

**PUBLIC ACCOUNTS COMMITTEE**  
**(1973-74)**

**(FIFTH LOK SABHA)**

**HUNDRED AND SEVENTEENTH REPORT**

**[Report of the Comptroller and Auditor General of India for the year 1971-72, Union Government—Civil—relating to Ministries of Labour, Rehabilitation & Employment (Departments of Labour and Rehabilitation) and Supply].**



**LOK SABHA SECRETARIAT**  
**NEW DELHI**

*April, 1974/Chaitra, 1896 (SAKA)*

*Price : Rs. 1.65*

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Corrigenda to 117th Report of the Public  
Accounts Committee (1973-74) presented  
to Lok Sabha on the 19th April, 1974.

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**PUBLIC ACCOUNTS COMMITTEE**  
(1973-74)

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**SECRETARIAT**

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

**Shri M. S. Sundaresan—Deputy Secretary.**

**Shri T. R. Krishnamachari—Under Secretary.**

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**\*Elected on 29-11-73 vice Shri D. S. Afzalpurkar died.**

## INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee do present on their behalf this Hundred and Seventeenth Report of the Committee (Fifth Lok Sabha) on the Report of the Comptroller and Auditor General of India, for the year 1971-72 Union Government (Civil) relating to the Departments of Labour, Rehabilitation and Supply.

2. The Report of the Comptroller and Auditor General of India for the year 1970-71 Union Government (Civil) was laid on the Table of the House on this 18th April, 1973. The Committee examined paragraphs relating to the Departments of Labour, Rehabilitation and Supply on the 24th and 25th August and 18th October, 1973, respectively.

3. The Committee considered and finalised this Report at their sitting held on 15th March, 1974. Minutes of sittings of the Committee form Part II\* of the Report.

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

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

6. The Committee would also like to express their thanks to the officers of the Departments of Labour, Rehabilitation and Supply for the cooperation extended by them in giving information to the Committee.

NEW DELHI;

March 29, 1974.

Chaitra 8, 1895 (S).

JYOTIRMOY BOSU.

Chairman,

Public Accounts Committee.

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

## CHAPTER I

### MINISTRY OF LABOUR, REHABILITATION AND EMPLOYMENT

#### (DEPARTMENT OF LABOUR)

##### *Housing for dock workers—Audit Paragraph*

Under Dock Workers (Regulation of Employment) Act, 1948, as amended in 1962, Dock Labour Boards have been set up in the major ports of Bombay, Calcutta, Madras, Visakhapatnam, Cochin, Mormugao and Kandla. The main functions of Dock Labour Boards are to regulate recruitment and employment of dock workers, secure minimum pay for them when employment or full employment is not available, provide help and safety measures in places where dock workers are employed and arrange training and welfare of dock workers.

1.2. The welfare activities are mainly medical benefits, educational facilities for children of workers, subsidised canteen facilities, sanitation and recreational facilities for workers etc. The expenditure on such welfare activities is met from the welfare fund maintained by each Dock Labour Board from compulsory contributions to this fund by registered employers, levied under Dock Workers (Regulation of Employment) Scheme framed for each Board under the Act.

1.3. Only Bombay Dock Labour Board had constructed 566 housing units for dock workers, prior to March, 1964, out of its own resources. A housing scheme for registered workers of the Dock Labour Boards was drawn up by Government of India in March, 1964. Under this scheme financial assistance in the shape of 35 per cent loan and 20 per cent subsidy of the actual cost of construction including cost of land, subject to the ceiling cost per unit, was admissible. Prescribed accommodation in each unit was 232 sq. ft. in double storeyed buildings, and 212 sq. ft. in multi-storeyed buildings.

1.4. The number of registered workers, the number of units proposed to be constructed and actually constructed under this scheme

upto March, 1972 are shown below:

Dock Labour Board	Number of registered workers on 1st Jan. 1972.	Number of units proposed to be constructed	Construction started in	Number of units constructed	Percentage of units constructed	Percentage of worker provided with houses
Bombay	4,730	2,070	1966	352*	17	7.4
Calcutta	14,288	2,176	1964	384	18	2.69
Madras	2,387	870	1964	420	48	17.6
Visakhapatnam	1,341	516	1968	264@	51	20
Cochin	1,719	388	..	..	..	Nil
Mormugao	2,967	452	..	..	..	Nil
Kandla	450	..	..	..	..	Nil
<b>TOTAL</b>	<b>27,882</b>	<b>6,472</b>	<b>..</b>	<b>1,420</b>	<b>22</b>	<b>5.1</b>

1.5. It was originally thought that houses for about 25 per cent of the registered workers would be constructed under this scheme by March, 1966. It will be seen from the above that houses for only about 23 per cent of the registered workers were proposed for construction during the 8 years from March, 1964 to March 1972 and houses were actually constructed during those years for only about 5 per cent of such workers. This was because the assistance under this scheme was not sufficient for the Dock Labour Boards to construct more houses for dock workers.

1.6. The total amount of Central assistance received by the Dock Labour Boards, amount spent by them from their own resources, ceiling cost and actual cost per unit for 1188 units (out of 1420 units mentioned above) are shown at page 3.

\*566 houses were constructed by the Bombay Dock Labour Board before the scheme came into being. With these houses 19.4 per cent of the workers have been provided.

@ Excludes low cost houses.

Dock Labour Board	Number of units	Total amount of central assistance (Loans and grants)	Amount spent by the Board	Board's share of expenditure (percentage)	Ceiling cost per unit		Actual cost per unit	
					Multi-storied	Double-storied	Multi-storied	Double-storied
					Rs.	Rs.	Rs.	Rs.
			(Lakhs of rupees)					
Bombay	352	14.23	28.80	67	8,450	7,100	12,224	..
Calcutta	384	16.10	43.90	73	8,450	7,100	15,625	..
Madras	420	10.89	40.47	79	6,750	6,200	12,229	..
Visakhapatnam	32	0.97	0.79	45	6,750	5,550		5,500

1.7. Although the scheme provides for assistance upto 50 per cent of cost of construction, subject to prescribed limits for each house, share of actual expenditure borne by the Boards exceeded 45 per cent, excepting in Visakhapatnam, due to actual cost of construction exceeding the prescribed limits. The Dock Labour Boards were not able to meet their share of expenditure from their own resources for construction of the houses. They were also not agreeable to increase the employers' contribution to the welfare fund for this purpose as that would, in their opinion, adversely affect trade.

1.8. The Housing Ministers' Conference held in June, 1969 recommended assistance of 50 per cent loan and 50 per cent subsidy of the ceiling cost. The scale of assistance was revised from June, 1971 to 75 per cent of cost, subject to prescribed ceiling for each house 50 per cent being loan and 25 per cent subsidy. From the very beginning the assistance under subsidised housing scheme for industrial workers introduced in 1952 is cent per cent (50 per cent loan and 50 per cent subsidy) for State Governments, Housing Boards and local bodies, 90 per cent (65 per cent loan and 25 per cent subsidy) for co-operative societies and 75 per cent (50 per cent loan and 25 per cent subsidy) for employers. The quantum of Government assistance for housing of dock labour is, even after the enhancement in June, 1971 less than that for subsidised housing scheme for industrial workers executed by State Governments, Housing Boards, local bodies and co-operative societies. Out of 2.30 lakh houses sanctioned upto December, 1971 for construction under that scheme for industrial workers 1.76 lakh (76 per cent) houses had already been constructed by them, as against 1,422 houses (22 per cent) constructed for dock workers out of 6,472 houses proposed to be constructed.

1.9. As against the Fourth Plan provision of Rs. 2.50 crores for dock labour housing, the actual expenditure during the first three years of the Plan was only Rs. 27.58 lakhs. Under the scheme houses have been constructed for only about 5 per cent of the dock labourers. According to the Reports on Survey of Labour Conditions 1960-63, save in a few industries, the estimated percentage of workers in different industries plantations etc. allotted houses then ranged from 10 to 86.

[Paragraph 46 of C&AG's Report for 1971-72—Union Government (Civil)]

1.10. The Committee desired to know the number of registered workers, number of housing units proposed to be constructed for

them, the year of starting construction, number of units constructed, percentage of units constructed and percentage of workers provided houses by each Dock Labour Board as on 31st March, 1973. The Ministry of Labour furnished the following particulars:—

"Name of the Dock Labour Board	No. of Regd. workers as on 31-3-73	No. of units proposed	Construction started in the year	No. of units constructed	Percentage of units constructed	Percentage of workers provided houses.
1	2	3	4	5	6	7
Bombay.	4592	2070.	1966	352	17	7.66
Calcutta	14077	2176	1964	384	18	2.7
Madras .	2077	870	1964	420	48	20.2
Visakhapatnam	1066	516	1968	264	51	24.79
Cochin .	1793	388			..	
Marmagao .	2854	452				
Kandla .	488	..	..	..	..	..
TOTAL	26907	6472	..	1420	22	57.28

1.11. During evidence the Committee pointed out that according to the figures given in the Report of National Labour Commission (1969) in the Coffee Industry 86 per cent workers were provided with houses. The Committee desired to know the reasons for a poor percentage of dock workers provided with houses. The Secretary to the Department of Labour admitted: "It is true that progress with regard to housing by the Dock Labour Boards has been very slow and meagre. There are several reasons for this.....In industry generally, there has been a tradition for a very long time of employers constructing houses for their workers; either on their own or with assistance given by the Government. On the plantation side, at any rate, the employer is compulsorily required to provide housing for a certain percentage of his workers. But in the Docks we made a beginning only in 1964 and we found out that the scale of assistance was inadequate. We gradually stepped it up. We tried to see if there were any special sources which the Dock Labour Boards could draw upon. Now we have to speed up the pace and we are hopeful that the percentage of assistance will be raised to 100 per cent.....".

1.12. The Committee pointed out that under the Industrial Housing Scheme, out of 2.3 lakh houses sanctioned upto December, 1971, 1.76 lakh houses, i.e. 76 per cent houses had already been constructed, while out of 6,472 houses proposed to be built upto March, 1972 for Dock Labour, 1,420 houses, i.e. 22 per cent only had been completed upto March 1973. The representative of the Department explained: "The industrial housing scheme is implemented by the State Governments, local bodies or the Housing Boards. The pattern of assistance is 50 per cent grant and 50 per cent loan. In our case it is 50 per cent loan and 25 per cent grant. That is difference number one.

Secondly, excess of ceiling cost will be borne by the implementing agency whereas in the case of Housing Board or State Governments the excess of ceiling cost is met by the Governments concerned. In this case there is no other avenue of income excepting by a levy. Further, if you take a particular State there is a certain possibility of balancing also whereas in our case we have to put them in Bombay, Calcutta, Madras etc., that is, at the place of their duty. But the main reason is apart from this assistance and what we can raise by levy we have no other source of income."

1.13. The Committee desired to know the reasons for an expenditure of Rs. 27.58 lakhs out of a provision of Rs. 2.50 crores made for the housing of Dock labour in the Fourth Plan. In a written reply the Department stated that "Originally a Plan provision of Rs. 2.50 crores was made for the Housing Programmes for Dock Workers for constructing 3,686 tenements during the Fourth Plan. At a meeting which was held in the Planning Commission on the 20-10-1971 to discuss the Mid-Term appraisal of the Housing Programmes under the Fourth Plan, it was agreed to reduce the Plan provision of Rs. 2.50 crores for Dock Labour Housing to Rs. 1.50 crores after taking into consideration the low ceiling cost and the difficulty of the Dock Labour Boards in finding finances for their share of 25 per cent of the expenditure. Therefore, the Plan provision for Housing Scheme for Dock Workers during the Fourth Plan stands at Rs. 1.50 crores.....The total expenditure up-to-date out of a provision of Rs. 1.50 crores during the Fourth Five Year Plan period is Rs. 38,36,894.50." During evidence the Secretary of the Ministry stated: "We have spent up till the end of last year Rs. 38 lakhs and we expect to spend another Rs. 15 lakhs this year so that, in all, the expenditure will be about Rs. 53 lakhs.....In the Fifth Five Year Plan a provision of Rs. 1.16 crores has been made."



As regards the reasons for shortfall in expenditure in the Fourth Plan, the Ministry stated as follows in their written reply:

"Broadly the main difficulties which are being encountered by the various Dock Labour Boards to adhere to the schedule of construction programme of houses for the Dock Workers are summarised as under:—

- (i) Acute shortage of land and its high price near the Port areas;
- (ii) The stringent financial position of the Dock Labour Boards due to fall in traffic. In the light of the difficult financial position, the Boards are not able to meet their own share of cost of construction according to the prescribed actual cost of construction and the ceiling cost.

Almost all the Boards are representing for financial assistance to the extent of 50 per cent loan and 50 per cent subsidy as against the existing 50 per cent loan and 25 per cent subsidy and also for enhancing the prescribed ceiling cost. In fact, while the Dock Labour Boards are keen to go in for construction of more houses for dock workers, the financial position of the Boards made it difficult for them to meet their share of the ceiling cost and the full extent of excess over the ceiling cost."

1.14. The Committee desired to know the present rate of welfare levy imposed by each Dock Labour Boards and whether there was any proposal to increase the rate. The Department furnished following information:

"Name of the Dock Labour Board"	Rate of present welfare levy.
Calcutta	16%
Bombay	(17% for stevedoring workers (20% for Chipping & Painting Workers)
Madras	50% of the presumptive time rate wages.
Visakhapatnam	50%
Kandla	5%
Cochin	25%
Marmagao	10%

According to the provisions of the Dock Workers (Regulation of Employment) Schemes, the rate of welfare levy is to be determined by each Dock Labour Board. It has been ascertained from all the Dock Labour Boards that there is no proposal to increase the rate of welfare levy at present."

1.15. During evidence, the Secretary to the Department stated: "The funds of the Dock Labour Board have a welfare purpose. The sources of their funds are derived from the welfare levy which each Dock Labour Board levies on the daily wages of the dock workers employed at the docks. This levy varies from about 10 per cent of the daily wages of the dock workers in some docks to about 50 per cent in some other docks. The total quantum of the receipts in this manner is entirely related to the total employment at the docks because it is percentage of the daily wages paid to the dock workers employed at the docks. Now the total employment at the docks is again related to the total amount of traffic handled at the docks. Now for this reason the Dock Labour Boards are somewhat reluctant to do anything which may scare away or divert traffic from their own ports by raising the levy which is high enough as it is. (I am speaking not only of the welfare levy but of the other levies which, in some cases, go up to 300 per cent of the daily wages). It is high enough as it is and many Dock Labour Boards have the feeling that if they raise this levy further, it might render shipping at the port uneconomic and therefore scare away traffic. That is why they are reluctant to increase the levy.....Now, as it is, we have to view the whole thing. The Dock Labour Board's financial problem is a very serious one.....Most of the Dock Labour Boards have considerable surplus of Dock Labour and it has been one of the principal problems we have had to contend with.....Now, we have been trying to bring down the total number of workers principally in two ways. One of the ways is, of course, not filling up the vacancies. The other way is that, we have tried to promote at some of these major ports where the problems have been particularly difficult and acute, a scheme of voluntary retirement of some of these workers by paying them an attractive amount of compensation and thereby reducing the heavy burden which these Dock Labour Boards normally carry."

