted with the job of finalizing/revising various standards.

As regards assistance from the ISI in the work of actual inspection of stores against the DGS&D contracts, the DGS&D as purchaser are accountable to their indentors. The DGS&D inspecto-  
rates have therefore to inspect the stores on 'consignment-wise' basis

in terms of the contractual obligations to the indentors. The inspection by ISI under ISI Certification Marks Scheme, is limited to a sort of 'periodic check' which cannot be taken as a substitute for consignment-wise inspection by the DGS&D Inspectors. There is therefore, no duplication of inspection work.

[Department of Supply O.M. No. 22(2)/70-PIII, dated 9th August, 1971].

**Recommendation (Serial No. 35, Para 6.12)**

The Committee note that the Vidyalankar Study Team had recommended that 'uniform criteria for assessing the requirements of equipment and testing should be laid down by the Deputy Director General (Inspection) to make registration more objective.' The recommendation, though accepted by Government, has not yet been implemented. The Committee urge that Government should take suitable steps to expedite implementation of the said recommendation.

**Reply of Government**

The matter with regard to the laying down of uniform criteria for assessing the requirements of equipment and testing for different categories of stores for the purpose of registration/capacity has been thoroughly examined. It is considered that the present procedure of inspection of firm's premises for the purpose of registration/capacity is quite objective. The manufacturing processes and the required tests, etc., are generally laid down in the governing specifications. Apart from that, the Inspection Wing of the DGS&D have issued general instructions laying down the manner and method of assessing the capacity. The work is entrusted to experienced technical officers who are fully acquainted with the specifications and functional requirements of items. Keeping the various aspects in view, it is not considered feasible to visualise all the processes involved in the manufacture and then to prepare a list of plant and machinery and testing equipment arrangement required for items running into thousands. Technical know-how is another important hurdle which cannot be laid down as the manufacturing processes vary from firm to firm depending upon their technical knowledge, experience, expertise and economics of manufacture. The present system is working quite satisfactorily for all concerned. The position in this regard has already been intimated to the Esti-

mates Committee vide the Department O.M. No. PIII-24(1)/70, dated 31st July, 1970.

[Department of Supply O.M. No. 22(2)/70-PIII, dated 9th August, 1971].

**Recommendation (Serial No. 45, Para 7.14)**

The Committee agree that before inviting fresh tenders for identical stores, the DGS&D should ascertain whether the Rate Contract holder is unable to supply the stores within the delivery period except in those cases where monetary limit is prescribed in a rate contract.

The Committee note that the Railways issued tenders for large quantities of an item (VB Hoses) which is already covered by a running contract and for which DGS&D is unable to place adequate indents to feed those undertakings with whom the running contract is concluded. The Committee suggest that the whole position in this regard should be reviewed by the Ministry and necessary steps taken to streamline the procedure so that there is no hardship to the suppliers and the indentors get the maximum benefit.

**Reply of Government**

The DGS&D have concluded parallel running contracts for supply of VB Hoses to various Railways. On receipt of the information that some of the Railways were floating enquiries of their own, the matter was taken up with them, requesting them to explain the circumstances in which the Railways had resorted to direct purchase of the stores. The Railway Board have since sent a detailed reply to the reference and this is under examination.

[Department of Supply O.M. No. 22(2)/70-PIII, dated 9th August, 1971].

**Recommendation (Serial No. 45, Para 7.15)**

**Further information called for by the Committee:**

Final reply in respect of the recommendation to be furnished.

[L.S.S. O.M. No. 5/23/ECII/70, dated 24th December, 1971].

**Reply of Government**

In reply to this recommendation it was stated earlier that on receipt of information that some of the Railways were floating enquiries of their own, the matter was taken up with them and that the detailed reply received from the Railway Board in this regard was under examination.

2. The reply received from the Railway Board revealed that certain direct purchases of V.B. Hoses borne on the DGS&D Running Contracts were made only to tide over emergent requirements because supplies against one or two Running Contracts did not materialise as per schedule. The Railways concerned have already been advised that in such circumstances, it would be more appropriate to raise an express indent calling for supplies by the desired date and the DGS&D would plan the supplies either through the running contracts or through trade enquiry to meet the immediate requirements. In compliance with this suggestion, a few Railways have already raised express indents and these have been processed so as to arrange supplies strictly as per schedule. It is expected that this arrangement, whereby the DGS&D will themselves exercise operation of the Running Contracts would safeguard against any hardship to the suppliers and at the same time ensure maximum benefit to the indentors.

3. So far as the capacity of the manufacturers committed to the DGS&D Running Contracts is concerned, it is always ensured by the DGS&D that the entire available capacity/margin is fully availed of, subject to the price trend being favourable.

[Department of Supply O.M. No. 22(2)/70-PIII, dated 25th January, 1972].

**Recommendation (Serial No. 48, Para 8.7)**

The Committee are happy that the present mode of payment in respect of balance of 5 per cent against *ad hoc* Acceptance of Tenders is an improvement over the previous system inasmuch as the balance payment is made automatically after the expiry of 90 days of the advance payment. The Committee, however, feel that the procedure of payment of balance 5 per cent should be further simplified and streamlined so as to ensure that the entire payment against the A/T is made to the supplier invariably within 90 days and that he has not to wait, if he has fulfilled his terms of contract, till the expiry of 90 days from the date of advance payment.

**Reply of Government**

Normally, the consignee is expected to return copies of Inspection Notes with his certificate of receipt recorded thereon, within a reasonable time, after receipt of the supply despatched by the firm. Ordinarily, therefore, the supplier would not have to wait for the expiry of the period of 90 days from the date of advance payment as he would receive payment of the balance 5 per cent in the normal course on the strength of consignees receipt certificate, well

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before the expiry of 90 days. Only in cases where a consignee fails to return the receipt copies of the Inspection Note promptly after receipt of supply, the prescribed automatic system of payment of balance 5 per cent without the consignees' receipt certificate operates.

The period of 90 days prescribed for such automatic payment of contractors' 5 per cent bills, is in accordance with the recommendation of the Study Team and accepted by the Empowered Committee of the Government.

The period of 90 days cannot be regarded as unduly long as the consignee has to be permitted a reasonable time after the receipt of the supply, to verify and examine the goods, with reference to contractual documents as well as his own records, to satisfy himself that a clear certificate of receipt can be issued. Under the procedure of automatic payment of balance 5 per cent bills without consignees' certificate of receipt, it has been provided that immediately after making advance payment, the Pay and Accounts Officer will intimate the fact to the consignee, stipulating also that unless he receives any report of shortage|defects etc., the firm's bill for the balance 5 per cent will be paid after 90 days from the date of advance payment. As this makes the consignee entirely responsible for any lapse in this regard it is essential that a reasonable time is given to him for necessary verification.

After taking into account the time required for transport of the goods by rail etc., the total period of 90 days is considered to be quite justifiable. It may be stated that for contracts to which the aforesaid automatic system of payment does not apply and the balance 5 per cent payment without consignee's receipt certificate is to be specifically authorised by the DGS&D, the Ministry of Law recommended a period of not less than 90 days to safeguard Government's interests. Also, keeping in view the cases of payments fraudulently obtained by firms and the complaints received from the consignees regarding the firms in difference towards their demand for rectification/replacement of damaged/short received goods, it is considered advisable not to permit any further relaxation in the matter.

**Recommendation (Serial No. 56, Para 8.42)**

The Committee feel that in view of the fact that the sole arbitrator in respect of DGS&D contracts is appointed by the DGS&D, the supplier on his part has got a very limited choice in as much as either he accepts the arbitrator appointed by the DSG&D or he goes to a Court of Law. The Committee recommend that feasibility of accepting the suggestion of the Industry that the arbitrator should be appointed from a panel of the Council of Arbitrators in India, may be examined.

**Reply of Government**

The question of drawing the arbitrator from the Indian Council of Arbitrations has been examined in consultation with the Ministry of Law who have after taking all the factors into consideration advised that *status quo* should be maintained. The question was also raised in the last Central Purchase Advisory Council meeting where an assurance was given that the matter would be given due consideration. The suggestion is being re-examined.

[Department of Supply O.M. No. 22(2)/70-PIII, dated  
9th August, 1971].

**Further information called for by the Committee**

The Committee would like to know whether the matter has been re-examined and if, so, the result of the examination. If the matter has not been re-examined, the reasons therefor.

[L.S.S. O.M. No. 5/23/ECII/70, dated 24th December, 1971].

**Reply of Government**

In the previous reply to the above recommendation, it was stated that the suggestion for the drawal of arbitrators from the Indian Council of Arbitration, was being re-examined. The matter was re-examined in consultation with the Ministry of Law. It was felt that the suggestion made by the Council that the existing arbitration clause should be changed to provide for an arbitrator agreed to by both the parties or two arbitrators and an Umpire drawn from the Panel maintained by the Indian Council of Arbitration, would amount to reversion to the old system of dual arbitration which was found in the light of experience gained, to be cumbersome, time consuming, expensive and administratively inconvenient. The progress of the disposal of arbitration cases would be held up if they were entrusted to private arbitrators. Besides arbitration by the retired judges of High Courts would be time consuming and more expensive. Another disadvantage in such a system would be that arbitration proceedings

would have to be conducted simultaneously at different places before different arbitrators and the advantage of uniformity of procedure would be lost. Having regard to all these aspects, it has been decided that the existing arbitration clause which provides for the reference of disputes between the Purchaser and the contractors to the sole arbitration of an officer in the Ministry of Law, to be appointed by the Director General (S&D), was working satisfactorily and did not call for any revision.

[Department of Supply O.M. No. 22(2)/70-PIII, dated 13th January, 1972].

**Recommendation (Serial No. 57, Para 8.50)**

"The Committee note that criminal cases relating to the supply of inferior quality of bottom boards by two firms of Bombay to the Central Railways have been pending in the Poona Court since 1960. The Committee regret to note that full quantity was passed in inspection by an officer of the Central Railway, Bombay. They note that on receipt of a complaint, the S.P.E. Madras, got the supplies examined by the Wood Technologist, Dehra Dun when it was found that only .16 per cent of the stores in the case of one firm and 1.345 per cent in the case of another conformed to the specification and the remaining were inferior jungle wood. The Committee would not like to comment on the cases on merits at this stage as they understand that they are pending in a court of law. They would, however desire to be informed about the outcome of the cases. The Committee urge that Government should adopt stringent measures to ensure that recurrence of such irregularities is avoided in future."

**Reply of Government**

The Superintendent of Police, SPE, Madras has intimated that judgment in the criminal case against M/s Shriram Ramnaranjan, Bombay was delivered by the Special Judge, Poona on 29th October, 1969 according to which the accused were sentenced to imprisonment and were also fined. The firm appealed to the Bombay High Court against the conviction order passed by the Lower Court and the same is pending there. The criminal case against M/s B. F. Wadia and Sons, Bombay ended in acquittal and further action against the firm has been dropped.

As to the stringent measures to be adopted to avoid recurrence of such irregularities, it is stated that business dealings with such

firms, as indulge in irregularities of this nature, are suspended if considered necessary. Action is also initiated against the erring inspector|inspectors and they are dealt with in accordance with law.

Ministry of Railways (Railway Board) have intimated that there is already a well laid down procedure regarding inspection and acceptance of timber on the Railways. Instructions to the Railway Administrations have been issued from time to time that the code provisions and extant orders on the subject be properly followed so as to ensure that there is no passing and acceptance of timber below specification.

[Department of Supply O.M. No. 22(2)/70-P III, dated the 9th August, 1971].

#### **Recommendation (Serial No. 61, Para 9.12)**

The Committee note that the Regional Supply Offices at Kanpur and Madras have not been provided with any Associated Financial Adviser with the result that all cases requiring concurrence of Finance are referred by those offices to the headquarters except in certain cases in respect of which special powers have been delegated to the Director of Supplies and Disposals, Madras. The Committee suggest that the Ministry of Supply should examine the feasibility of appointing Associated Financial Advisers in the offices of the Directors of Supplies and Disposals at Kanpur and Madras also to enable them to take decisions on the spot and avoid delays in obtaining the concurrence of Finance by making references to the headquarters' office at New Delhi.

#### **Reply of Government**

The recommendation of the Estimates Committee regarding the feasibility of appointing Associated Financial Advisors in the offices of the Directors of Supplies & Disposals at Kanpur and Madras to enable them to take decisions on the spot and avoidance of delay in obtaining the concurrence of Finance by making references to the headquarters office at New Delhi, has been examined in consultation with the Directorate General of Supplies & Disposals and the Internal Finance Branch at headquarters. The Internal Finance Branch have expressed the view that the quantum of work involving financial implications in the cases referred to by the offices of Directors of Supplies & Disposals at Kanpur and Madras, does not justify the creation of a separate Internal Finance Branch in either

of these offices. A random sample check of the cases referred to by these two regional offices to the headquarters office, has been carried out and this study has established that the normal time taken between the date of despatch of the cases from these regional offices till the date of their receipt back in these offices, ranges between 10—15 days out of which 5-6 days are lost in transmission. It will thus be seen that the cases are disposed of within a reasonable time and there is no delay in the disposal of the cases either at the headquarters' office of the DGS&D or in the Internal Finance Branch. However, in the light of the recommendation made by the Committee, instructions have been issued separately to the Internal Finance Branch to expedite disposal of references received from the regional offices for their concurrence and to reduce the time taken by them in the disposal of such cases to the barest minimum.

[Department of Supply O.M. No. 22(2)/70-P III, dated the 9th August, 1971].

## CHAPTER IV

### RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

#### Recommendation (Serial No. 23 Para 4.22)

The Committee are of the view that the question of providing price reference upto 15 per cent in favour of small scale industries has not been given the serious consideration that it deserves. The factors which compel the small scale sector to compete with the large scale sector which have the advantage of large production with relatively less expenditure on overheads are more in the nature of struggle for survival as against the challenge faced for extinction from the big industries. The assertions made that the small scale firms are in a position to compete with large scale manufacturers and are in a position to under-cut the large scale sector, could be possible in some cases by making small profits, paying low wages and cutting down minimum amenities to workers and by enduring more strain by the entrepreneur. It would indeed be unrealistic and unimaginative to generalise from an isolated incident like the hosiery industry. It could conversely be argued that large scale sector is quoting a higher price. They, therefore, recommend that in accordance with the policy of Government to promote small scale industries and to give them necessary impetus, the conditions for the grant of price preference should be so altered that benefits go to deserving ones and to entrepreneurs of such industries as are placed at a relatively disadvantageous position, for instance, being away from the hub of metropolis and industrial areas and located in the backward areas so that such units are able to reap real benefit of the provision.