1.16. Explaining the reasons for variation in the General levy as well as welfare levy of the various Dock Labour Boards, the Secretary said: "The rate of (General) levy in Bombay is now 115 per cent, in Calcutta 275 per cent, in Madras 250 per cent, in Visakhapatnam 250 per cent, Cochin 225 per cent, Mormugao 100 per cent and Kandla 75 per cent. This levy is a function of the

employment availability for the number of workers who are registered under these schemes. There is also a minimum guarantee say, of 21 days. Suppose, under the agreements or under the schemes, we have given 21 days of minimum guarantee of wages to a particular workman in a particular dock labour board. In a good year, they would have been able to get 21 days of employment in which case, the demand for 21 days of minimum guarantee of wages would have been conceded. Once the minimum guarantee at a particular level has been conceded, it would be possible to increase it and not to decrease it. Granting that in a particular dock labour board, for a particular category of workers, the minimum guarantee is 21 days, and if as a result of fall in traffic—this is quite common in most of the dock labour boards—the actual employment is only 10 days, then for the remaining 11 days of employment for which wages have been guaranteed, including payment for his weekly off, leave salary, provident fund contributions etc., the levy is imposed. Therefore, the increased percentage of levy is one which is directly relatable to the decrease in the employment opportunities vis-a-vis minimum guarantee. But, the volume of traffic passing through Calcutta Port has been on the decline with the result the employment availability is less there. For meeting the statutory obligation, the levy goes up depending upon the volume of traffic. In a port like Mormugao, where bulk of the cargo is iron ore, this is more or less stable. The levy is at a low level. But, in a particular port where the volume of traffic has come down, the levy will have to go up to enable the dock labour board to pay the minimum guarantee wages and other benefits that have been agreed to. That is why, between one dock labour board and another, there is no uniformity in the pattern of levy. . . . . The welfare levy also varies depending upon the extent of welfare activities that a particular dock labour board thinks, it must give. In a good year, they might have embarked upon a number of welfare activities. But, it is not possible to reduce and therefore, the levy continues at that rate."

1.17. The Committee asked whether the resources and the requirement had been taken into consideration while formulating the housing scheme of Dock Labour. The Secretary replied: "The scheme was formulated largely on the pattern of the Industrial Housing Scheme and we did expect then that the Dock Labour Boards should be able to contribute at least . . . their contribution to the Housing Scheme." The representative of the Department added: "Although the scheme provided originally for assistance upto 55 per cent (35 per cent loan and 20 per cent subsidy), Dock Labour Boards were not able to find funds at 45 per cent of the ceiling cost (of the Houses) plus 100 per cent of the excess over the ceiling cost and at

that time also we approached the Planning Commission that just as the State Governments and the Local Bodies got assistance for industrial Housing Scheme at 50 per cent grant and 50 per cent loan, the same pattern of assistance to the Dock Labour Board was requested. Then the Planning Commission said that as it was now 35 per cent (loan) and 20 per cent (subsidy), 25 per cent and 50 per cent as grant and loan respectively would be adequate. Our experience was that it might not be adequate but considering that it was the best we could get, we thought we could make our request next time." The Secretary explained further: "Recently we have suggested to the Planning Commission that the time has now come to raise the pattern of assistance to 100 per cent i.e. 50 per cent loan and 50 per cent subsidy. We hope, there will be a favourable increase in the pattern accordingly and if we do, we feel fairly confident that this should provide a strong incentive to the Dock Labour Boards to take up these housing schemes in a more energetic way. It does not mean that they do not have to find funds of their own, because the 100 per cent pattern is related to a certain ceiling (of the cost of House) and the present actual cost has risen so much higher than the ceiling. Nevertheless, it is our belief and expectation that if the pattern is revised to 100 per cent, i.e. 50 per cent loan and 50 per cent subsidy as proposed, the performance in the various Dock Labour Boards will be better."

1.18 At the instance of the Committee, the Department of labour furnished a note stating the efforts made to revise the pattern of assistance:—

- “(i) In September 1968, the Planning Commission suggested that the question of increasing the financial assistance may be referred for consideration in the meeting of the Housing Minister's Conference, on a request made by the Department of Labour and Employment for liberalisation of the financial assistance.
- (ii) The proposal for increase in financial assistance from the Government for construction of houses by the Dock Labour Boards was placed before the conference of Ministers of Housing and Urban Development held at Bangalore from 18-6-69 to 20-6-1969. The conference considered the proposal and recommended that the Dock Labour Boards should be provided with 100 per cent assistance for the purpose by the Department of Labour and Employment—50 per cent loan and 50 per cent subsidy.

- (iii) On 26-3-1970, a meeting was held in the Planning Commission to discuss the proposal for additional assistance and the representatives of Planning Commission, Department of Works, Housing and Urban Development, Ministry of Finance and Department of Labour and Employment were present. The proposal for revising the pattern of assistance was not accepted.
- (iv) In December 1969, the Report of the Central Wage Board for Port and Dock Workers was received by the Central Government. The Wage Board, *inter alia*, made the following recommendations:—

“8.77. The Labour members as well as the employer members have urged that the port and dock workers should also be considered as industrial workers under the Subsidised Industrial Housing Scheme and all the facilities available under the Scheme for the construction of quarters for industrial workers should also be available in connection with the construction of quarters for the port and dock workers. In respect of the subsidy and loan facility given at present to dock labour boards it was emphasised that it should be raised to bring it on par with similar facilities available in respect of industrial workers.”

“8.78. The Board considered the above request of the parties as justified and recommends that the port and dock workers should be treated as industrial workers and the benefits of the Subsidised Industrial Housing Scheme should be extended to them, so that the port authorities may get subsidy and loan facility for the construction of quarters for port workers and the dock labour boards also get increases in the existing subsidy and loan facility to the extent it is prescribed in the Scheme. The Board also recommends that the employers should provide facilities and financial assistance to their employees to construct houses on co-operative basis.”

These recommendations were referred to the Ministry of Works and Housing. That Ministry, however, did not accept them on the ground that it would have repercussions on Posts and Telegraphs, Transport, Railways, etc.

(v) On 30-11-1970 at a meeting held in Planning Commission to consider the programme for Housing and Urban Development in 1971-72 the matter was again considered. The relevant extract from the summary record of the meeting is given at Appendix IV (not

that time also we approached the Planning Commission that just as the State Governments and the Local Bodies got assistance for Industrial Housing Scheme at 50 per cent grant and 50 per cent loan, the same pattern of assistance to the Dock Labour Board was requested. Then the Planning Commission said that as it was now 35 per cent (loan) and 20 per cent (subsidy), 25 per cent and 50 per cent as grant and loan respectively would be adequate. Our experience was that it might not be adequate but considering that it was the best we could get, we thought we could make our request next time." The Secretary explained further: "Recently we have suggested to the Planning Commission that the time has now come to raise the pattern of assistance to 100 per cent i.e. 50 per cent loan and 50 per cent subsidy. We hope, there will be a favourable increase in the pattern accordingly and if we do, we feel fairly confident that this should provide a strong incentive to the Dock Labour Boards to take up these housing schemes in a more energetic way. It does not mean that they do not have to find funds of their own, because the 100 per cent pattern is related to a certain ceiling (of the cost of House) and the present actual cost has risen so much higher than the ceiling. Nevertheless, it is our belief and expectation that if the pattern is revised to 100 per cent, i.e. 50 per cent loan and 50 per cent subsidy as proposed, the performance in the various Dock Labour Boards will be better."

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"(i) In September 1968, the Planning Commission suggested that the question of increasing the financial assistance may be referred for consideration in the meeting of the Housing Minister's Conference, on a request made by the Department of Labour and Employment for liberalisation of the financial assistance.

(ii) The proposal for increase in financial assistance from the Government for construction of houses by the Dock Labour Boards was placed before the conference of Ministers of Housing and Urban Development held at Bangalore from 18-6-69 to 20-6-1969. The conference considered the proposal and recommended that the Dock Labour Boards should be provided with 100 per cent assistance for the purpose by the Department of Labour and Employment—50 per cent loan and 50 per cent subsidy.

- (iii) On 26-3-1970, a meeting was held in the Planning Commission to discuss the proposal for additional assistance and the representatives of Planning Commission, Department of Works, Housing and Urban Development, Ministry of Finance and Department of Labour and Employment were present. The proposal for revising the pattern of assistance was not accepted.
- (iv) In December 1969, the Report of the Central Wage Board for Port and Dock Workers was received by the Central Government. The Wage Board, *inter alia*, made the following recommendations:—

“8.77. The Labour members as well as the employer members have urged that the port and dock workers should also be considered as industrial workers under the Subsidised Industrial Housing Scheme and all the facilities available under the Scheme for the construction of quarters for industrial workers should also be available in connection with the construction of quarters for the port and dock workers. In respect of the subsidy and loan facility given at present to dock labour boards it was emphasised that it should be raised to bring it on par with similar facilities available in respect of industrial workers.”

“8.78. The Board considered the above request of the parties as justified and recommends that the port and dock workers should be treated as industrial workers and the benefits of the Subsidised Industrial Housing Scheme should be extended to them, so that the port authorities may get subsidy and loan facility for the construction of quarters for port workers and the dock labour boards also get increases in the existing subsidy and loan facility to the extent it is prescribed in the Scheme. The Board also recommends that the employers should provide facilities and financial assistance to their employees to construct houses on co-operative basis.”

These recommendations were referred to the Ministry of Works and Housing. That Ministry, however, did not accept them on the ground that it would have repercussions on Posts and Telegraphs, Transport, Railways, etc.

(v) On 30-11-1970 at a meeting held in Planning Commission to consider the programme for Housing and Urban Development in 1971-72 the matter was again considered. The relevant extract from the summary record of the meeting is given at Appendix IV (not

printed). It will be observed therefrom that the Planning Commission agreed to review the working of the Housing Scheme for Dock Workers.

(vi) The matter was considered further in an inter-departmental meeting held on 19.2.1971 in the Planning Commission. The following points were placed by the Department of Labour and Employment before the meeting for consideration:—

1. Liberalisation of Central assistance under the Housing Scheme for dock workers to provide for the pattern of assistance to be on the same scale as is available to the State Governments under the Subsidised Industrial Housing Scheme.
- (2) Increase in the ceiling cost prescribed in the Subsidised Housing Scheme for Industrial Workers.
- (3) Extension of the Housing Scheme for Dock Workers to the staff of all dock labour Boards.
- (4) Extension of the above benefits to Port Trusts for the con-Housing Scheme for Industrial Workers.

After detailed discussions, the meeting made the following recommendations:

- (1) The pattern of assistance under the Dock Labour Housing Scheme may be liberalised to provide for 50 per cent loan and 25 per cent subsidy of the actual cost of construction or the ceiling cost under the Subsidised Industrial Housing Scheme, whichever is less; the balance of 25 per cent to be met by the Dock Labour Boards themselves from their own resources.
- (2) The proposal for increase in the ceiling cost prescribed under the Subsidised Industrial Housing Scheme in the port towns will be examined by the Department of Works, Housing and Urban Development in consultation with the Department of Labour and Employment and the State Government, Housing Boards concerned, on the basis of the facts and figures.
- (3) It would not be feasible to extend the scope of the existing scheme to the staff of the Dock Labour Boards other than the dock workers
- (4) It would not be feasible to agree to the extension of the scheme to the workers of the Port Trusts.



On the basis of the above recommendation, orders were issued on 15.6.1971 liberalising the pattern of assistance from 35 per cent loan and 20 per cent subsidy to 50 per cent loan and 25 per cent subsidy.

(vii) As even the liberalised pattern of assistance was not found adequate for the proposed construction of 650 houses by the Bombay Dock Labour Board, the question of granting additional loan, over and above the Central assistance admissible under the Scheme, was discussed in inter-departmental meetings held on 14.9.1971 and 21.10.1972 at which the Planning Commission was also represented. At the meeting held on 21.10.72, it was decided that before considering the question of granting additional financial assistance to the Bombay Dock Labour Board it was necessary that the detailed estimate for construction of houses should be scrutinised by a Committee.

(viii) While discussing the Fifth Five Year Plan proposals relating to Housing Scheme for Dock Workers in the Planning Commission under the Chairmanship of the Minister for Planning on 17.8.73, the need for further liberalising the pattern of assistance in the shape of 50 per cent loan and 50 per cent subsidy was emphasised by the Department of Labour and Employment. The Minister for Planning suggested that further discussions in this regard might be held."

1.19 The Committee desired to know the specification of the accommodation for Dock Labour and its cost ceiling as originally fixed and later revised for various ports. The Department furnished following information:

"According to the Housing Scheme for Dock Workers, as originally introduced on 2.2.64, the Dock Labour Boards were to construct small two-roomed houses with minimum accommodation as indicated in the table below:—

*Small two-roomed houses*

Accommodation	Double Storeyed	Multi-storeyed
(i) Living room . . . . .	204 sq. ft.	184 sq.ft.
(ii) Multi-purpose room including kitchen . }		
(iii) Bath room . . . . .	16 sq. ft.	16 sq. ft.
(iv) Latrine . . . . .	12 sq. ft.	12 sq. ft.
TOTAL . . . . .	232 sq. ft.	212 sq. ft.

NOTE : (i) The floor areas mentioned above are exclusive of lobby, corridor, balcony staircase, etc.

- (ii) The size of the two rooms could be varied to suit local conditions, provided that the area of living room was not less than 100 sq. ft. and the area of the multi-purpose room not less than 84 sq. ft. for double-storeyed construction.
- (iii) Where a common staircase was provided, it was not to serve more than twelve units on each floor.

Name of the City	Overall Ceiling Costs	
	Ceiling Cost	
	Multi-storeyed	Double storeyed
	Rs.	Rs.
Bombay	6,400	5,350
Calcutta	6,400	5,35
Madras	4,350	4,350
Cochin	3,850	3,850
Visakhapatnam	4,050	4,050

N.B. The over all ceiling cost was on the basis of Subsidised Housing Scheme for Industrial Workers as fixed from time to time.

The overall ceiling cost in various ports was revised with effect from 1-4-1967 as follows:—

Name of the city	Ceiling Cost (as revised w.e.f. 1-4-1967)	
	Multi-storeyed	Double storeyed
	Rs.	Rs.
Bombay	8,450	7,100
Calcutta	8,450	7,100
Madras	6,750	6,200
Cochin	6,750	6,200
Visakhapatnam	6,750	5,550
Mormugao	6,750	5,100

There has been no change in the specifications."

1.20 The Committee enquired whether the ceiling cost of construction revised in 1967 was commensurate with the increase in the cost of construction. The Department stated: "This revised ceiling was not commensurate with the increase in the cost of construction and hence the matter of further enhancement of ceiling cost was considered."