#### Reply of Government

According to the existing instructions price preference upto 15 per cent is accorded to SSI units in respect of items falling in Group III which can be purchased from large scale as well as small scale units. The actual quantum of price preference is decided in each case on merits in consultation with Finance. The question of price pre-

ference arises only where without it, the small scale units cannot secure orders being undercut by large scale units. The question of giving price preference does not arise if a small scale unit successfully competes with the large scale units. This is also not granted automatically or in the case of risk purchase. Previously, Purchase Officers have had to take into account, where necessary, the break up of the cost of manufacture in order to find out that the cost of production in the small scale sector is really higher than that in the large scale units employing mass production technique.

To make the grant of price preference more meaningful and effective, the matter was examined by the Department in consultation with the Ministry of Finance; and it has now been decided to accord price preference to the SSI Units on a tender to tender basis keeping of course, in view the basic considerations of conformity to specifications, quality, delivery, capacity etc. without insisting on the firms to furnish the break up of cost of manufacture in each and every case as a matter of course. Instructions to this effect have been issued in the DGS&D vide Office Order No. 9-B dated the 25th November, 1970. (Appendix VIII).

[Department of Supply O.M. No. 22(2)/70-P III, dated the 9th August, 1971].

#### Comments of the Committee

The committee note the efforts made by the Government towards making the grant of price preference more meaningful and effective by means of according preference to SSI units on a tender to tender basis and without insisting on the firms to furnish the break up of the cost of manufacture in each and every case. The Committee, however, find that the instructions issued to this effect do not provide for grant of price preference to entrepreneurs of such industries as are placed at a relatively disadvantageous position for instance being away from the hub of metropolis and industrial areas and are located in backward areas as recommended by the Committee in their original report.

The Committee, therefore, reiterate their earlier recommendation and hope that Government will incorporate this provision in the existing instructions.

**Recommendation (Serial No. 46 para 7.17)**

As both Indentors and Suppliers must know about new contracts before the old ones expire, the indentors to plan their inventories and the suppliers to plan their production, the Committee are of the view that the rate/running contracts should be finalised by the DGS&D sufficiently in advance of the expiry of current contracts. The Committee, therefore, suggest that the whole procedure for awarding rate/running contracts should be reviewed and suitable steps taken to avoid delays at various stages.

**Reply of Government**

Instructions already exist that rate/running contracts should be concluded/renewed sufficiently ahead of the expiry of the current contracts and a chart maintained in the prescribed form indicating the date of expiry of the current contracts and the programme fixed for conclusion of fresh contracts. Purchase Officers have also been instructed that rate contracts should be properly staggered throughout the year to avoid rush of work in one month.

These instructions have been reiterated to the Purchase Officers from time to time.

[Department of Supply O.M. No. 22(2)/70-P III, dated 9th August, 1971].

**Comments of the Committee**

The Committee agree that instructions already exist that rate/running contracts should be concluded/renewed sufficiently ahead of the expiry of the current contracts and that these instructions have been reiterated to the purchase officers from time to time. In spite of this, however, representations in this behalf have been made to the Committee. Government have also accepted in a written note submitted to the Committee earlier that "in some cases it may be that because of exceptional circumstances or on account of post-tender negotiations to be conducted with suppliers there is some delay in conclusion of Rate/running contracts. The statistics as desired, are not being maintained." It was in this light that the Committee had recommended that the whole procedure for awarding contracts should be reviewed and suitable steps to avoid delays at various stages should be initiated. Since this has not been done the Committee reiterate their earlier recommendation and suggest that a thorough review of the procedure should be made, and statistics should be maintained regarding the date of the expiry of the

**current contract, date of calling of tenders and of actual awarding of contracts so that the delays in conclusion/renewal of contracts can be pinpointed and remedial measures initiated.**

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## CHAPTER V

### RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

#### Recommendation (Serial No. 26, Para 4.30)

The Committee note that during the course of evidence it was made abundantly clear by the representative of the Ministry of Supply that 100 per cent of the stores included in the reserved category of Group IV items are purchased from the small scale sector. The Committee would, therefore, suggest that the Ministry may examine how the contract for tarpaulin which is an item included in the list reserved for purchase from small scale units was placed on a large scale unit, and fix responsibility on the officers who are responsible for this purchase. The Committee urge that Government should take suitable steps to see that such a situation does not recur.

#### Reply of Government

The matter has been examined. The item purchased was not 'tarpaulins' but 'tents' which as such are not reserved for exclusive purchase from small scale units. The Directorate of Supplies (Textiles), Bombay, who had placed the order stated that though 'tentage jute' is reserved for exclusive purchase from the small scale sector, they expressed doubt as to whether 'tents' were an item exclusively reserved for purchase from the Small Scale Sector. The matter was taken up with the Development Commissioner, Small Scale Industries, who has in turn addressed the Federation of Associations of Small Industries of India. A reply from the Development Commissioner is awaited.

[Department of Supply O.M. No. 22(2)/70-P III, dated 9th August, 1971].

#### Further information called for by the Committee

Final reply in respect of the recommendation to be furnished.

[L.S.S. O.M. No. 5/23/ECII/70, dated 24th December, 1971].

#### Reply of Government

In reply to this recommendation, it had been stated that the item purchased was not 'tarpauline' but 'tents' which as such are not re-

served for exclusive purchase from small scale units. However, the matter was taken up with the Development Commissioner, Small Scale Industries, to clarify whether 'tents' should also be reserved for the small scale sector. The Development Commissioner addressed the Federation of Associations of Small Industries of India. The requisite clarification is still awaited from DC(SSI) who has been reminded in the matter.

[Department of Supply O.M. No. 22(2)/70-P III, dated 13th January, 1972].

#### **Comments of the Committee**

**The Committee may be apprised of the final decision taken in the matter.**

#### **Recommendation (Serial No. 38, Para 6.26)**

The Committee note that for the purpose of planned purchase the DGS&D have brought out Vocab-cum-programme books comprising 8,000 items for Railways and Posts and Telegraphs, and that such a book in respect of Defence items is contemplated to be brought out and is rather under compilation. The Committee urge that the DGS&D should expedite the compilation of the Vocab-cum-programme book in respect of Defence items also for facility of reference by all concerned.

#### **Reply of Government**

The question of compilation of the vocab-cum-programme book in respect of Defence items is being perused with the Defence authorities and the matter was also discussed in a meeting in the Ministry of Defence held under the Chairmanship of the Additional Secretary (Defence).

As decided at the meeting, a copy of the Railway Vocab Book, has been sent to the M.G.O. Branch, Ministry of Defence, for their reference so that steps can be taken by the Ordnance Branch and defence technical authorities to determine whether a similar reference book could be drawn up for defence stores.

[Department of Supply O.M. No. 22(2)/70-P III, dated 9th August, 1971].

**Further information called for by the Committee**

Final reply in respect of the recommendation to be furnished.

[L.S.S. O.M. No. 5/23/ECII/70, dated the 24th December, 1971].

**Reply of Government**

In our reply, it had been stated that the Railway Vocab Book had been sent to the MGO's Branch with the suggestion that steps might be taken by the Defence authorities to determine whether a similar reference book could be drawn for Defence stores also. The Defence Ministry have been reminded in the matter. Meanwhile, in pursuance of the discussions held with the Ministry of Defence indents for some of the important Defence stores requirements of which can be forecast with reasonable accuracy have begun to be received from the three Defence Services for supply during a period of two-three years instead of one year, so that procurement can be planned on the suppliers on a long term basis.

[Department of Supply O.M. No. 22(2)/70-P III, dated 13th January, 1972].

**Comments of the Committee**

The Committee may be apprised of the final decision taken in respect of Vocab-cum-programme book in respect of Defence items.

**Recommendation (Serial No. 52 para 8.28)**

The Committee regret to note that in the UPCC road roller case the firm committed a big fraud on Government and the latter lost nearly Rs. 2 crores. They further note that the firm instead of despatching the goods to the consignee after inspection submitted bogus railway receipt numbers to the Pay and Accounts Officer and drew advance payment from him. The Committee do not want to make comment at this stage on the merits of the case as they understand that the matter is pending investigation. They would, however, like to be informed about the final outcome of the case.

**Reply of Government**

The Committee's observations have been noted.

[Department of Supply O.M. No. 22(2)/70-P III, dated 9th August, 1971].

**Further information called for by the Committee**

The Committee may be apprised of the final outcome of the case

with particular reference to:—

- (i) action taken against the parties—supplier and departmental officials found at fault; and
- (ii) remedial measures taken to ensure that Government are not defrauded again.

[L.S.S. O.M. No. 5/23/ECII/70, dated the 24th January, 1971].

**Reply of Government**

In our reply to this Recommendation it had been stated that the observations of the Committee had been noted. The Committee now wishes to be apprised of the final outcome of the case with particular reference to:

- (i) action taken against the parties—suppliers and departmental officials found at fault; and
- (ii) remedial measures taken to ensure that Government are not defrauded again.

In so far as (i) above is concerned, the Central Bureau of Investigation had completed their investigations into the irregularities committed by M/s. UPCC Ltd., Calcutta and filed criminal proceedings on 27th August, 1968 in the Court of Special Judge, Calcutta against 17 persons including certain directors and employees of the Company and two inspection officers of the Govt. for allegedly cheating the Govt. to the extent of about Rs. 2 crores. The criminal proceedings were launched against 4 were Inspecting/Asstt. Inspecting Officers subsequently. The proceedings against the directors and officials of the Company and against the Govt. officials have not so far been completed and the latest position is being ascertained from the Central Bureau of Investigation and will be intimated to the Committee. As regards the departmental officials against whom proceedings were initiated, the position is being ascertained from the Central Vigilance Commission and will be intimated to the Committee.

As regards (ii) above, the following remedial measures have been taken in order to safeguard the Government's interest against the firms obtaining such fraudulent payments:—

- (a) Sub-Clause 9 of Clause 14 of the conditions of Contract (DGS&D-68 revised) has been amended specifying that the Railway Receipt/Consignee's Note or Bill of Lading, if any, should be drawn in the name of the Consignee or

the interim Consignee, as the case may be, and should be sent to him.

- (b) Instructions have been issued to the Purchase Officers that in future A/Ts, the Consignee should be requested to send an intimation to the Purchase Organisation immediately on receipt of stores giving particulars of the A/T No. and date, date of despatch of stores by the contractor with Railway Receipt No. and date and date of actual receipt by the consignee along with the quantity received.
- (c) In case of progress payments, in addition to test checks of Railway Receipts and transport documents by Progress Field Staff, they will also test check the actual receipt of stores by the Consignee. This will be done by checking consignees receipts, sending letter to consignee to certify the receipt and even in important cases by visits to the consignee's premises.
- (d) Consignees have been asked to promptly report to the P&O concerned with a copy to the DGS&D any cases of shortages/discrepancies found in the stores received by him.
- (e) Instructions have been issued that all serious complaints received from consignees and other malpractices, fraud etc., reported by them should immediately be brought to the notice of and also periodically reviewed by the Senior Officers so as to ensure promotion and proper action.
- (f) It has been decided that the P&AO, would immediately after making payment of advance bills send a registered letter to the consignee asking him to confirm receipt in full or the extent of short supply of stores as indicated in the R/R, within 45 days of receipt of the letter.
- (g) It has been decided to obtain a certificate from the contractor that the particulars of R/R and other despatch documents quoted in the bills are genuine and that the goods charged for were actually despatched under that R/R etc.

### Comments of the Committee

**The Committee may be apprised in due course of the action taken against the parties—suppliers and departmental officials found at fault.**

#### Recommendation (Serial No. 62 para 9.17)

The Committee are constrained to note that the absenteeism of staff in the office of the Director of Supplies and Disposals, Bombay was as high as 22 per cent on an average resulting in accumulation of arrears of work. Under the Officer-oriented scheme where the Assistant Director/Section Officer is the base officer for dealing with the cases, with the help of the Stenographer, if the personal staff is on leave, the officer concerned is handicapped in the disposal of cases. They would suggest that the whole position regarding such absenteeism would be examined and suitable steps taken to ensure that the work is not allowed to fall in the arrears on account of casual absence of staff. The Committee would also recommend that in special circumstances of the case, the question of an increase the leave reserve may also be considered in the interest of efficiency of work if the situation so demands.

#### Reply of Government

The matter has been examined. It has been observed that absenteeism is comparatively high during the summer season when educational institutions close and families depart to their home towns and also during the period when monsoon is strong, when employees remain absent due to sickness. The percentage of absenteeism during the remaining period of the year is comparatively low.

There is already a provision for a 10 per cent leave reserve in all sections. The question of increasing this percentage in the Purchase Sections of the DGS&D is under consideration. A further scrutiny of the pending indents and receipts at the office of DS&D, Bombay, has not disclosed any increase in the arrears.

[Department of Supply O.M. No. 22(2)/70-P III, dated 9th August, 1971].

#### Further information called for by the Committee

Final reply in respect of the recommendation to be furnished.

[L.S.S. O.M. No. 5|23|ECII|70, dated 24th December, 1971]

### Reply of Government

In reply to this recommendation, it had been stated that there was already a provision for a 10 per cent leave reserve in all sections. However, the question of increasing this percentage in the purchase sections of the DGS&D has been under consideration. In order to find statistical basis for the enhancement of leave reserve quota, necessary data have been collected from the Purchase Directorates and the matter is under further examination in the light of the general provisions on the subject.

[Department of Supply O.M. No. 22(2)/70-Pt. III, dated 13th January, 1972].

### Comments of the Committee

**"Final decision taken on the question of increasing leave reserve percentage in the Purchase sections of the DGS&D may be intimated to the Committee."**

NEW DELHI;

19th February, 1971.

30th Magh, 1893 (S).

K. N. TEWARI,

Chairman,  
Estimates Committee.

## APPENDIX I

*Copy of O.M. No. PII-1(18) |66| Pt. dated the 12 March, 1970, from  
Shri R. Dayal, Deputy Secretary, Ministry of Supply addressed  
to all Ministries|Deppts.*

**SUBJECT:—Revised procedure for procurement of items supported  
by Proprietary Article Certificate in the prescribed  
form.**

The undersigned is directed to refer to the late Ministry of Industry and Supply's O.M. No. PII-1(9) |64, dated 7th May, 1965 (copy enclosed for ready reference) wherein it is stated that a standard form of proprietary article certificate has been prescribed, and that, in cases where this certificate is not furnished in the prescribed form, the indent would be returned by the Central Purchase Organisation to the Indentors.