1.21 Explaining the action taken by the Department of Labour to get the ceiling cost revised, the Department stated in a note:

“\* \* \* \* \*

- (ii) On 17.5.1968, it was brought to the notice of the Ministry of Works, Housing and Supply that the actual cost of construction of houses at Calcutta, Bombay and Madras was more than the ceiling fixed and that it would be in the fitness of things to reconsider the fixation of ceiling costs pertaining to construction of houses at Calcutta, Bombay and Madras.
- (iii) The question of increase in ceiling was *inter-alia* discussed at an inter-departmental meeting held in the Planning Commission on 19.2.71 to review the Housing Scheme for Dock Workers. The representatives of the Department of Works, Housing and Urban Development, Ministry of Shipping and Transport, Ministry of Finance, Planning Commission and Department of Labour and Employment were present. During the meeting, it was mentioned on behalf of the Department of Labour and Employment that one of the reasons for the slow progress of the Scheme was that the cost of houses in port towns usually exceeded the prescribed ceiling. The representative of the Department of Works, Housing and Urban Development stated that they were not aware whether there had been any substantial general increase over the prescribed ceiling cost under the Subsidised Industrial Housing Scheme in the port towns but that where higher costs had been reported in some cases, the Ministry had been advising them to lower the standards of accommodation to some extent so that the incidence of subsidised rent was kept at the prescribed levels. After discussion, it was agreed that the question of increase in the ceiling cost in the various port towns may be gone into by the Department of Works, Housing and Urban Development in greater detail on the basis of facts and figures, in consultation with the Department of Labour and Employment and the Housing Department/Housing Boards in the States concerned.
- (iv) In June 1971, after taking account the rise in the cost of construction (land, building material and labour) since April, 1967, the Ministry of Works and Housing came to the conclusion that a mere enhancement of the Ceiling Costs for the construction of houses with the minimum standards, of accommodation was not likely to solve the problem. In order, therefore, to consider the matter in

all its aspects and make suitable recommendations, a committee was appointed by that Ministry in June 1971.

- (v) On the basis of the recommendations of the Committee, the Ministry of Works & Housing issued orders on 6.2.1973, revising *inter-alia* the ceiling costs and specifications prescribed under the Integrated Subsidised Scheme for Industrial Workers and Economically Weaker Sections of community. The question of adopting the revised ceiling costs and specifications for the Housing Scheme for Dock Workers is under examination."

1.22. The Committee asked about the proportionate increase in prices of different components in the construction of houses since the ceiling cost was fixed in 1964. The Secretary to the Department replied: "The actual cost is much higher than the ceiling cost." The representative of the Ministry added: "We do not have the details, Sir. It must have gone up at least 100 per cent, but that is only my guess". Subsequently in a written note, the Department could furnish this information in respect of Madras & Visakhapatnam cities. About the Madras City, the Department stated that "the percentage of increase in cost of construction from 1964 to 1972 is 125; the wages of labour account for 150 per cent increase and cost of building materials has increased by 100". About Visakhapatnam the Department gave the following percentage of increase in respect of various items of building material and labour charges from 1968-69 to 1972-73:—

1. R.R. stone for masonry	73%
2. Sand	88%
3. Granite chips 1/2" to 3/4"	67%
4. Bricks	64%
5. Wood	60%
6. M.S. rods	58%
7. Cement	45%
8. Labour charges	
(1) Mason	60%
(2) Mazdoors	75%
(3) Carpenters	60%

1.23. The Committee pointed out that in their written reply the other reason advanced by the Department, for slow progress in construction of houses by various Dock Labour Boards was non-availability of land. The Secretary replied: "The land problem, that is, acquiring land for this purpose has been solved every where

except in Calcutta where the Dock Labour Board is negotiating." When asked how Calcutta Dock Labour Board which had the largest number of workers (14,077) had provided only 2.7 per cent of its workers with accommodation as against 24.76 per cent by Visakhapatnam 20.2 per cent by Madras and 7.66 per cent by Bombay the Secretary replied: "In Calcutta it has largely been the difficulty of getting land for the time being." The representative of the Department stated: "Calcutta has, particularly, been in deep financial difficulties over the last three|four years. As I explained earlier, it was necessary for the Government to give them loan to the extent of 6|7 crores of rupees. Even now there is an outstanding of little over 5 and half crores due to the Government on the loans sanctioned to them. In that situation, it was not possible for them to think in terms of this activity much as they would have liked to."

1.24. The Committee desired to know the efforts made so far to secure land for construction of houses by Ministry of Labour and the Dock Labour Board. The Department explained in a note as follows:—

- (i) "The Calcutta Dock Labour Board issued advertisements in the six local newspapers on 21.6.1965 and 24.9.1967 for purchase of land within four|five miles from the dock area for further construction of quarters for the registered workers of the Board. But inspite of this no suitable private lands within four|five miles of dock area were available.
- (ii) On 26.4.1972, the Secretary, Calcutta Dock Labour Board wrote to the Land Manager, Calcutta Port Commissioners stating that there was a big plot of land to the Northern and Eastern side of the Calcutta Port Commissioners's staff quarters at Brooklyn Depot which might be leased out. The extent of land that could be made available by long-term lease was also ascertained.
- (iii) The Dock Labour Board again took up the matter with the Land Manager on 13.6.72.
- (vi) The Calcutta Port Commissioners *vide* their letter dated the 6th September, 1972 regretted that the request of the Dock Labour Board for lease of additional land could not be acceded to as that would be required for Port purposes.
- (v) In October 1972, the Chairman, Calcutta Dock Labour Board referred the matter again to the Land Manager, Calcutta Port Commissioners for lease of land. On 28-11-72,

the Chairman discussed the matter with the Land Manager when the Chief Engineer was present. The Chief Engineer was not in favour of leasing further land to Dock Labour Board in view of future requirement of this land for marshalling yard. On 29-11-72, the Chairman, Calcutta Port Commissioners (who is also the Chairman, Calcutta Dock Labour Board) decided that Dock Labour Board could not be given any land in that area.

- (vi) In May, 1973, all the Boards including the Calcutta Dock Labour Board were requested to send their proposals for the construction of houses for inclusion in the Fifth Five Year Plan. The Calcutta Dock Labour in their letter dated 5-6-73 informed the Labour Department that the Calcutta Port Commissioners were not agreeable to give land to the Board on lease basis for the construction of quarters for dock workers. The Board is now making efforts to secure land adjacent to the port area through the Government of West Bengal."

1.25. The Committee desired to know about the responsibility of the Ministry in the slow implementation of the policy of Government regarding the housing scheme for Dock Labour. The Secretary stated: "Persons concerned are the Dock Labour Boards. Government's responsibility is limited, as far as I can see, to providing what it considered to be an adequate measure of assistance."

When the Committee pointed out that being the controlling authority, "it was up to the Government to pull them up" the Secretary replied: "Their plea consistently has been that they have no funds and as I submitted, we have to look at it in the background of the state of finances of the Dock Labour Boards." The witness added: "Dock Labour Board is an autonomous body. It has its sources of funds and has its terms of expenditure. It raises its revenue by levying an appropriate levy." In reply to another question the witness clarified: "In terms of the Act which constitutes the Dock Labour Board, there are certain powers reserved for the Government..... ..It is not fully autonomous in that respect.....In any case, when they find themselves in financial difficulties they can only turn to the Government and that is where the Government comes in an important way and Government has had to advance considerable loans in order to enable them to fulfill their statutory requirements and also in order to reduce the surplus dock labour in their ports."

1.26. The Committee are greatly distressed over the tardy manner in which the scheme for housing for Dock Workers has been implemented since its inception in 1964. While it was originally thought that houses for about 25 per cent of the registered workers would be constructed by March 1966, houses for only about 23 per cent of them were merely proposed for construction during 8 years from March 1964 to March 1972. The actual progress is even very much more disappointing in that only about 5 per cent of the registered workers were provided with houses upto the end of March 1973. Such a wide gap between the anticipations and achievements suggests that the scheme has not at all been formulated and reviewed realistically from time to time with a view to taking necessary timely action to realise the desirable objective.

1.27. The performance under the Dock Workers Housing Scheme compares very poorly with the Subsidised Housing Scheme for Industrial Workers introduced in 1952 and executed by State Governments, Housing Boards and local bodies under which out of 2.30 lakh houses sanctioned upto December 1971, 1.76 lakhs (76 per cent) had already been constructed. The fact that out of 6472 houses proposed for construction by March 1972 only 1420 (22 per cent) could be constructed for the Dock labour upto March 1973 reveals very basic neglect and/or weakness in the scheme itself.

1.28. The inability of the Dock Labour Boards to meet their share of expenditure due to their difficult financial position is the main reason for the slow progress. Originally the scheme provided for Central assistance upto 55 per cent (20 per cent subsidy and 35 per cent loan) of the actual cost of construction including cost of land subject to a ceiling fixed and the balance was to be met by the Dock Labour Boards. On the other hand from the very beginning the assistance under the Subsidised Housing Scheme for Industrial Workers has been cent-per-cent (50 per cent loan and 50 per cent subsidy). The Housing Minister's Conferene held in June 1969 recommended similar treatment for the Dock Workers' which was reiterated by the Central Wage Board for Port & Dock Workers in December 1969. These recommendations were, however, not accepted by th Planning Commission and the Ministry of Works and Housing. It was only in June 1971, it was agreed after further consideration, to liberalise the assistance to provide for 50 per cent loan and 25 per cent subsidy of the actual cost of construction or the ceiling cost under subsidised Industrial Housing Scheme, whichever was less. This liberalisation did not improve the position in as much as during 1972-73 there was no addition to the houses constructed under the Scheme. The Committee have been informed that the question of further liberalising the

pattern of assistance to the extent of 100 per cent i.e., 50 per cent loan and 50 per cent subsidy is under discussion with the Planning Commission in the context of the Fifth Plan proposals. The Committee very much desire that Government should come to an early decision in the matter.

1.29. Another factor which contributed to the slow progress was the unrealistic ceiling of cost of construction fixed under the scheme. Although the ceiling was revised in 1967, it continued to be low, as is evident from the actual expenditure incurred by the Dock Labour Boards at Bombay, Calcutta and Madras. Although initially they were expected to bear 45 per cent of the expenditure their contribution turned out to be 67 per cent in Bombay, 73 per cent in Calcutta and 79 per cent in Madras, the actual cost of construction having been so high. It was only in June 1971, after a lapse of long 4 years, the Ministry of Works & Housing took up the question of further revision of the ceiling. Although in February 1973 it was revised for the Subsidised Housing Scheme for Industrial Workers the question of extending it to the housing scheme for Dock Workers is surprisingly still under examination. The Committee desire that there should be no further delay in the matter.

1.30. In view of continuous rise in cost of construction the Committee suggest that revision of ceilings of cost should be done at more frequent intervals in future. The Committee also desire that the specifications and covered area for the workers' quarters should not be unreasonably reduced; these should be such as to meet at least the minimum needs of a family of 5.

1.31. The Committee note with great concern that the problem of finding suitable land has still not been solved at the Calcutta Port. The Dock Labour Board, Calcutta with 14,077 registered workers (the largest in the country) has been able to provide houses to only 2.7 per cent of workers against 7.66 per cent in Bombay, 20.2 per cent in Madras and 24.76 per cent in Visakhapatnam. The Committee regret that this Board proceeded in the matter of acquiring land in a very casual manner. Although they advertised for purchase of land in June 1965 and September 1967 with out success, for about 5 years thereafter no serious attempts have been made to acquire land. It was only in April 1972 that the question of purchasing land from Calcutta Port Commissioners was taken up by them, again without success. They are reported to be still making efforts to secure land adjacent to the Port area from the Government of West Bengal. The Committee desire that the matter should be taken up immediately by the Ministry of Labour with the State Government



at the appropriate level. The Committee would like to be informed of the outcome.

1.32. The Committee desire the Dock Labour Boards at Cochin, Mormugao and Kandla who have not yet made a beginning towards construction of houses, should be persuaded to take up the scheme at least in the Fifth Five Year Plan.

1.33. According to the provisions of the Dock Labour Workers (Regulation of Employment) Schemes, the rate of welfare levy is to be determined by each Dock Labour Welfare Board. The Committee find that the quantum of welfare levy is not uniform in all the ports. It ranges from 5 per cent of the daily wages of the dock workers to 50 per cent. Further, it is not clear whether the time of fixing this levy the liability of the Board to meet a part of the expenditure on housing of the workers was taken into account. In any case in view of the continued inability of the Labour Boards to meet the excess of expenditure over the assistance received, the desirability of raising the welfare levy suitably should be urgently considered. Further, as there is wide disparity in the levy some guidelines as to the minimum welfare measures to be provided by the Labour Boards appear called for.

1.34. The Committee have come to the inevitable conclusion that the various organisations concerned have woefully failed in implementing the scheme and have brought about this sorry state of affairs, which they deprecate.

## CHAPTER II

### DEPARTMENT OF REHABILITATION

#### *Sale of an evacuee property*

#### *Audit Paragraph*

An evacuee property comprising of six shops on the ground floor, a hotel on the first floor and out-houses at the back, situated in Connaught Place was acquired in June 1955 under the Displaced Persons (Compensation and Rehabilitation) Act 1954. The Regional Settlement Commissioner, New Delhi, decided to sell it by public auction. A public auction was held on 16th March, 1961. There were six bidders. Shri 'A' whose bid was the highest represented a limited company. His bid of Rs. 6.25 lakhs on behalf of the limited company was accepted by a Managing Officer, who conducted the auction, subject to approval of the Regional Settlement Commissioner, New Delhi.

2.2. The following points were noticed in this case:—

- (i) As per rules and terms of auction notice, 10 per cent of the bid money should have been deposited by the successful bidder on the fall of the hammer. The deposit of Rs. 62,500 was received in the name of the limited company on 16th March 1961.
- (ii) The bid was approved by the Regional Settlement Commissioner, New Delhi, on 5th April 1961. The purchaser was required to deposit the balance bid money in the State Bank of India by 20th April 1961.
- (iii) On 15th April, 1961, the Regional Settlement Commissioner advised the purchaser that it could associate the compensation claims of other displaced persons for payment of the remaining 90 per cent of the sale price by adjustment against such claims. In February 1961 orders had been issued by the Chief Settlement Commissioner that even persons who had no pending claim could also associate the compensation claims of others for making such payment, but the auction notice issued on 24th February, 1961 had mentioned that only those displaced persons whose verified compensation claims (for immovable properties left in Pakistan in their names) did not cover the

purchase price could associate other such claimants to make up the deficiency. The concession granted in February 1961 was, therefore, not known to other bidders and prospective bidders.

- (iv) As per the terms of the auction notice, earnest money could be forfeited if the auction purchaser failed to deposit the balance price within 15 days of confirmation of the bid (in this case by 20th April, 1961). This period could be extended by not more than 15 days by the Regional Settlement Commissioner or any other authorised officer. Further extension (without any limit of time) could be given only by the Chief Settlement Commissioner. In this case, the purchaser failed to deposit the balance price within the extended period of 15 days. Further extensions were granted by the Regional Settlement Commissioner for depositing the balance from time to time till 16th August, 1961 without approval of the Chief Settlement Commissioner.
- (v) Out of 14 compensation claims of other displaced persons associated by the bidder, one claim for Rs. 11,047 was "found (December 1962) to be bogus". Instead of making good the deficiency in cash, the purchaser associated the claim of another displaced person for Rs. 10,805 which was accepted. He was asked to deposit the balance of Rs. 242 treasury.
- (vi) It was further observed that in the case of another claim of Rs. 60,654 associated by the purchaser, a sum of Rs. 43,645 was adjusted on 14th November, 1968 and the balance of Rs. 17,009 was paid by cheque on 24th December, 1968.
- (vii) On 10th August, 1965, the Regional Settlement Commissioner, New Delhi, advised the Delhi Development Authority that, as the full value of the property had been recovered and the property permanently transferred to the purchaser, a copy of the lease deed might be supplied to it. Three months later (November 1965), it was found that in the case of a compensation claim for Rs. 1.43 lakhs associated by the purchaser Rs. 0.43 lakh only were available for adjustment. Thus the compensation claims associated by the purchaser were accepted and payment was deemed to have been made in full without verification of their correctness. No action has been taken so far (June 1972) to recover the balance of Rs. 1.00 lakh.