2. Though the proprietary article certificate furnished by the indentors give reasons for purchase of equipment and stores of a particular make or brand and also states that the associated Finance has concurred in the proposal, experience has shown that most of the indentors prefer stores of particular brands and makes, because the competitive alternatives of variants, which the developing economy of the country is evolving satisfactorily in various sectors of its growth, are not always known to them. The position about the alternatives or variants is, of course, known to the Director General, Technical Development and, in most cases, to the Inspection Wing of the Directorate General, Supplies and Disposals, New Delhi, also. This Ministry have reviewed the question of procurement of stores against indents supported by proprietary article certificate and consider that a slight change in the procedure could ensure that the fullest use is made of alternative and competitive sources of supply.

3. It has accordingly been decided that as and when on the basis of information directly in the possession of the DGS&D or which can be obtained from the DGTD, the DGS&D consider that an alternative or variant can meet the indentor's requirements equally effectively, the DGS&D should convey that information to the

indentor within 15 days of the receipt of the indent and indicates to him their views about the propriety of proprietary article certificate in the light of availability of alternative stores to the requisite specifications. While conveying this information, the indentor would be requested by the DGS&D to place their views before his associated Finance, wherever necessary. The DGS&D will not invite tenders till a definite reply is received from the indentor. The indentors should, therefore, send their reply to them immediately on receipt of their letter and in any case not later than 30 days. If, however, there is delay in reply, the responsibility for delay in the procurement of stores will rest with the indentors.

4. The above procedure will also apply to the India Supply Mission, London and the India Supply Mission, Washington.

5. The Ministry of Defence etc., are requested to bring these instructions to the notice of all concerned for compliance, under intimation to this Ministry.

*Copy*

No. PII-1(9) | 64

GOVERNMENT OF INDIA

MINISTRY OF INDUSTRY AND SUPPLY

DEPT. OF SUPPLY AND TECHNICAL DEVELOPMENT

(Central Sectt., North Block)

New Delhi, the 7th May, 1965.

16th Vaisakha, 1887.

**OFFICE MEMORANDUM**

**SUBJECT:—***Indents for proprietary stores placed on the Central Purchase Organisation—Question of rendering of proprietary article certificates in the prescribed form.*

The undersigned is directed to refer to the late Ministry of Economic and Defence Coordination Office Memo. No. 1|53|59-PI, dated the 24th June, 1963 (copy enclosed for ready reference) wherein a standard form of proprietary article certificate was prescribed and to say that it has now been reported by the India Supply Mission, London that the Indentors do not render this certificate in the proper form. It has, therefore, been decided that in cases where this certificate is not furnished in the prescribed form, such indents will be returned by the Central Purchase Organisation to

the Indentors and the resultant delays in placement of the contracts will be to their account.

2. The Ministry of Defence etc., are requested to bring these instructions to the notice of all concerned for strict compliance, under intimation to this Ministry.

(Sd/-)  
(B. D. KUMAR)  
Dy. Secy. to the Govt. of India.

To

All Ministries of the Government of India, etc., (as per usual distribution list attached).

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*Copy of office Memorandum No. 1/53/59-PI, dated the 24th June, 1963, from the Ministry of Economic and Defence Coordination (Department of Supply), New Delhi, addressed to all the Ministries of the Government of India, etc.*

**SUBJECT:—**Indents for proprietary stores on the Central Purchase Organisation.

The undersigned is directed to say that in accordance with the existing orders, indents for purchase of stores of proprietary makes and brands, placed on the various Central Purchasing Agencies under the Department of Supply are required to be supported by proprietary article certificates.

2. It has now been decided that the said certificate will, in future, be in the Standard Form shown below by all indentors, Defence and Civil, whether the indent is placed on Director-General, India Store Department, London, India Supply Mission, Washington or Director-General, Supplies and Disposals.

(i) The equipment/store wanted is manufactured by M/s. .... No other make is acceptable for the following reasons.....

(ii) Approval of the Director/Head of the Depot/Head of the Department or his nominee has been obtained.

(iii) The Associated Financial Adviser has concurred in the proposal."

Where indentors have been delegated authority to place indents for purchase of proprietary article without concurrence of the associate Financial Adviser, Cause (iii) of the certified shown above would not be required and should be deleted.

3. This Ministry's O.M. No. PII-1(10) |57, dated the 24th April, 1959 is cancelled.

## APPENDIX II

No. 249(1)/66/IC-I

GOVERNMENT OF INDIA

MINISTRY OF WORKS, HOUSING AND SUPPLY

DIRECTORATE GENERAL OF SUPPLIES AND DISPOSALS

Jeewan Tara Bldg., Parliament Street

New Delhi, dated 4-9-68

To

The Director of Inspection, Calcutta.

The Director of Inspection, N.I. Circle, New Delhi.

The Director of Inspection, Bombay.

The Director of Inspection, Madras.

The Director of Inspection (Met), Burnpur.

The Director of Inspection (Met), Jamshedpur.

The Director of Inspection. C/O, Embassy of India in Japan,  
Tokyo.

The Dy. Director of Inspection, C/O, Embassy of India in  
Japan, Tokyo.

The Dy. Director of Inspection, 4/286, Nawabganj, Kanpur.

The Dy. Director of Inspection, C/o M/s. Indian Iron and  
Steel Co. Ltd., Kulti.

The Dy. Director of Inspection, 37, Ind. Cross, Malleswaram  
P.O. Bangalore-3.

The Dy. Director of Inspection (Met), Bhilai|Durgapur|  
Rourkela.

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**SUBJECT:—Testing of Samples at Defence Laboratories.**

With a view to reducing the work load on the National Test House, the Study Team recommended as under:—

### **Recommendation No. 138.**

“Wherever possible DGS&D should use the Defence Laboratories at various places for testing supply samples, there-

by reducing the work-load on the National Test House and the time taken in travel to Calcutta and back".

2. Ministry of Defence (DGI) also desired that the samples of Defence supplies, subject to DDG(I)'s Inspection, which are at present got tested at N.T.H. should be got tested at the Defence Laboratories.

3. Therefore, in order to make a start in this direction, you are advised that in respect of items where AHSP functions rest with the Defence and the inspection has been entrusted to DGS&D Inspectorates, the samples may be sent to the nearest IGS Laboratories for test and report. The broad category of items which can be got tested at the four regional Defence Laboratories viz. IGS|Calcutta| Delhi/Madras are indicated in the enclosed list.

4. Ministry of Defence (DGI) have confirmed that no testing charges in respect of Samples drawn at post contract stage against Defence Demands would be leviable by the Defence Laboratories vide their letter No. 02501/30/TD-20, dated 12th August, 1968.

The contents of this may please be brought to the notice of all concerned for strict compliance.

Sd/-

(D. P. CHATTERJEE),

*Director of Inspection*

*For Dy. Director General (Inspn.).*

Copy to:—

1. Ministry of Defence (DGI), Department of Defence Production, DHQ, P.O. New Delhi-11 w.r.t. their letter No. 96617/1/TD-20, dated 14th April, 1963 and Minutes of discussions dated 27th September, 1967 on their case No. 0250/30/TD-20 and letter of same No. dated 12th August, 1968.
2. Min. of W.H.&S. (Dept. of Supply) Ref: Their File No. PI-8(4)/67.
3. National Test House, 11, Judge's Court Road, Alipore, Calcutta-27.
4. O.&M. Divn. DGS&D.
5. CDN-4 Section.
6. Circulated to all Officers of I/Wing at H. Qtrs.
7. IP-4/IC-2 Section.
8. Guard File No.
9. S.O's Collection.
10. Vigilance Section, DGS&D.