2.3. The possession of the property was handed over to the purchaser provisionally on 1st March, 1962. No sale certificate has been issued to the purchaser so far (February 1972).

[Para 34 of the Report of Comptroller & Auditor General of India for 1971-72—Union Government (Civil)]

2.4. During the course of evidence, the Committee desired to know the date of evaluation of the property in question and the amount fixed. The Secretary to the Department of Rehabilitation stated that the property in question was marked portion A and its value was fixed as Rs. 5.5 lakhs on 14-11-1957. Asked about the basis of valuation, the Department furnished in a written note the following information:—

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<i>"Portion 'A'</i>		
Land value of 1228 sq yds.		
@Rs. 300/- per sq yd.		Rs. 3,68,400
The net value of structure . . . . .	..	Rs. 2,49,523
TOTAL . . . . .		Rs. 6,17,923

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According to the valuation sheet of this portion, the valuation on the basis of House Tax was Rs. 5,48,000/- and that on the basis of rent assessed by the Custodian was worked out at Rs. 4,46,880/. Against the above said 3 valuation figures, the final value of the unit was fixed at Rs. 5,50,000/-. \*\*\*\*It will thus be seen that while arriving at the valuation of the portion 'A', Municipal-Tax basis was taken to be the criteria instead of the exact land and building method of valuation."

2.5. The Committee pointed out that evaluation of the property was done in November, 1957 but it was auctioned in March, 1961. Explaining the reasons for delay in auctioning, the Secretary to the Department replied: "For the first time sale was made on 21-12-1960. The highest bid received in that auction was Rs. 3.50 lakhs which was much below the reserve price (Rs. 5.5 lakhs). So, the second auction had to be arranged." The Committee asked for the reasons for delay of 3 years in holding even the first auction. In a written note, the Ministry stated: "It is regretted that it has not been possible to ascertain the circumstances under which the property evaluated on 14-11-1957, was put to auction for the first time on 21-12-1960 i.e. 3 years after its evaluation."

2.6. The Committee asked whether value of the property had not appreciated or depreciated between the dates of valuation in November, 1957 and putting it up for auction in March, 1961, the Secretary to the Department replied: "It is correct that in an area like Connaught Place, one might assume that over a period of time, the land value would go up and some depreciation of the built property will take place." The Committee desired to know the estimated increase in the value of this property during these 3 years. The Ministry furnished the following information:—

"The estimated increase in the land rates in most other localities of New Delhi, as per analysis of sales of evacuee properties has been found to be 10 per cent (approx.) per year. This percentage increase/appreciation can also be applied in Connaught Place area where this property is situated.

The property in question was valued in November, 1957, and was sold in auction in March, 1961. So, roughly, the land value in the year 1961 could be taken to be 40 per cent above the value assessed in the year 1957, the excess numerical value of which would be taken to be:—

$$\text{Rs. } 3,68,400 \times \frac{40}{100} = \text{Rs. } 1,47,360/-$$

The plinth area rate for buildings was revised in the year 1959 which was 15 per cent higher than the rates adopted in the year 1957 subject to usual deduction of depreciation upto 1959. Thus the enhancement in the building value over the value of 1957 could be taken to be about 12 per cent. This gives the increase in the building value.....as per details below:—

$$\text{Rs. } 2,49,523 \times \frac{12}{100} = \text{Rs. } 29,943/-$$

Thus the value of the Block in.....portion 'A' .....in the year 1961, when the property was sold in auction following necessary enhancement, works out as under:—

Portion 'A'		
Land		Rs. 3,68,400
Enhancement		Rs. 1,47,360
Building		Rs. 2,49,523
Enhancement		Rs. 29,943
TOTAL		Rs. 7,95,226

2.7. The Committee pointed out that the concessions granted to the non-claimants by the Govt. regarding association of claims of others for making payment vide Press note dated the 21st January, 1961 which was endorsed to all Regional Settlement Officers and the orders dated the 8th February, 1961 of the Chief Settlement Commissioner to the Regional Settlement Commissioner on the same subject were not incorporated in the auction notices. The Secretary to the Deptt. replied: "Yes, Sir. We have tried to check up this. The date of publication of this notice is 24-2-1961. These notices are prepared in advance. On the other hand, the press note which gives a more liberal concession for associating the claimants was actually issued on 21-1-1961. It appears that it was not available to the lower authorities to print the more liberal version in the Urdu poster." The Committee asked whether at the time the auction notices were issued, the officers concerned with auction, were not aware of the decision of Government. The Secretary replied: "It is also possible, as I submitted that by the time this notice was sent to the press, this 21st January notice may not have reached down to the lower offices."

2.8. The Committee pointed out that there was a gap of more than one month between the issue of orders and the publication of Auction Notices and asked how the officers concerned were not aware of the decision. The Secretary replied: "That has to be regretted. Part of the explanation may be in the fact that the notice was printed earlier."

2.9. The Committee asked about the dates when the press note dated 21st January and the Chief Settlement Commissioner's orders dated the 8th February, 1961 were received in the Office of the Regional Settlement Commissioner, Delhi. The Ministry furnished the following information in a note:

"The Press Note dated 21-1-1961 forwarded by the Chief Settlement Commissioner to the Information Officer, vide letter No. 15(27)|Policy-I|60(Comp) dated 21-1-1961, (copies of which were endorsed to all Regional Settlement Commissioners) was received in the office of the Regional Settlement Commissioner, Delhi, on 23-1-1961 and was circulated to all the Officers in the Regional Office, vide Regional Settlement Commissioner, Delhi's endorsement No. 13(1)|Acctts|RSCD|61 dated 28-1-1961.

As regards the instructions contained in the Chief Settlement Commissioner's Memorandum No. 15(27)|Policy-I|60 (Comp) dated 8-2-1961, these were received in the Regional Settlement Commissioner's office on 9-2-1961. These

instructions were circulated to all officers *vide* Regional Settlement Commissioner's endorsement No. 13(1)/Accts./RSCD/61 dated 17-2-1961."

2.10. It has been further stated in the Ministry's note that "the auction of the property was scheduled for 16-3-1961. The auction programmes for sale of the Compensation Pool properties are drawn up sufficiently in advance of the date of auction, so that there is enough time for proper publicity, as required under rules 90(3) and 90(4) of the Displaced Persons (Compensation and Rehabilitation) Rules, 1955. It is possible that the auction notices/posters were sent for printing before the issue of the Press Note dated 21-1-1961 and this might be the reason why the liberalised terms were not included in the auction notices/posters."

To a question, when the auction notices/posters for auction of property were sent to press, the Ministry replied in their note:—

"It is regretted that the old correspondence files from which the auction notices were sent to the Press for publication in 1961 are not forthcoming in the Office of the Regional Settlement Commissioner, New Delhi. Such correspondence is not included in the categories of records required to be preserved for specified periods or permanently. As regards the posters, these were required to be got printed by the auctioneers at their cost and the dates on which the auctioneers sent them for printing, are not available at this stage."

The Committee pointed that officials concerned with the auction, could have made known the Government's decision on liberalised terms at least at the time of auction. The Secretary replied: "We have no records whether we announced liberalisation of the concession." The Committee asked whether the liberalised terms were not announced by the officer in order to keep the price low by artificially restricting the bidding. The Secretary replied: "As I can understand it, no section was treated discriminately. Actually, as you have said, it is correct that the same liberal concessions were not announced either in the auction notice or at the time of the auction, which should have been done."

2.11. After the property was auctioned on 16-3-1961 and the highest bid of Rs. 6.50 lakhs was duly accepted, the bid acceptance letter (Appendix I) was issued to the auction purchaser on 5th April, 1961 in which he was required to deposit the balance bid money within 15 days of the receipt of the bid acceptance letter. Referring to subsequent letter issued by the Regional Settlement Commissioner

to the purchaser on 15-4-1961 that he could associate the compensation claims of other persons for the payment of the remaining 90 per cent of the sale price, the Committee asked whether this was written in response to any letter received from the purchaser or *suo moto*, the Secretary to the Department replied: "There is no letter on the file." The Committee desired to know the circumstances leading to issue of this letter. The Department replied in a note: "After issue of the Press note dated 21-1-1961, instructions issued by the Chief Settlement Commissioner *vide* Memo dated 8-2-61, *inter alia*, stated that pending cases in which payments had not been received, should be dealt with in accordance with the liberalised policy set out in the Press note. This might have led to the issue of the letter dated 15-4-61 to the auction purchaser."

2.12. The Committee desired to know the details of extensions granted to purchaser for payment of balance money, reasons for grant of extensions and the claims associated after the last extended date and the reasons for acceptance of such claims. The Department stated as follows in a note:—

"The property in question was put to auction on 16-3-61 and the highest bid of Rs. 6,25,000 received in auction was duly accepted. The necessary bid acceptance letter was issued to the auction purchaser on 5-4-61 and he was required to pay up the balance purchase price amounting to Rs. 5,62,500 (Rs. 62,500 on account of 10 per cent earnest money was recovered at the fall of the hammer on 16th March, 1961) within 15 days of the receipt of the bid acceptance letter. On 15-4-61, i.e. before the expiry of the period of 15 days, the auction purchaser was informed that he could also associate the claims of displaced persons for payment of the balance purchase price. The auction purchaser, however, failed to make payment of the balance purchase price within the prescribed period. A fresh notice was issued to the auction purchaser on 5-6-61, calling upon him to make good the deficiency within 15 days of the receipt of that notice. It is in reply to this notice that the auction purchaser submitted claims of his associates for a part of the balance amount and asked for extension in the payment of the remaining amount.

The following statement indicates the extensions granted by the Regional Settlement Commissioner for making pay-



ment of purchase money or associating claims in lieu thereof:—

Date of request of the auction purchaser for extension	Date of grant of extension by the Regional Settlement Commissioner	Duration of Extension.	Reasons for grant of extension
21-6-1961	6-7-1961	Upto 31-7-61	The auction purchaser submitted claims for part price and asked for extensions for payment of the balance price
31-7-1961	10-8-1961	Upto 16-8-61	

The association papers were actually submitted by the purchaser on 19-8-1961 and balance was paid in cash on 25-8-61 i.e. 8 days after the last extended date viz., 16th August, 1961. Subsequently, however, the claim papers of one of the associates, Shri \_\_\_\_\_ to the extent of Rs. 11,047.50 were not found to be in order and, therefore, the auction purchaser was called upon in December, 1962, to make payment of this amount. In reply, the auction purchaser tendered association papers in respect of another claimant (National Bank of Lahore) to the extent of Rs. 10,805.59 and made good the shortfall of Rs. 241.91 in cash on 21-12-1962. Similarly, in the case of another claimant associate, adjustment of Rs. 43,645.21 could only be made in November, 1968 against the association papers tendered in June, 1961 for Rs. 60,657 and the shortfall of Rs. 17,008.79 was made good in Displaced Persons (C&R) Rules, 1955."

The acceptance of the payments subsequent to 16-8-61 in these cases was possibly done under the provisions of Rule 90(13) of the Displaced Persons (C&R) Rules, 1955, and it was not in the nature of extensions of the period of payment granted under proviso to Rule 90(ii) of the Displaced Persons (C&B) Rules, 1955."

2.13. The Committee asked what was the last date given to the purchaser for associating the claims. The Secretary to the Department stated that it was granted upto 16-8-1961. "In this particular case he was informed he could associate but the general concession which was issued first in the press note and later confirmed was extended from time to time and continued to be extended till 31st January, 1970." The Committee asked who was the officer empowered to grant further extensions. The Secretary replied: "It is the Chief Settlement Commissioner." When asked whether the

Settlement Commissioner was approached, the Secretary replied: "There is no record to show that he was approachd." To a question whether it meant that the Regional Settlement Commissioner had extended the time in contravention of rules, the Secretary replied: "Yes, Sir, he had no authority to give extension beyond 15 days." The Committee asked whether any action had been taken against the officer for these lapses.

The Department stated in a note:

"In so fas as the grant of extension of the period of payment proviso to Rule 90(11) is concerned, the Regional Settlement Commissioner admittedly had no authority to give extension beyond 15 days. However, the Regional Settlement Commissioner appears to have acted in good faith in accepting the balance sale price from the auction purchaser by extending the period for short periods, in view of the fact that the property had been sold for the second time and had fetched a bid above the reserve price."

2.14. The Committee desired to know why possession was given to the purchaser before full value of property was received. In a note the Department stated that "On 5-11-1956, Government of India issued a Press Note to the effect that as it had been represented that since enquiries into the compensation applications of the successful auction purchasers took considerable time, it had been decided that the Regional Settlement Commissioner need not await completion of the prescribed enquiries before handing over the possession of the property, but may hand over provisional possession after taking from the successful auction purchasers affidavits and indemnity bond in the prescribed form."

2.15. The Committee enquired whether an indemnity bond had been taken from the purchaser before handing over provisional possession of property. The Secretary to Department replied: "I will have to check whether an indemnity bond was taken." When asked as to what was the procedure, he added: "It has to be taken. I am sorry that the indemnity bond papers are not available." Subsequently, the Department stated in a note that, "no record is available to indicate whether an indemnity bond was taken or not, at the time the provisional possession of the property was given to the auction purchaser."

2.16. The Committee desired to know whether the officer concerned was still in service and if so his present post. The Department stated: "At the time of auction of the property in question was

conducted, Shri \_\_\_\_\_ was the Regional Settlement Commissioner. He was re-employed officer and his terms of re-employment ended on 28-2-1963."

2.17. The Committee desired to know how without receiving the full value and without transferring the property permanently to the purchaser, the D.D.A. was advised on 10-8-1965 that, as the full value of property had been recovered and the property permanently transferred to the purchaser, a copy of the lease deed might be supplied to him. The Secretary replied: "It was not proper or correct." To a question, whether any action had been taken against the officer for such lapses, the Department stated as under:

"The position on 10-8-65, was that the auction purchaser had submitted claims and paid the balance in cash to cover the value of the property. The provisional possession having already been given to the auction purchaser, the Regional Settlement Commissioner's Office requested the Delhi Development Authority in the said letter dated 10th August 1965, to supply a copy of the lease deed executed by the evacuee lessee in respect of the land underneath the property in question to the auction purchaser. The 'cyclo-styled' letter dated 10th August, 1965, issued in routine, however, mentioned that the property had been transferred 'permanently' to Shri....., although the property had only been transferred to the purchaser 'provisionally'. The words 'permanent transfer' of a property to an auction purchaser could normally be used only after issue of the transfer documents viz., Certificate of Sale, which in the present case, has yet to be issued. As such, the words used in the letter dated 10th August, 1965 'permanently transferred' were not appropriate. The facts mentioned above, had not been noticed earlier and, as such, the question whether action could be taken against the officer/officers concerned, had not been considered so far."