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No. 249(1) | 66 | IC-1

**Name of the Laboratory**

I.G.S., Bombay.

**Categories of Stores tested.**

Misc. Items Tools and Hardware.

1. Cotton

2. Woolen

3. Misc. and Tentage

4. H &amp; F

5. Clothing

Chemicals and allied Stores

Fuels

Lubricants

Laboratory and Service Glassware

Laboratory appliances

Paints

Primers

Under Coats

Finished Coats

General Service Paints

Marking Paints

Petrol resisting paints

Misc. Paints

Varnishes &amp; Lacquers

Misc. Allied stores

## I.G.S., Calcutta.

Chemicals

Oils

Paints

Varnishes

Tools and Hardware

Textile items

Leather items

## I.G.S., Delhi.

Tools and Hardware

General Textile

Web equipment

## I.G.S., Madras.

Textile items

Chemicals and Stores

Fuels and Lubricants.

### APPENDIX III

No. 249(1)/66-IC

GOVERNMENT OF INDIA

MINISTRY OF SUPPLY

#### DIRECTORATE GENERAL OF SUPPLIES AND DISPOSALS INSPECTION WINGS IC-1 SECTION

Parliament Street, New Delhi, 11th February, 1970.

The Director of Inspection Calcutta|N.I.C., New Delhi|Bombay|  
Madras.

The Deputy Director of Inspection 4/286 Nawab Ganj, Kanpur.

The Deputy Director of Inspection, C/o M/s. Indian Iron & Steel  
Co., Ltd., Kulti.

The Dy. Director of Inspection, 37, IInd Cross, Malleswaram, P.O.  
Bangalore-3.

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**SUBJECT.—Testing of Samples at Defence Laboratories.**

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Instructions were issued in this office Circular of even number dated the Sept. 4, 1968 that Samples in respect of items where AHSP functions rest with the Defence and the inspection has been entrusted to DGS&D Inspectorates, may be sent to the nearest IGS Laboratories for test and report.

2. The Ministry of Defence (DGI) have now further agreed to our utilising the services of their regional Defence Laboratories for testing of Samples of Textile, Oils and Paints, Chemicals etc. against orders placed on behalf of civil Indentors.

3. Therefore, in addition to the testing facilities available at NTH Calcutta/Bombay, the testing facilities provided by the Regional Defence Laboratories at ICS, Bombay/Calcutta/Delhi/

Madras may also be availed of for samples of the above items in case of urgent civil demands on payments of usual testing charges.

Sd/-  
 (KULDIP CHAND),  
*Director of Inspection,*  
*for Dy. Director General (Inspection).*

Copy to:—

1. Ministry of Defence (DGI) Department of Defence Production DHQ P.O. New Delhi-11 with ref. to their letter No. 02501/30/TD-20, dated 13th January, 1970.
2. Ministry of Supply, with reference to their U.O. No. P-III/ 21(8)/69, dated 7th November, 1969.
3. The Director, National Test House, 11-Judge's Court Road, Alipore, Calcutta-27.
4. C&M Division, DGS&D New Delhi-Study Team's Recommendation No. 138 refers.
5. CDN-4 Section 2 Copies/CDN-3 Section.
6. Circulated to all Officers of Inspection Wing at Headquarters.
7. IP4/IC-2 Section.
8. Guard File No. 9. SC's Collection.
9. Vigilance Section, DGS&D. New Delhi.
10. The Director of Inspection, 1, Ganesh Ch. Avenue, Calcutta-13. Correspondence resting with his letter No. G-183, dated 7th October, 1969 refers.

## APPENDIX IV

No. PIII-1(39)/70

GOVERNMENT OF INDIA

MINISTRY OF SUPPLY

New Delhi, the 17th October, 1970.

OFFICE MEMORANDUM

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**SUBJECT.—Necessity to give correct and detailed description of stores in the indents by the Indentors—Implementation of the recommendation of the Estimates Committee.**

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The Estimates Committee recently examined the estimates of the Directorate General of Supplies and Disposals and have, in para 6.20 of their 121 Report (Fourth Lok Sabha), made the following recommendation:—

“The Committee agree that the description of stores required should be complete in all details to facilitate prompt action for procurement. The Committee suggest that the Ministry of Supply should impress upon the indentors the imperative need for giving the correct and detailed description of stores in the indents to avoid unnecessary correspondence resulting in delay in supply of stores.”

2. The Ministry of Defence etc., are requested to bring the recommendation to the notice of all the indentors under their administrative control for strict compliance.

3. To assist the indentors in the correct and complete preparation of the indents, the DGS&D have drawn up a check list which is supplied along with the indent forms. A copy of the list is enclosed for ready reference.

Sd/-

(A. K. AGARWAL),

*Under Secy. to the Govt. of India.*

To

1. All Ministries/Departments of the Government of India.
2. Cabinet Secretariat.
3. Ministry of Finance(S.W.).
4. DG ISM London.
5. DG ISM Washington
6. CP&AO, Ministry of Supply, New Delhi.
7. PII Section.
8. PI Section.

Sd/-

(A. K. AGARWAL),

*Under Secy. to the Govt. of India.*

## APPENDIX V

### DIRECTOR GENERAL OF SUPPLIES AND DISPOSALS (Section CDN-2), NEW DELHI.

#### OFFICE ORDER NO. 18(F)

*Dated: 27-7-1970.*

**SUBJECT:**—Acceptance of Tenders—Clarifications and confirmation at the post contract stage—Expeditious issue of.

**REFERENCE:**—Para 123 and Para 158 of *DGS&D Manual of Office procedure for supplies, Inspection and Disposals, 1969 edition.*

The contract is brought into existence upon communication of the acceptance which must be within the time prescribed. Where the post is the medium of communication between the parties, the acceptance is complete as soon as it is posted. Proper care has to be taken to address the letter or telegram or acceptance correctly.

After a decision has been taken in regard to the Acceptance of a Tender, the formal 'Acceptance of Tender' is normally issued within 48 hours of the decision. Under certain circumstances, it may be necessary to issue advance advice of acceptance of Tender by telegram or letter, but this is restricted to the minimum. The advance acceptance whether by telegram or letter bears the same number which would be allotted to the formal Acceptance of Tender.

It was represented to the Estimates Committee that clarification and confirmation of certain points of the contracts are often delayed by the DGS&D., which causes delay in the execution of orders.

In this connection the Estimates Committee was apprised that generally, during the post-contract period, requests are made by the firms for extensions in delivery period on various grounds. Such requests for amendments to contracts are accorded due priority and extensions in delivery period is issued within 7 days of the receipt of such requests. In cases where a reference to Indentor or other authorities is required, replies/extensions in each case are issued within 7 days of receipt of reply from the indentor/other authorities.

As to clarifications/amendments to the contracts sometimes necessitate references to other authorities, such as indentor/Department of Supply/Ministry of Finance/Ministry of Law etc., delay if at all in such type of cases in taking and communicating the decision is, therefore, unavoidable/inescapable.

In their 121st Report the Estimates Committee has desired that clarification and confirmation of any points of the contract required by the contractors concerned should be issued to them expeditiously to avoid any delay in execution of the orders.

The above observations of the Estimates Committee may kindly be noted for strict compliance.