2.18. The Committee desired to know the particulars of claim associated by the purchaser showing the amount of each claim, date of association, date of verification and result of verification. A list showing these particulars submitted by the Department is reproduced at Appendix II. The Committee asked whether the claims offered were verified ones. The Secretary replied: "The claims were verified, but what happened is that sometimes a particular claim which is called a 'statement of account' has been used earlier and for that verification, it is necessary to consult the original office

of the region. In one or two cases it was found, on consultation with the regional office, that the claim had been used up and was not available for adjustment of the amount originally entered in the "statement of account." The Committee enquired how then the claim amounting to Rs. 11,047.50 was found to be bogus. In a written note the Department stated as under:

"According to the auction notice, the verified claims were to be shown at the time of auction. The claims associated by the purchasers were verified claims in the sense that there were orders in respect of them under the Displaced persons (Claims) Act, 1950, regarding verification. However, the verification of the claim is to be followed by the Statement of Account being issued under the Displaced Persons (Compensation & Rehabilitation) Act, 1954. After the issue of such a Statement of Account by the Settlement Organisation, it may happen that the claim may have been used up and not be available fully and be in that sense a bogus claim. In respect of the verified claim of Rs. 11,047.50 P. it was found that the amount was not available and the auction purchaser made good the amount by paying Rs. 10,805.59 P on 20th December, 1962 through another verified claim and by depositing Rs. 241.91 P on 21st December, 1962 in the Treasury."

2.19. Referring to the claim amounting to Rs. 60,654 associated by the purchaser, the Committee desired to know the reasons for delay of over seven years in the verification of this claim. In a note the Department replied as under:—

".....The association papers were sent to the Regional Settlement Commissioner (Sales Unit) by Ministry of Supply, with their letter dated 21st June, 61, which was received on 22nd June, 1961. The Managing Officer (Sales Unit) in the office of the Regional Settlement Commissioner sent the necessary proposal on 15th March, 1962 for adjustment of Rs. 60,657/- (actual amount mentioned in the association papers was Rs. 60,560/-) to the Assistant Settlement Officer dealing with the Compensation file in the office of the Regional Settlement Commissioner for carrying out the adjustment.....This was followed up by a reminder dated 20th June, 1962 sent by the Managing

Officer. The case was examined by the Assistant Settlement Officer and a compensation bill was prepared on 25th July, 1962 with the following adjustment:—

(i) Total amount of compensation due	Rs. 1,47,020 -
(ii) Adjustments made :—	
(a) Arrears of rent of the property known as "Army Press", Delhi	Rs. 75,000 -
(b) Arrears of rent of property No. 1 724(old) 1383-1389 (new) Delhi	Rs. 72,000 -
Total	Rs. 1,47,020 -
(ii) Balance compensation due to the claimant, Shri...	Rs. Nil

Thus no adjustment towards the value of property known as 'N Block' property in the purchase of which the claimant had associated to the extent of Rs. 60,657/-, could be made. However, it appears that the necessary intimation to the effect that the total amount of compensation had been exhausted towards adjustment of public dues as above and that no compensation was available for adjustment towards the cost of property, was not sent by the Assistant Settlement Officer, to the Managing Officer and the sale file of the Managing Officer continued to show that the adjustment of Rs. 60,657/- was pending and the Managing officer continued to send reminders. Ultimately, a letter dated 12th June, 1967, was received by the Managing officer from the Settlement Officer in charge of a Special Cell to the effect that the compensation due to the claimant had been exhausted by adjustment of public dues and that no compensation was available for adjustment towards value of the property in question. So the Managing Officer issued a registered A.D. notice on 27th June, 1967 to the auction purchaser, Shri ..... intimating to him that the compensation due to the claimant, Shri ....., had been exhausted and calling upon him to deposit the sum of Rs. 60,654/- to cover the sale price of the property in question within 15 days from the receipt of the notice. At this stage, the auction purchaser filed an appeal before Shri ....., the then Settlement Commissioner with delegated powers of Chief Settlement Commissioner, under Section 23 of the Displaced Persons (Compensation & Rehabilitation) Act, 1954 against the adjustment made in the compensation file No. D/GM/64946 of Shri..... The

Authorised Chief Settlement Commissioner *vide* order dated 19th October, 1967 accepted the appeal and remanded the case with the direction that the petitioner (auction purchaser) should not be called upon to deposit the balance amount till the matter regarding the quantum of rental dues recoverable from M/s....., which was still pending, had been decided in the light of an earlier order dated 26th August, 1964 of Shri....., the then Deputy Chief Settlement Commissioner, with delegated powers of the Chief Settlement Commissioner,

Unfortunately, the reconciliation of rent account of M/s..... in the light of the order of Shri..... dated 26th August, 1964 referred to in the order dated 19th October, 1967 by Shri..... (the then Settlement Commissioner) was not carried out until August, 1968. It was only on 31st August, 1968 that the Managing Officer (Rent) submitted a detailed report showing that the claimant Shri..... was entitled to the refund of Rs. 43,645.21 on account of rent collected from him in excess in respect of property No..... On the refund being sanctioned, this amount became available for adjustment towards the association of this claim in respect of the property—'N' Block Connaught Circus, purchased by the auction purchaser. The adjustment of Rs. 43,645.21 was carried out on 14th November, 1968. The auction purchaser made good the remaining shortfall amounting to Rs. 17,008.79 by means of a cheque dated 24th December, 1968.

It will thus be seen that the delay of over 7 years in the verification (adjustment) of the claim of Shri..... was due to lack of coordination between the Managing Officer (Sales Unit) and the Assistant Settlement Officer with the Compensation Application and the time taken in implementing the order of Shri..... (the then Settlement Commissioner) dated 26th August, 1964 regarding reconciliation of the Rent Account. It appears that the implementation of this judicial order of Shri..... got delayed because its copy was neither available on the property file nor on the records of the Rent Recovery Branch. This order was brought to the notice of the Managing Officer (Rent) only in April, 1967, by Shri..... (Claimant) when he was contacted for payment of the arrears of rent by the Rent Recovery Squad."

2.20. The Committee referred to another claim amounting to Rs. 1.43 lakhs and enquired as to why it was pending adjustment. The Secretary replied: "The amount is pending in the sense that we have verified the claim to be Rs. 1,43,000, but this claim is pending appeal by the Government in the Supreme Court. The appeal is not that the claim is not Rs. 1,43,000; it is. But the party had gone to the High Court claiming a higher amount and the High Court's decision has not gone in favour of the Government. Therefore, Government have appealed against that to the Supreme Court. But our own statement of account shows that Rs. 1,43,000 are available against that verified claim." When asked as to how only Rs. 0.43 lakh were available in this claim, the Secretary replied: "The Appendix 'C' register which was the record, on the basis of which he gave the amount of Rs. 43,296/-, is completed from the compensation file itself. And, therefore, it has the status of a secondary evidence, if the compensation file is available. Now, the compensation file is available and it says that Rs. 1,43,396.24 paise is still available at the credit of the claimant." In a written reply the Ministry have stated "the matter has been *sub-judice* since 21st December, 1962 when the claimant filed a writ petition in Delhi High Court."

2.21. The Committee asked whether Government had consulted the Law Ministry on adjusting the claim of Rs. 1.43 lakhs even when the case was *sub-judice*. The Secretary replied: "We have not done so. We can do so now and we shall do so." Subsequently, the Committee were informed in a note:—

"The matter regarding adjustment of Rs. 1,43,396.24, from C.A.F. No. P/GSP/12281 of Shri . . . . ., was referred to the Ministry of Law. They have advised that the adjustment of the said amount towards purchase price of the property in question, may not be objectionable, but it may be advisable to move an application for formal permission of the Court for carrying out the adjustment. Accordingly, the Supreme Court is being moved for formal permission."

2.22. The Committee asked whether the Department had made any efforts to realise interest on the delayed payments from the purchaser. The Secretary replied: "We had not done that. We will examine this question whether interest can be charged which is in relation to the claim." Subsequently, in a note the Department stated: "The position has been re-examined. The procedure for sale of properties by public auction; the recovery of the purchase price and grant of extension of time in the period of payment etc. is laid down in rule 90 of the Displaced Persons (Compensation and Rehabilitation) Rules, 1955. There is no provision in this rule for

charging of interest, unlike rule 28 in Chapter V which relates to payment of compensation by transfer of acquired evacuee properties."

2.23. The Committee take a serious view of the various lapses in disposing of the evacuee property situated at such a central commercial locality viz., Cannought Place, New Delhi. The property was evaluated in November, 1957 as worth Rs. 5.5 lakhs. However, an attempt was made only in December, 1960 to auction it, which was not successful. It was finally auctioned in March, 1961 and it fetched Rs. 6.25 lakhs. Regrettably the property was not re-evaluated before this auction. The Committee desire that the responsibility for this lapse should be fixed. At the instance of the Committee, the Ministry have now reckoned that the value of the property at the time of auction would have been at least Rs. 7.95 lakhs. Thus it had been disposed of for a much lower price.

2.24. The concessional terms for payment of price by a satisfying claims of displaced persons were extended to the non-claimants as per a Press note issued by the Government on 21st January, 1961 followed by detailed instructions issued by the Chief Settlement Commissioner on 8th February, 1961. Although copies of these were received in the office of the Regional Settlement Commissioner on 23rd January and 9th February, 1961 respectively, the concessional terms for payment were not included in the auction notice in respect of this property published on 24th February, 1961, nor were these announced at the time of auction held on 16th March, 1961. The Committee are distressed that no explanation is forthcoming from the records for the failure to do so. The matter requires investigation as surely the concession could have attracted a better price.

2.25. A letter of acceptance was issued on the 5th April, 1961 to the successful bidder (a non-claimant) to deposit the balance 90 per cent amount (after deducting the earnest money of 10 per cent paid by him at the time of auction) within 15 days. But before the expiry of this period another letter was issued to him on 15th April, 1961 suo motu by the Regional Settlement Commissioner advising him that he could associate the compensation claims of other displaced persons for payment of the balance amount by adjustment against such claims. Strangely enough there is again no record available about the circumstances leading to the issue of this letter. Although the purchaser did not make payment within 15 days as stipulated no action was taken by the Regional Settlement Commissioner till 5th June, 1961 when he extended time-limit by 15 days. What is more he exceeded his authority and granted further extensions upto



16th August, 1961. The Committee take a serious view of this undue solicitude shown to the purchaser by this officer. The property was provisionally handed over to the purchaser in March, 1962 but there is no record to indicate whether any indemnity bond was taken from him as required in terms of the instructions issued by Government in 1956. The Committee are unhappy to note that the Delhi Development Authority were addressed by the Regional Settlement Commissioner in 1965 to issue a copy of lease-deed to the purchaser informing them that the property had been transferred to the purchaser permanently, although in fact it had been transferred only provisionally. The Committee feel that there is a prima facie case for an enquiry with a view to fixing responsibility for various acts of Commissions and omissions even at this late stage.

2.26. Another unsatisfactory feature of the case is the inordinate delay in adjustment of the claims associated by the purchaser. A claim to the extent of Rs. 11,047 was on verification found to be bogus as no money was available in the accounts for adjustment. Strangely enough no endorsement regarding the money already utilised by him is made on the document kept with the claimant. As against another claim for Rs. 60,657, adjustment of Rs. 43,645 only could be made and that too after 7 years. The shortfall was thereafter made good in cash. The delay in adjustment was admittedly due to lack of coordination between the Managing Officer (Sales Unit) and the Assistant Settlement Officer and the time taken in implementing a judicial order of the Deputy Chief Settlement Commissioner regarding the reconciliation of certain rent accounts of the claimant. It is surprising the judicial order was not available in the relevant files and it had to be ultimately produced by the claimant himself. This is indeed a sad commentary on the working of the organisation which needs to be looked into immediately.

2.27. In yet another case, a claim of Rs. 1.43 lakhs has not so far been adjusted as the case has been sub judice since December, 1962 on a writ petition of claimant for enhancement of the claim. Surprisingly according to the register of the Department only a sum of Rs. 0.43 lakh was first found to be available against the claim, but the file found subsequently indicated the availability of the full amount of Rs. 1.43 lakhs. At the instance of the Committee the Department has now obtained the advice of the Ministry of Law that the adjustment of the amount towards the purchase of property in question may not be objectionable and that it is desirable to apply for formal permission of the court. It is unfortunate that it did not occur to the Department all these years to consult the

**Ministry of Law.** The Committee would await the action taken in the matter as also in regard to execution of sale deed with the purchaser.

**2.28.** Incidentally the Committee find that there is no provision in the Displaced Persons (Compensation and Rehabilitation) Rules 1955 for the recovery of interest for the delayed payment of purchase price although interest is payable for the delayed payment of compensation by Government. This lacuna in the rules should be remedied forthwith.

**2.29.** The Committee recommend that the sale certificate should not be issued to the purchaser till all the points mentioned in the Committee's foregoing recommendations are fully resolved.

**2.30.** The Committee's examination of this case has convinced them that the practices and procedures followed by the Department are wholly unsatisfactory and that there is no inbuilt safeguard against such serious irregularities as have happened which cannot but be deplored.

## CHAPTER III

### MINISTRY OF SUPPLY

#### (A) Disposal of Fleet Tanker

3.1. A fleet tanker is an oil tanker which supplies fuel to the Navy in the high seas. The fleet tanker INS "Shakti" (3500 g.r.t) was purchased from abroad for the Indian Navy in 1953 at a cost of Rs. 48.81 lakhs. After useful service for about ten years, she had to undergo frequent and long refits and thus remained non-operational for long periods. In view of this and in view of her limited speed and capacity, the ship ceased (1967-68) to be suited for Naval use, but it was thought that she might be acceptable for commercial use. Accordingly, in August 1969, the Director of Stores, Naval Headquarters, declared the ship surplus for disposal. When it was so declared its book value was Rs. 14 lakhs. In the surplus report the ship was stated to be serviceable.

3.2. According to rules for disposal of surplus stores by the Director General, Supplies and Disposals, as far as practicable stores of book value of Rs. 50,000 and above should generally be inspected by an inspection team prior to formation of plan for disposal and the team should recommend the guiding price. A screening board met on 16th August, 1969 and decided to dispose of the ship by calling tenders. No guiding price was fixed however. Inspection of the ship by an inspection team was not considered necessary by the screening board.

3.3. In December, 1969 the ship was notified for sale and tenders invited. Tenderers were required to pay 5 per cent earnest money and 5 per cent security deposit of the tendered value. The delivery period was 18 days from the date of issue of sale release order.

3.4. Six tenders were received by the due date which was 28th January, 1970. Of them, the first three highest offers were not supported by earnest money/security deposit. The highest of these offers for Rs. 12.01 lakhs was from 'A'. While submitting the tenders, this firm had intimated that it wanted to purchase the ship *inter alia* for (i) sailing as an ocean going vessel in international waters, (ii) transporting refugees from Ceylon and Singapore to Andaman and Nicobar and (iii) deep sea fishing, and thus earn some foreign exchange.

3.5. The offer of 'A' and the next two highest offers were ignored by the Director General, Supplies and Disposals, as they were not supported by earnest money|security deposit. The fourth highest offer of 'B', which was supported by earnest money/security deposit, for Rs. 9.68 lakhs was accepted. 'B' had stated that it would dismantle the ship and not use it as a sea going vessel, and wanted 45 working days for removal of the ship after delivery.

3.6. All the offers remained open till 28th March, 1970. The letter accepting the offer of 'B' was issued on 9th March, 1970. Before the validity of the offers expired, in a letter (not date) received in the Directorate General of Supplies and Disposals on 18th March, 1970, 'A' represented against rejection of its offer and stated *inter alia*, that in another letter written in February, 1970 it had offered to open an irrevocable letter of credit for the full sale value and earnest money|security deposit. It also explained that it had not deposited the earnest money|security deposit, along with the tender as other tenderers would thereby come to know of its quotation and secrecy of the offer would be lost. Its letter of February 1970 was stated not to have been received in the Directorate General of Supplies and Disposals.

3.7. The sale release order was issued by the Directorate General, Supplies and Disposals, to 'B' on 31st March, 1970 on the conditions that (i) customs duty would be paid by 'B' direct to the customs authorities and receipt produced to stock holder by 23rd April, 1970 for taking delivery of the ship and (ii) the ship must be removed by 27th May, 1970. Due to delay in issue of custom clearance permit extension was granted upto 16th July, 1970 for removal of the ship.

3.8. The ship was towed by the successful bidder on 6th July, 1970 to a bund for breaking and scrapping purposes.

3.9. The offer of firm 'A' was higher than that of 'B' by about 24 per cent (in absolute terms, by Rs. 2.33 lakhs). While 'A' wanted to use the ship as an ocean going vessel, 'B' did not use it in that manner and instead dismantled it. After opening of tenders and before placing orders the Director General of Supplies and Disposals whenever necessary, enters into correspondence with tenderers seeking clarifications etc., on some parts of their offers. When such attractive offers are received which happen not to be accompanied by earnest money and security deposit and when, as in this case, there is adequate time after tenders are received and before their validity period expires, Government can, it seems, with advantage enquire (in time) from such a tenderer why he has not furnished

earnest money and security deposit. Had that been done in this case, Government would have gained. It may be mentioned that the existing instructions provide that in the case of purchases security deposit may not be insisted upon at the discretion of the Secretary of the Department. However, there is no such provision for disposals.

[Paragraph 37 of C&A.G.'s Report for 1971-72—Union Government (Civil).]

3.10. During the course of evidence the representative of the Ministry of Defence said: "The ship was bought in 1953 for Rs. 48.81 lakhs. At the time of declaring the ship as due for disposal, the professional officers' evaluation was carried out and that was assessed at Rs. 14 lakhs. It is not quite correct to say that the book value was Rs. 14 lakhs. According to our Navy Rules, a ship depreciates by 4 per cent per year and according to this method of calculation, the book value would have been Rs. 17.60 lakhs. But the professional evaluator of the Navy carried out a re-assessment and he came to the conclusion that the present value was Rs. 14 lakhs. The reason given was that the normal expectation of life of a ship of this kind in the Navy was 20 years. The Navy was of the view that we had to dispose of it within 15 years. The reason given was that 20 years' life was based on our experience of the British-made ships. The Navy's explanation was that because this was an Italian ship, this did not have the life that we were expecting of the British-made ships. So, the book value was a little more than the professional evaluator's value." Asked if second hand vessels purchased by the Navy from the British Government were paid at book value, the witness replied, "The value is determined by the seller. We were in the hands of the seller or what the Royal Navy quoted. They do not disclose as to what was the book value." The witness added: "The normal procedure we adopt is that on the day when we buy a ship we find what is the present day cost of the ship and what is the residual life left for the Navy." When asked whether the same formula was applied in this case, the representative replied: "I understand the same formula was applied while arriving at the value of Rs. 14 lakhs." Asked if a new vessel of the size could be built at the cost of 14 lakhs, the witness replied, "We find the cost of the vessel today and what is the residual life left for service in the Navy. Suppose 20 years is the life and only 2 years are left, then it will be one-tenth." Asked if in this case, the Market value was taken into consideration, the witness stated: "That was the type of method used, Sir. This was professional Officers' evaluation." The Committee desired to know the cost of

a new ship like I.N.S. Shakti if it were to be built in 1968. In a note the Ministry of Defence stated: "It is very difficult to assess the cost of a tanker of the size of SHAKTI if built in 1968. Such small tankers had gone out of production the world over before 1968, and the construction of one of them in that year would have involved special design effort, the cost of which cannot be assessed at this stage. However, based on the cost of the ship in 1953 and allowing for the known escalation in the warship building industry, the cost of INS SHAKTI if built in 1968 could be assessed at approximately Rs. 1.35 crores. This, however, is very rough estimate."

3.11. The Committee desired to know why before its disposal, the ship was not inspected and a guiding price fixed. The Secretary to the Department of Supply replied: "The screening board had met (on 16-8-1969) and they decided that this ship should be sold on tender basis, and no inspection of this was necessary." The Committee desired to know whether any reasons for not having inspection were recorded by the Screening Board headed by the Director General, Supplies and Disposals. The Secretary to the Department replied: "The practice is not to record any reasons for the waiver when no inspection was considered necessary. I do not think there is a compulsion that inspection has to be done or a decision has to be taken to waive an inspection." The Committee asked whether there were any precedents about relaxation of inspection, the Secretary replied: "There are six methods which the Screening Board had to consider. Inspection before disposal, issue to priority indentors, tender by headquarters etc. And they decided tender by headquarters". He added: "The question was that nothing was waived. It was a decision of the Board to adopt a certain procedure". Asked whether it was not necessary to record reasons, the Director General, Supplies and Disposals stated: "In this particular case, in the surplus report that was sent to us by the Ministry of Defence, the condition shown was "Serviceable, to be sold on as is where is basis". So, the Screening Board obviously went by the condition given in the surplus report and did not consider further inspection by them as necessary. So, they dispensed with this clause and advised that tenders should be invited for this instead of being sold in the auction. Supposing the condition in the surplus report is 'doubtful', then when they arrive at a particular decision, they have to record the reason for the decision. In this case, as it is obvious in the report that it is serviceable, they did not consider it further."

3.12. Manual of Office Procedure for Supplies, Inspection and Disposals (Para 345—page 272) lays down that "with a view to

better utilisation of surplus stores by Government Departments and other priority indentors the Commodity Directorate concerned should, immediately, after receipt of surplus reports and after screening them, circulate the surplus stores considered suitable for priority Indentors on an all-India basis to those classes of indentors who are likely to be interested. The Director of Disposals when selecting the priority Indentors to whom the available stores are to be circulated in any case, will do so with great care, so that no indentor who is likely to be interested even remotely is passed over. The Commodity Directorate should contact the indentors in special cases by writing demi-official letters and/or by issuing circulars pointing out the uses to which the surplus stores could be put to by them". The Committee enquired whether the Ministry of Transport and Shipping was approached in this connection before the ship was disposed of by tender. The representative of the Ministry of Defence said: "We did not consult. But the Corporation (Shipping Corporation of India) is the firm and if they were interested they would have taken it up." The Secretary to the Department of Supply added: "We have also made enquiries, and we find that they (Naval Headquarters) had approached the Shipping Corporation of India and also the Indian Oil Corporation; they had not shown any interest; except that the Shipping Corporation had said that in order to judge the quality of that vessel, they would have to test it out at sea, which the Defence Ministry said was not possible because it would cost a lot of money and there would be need for procurement of spare parts etc. From the papers it does not appear that it was necessary at that time to consult them. If, the officer, while reviewing the case, had any doubt in their minds, they might have consulted not only the Ministry of Shipping and Transport but also any other people. That question did not arise at all."

3.13. The Committee enquired whether the Directorate General of Supplies and Disposals worked out any reserve price for disposal. The Secretary to the Department of Supply said: "There are two methods of disposal—tender and auction. In auction a reserve price is kept while in tender no reserve price is kept because the tender quotations are examined and passed from headquarters. For auction we have to decide at the spot. They fix a guiding price. For tenders it is not done. Though the rules provide you can do so, it is not done. We have a guiding line as book value at the disposal level. We have from past experience seen that many time articles get sold at less than book value."

3.14. The Committee wanted to know why in the tender notice it was not mentioned that the ship was serviceable as intimated by the Naval Headquarters. The Secretary to the Department of Supply replied: "From the documents which we got from the Navy it is clear that it could be made serviceable. The Shipping Corporation who was consulted said that they might not accept that statement till it was taken out on the sea. To take that out on sea would mean a lot of spares which would require Rs. 60 or 70 thousand of investment made on it which the Navy was not prepared to do. So, the question is that the ship was sold on 'as-is-where-is basis'. This is a matter of opinion." Subsequently, in a note, the Department of Supply stated that: "The Naval Headquarters had intimated under the column present condition of stores serviceable to be sold on 'as-is-where-is basis' ". The condition as reported in the surplus report was not mentioned in the tender notice as in accordance with the conditions set out in the Instructions to the Tenderers and General and Special conditions of the Contract set forth in the 2nd Schedule, all surplus stores sold by DGS&D are sold as they lie. The relevant condition of the Tender Enquiry is as under:

2. *Conditions of Goods*:—The goods are sold as they lie. They shall be removed by the Buyer with all faults and notwithstanding any error or mis-statements of description, measurement, quantity, weight, enumeration or otherwise and without question on the part of Buyer, and no claim shall lie against Government for compensation, nor shall allowance be made on account of any such faults, mis-statements or errors although the same may be of a considerable nature. In particular the description of the goods may be identical with or similar to description of goods in some previous sale by tender but no reliance must be placed on any such description. The Buyer should satisfy himself thoroughly as to what is offered for sale before submitting his tender and may inspect the goods prior to tendering and shall be deemed (whether or not such inspection shall have in fact taken place) to have had notice of all defects and faults whether rendering the goods unmerchantable or otherwise and any errors and any mis-statements as aforesaid which he might have discovered on inspection and shall not be entitled to any compensation on account thereof. Nor shall any party to this contract be entitled to claim or recover from the other any compensation by way of damages or otherwise if the goods sold are not available by reason of not being



at the specified place and the contract shall stand cancelled."

3.15. The Committee wanted to know the number of valid tenders received for purchase of the ship. The Secretary, to the Department of Supply informed that there were three valid tenders. When asked why the other three tenders out of six tenders received were rejected, the Secretary replied: "Because of security money. M/s . . . (the firm 'A') made the highest tender. Then comes the second highest of Rs. 11.11 lakhs but no security money and the third was for Rs. 10 lakhs but gave only Rs. 50,000 security and this third offer was inclusive of customs duty also. Really speaking there were two higher offers in terms of money—one was Rs. 12 lakhs and the other of Rs. 11 lakhs." The Committee asked what made the Government to offer the ship to firm 'B' whose offer was less by about 2 lakhs than that of firm 'A'. The Secretary to the Department of Supply replied: "There must be a valid tender. Only valid tender was that of M/s. . . . (firm 'B'). The offer you have referred to is not covered by earnest money and security deposit. Once you have made offer you cannot withdraw till decision is taken. If they choose not to deposit that money then it is not a valid tender." Asked why in view of the substantial difference in the offers, it was not considered necessary to call for tenders again, the witness replied: "I would respectfully submit there were not technical deficiencies but major deficiencies in tender."

3.16. At the instance of the Committee the Department of Supply furnished a copy of covering letter dated 24th January, 1970 sent by the firm 'A' alongwith the tender. This letter reads as under:—

"We are deeply interested in the purchase of the above said vessel for the purpose of sailing the same in the International waters and for the following reasons for which we wanted to use the same.

- (1) We propose to assist the State Government of Tamil Nadu for the purpose of assisting the Refugees and the Stateless persons coming into India from Ceylon and Singapore, while transporting them at subsidised rates to our neighbouring islands of Andaman and Nicobar, where there is need for plantation labour for the development activities. As this ship is an oil tanker and with a capacity of carrying a good number of persons, we propose to make use of the same.
- (2) We have also a plan to make the illiterate and literate people of unemployed to develop Sea Instinct and Cultivate Sea conscienceness, by organising Sea Farers' Club and Picnic Trips thus we are sure and hereby undertake to

present atleast two (Naval) Officers and 4 subordinates to the Indian Navy. These 6 people will be the contributors of our purchase of this Vessel I.N.S. "Shakti". It is needless to add that the Student Naval Cadet Corp can also be trained and given an opportunity to travel in the ship transporting oil from one place to another.

- (3) We intend to use this ship for the purpose of deep sea fishing, by training Fishermen in the art of Mechanised and scientific fishing and thus earning Foreign Exchange for our motherland, by exporting prawns and such other sea Food which are in great demand in the Overseas Market and this also will serve as the training school for the unemployed Youth of New India.
- (4) In these days of Foreign Exchange shortage, it is not advisable to scrap the vessel of this kind and we therefore propose to undertake major and minor repairs and thus add to the shipping tonnage of India, which at present, is only a fraction in the world tonnage.

For the above said valuable reasons, we propose to acquire this ship, at all costs and we therefore quote a sum of Rs. 1201115/- (Rupees twelve lacs one thousand and one hundred fifteen only), in order to be precise according to your Clause No. 13 of the Special instructions. But our real and final offer is a sum of Rs. 50,001 (fifty thousand one only) over and above any other offer you have received, as per this tender, and accordingly we will remit the full value of the amount, or if you require first Earnest Money deposit in the manner in which, you want we will provide with and wait upto your period limited by you or to any other suitable date."

3.17. The Committee asked why this offer of firm 'A' was not considered. The Secretary to the Department of Supply replied: "They must follow the tender terms. Why were they not present at the time of opening the tender? Why did they not offer money immediately? If he was serious, what prevented him from offering the deposit as per rule? I have gone through entire correspondence. Immediately after the tender was opened or on the next day he could have come and said, look here is my earnest money and security deposit. Then we would have some hold. But without that we don't have any hold. That is the point."

3.18. The Committee asked why the Department ignored the offer which besides being the highest proposed to add to the country's tonnage instead of dismantling the vessel as scrap. The Secretary,

Department of Supply replied: "As I said, so far as the first question is concerned, speaking for myself I would either have taken the risk of re-negotiating with everyone or I would have gone in for calling for the fresh tenders. And that would have been my judgment at that time. So far as the question of its being sea-worthy or its being used for commercial purposes is concerned, that is a matter of judgment because, even the Shipping Corporation of India and the Indian Oil Corporation were not prepared to consider this. I would respectfully submit that this was a matter of doubt whether it was really something which had been lost to the country in tonnage. As I told you the matter has been gone into earnestly by the Department. It is not that the ship was sold for scrap. It was given for sale to the best advantage of the Government. Well, as I said, it may be a matter of opinion whether the ship would have become serviceable or not after repairs and if so, for how long or for what period it would become serviceable. But, there is no condition laid down about the disposal of it. But, as I said right from the beginning, an attempt could have been made, but that is a matter of opinion, had it struck somebody that re-negotiation should be done. May be, we might or might not have lost in our tonnage. I do not know that. Had I been the disposal officer at that time I would have taken that risk."

3.19. At the instance of the Committee, the Department of Supply furnished a copy of telegram of Firm 'A' received by D.G.S & D. on 18-3-1970, which reads as follows:

"... We confirm our offer 12 lakhs once again in continuation of our Tender No. DGS and D/MMH/536718/73 Naval Ship INS Sakti and our letter February Ninth offering full letter of credit and flying over here on 12th Understand Mischievous Elements are working against us hence request immediate sale order in Equity justice and good conscience our Purchase for resailing.....New India traders Madras....."

3.20. The telegram was followed by a letter dated 25th March, 1970 (Appendix III). Asked why the Department hastened to issue acceptance letter on 9th March, 1970, when the offers were open till 28th March, 1970, the Secretary, Department of Supply replied: "There is nothing to say that one should wait till 20th. It is normal practice to cover the coverage of items by disposal before the expiry date of the tenders."