Sd/-  
(M.M. PAL),  
*Dy. Director (CS-I)*

#### STANDARD DISTRIBUTION

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(On File No. CDN-2|6(17)|70).

## APPENDIX VI

### DIRECTORATE GENERAL OF SUPPLIES AND DISPOSALS (Section CDN-2), NEW DELHI-1

OFFICE ORDER NO. 20 (D)

Dated 24th July, 1970.

SUBJECT.—*Liquidated damages—levy of.*

REFERENCE.—*Office Order No. 20, dated 1st January, 1970 and Para 13.4 of Office Order No. 18 dated 1st January, 1970.*

The Estimate Committee were apprised of the following procedure followed by us in regard to the imposition of liquidated damages for delayed supplies:—

**5.**

The Conditions of Contract in clause 14(7)(i) provide for damages for late delivery as liquidated damages. The clause stipulates that in the event of late delivery of stores, the purchaser is entitled to recover from the contractor by way of liquidated damages, a sum of equal to 2 per cent of the price of the stores delivered late.

The liquidated damages accrue only in cases of delay in supplies. Where no supplies have been made under a contract, the DGS&D can, upon cancellation of the contract or part thereof, as the case may be, recover the damages occasioned thereby that is either recover the general damages or the extra expenditure incurred in risk purchase. This is so even in cases where the cancellation was preceded by one or more extensions of delivery period with reservation of right to recover liquidated damages. The reservation does not mean that by the mere fact of asking for extension in time the seller has made himself liable to pay the liquidated damages. It only means that the seller is promising to perform and that the buyer is agreeable to take supplies beyond the original delivery period, but the buyer imposes a condition that in view of the delay, he will take besides the goods compensation for the delay also at the specified rate (i.e. 2 per cent per month). The reservation for liquidated damages ceases to operate when the contract is ultimately broken in whole or in part, to the extent of the breach.

Where time is the essence of the contract, it is required that delivery is completed by the agreed date. The contract comes to an end on the failure of the seller to deliver the stores by the agreed date and the purchaser may refuse to take delivery of the stores if offered after the agreed date. If delivery is taken unconditionally after the agreed date, it is presumed in law that the agreement as to the time being the essence of the contract has been waived and the purchaser is not then entitled to claim any damages for delay in delivery. Where, however the purchaser accepts delivery after due date with a notice to the seller that he would claim damages for delay in delivery, the former is entitled to claim damages by serving notice in a standard letter (DGS&D-160) for granting extension in contract delivery period. It then naturally follows that acceptance of stores after the agreed D/P without giving a notice to the seller of the intention to claim damages for late delivery puts an end to the right to claim such damages.

Though the General Conditions of Contract, as stated above provide for recovery of liquidated damages at the rate of 2 per cent per month in respect of delayed supplies, all that we can recover from the supplier according to law, is only a reasonable compensation not exceeding the amount specified.

2. The Estimates Committee expressed that Trade had represented that where the suppliers had been obliged to ask for extension of delivery dates on account of the delay in issue of Import Licence or on account of the need for revalidation of import licence, they (suppliers) had been penalised by way of recovery of liquidated damages even though the extension of delivery period was due to factors beyond their control.

3. In their 121st Report the Estimates Committee have recommended that the DGS&D should ensure that no such cases arise where the liquidated damages are imposed on the suppliers when it becomes obligatory for them to seek extension of delivery period due to delay on the part of Government in issue of import licences or revalidation of import licences etc.

4. Instructions already exist vide para 13.4 of Office Order No. 18, dated 1st January, 1970 that for deciding the question whether liquidated damages for delay in supplies should be levied or not, the purchase officers are to take into consideration the fact whether there has been any loss due to delay, whether there has been any downward trend in prices during the delayed period and whether the supplier could be held responsible for delay etc. Purchase Officers

are requested to keep in view the above observations of the Estimates Committee while deciding the question of liquidated damages for delay in supplies.

Sd/-

(M. M. Pal),

*Dy. Director (CS-I).*

**STANDARD DISTRIBUTION**

(On File No. CDN-2/8(14)/70.)

## APPENDIX VII

### *List of Grade IV Items Reserved for Exclusive Purchase from SSI Units*

1. Animal driven vehicles (Civil requirements only).
2. Anklets web khaki.
3. All badges, cloth embroidered and metals.
4. Attache cases.
5. Bags ice head (civil requirements only).
6. Bandage cloth
7. Barbed wire.
8. Basket cane.
9. Belt leather.
10. Belt leather and stripe
11. Blacksmith hearth
12. Bone Meal.
13. Boxes made of metal (civil requirements only)
14. Boxing boots
15. Boots and shoes of all types (civil requirements only)
16. Brass dampers
17. Brass padlocks
18. Brief cases
19. Brooms
20. Brushes
21. Buckles
22. Button metal
23. Cans (made up of G.I. sheets for milk and measuring)
24. Cash bags
25. Caps cotton
26. Caps woollen
27. Caps waterproof

28. Casing and capping
29. Ceiling roses upto 15 amps
30. Centrifugal steel plate blowers
31. Copper sulphate
32. Chains lashing
33. Chappals and sandals
34. Coir fibre and coir yarn
35. Conduit pipes (Metallic)
36. Cotton wool (Non-absorbent)
37. Cotton hosiery (civil requirements only)
38. Cotton cord twine (other than Defence).
39. Crates wooden.
40. Cumblies.
41. Curtains mosquito (civil requirements only).
42. Distribution Boards upto 15 amps.
43. Dusters Cotton all types except the items required in Khadi
44. Dust bins (civil requirements only).
45. Dust shield leather
46. Electric call bell
47. Electric buzzers.
48. Electric soldering iron
49. Eyelets
50. Expanded metal
51. Football boots
52. French polish
53. Gas mantles.
54. Garments (civil requirements only)
55. Gauge cloth
56. Ghamellas (civil requirements only)
57. G. I. padlocks.
58. G. I. buckets.
59. Glass ampules.
60. Gauze surgical all types (civil requirements only)
61. Gum metal bushes
62. Gum cases

63. Hand drawn carts of all types (civil requirements only).
64. Handles wooden and bamboo.
65. Hand numbering machine.
66. Hair passam wool.
67. Hand gloves.
68. Hide and country leather of all type (civil requirements only).
69. Horse & mule shoes.
70. Hob nails.
71. Hold-alls.
72. Invalid wheeled chairs.
73. Insecticides dusts and sprayers (manual only).
74. Keys wooden.
75. Kit bags.
76. Kodali.
77. Kullahs.
78. Lace leather.
79. Lanters posts and bodies.
80. Lathies.
81. Lamps signal.
82. Lamp holders.
83. Leather bags.
84. Leather boxes (not army type).
85. Leather harness.
86. Leather washers.
87. Metalclad switches.
88. Mail bags (canvas dossoti and jute).
89. Manhole covers.
90. Metal polish.
91. Metric weights.
92. Miniature bulbs (for torches only).
93. Nail tip heel rustless.
94. Nail cutters.
95. Newar (other than Defence).
96. Orinary bench vices.
97. Paper conversion products.