3.21. The Committee desired to know whether any investigation had been made into non-receipt of letter dated 9th February, 1970 from Firm 'A' referred to in their telegram dated the 18th March, 1970 and subsequent letter received by DGS&D on 25th March, 1970. The Department stated in a note that it is not possible to make an

investigation in the matter without the exact date of issue of letter stated to have been sent by M/s..... (Firm 'A') to DGS&D in February, 1970. It has already been clarified by the Directorate General that no such letter appears to have been received." During the course of evidence the Secretary to the Department added: "The letter dated 9-2-1970 is itself in dispute. We have not received the letter nor has he produced a copy of that letter at any stage". Asked if it was possible that the letter dated 9th February, 1970 was suppressed, the witness replied. "We have made a thorough investigation and reinvestigation and we have not been able to trace such a kind of paper having been received. It is a very serious matter if such a letter was received and suppressed and that would call for drastic action. But we have not been able to find any evidence about receipt of such letter or even by the party having sent copy of that letter, or having seen the DGS & D saying, this is the letter which he had sent. If they refer to any letter, why did not produce a copy as proof of it? It appears from the file that they were not serious about it. Later on they changed their mind." The Committee asked why the DGS&D did not ask the firm to send a copy of their letter dated 9th February, 1970. The Secretary replied: "At that time sale had already been completely finalised." The Committee asked what action was taken on the telegram received on 18th March, 1970 from firm 'A'. In a note the Department of Supply stated that as the sale had already been concluded in favour of M/s.... (Firm 'B') with the issue of sale letter on 9th March, 1970, no action was considered necessary on the telegram.

3.22. The Committee desired to know as to why after the receipt of telegram on 18th March, 1970 and the letter dated 25th March, 1970 from firm 'A', the sale was not cancelled and re-tendering ordered. The Secretary, Department of Supply replied: "The matter was examined on receipt of representations in the Ministry of Supply as well as in the Ministry of Defence. The legal advice was that it was not possible to cancel."

3.23. At the instance of the Committee, the Department of Supply furnished copies of representations made on the 26th March, 1970 (Appendix IV) by the firm to the Defence Ministry and also the correspondence and notings dealing with it. The Defence Ministry took up the matter with the Ministry of Supply as to whether the sale of the ship to firm 'A' could be cancelled at that stage. The matter was referred by the Ministry of Supply to the Ministry of Law who gave the following opinion:

"The offer of Firm 'B' was accepted on 9-3-70 by the Sale Release Order with the result that a binding contract for the sale and purchase of the Naval Ship came into existence. If the buyer does not take delivery of the Naval Ship by 27-5-70, the Government is entitled

ed to collect custody charges at the rate specified in clause 7 of the General Conditions of Contract (58-59/c). If the ship is not claimed within three weeks of the date fixed for delivery/removal, the Government is entitled to sell the ship without further notice and recover the costs of and incidental to the sale. When Government exercises its right to sell under the second paragraph of this clause, it will be acting as the Agent of the buyer. In such a case it will have to refund the price which has been realised from the buyer (Firm 'B').

(2) There is no question of cancellation of the contract if the buyer fails to take possession of the ship by 27-5-1970."

3.24. The following reply was sent by the Ministry of Supply to the Ministry of Defence on 4-6-1970:

\* \* \* \*

"(3) The offer of Rs. 12,01,115 by Firm 'A' was not accompanied by the earnest money and the security deposit required. As such, that offer was not considered as acceptable. I might add that since this firm was not to break up the ship, it was not liable to pay any customs duty. On the other hand, M/s.....(Firm 'B') are evidently going to break up the ship and will therefore have to pay customs duty of about Rs. 2,66,139. So far as they are concerned, therefore, they would be parting with a sum greater than the offer from M/s.....(Firm 'A').

(4) In view of the fact that the offer of Firm 'A' did not conform to the requirements of the sale and the categorical advice of the Ministry of Law in the matter, there is very little that can now be done to interfere with the sale. We are not aware of any legal proceedings being taken by M/s.....(Firm 'A') against the DGS&D."

3.25. The Committee pointed out that the existing instructions provided that in the case of purchases, security deposit might not be insisted upon at the discretion of the Secretary to the Department and enquired whether the question of such relaxation in cases of disposals had been considered. In a note the Department of Supply stated:

"The position as it obtains on the purchase side is quite different from that obtaining on the disposal side. The question whether a security deposit should be obtained and if so, the amount thereof is considered with reference to the merits of each case, depending upon various considerations, such as, whether the firm is registered with the DGS&D, what is its past performance, whether it is a small scale unit etc. On the disposal side, however, earnest money/security deposit is required to be deposited by a tenderer alongwith the tender in terms of the tender

enquiry. This rule, therefore, operates uniformly for all tenderers and the question of making a relaxation in the case of any particular tenderer should not arise."

3.26. The Committee desired to know whether the tender was accepted or rejected by a committee or by a single officer. The Secretary to Department of Supply replied: "It is done by an officer at the level where he is empowered to dispose of it. There are powers of disposal and purchase for officers at various levels. But so far as this case is concerned, it has been done at the Director General's level". The Committee asked whether any steps had been taken to improve the procedure. The Secretary replied: "Today as I see the rules and procedure, the disposal upto a certain level is entrusted to DGS&D and to the various officers. We had an internal discussion and we are looking into it as to the type of cases which should be referred to the next higher officer or to the Government. We are looking into the question so that if we can find out some method by which another scrutiny of large scale disposal items can be made—may be that two opinions might be available at a technical level. We will examine the whole question of disposal and if it is necessary, a small Committee could look into it. We shall certainly devise a suitable method. We have not yet examined that in detail about the various procedures of disposal. This disposal procedure started after the Second World War and I think the whole thing requires to be looked into to see as to what is the best method and what method should be adopted and what type of further scrutiny should be exercised."

3.27. The Committee asked whether the case did not deserve a probe about the bona fides of the officers, the Secretary stated: "So far as suspicion is concerned, I have gone through the papers very carefully and I have not come across any paper on that file which may give an impression that somebody might have deliberately done a mischief. I find that the Finance Ministry has been consulted. Nobody has raised any objection at any stage in this case. All precautions have been taken and Governmental procedures of consulting various people, so that checks and counter-checks should be there, have been adopted."

3.28. The Committee deeply regret that the manner in which 'TNS SHAKTI', a serviteable fleet tanker of Indian Navy was disposed of in 1970 as scrap at a low price of Rs. 9.68 lakhs, was not at all business-like or in the interest of the State for the following reasons:

- (i) The ship was purchased for Rs. 48.81 lakhs in 1953. According to Navy Rules its book value, after allowing for 4 per cent depreciation, would have been Rs. 17.60 lakhs. It was, however, evaluated by a professional evaluator in 1968 as Rs. 14 lakhs for the purpose of disposal. This avaluation evidently was not done on the basis of the prevailing market value. At the instance of the Committee the Ministry of Defence have now reckoned that a new ship of this kind might have cost approximately Rs. 1.35 crores in 1968.
- (ii) Although the ship was declared in the surplus report as serviceable, it was not mentioned clearly in the tender notice.
- (iii) The highest quotation (Rs. 12.01 lakhs) of the tenderer who proposed to use the ship as an ocean going vessel and earn some foreign exchange for the country was ignored on the ground that it was not accompanied by earnest money.
- (iv) Although the existing instructions provide that in the case of purchases, security deposit may not be insisted upon at the discretion of the Secretary of the Department, there is no such provision for disposals. However, in this case the highest tenderer had offered to pay the earnest money within the stipulated period and yet it was not taken up with him.
- (v) Surprisingly the letter dated 9th February, 1970 from the highest tenderer again proposing to open an irrevocable letter of credit for the full sale value and earnest money/ security deposit is stated to have not been received by the DGS&D. The lower offer was accepted on 9th March, 1970.
- (vi) Although the highest tenderer subsequently represented twice within the validity period of his tender, he was not informed that his letter of 9th February, 1970 was not received and no conclusive enquiry was made to ascertain how the letter was lost.

**3.29.** The Committee deprecate the above lapses/irregularities which give every appearance of malpractice and call for thorough investigation of the matter for appropriate action. The action taken against those found responsible may be reported to the Committee.

The Committee would also suggest that Government should examine the procedures for disposals particularly with reference to valuation, method of disposal and acceptance of offers, with a view to streamlining them in a manner that would safeguard better the financial interest of Government.

### (B) Purchase of Pre-fabricated Steel Tubular Structures

3.30. In May, 1968 the Central Public Works Department (Food) placed an urgent and operational indent for 71 feet span pre-fabricated steel tubular structures to be supplied by July/August, 1968 for construction of foodgrain godowns at various places for Food Corporation of India. On the basis of a limited tender enquiry issued in June, 1968 eleven offers were received. Eight were from firms registered with the Director General, Supplies and Disposals, but for supply of smaller structures and some other items while three were from unregistered firms. On 3rd August, 1968 the Director General, Supplies and Disposals, placed on one (firm A) of these three unregistered firms, an order for two such structures. Since the prices quoted by the other tenderers (whose performance had not been adversely commented upon) were much higher, the Director General, Supplies and Disposals, placed an order on firm 'A' on 24th August, 1968 for supply of 24 portal type (this firm had quoted for portal type as well as triangular type) tubular structures at a cost of Rs. 14.36 lakhs (as revised in March, 1969). The total weight of these 24 structures was about 1056 tonnes. The contract provided for delivery of 10 structures between 5th September and 31st October, 1968 and the remaining 14 by 31st December, 1968.

3.31. Firm 'A' had not furnished security deposit. On receipt of intimation from the National Small Industries Corporation that firm 'A' was enlisted with that Corporation as a *bona fide* small scale unit, the firm was exempted (on 6th March, 1969) from payment of security deposit. In its aforesaid intimation the National Small Industries Corporation had presumed that Director General, Supplies and Disposals, had verified the antecedents and capacity of the firm.

3.32. For placing the order dated 3rd August, 1968 (for two structures), the Director General, Supplies and Disposals, had obtained on 19th July, 1968 a capacity report for firm 'A'. For placing the much bigger order dated 24th August, 1968 for 24 structures on that firm, entire reliance was placed on that capacity report. However, according to that report, the firm had two qualified engineers and only thirty skilled labourers and its production capacity was 25 to 30 tonnes per month per shift.



3.33. The firm was required to submit drawings for the tubular structures for approval of the indenter within a week of the order. Firm 'A' submitted the drawings to the indenter on 3rd September, 1968. As the indenter suggested changes in the design on 4th October, 1968, the firm wanted (on 29th October, 1968) increase in prices. Consequent on negotiations with the firm it was decided that structures of triangular type instead of portal type would be taken and the firm was asked on 2nd December, 1968 to submit drawings for triangular type by 10th December, 1968. The detailed drawing submitted by the firm on 10th December, 1968 were not approved as these were not in conformity with its offer. Thereafter, the drawings were modified and approved by the indenter on 1st February, 1969.

3.34. The contract was amended on 6th March, 1969 incorporating the approved drawings for triangular type. On a representation from the firm that consequent to the revision of design the delivery period should be amended and extended, the period of delivery was extended, on 30th April, 1969, requiring supply of 3 structures in April, 1969, 6 in May, 1969, 7 in June, 1969 and the remaining 8 in July, 1969. The firm did not supply any of the structures. On the advice of the Law Ministry, the Director General, Supplies and Disposals, issued a notice to the firm on 19th July, 1969 to complete delivery of all the structures by 30th September, 1969 and to acknowledge receipt of the notice by 30th July, 1969. As neither the notice was acknowledged nor any intimation was received about supply of the structures, the contract was cancelled on 10th September, 1969 at the risk and expense of firm 'A'. Against a limited tender enquiry of 18th September, 1969 for risk purchase the offer of the defaulting firm was the lowest and order was placed on that firm on 31st October, 1969 for supply of the 24 structures at a cost of Rs. 20.02 lakhs. As, however, the firm failed to furnish security deposit by 20th January, 1970, the contract was cancelled on 17th March, 1970 at its risk and expense, and an advertised tender enquiry for risk purchase was issued on 3rd April, 1970. The structures were finally purchased from firm 'B' at a cost of Rs. 30.36 lakhs.

3.35. Firm 'B' completed supply of the structures in July, 1971. Thus, there was delay of about 3 years in procuring the structures which were urgently needed. To that extent construction of the foodgrain godowns was delayed.

[Paragraph 38 of C&AG's Report for 1971-72, Union Government  
(Civil).]

3.36. During the course of evidence, the Committee pointed out that out of the eleven offers received for manufacturing pre-fabricated steel tubular structures, eight offers were from those firms which were registered with DGS&D and the remaining three were from un-registered firms. The Committee asked why an offer from any of the eight registered firms was not accepted. The representative of the Department of Supply replied: "So far as this is concerned, the lowest offer was accepted which was about Rs. 59,000. The other eight firms had quoted higher rates." According to Audit, one of the three unregistered firms had quoted lower than firm 'A'. When asked why, out of the three unregistered firms, the offer of the firm who had actually quoted the lowest rate, was not accepted, the representative of the Department stated that "so far as this firm was concerned, the capacity report on them was adverse and the difference for the quantity involved at that time between their quotations was Rs. 5,000."

3.37. In July, 1968 the Department of Supply had obtained capacity Report from their Inspector on the firm 'A' whose offer to manufacture 24 structures had been accepted. This report showed that the capacity of the firm was 25 to 30 tonnes per shift per month. An order for 2 structures was placed on this firm on 3rd August, 1968. The Committee desired to know whether these 2 structures were supplied by the firm in time. In a note the Department stated that "the two structures supplied by the firm were in accordance with the required specification but the supplies were delayed by three months, i.e., as against the original stipulated delivery period of 10-10-1968, the supplies were completed on 15-1-1969."

3.38. The Committee asked, when the capacity of this firm was 25 to 30 tonnes per shift per month, how it could be expected to supply 24 structures (1056 tonnes) by December, 1968 within a period of 4 months. The representative of the Department replied: "It is as per shift. But the firm has been disputing this. They said that they could do more. But, on the basis of this figure of 25 to 30 tonnes per shift this order could not have been executed within the period given." When asked why further enquiries were not made to find out whether this firm could complete the work within the stipulated period, the representative of the Department replied: "The examination of the papers shows that while making the purchase proposals they (officers) had been influenced by the fact that they (the firm) would be able to deliver the goods within the stipulated period in the contract. They lost sight of the fact that the capacity was not there. In my view the correct thing

would have been that the entire matter in regard to the capacity etc., should have been examined and if I may say so, after having gone through the papers, I myself am not satisfied with that. With all due care and precautions the purchase should have been made." The representative added further: "When I examined this tender I found on the basis of the data available on the file, the one firm which could have been considered and might have reasonably given the commodity would have the contract at Rs. 1.2 lakhs as against Rs. 59,000". To a question as to how much the Government had paid ultimately, the representative replied: "Rs. 1.26 lakhs".