98. Pillows (Cotton).
99. Patient coats and pyjamas.
100. Plaster of Paris.
101. Postal lead seals.
102. Piles fabric.
103. Plugs.
104. Pouches.
105. Postal weighing scales.
106. Quilts razais (cotton).
107. Rags cotton (civil requirements only).
108. Railway platform drinking water trolleys (civil requirements only).
109. Razors.
110. Rubber balloons.
111. Scissors cutting (ordinary scissors).
112. Shoes laces.
113. Sign boards painted.
114. Shellac.
115. Skin sheep all types (civil requirements only).
116. Skiboots and shoes.
117. Sole leather (civil requirements only).
118. Soap washing or laundry soap (civil requirements only).
119. Sockets.
120. Spiked boots.
121. Steel racks.
122. Steel stools.
123. Steel trunks (civil requirements only).
124. Stockinette (civil requirements only).
125. Stone curry and stone curry rollers.
126. Suit cases.
127. Tacks metallic.
128. Tape cotton (civil requirements only).
129. Tarpaulins (civil requirements only).
130. Teak fabricated round blocks.
131. Tentage jute.

132. Tin trays.
133. Umbrellas.
134. Utensils cooking (except stainless steel utensils and vessel pressure cookers) (civil requirements only).
135. Wood wool.
136. Wooden plugs.
137. Wooden ammunition boxes.
138. Wheel barrows.
139. Wicks cotton (civil requirements only).
140. Wooden packing cases of all sizes (civil requirements only).
141. Woollen hosiery (civil requirements only).
142. Wire nails and horse shoe nails.
143. Boot polish.
144. Coir matress and coir matting.
145. Steel desks.
146. Tip boots.
147. Tent poles.
148. Graphite crucibles upto No. 200.
149. Community receivers.
150. Hand presses.
151. Wooden shelves.
152. Silk ribbons.
153. Lint plain.
154. Latex foam sponge.
155. G.I. Bath tubs.
156. Paint removers.
157. Hand lamps.
158. Ovens electric (Domestic type).

159. Street light fittings.
160. Wire adjusting screws.
161. Cone & Valves (for water fittings only).
162. Film spools and cans.
163. Film polythene.
164. Benzol benzoate.
165. Matches safety (except for Defence).
166. Shelves steel.
167. Low cost radios.

## APPENDIX VIII

### DIRECTORATE GENERAL OF SUPPLIES & DISPOSALS COORDINATION SECTION—4

Office Order No. 9-B.

Dated 25th November, 1970.

**SUBJECT.—Price Preference to be accorded to S.S.I. Units.**

In accordance with the instructions contained in the Ministry of WH&S O.M. No. Pur-4(9)56-Vol. II dated the 21st November, 1956, circulated with DGS&D O.O. No. 148 dated 17-12-56, the small scale industrial units may be accorded suitable and reasonable price preference up to a maximum of 15 per cent, the actual quantum being decided in each case on merits in consultation with Finance. At present this price preference is not granted automatically in each and every case. In accordance with O.O. No. 49 dated 4-5-65, the DGS&D have to consider, where necessary, the break up of the cost of manufacture in order to find out if the cost of production of the SSI unit is really higher than the large scale units employing mass production techniques.

2. Further, in accordance with the earlier instructions contained in O.O. No. 25 dt. -4-69, a small scale unit is not considered for granting price preference if it has succeeded in securing orders in competition with the large scale units during the preceding 12 months.

3. During the last few years, however, it has become almost a practice to ask the SSI units to furnish the break up of cost before considering the question of price preference, whether or not such a break up is really necessary in each case. To make the grant of price preference more meaningful and effective, the matter has been considered by the Ministry of Supply in consultation with the Ministry of Finance, and it has been decided to accord price preference to SSI units on a tender to tender basis keeping, of course, in view the basic

considerations of conformity to specifications, quality, delivery and capacity, etc., without insisting on the firms to furnish the break up of the cost of manufacture in each and every case as a matter of course. This however, does not take away the right of the Purchase Officers to exercise their authority judiciously in the interest of the Government and to call for the detailed break up of the cost of production or not placing an order where the prices quoted are substantially higher than the LPP if they have reasons to believe that the high price is being quoted merely to avail of the benefit of price preference. If a small scale unit has in the previous years successfully supplied goods without availing of the benefit of price preference or with a price preference which is substantially lower than the maximum preference admissible, the Purchase Officer would be justified in making further enquiries as to how the cost of production of the small scale unit has substantially gone up justifying price preference or a higher price preference. Further, the restriction regarding prices quoted not being higher than the LPP for a period of one year as provided in O.O. No. 25 dated 7-4-60, is not considered necessary the reason being that even though the small scale unit might have succeeded in securing an order in competition with some large scale units at a point of time, it does not necessarily mean that the unit is on a position to compete with the large scale units which can obtain economies of scale. Each case of price preference will be examined by itself, irrespective of the fact that the previous order to the SSI unit was given within a period of one year or not.

4. Besides, if offers are received from both large scale and small scale units but some of the lowest offers are from the large scale units, the offers of the small scale units should merit acceptance by according price preference to the extent admissible provided, of course, the stores are technically acceptable, and subject to the basic considerations like delivery, specifications and capacity being satisfactory. As an illustration, if against an invitation to tender the lowest offer is from a large scale unit at Rs. 100 per unit, the 2nd and 3rd lowest offers are also from large units at Rs. 101 and Rs. 102 respectively and the 4th lowest offer at Rs. 104 is from an SSI unit, the order may be placed on the SSI unit in preference to the lowest offer in the large scale unit to the extent warranted by the capacity of the supplier. In a case like this, orders may be placed on the SSI Units upto a price of Rs. 115/- per unit passing over the lower offers of large scale units and after the capacity of SSI units upto this range of price preference has been fully booked; orders for the balance quantity, if any, may be placed with the large scale units starting from the lowest offer of Rs. 100/- upwards. If a tender for the same item is opened subsequently for the purpose of comparison, the LPP would be Rs. 100 and not Rs. 115 in the light of what is stated in

5. The question of granting price preference will not, however, arise in the following cases:

- (i) where competition against tender enquiries exists amongst the small scale units alone or where the items are exclusively reserved for purchase from the SSI units; and
- (ii) where the tenders are received from both SSI units and large scale units and the lowest offers are from SSI units and their capacity is more than sufficient to meet the demand in hand.

Sd/- S. K. JOSHI,  
Deputy Director (Cdn. Supp) II.

Standard distribution.

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File No. CDN-4/10(85)/70.

## APPENDIX IX

(*Vide* Introduction)

*Analysis of the action taken by Government on the recommendations contained in Hundred and Twenty-first Report of the Estimates Committee (Fourth Lok Sabha).*

1. Total number of recommendations . . . . .	62
2. Recommendations that have been accepted by Government ( <i>vide</i> recommendations at Sl. Nos. 1 to 18, 20, 21, 22, 25, 27, 29 to 34, 36, 37, 39 to 44, 47, 49, 50, 51, 53, 54, 55, 58, 59 & 60)	
Number . . . . .	47
Percentage to total . . . . .	76
3. Recommendations which the Committee do not desire to pursue in view of Government's reply ( <i>vide</i> recommendations at Sl. Nos. 19, 24, 28, 35, 45, 48, 56, 57 and 61).	
Number . . . . .	9
Percentage to total . . . . .	15
4. Recommendations in respect of which replies of Government have not been accepted by the Committee ( <i>vide</i> recommendations at Sl. Nos. 23 and 46).	
Number . . . . .	2
Percentage to total . . . . .	3
5. Recommendations in respect of which first reply is still awaited ( <i>vide</i> recommendations at Sl. Nos. 26, 38, 52 and 62).	
Number . . . . .	4
Percentage to total . . . . .	6