3.39. In their letter dated 20th January, 1969 addressed to the DGS&D the National Small Scale Industries Corporation had stated that it was presumed that the Director General, Supplies and Disposals had verified the antecedents and capacity of the firm. The Committee asked whether any action was taken on receipt of this letter. The representative of the Department replied: "So far as the capacity is concerned, I mentioned about the Inspector's report (of July, 1968). So far as the work of capacity of the firm is concerned, we have also got a list (25 to 30 tonnes per shift per month). But, subsequent to this letter, with the information available, no further detailed scrutiny was made."

3.40. The Committee enquired whether all this was a human error. The representative of the Department replied: "I am not satisfied with that. The two precautions which they should have taken were not taken." To a question whether there were any supervisory arrangements to check the recurrence of such mistakes, the representative replied: "The purchase proposals etc., are being given to the officers and the officers check that up. If there is any complaint against the officials then vigilance case comes in. In all these things, I think a little more care and caution is required. No doubt the capacity and the assertion of the firm should have been gone into in much greater details."

3.41. The Committee desired to know why the risk purchase order was placed again on the same firm in October, 1969 without verification of its capacity and after having known its performance in the past as it had delayed supply of 2 structures by 3 months and subsequently failed to supply 24 structures. In a note the Department of Supply stated: "As already submitted during evidence, there has been an error of judgement in this case. There is nothing on record for not calling for fresh capacity report on the firm. Order for the entire quantity was placed on the defaulter

firm in order not to take any chances regarding legal flaws in recovery of extra expenditure in ignoring this firm's offer. It also appears that the valid risk purchase had to be hurried up within short time available."

3.42. The Committee enquired whether the Department of Supply had informed the National Small Industries Corporation about the failure of the firm to furnish security deposit against the risk purchase order placed on it on 31st October, 1969, the Department of Supply replied in the negative. The Committee also desired to know whether the National Small Industries Corporation was informed that the demand notice for Rs. 16.48 lakhs being the extra expenditure in purchase of these structures issued to the firm on 15th March, 1972 had been received back with the remark "Left/abolished". The Department stated in a note that the Corporation was informed on 3-10-1973.

3.43. The Committee desired to know what further action had been taken by the Department for recovery of Rs. 16.48 lakhs from the firm. In a note the Department stated: "With a view to effecting recovery of the Government dues, the Registrar of Companies, West Bengal, Calcutta has been requested on 6th March, 1973 and 14th August, 1973 to intimate the standing of the firm, their assets and also balance sheet showing profit and loss account of the firm, to know the financial status of the firm. Reply from the Registrar of Companies, Calcutta, is still awaited." During the evidence, the Committee enquired about the latest position of recovery. The representative of the Department replied: "I am very doubtful about the recovery".

3.44. A bulk order for supply of 24 pre-fabricated steel tubular structures (1056 tonnes) was placed in August, 1968 on a small scale unit, for delivery within 4 months overlooking its limited capacity. The capacity report had indicated that the firm had a production capacity of only 25 to 30 tonnes per month per shift. It is distressing to find further that even when subsequently the National Small Industries Corporation while intimating that the firm was enlisted with them as small scale unit, stated that it had assumed that the DGS&D had verified its antecedents and capacity, the DGS&D did not wake up. Indeed, the DGS&D went on to bestow further favours and waived the recovery of the security deposit. The inevitable happened in a striking manner, for the firm failed to supply even a single structure and the order had to be cancelled in September 1969. The DGS&D's faith in the firm was still not shaken and the risk purchase order was placed on the same firm in October, 1969. Again the capacity was not checked. This time, however, payment of security deposit was insisted upon and on the failure of the firm to comply, the order was cancelled.

3.45. A fresh tender enquiry was issued in April, 1970 and the structures were purchased from another firm at a cost which was higher than the original quotation of the defaulting firm by Rs. 16 lakhs. It has not so far been possible to recover the extra cost as the firm is not traceable. It is regrettable that the National Small Industries Corporation were not informed of the failure of the firm. The fact that demand notice for the recovery of the extra expenditure issued to the firm in March, 1972 was received back undelivered was intimated to the Corporation only in October, 1973.

3.46. It is abundantly clear from this bare narration of facts that the officials concerned with this case showed throughout in credible indifference to the public interest, and were grossly negligent. The Committee trust that they will be brought to book. In doing so severe action including penal recovery should be taken against those indulging in malpractices of any kind and the Committee informed of it. The Committee would also await the outcome of the efforts to recover the extra expenditure from the defaulting firm.

3.47. The Committee are displeased that no one at the higher level in the Ministry appears to have felt any indignation over such conducts in one of the Ministry's important subordinate organisations, for action otherwise would have been taken as soon as the facts had been brought to their notice by the Audit. That this was not done is deplorable.

3.48. The Committee are concerned over the delay of about three years in procuring the material needed very urgently for construction of foodgrain godowns. The procedure followed for making risk purchases is obviously unsatisfactory. The Committee recall that in pursuance of an earlier recommendation the DGS&D had issued instructions in January, 1972 for the guidance of the Purchase Officers in the matter of risk purchases in order that supplies might materialise in time (p. 17 of 70th Report—5th Lok Sabha). The Committee would like Government to critically review the position and take further remedial measures, as necessary, to ensure that risk purchases are completed expeditiously and goods made available in time to the indenting departments.

NEW DELHI;  
March 29, 1974.  
Chaitra 8, 1896 (S).

JYOTIRMOY BOSU,  
Chairman,  
Public Accounts Committee.

## APPENDIX I

(See para 2.11)

*Copy of letter No. ASC-Auc|Conf|EP|N-Block|Connaught Circus/  
61|16263, dated 5th April, 1961 addressed to the Auction purchaser  
by the Regional Settlement Commissioner, Delhi.*

This is to inform you that your above mentioned bid has been accepted by the Regional Settlement Commissioner. You should deposit the balance amount viz. Rs. 5,62,500/- into the State Bank of India, New Delhi under the Head "XLVI-Misc. Receipts on account of Displaced Persons Receipts forming part of compensation Pool Receipts on account of acquired Evacuee Property" and produce the receipted copy of the Treasury Challan to the undersigned within 15 days from the date of receipt of this intimation.

If you are a claimant and desire that the purchase money be adjusted against your claim you should within 7 days of the receipt of this intimation make an application to the undersigned in triplicate giving the Registration No. of your compensation application already filed. If your compensation does not cover the entire purchase price, you may also associate other claimants to make up the deficiency provided that the title in the property will be transferred to the purchaser and the association in proportion to the amount contributed by each. In case of association irrevocable consent in the form duly attested, affidavit of associate/associates should be filed in triplicate together with three attested copies of each of his/her/their claim assessment orders, C.A.F. receipts or statement of account if already issued. Compensation due to an associate with bigger claim will be first exhausted before compensation due to a non-her associate is adjusted.

\* \* \*

If you are interested in getting provisional possession please arrange to pay for the entire purchase price either in cash or by association as indicated above (for which necessary documents be filed with this Office) to the undersigned so that your case may be transferred to the Managing Officer concerned for delivery or possession.

It may be noted that 2 years protection against eviction will be counted from the date of provisional possession. No extension of time for associating other claimants will be allowed beyond that provided in the Rules.

## APPENDIX II

See para 2.18

*Statements showing particulars of compensation claims associated by the purchaser, the amounts of each claim and date of association etc.*

S. No.	Name of the claimant associate	CAF. No.	Amount for which associated	Date of association	Date of adjustment (Verification)	Result of verification
1	2	3	4	5	6	7
1		D/364/HCS/V	Rs. 20948.16	9-8-61	27-3-62	Adjusted in full
2		ND/30/XXIII (BUP)	Rs. 46583.00	31-7-61	4-8-62	Adjusted in full
3		D/KM/94682	Rs. 90000.00	21-6-61	18-4-62	Adjusted in full.
4		D/KM/94292	Rs. 22919.00	31-7-61	27-3-62	Adjusted in full.
5		UP/DN/34499/1590	Rs. 61883.00	31-7-61	20-3-62	Adjusted Rs. 61223/-
6		RG/95/D/KM/742	Rs. 51855.00	31-7-61	27-3-62	Adjusted in full.
7		D/GM/47159	Rs. 16800.00	31-7-61	4-4-62	Adjusted in full.
8		D/105/XXI(L)	Rs. 19311.00	14-8-61	25-4-63	Adjusted in full.
9		D/GM/64946	Rs. 60657.00	-6-61	14-11-68	Adjusted Rs. 43645.21
10		D/KM/99696	Rs. 5398.80	31-7-61	21-7-62	Adjusted in full.
11.		D/PN/70086	Rs. 6884.00	18-8-61	23-3-62	Adjusted in full.
12		D/KM/99698	Rs. 2309.12	9-8-61	9-10-62	Adjusted in full.
13		P/AMB/15042	Rs. 10805.59	20-12-62	23-3-64	Adjusted in full.
14		P/GSP/12281	Rs. 143396.24	31-7-61	Pending.	As the case is in the Supreme Court.
15		B/B/B/12716/4716	Rs. 41047.50	16-8-61	Not adjusted.	

### APPENDIX III

(See paragraph 3.20)

**Copy of undated letter addressed by firm 'A' received by D.G.S. & D.  
on 25-3-1970**

**SUBJECT:—Naval Ship I.N.S. "SHAKTI" Ex-Naval Dockyard,  
Bombay.**

Dear Sir,

In continuation and in confirmation of our tender duly submitted through post the subsequent letter dated 9th February, 1970, the telegram sent to the Director General on 16th March, 1970, we are to state that we are the successful tenderer, our offer being the highest and also on account of the fact that we want the vessel to be used for transporting oil from Persian Gulf to Madras Refinery and from there to Japan, for exporting the by-product (Naptha).

We have clearly explained the reasons for which, the vessel is required and we intend to acquire the same at all cost we therefore have quoted a sum of Rs. 12,00,000 lakhs in order to be precise according to clause No. 13 of the special instructions enclosed along-with the tender form. We have also very clearly stated we will either pay the whole amount or the necessary deposit on hearing from you, as we could not immediately come over to New Delhi due to some unavoidable reasons beyond our control. Immediately, on being congratulated by the Co-tenderers on 9th February in Bombay Port Trust, we have immediately written a letter from Bombay, offering to open an irrevocable letter of credit to the full value and for which we have not received any reply up-to-date. Hence, we have flown over here on 12th Morning and shocked to learn that our tender is not at all paid the attention, it deserved. We have, therefore, sent the Telegram both to the Director General and to the Ministry of Shipping & Transport, as we are already in arrangement for re-selling the ship INS Shakti and thus to add to the world tonnage of Indian Shipping and thus to earn foreign exchange to our Motherland.

We should like to draw the kind attention of the Director General to the fact that in case where there are genuine reason and when our offer is definitely higher than the other offers by a clear margin of three lakhs (3,00,000) it is always customary and legal also to



write to us to come over or to make an arrangement for paying the earnest money deposit, if the Department so feels that it must be paid, before the sale note issued, or they can issue the sale note with the condition that the entire amount should be paid within the prescribed period. It is not advantageous either to the Government or to the public that the earnest money should be paid 5 per cent over our offer, and calculating the same on the basis of our offer and that by way of call-deposits. In such cases, the other tenderers will know our quotations and the element of secrecy will be lost and the security deposits prior to E.M.D. Deposit is confusing and it is very clumsy. Moreover, our offer is based on what we call a competitive offer of Rs. 50,001 in order to make sure that we acquire the ship for the purpose of re-sailing and not scrapping it off to the National Loss. There are enough precedents that the tenders not paid the deposits have been accepted for reasons of more income to the Government and for other valid reasons.

We are ready to make the payment of Rs. 12 lakhs exclusive of customs duty and hence we should be awarded the allotment of this vessel for the purpose for which we require this and for reasons which we have clearly enunciated in our covering letter to the tender, duly submitted in your tender forms on the due date, within time. Even though the Director of Disposals, is only the selling agency of Indian Navy must have known the price paid for acquiring the ship and its present conditions and in all fairness must have accepted the highest offer of Rs. 12,00,000 which is definitely higher than the 9,00,000

We expect the Director General of Supplies and Disposals to read through our covering letter, which we once again enclose herewith, for ready reference and quick decision as there might have been an error in not placing our letter by the subordinates.

Thanking you and offering your cooperation at all times and expecting the immediate sale note in our favour.

## APPENDIX IV

(See para 3.23)

**Copy of letter dated 26th March 1970 from Firm 'A' addressed to  
Defence Minister, Ministry of Defence, New Delhi**

Ref: Tender No. DGS&D/MMH-53718/73

**SUBJECTS—*Naval Ship INS "SHAKTI" Ex. Naval Dockyard,  
Bombay.***

In advertence to your advertisement calling for sealed offers for the purchase of INS SHAKTI, a naval ship lying at Lion's Gate, Bombay Naval Dockyard, Bombay through the Directorate General of Supplies and Disposals having its headquarters at New Delhi, we have quoted the tender in time duly filled up in the tender forms purchased at the office of the Director General of Supplies at Bombay. The tendered papers have drawn the attention of the tenderers to the fact that ship is in the re-sailing condition and it can be re-sailed in the international waters. Accordingly, we have surveyed through licenced surveyors and we have found that the ship is in sea-worthy condition and we have quoted the tender with a covering letter wherein we have explained the purposes for which we wanted the ship at all costs.

2. In order to be precise according to clause 13 of the special instructions we have quoted a sum of Rs. 12 lacs for the entire ship but our real offer was Rs. 50001 over and above any other offer that the Directorate General may receive. This is in order to ensure the procurement of the ship for the national building activities such as training of fishermen in the deep sea fishing and mechanised and scientific fishing and for carrying oil from one place to another. We have also clearly stated that we wanted to create sea instinct and sea consciousness among the literate and illiterate people by organising sea Farers Club and Picnics. While carrying oil from Persian Gulf to Madras Refinery or from Madras Refinery to Andaman Island we have also stated, that we will be helping the State Government of Tamil Nadu in rehabilitating the Stateless persons and refugees coming from Ceylon and Singapore. We have even gone to the extent of offering two naval officers through the Student Naval Cadet Corps and 4 subordinates every year for a period of 6 years. This also we have stated, is in addition to the price that we have quoted.

3. This vessel has been originally acquired for a sum of Rs. 2-1/2 crores from Italy and the ship is in working condition. As the Indian Navy has acquired another ship of higher speed and of modern technique, they wanted to dispose of it and accordingly they have handed it over to the Director of Supplies and Disposals who are only acting as agents of the Defence Department. The Director General of Supplies and Disposals have treated this vessel in the same manner that they are disposing of the old condemned lorries and jeeps belonging to the Ministry. They have no mind to assess its value or its sea-worthy. They have not fixed any reserve price. In a great hurry they called for this tender and they have also asked us to keep our tender pending till 28-3-1970. Our offer is a sum of Rs. 12 lacs in order to be precise according to clause No. 13 and our real offer, as we have earlier stated was Rs. 50,000 over and above any other offer. Hence we have not made the earnest money deposit or the security deposit in the form of call deposits through Bank. The element of secrecy will be lost if we make the call deposits through Bank. The other tenderers can easily know the price of the other party. Moreover in our anxiety to get the ship for the national building purposes we are prepared to open an irrevocable letter of credit to the full value on hearing from them. In addition to this when we came to know that we are the successful tenderer on 9th February. We have further written to them that we are the successful tenderer and we are prepared to open an irrevocable letter of credit to the full amount or if they intimate us we are prepared to pay earnest money deposit in any form which they want. They have not replied to this letter also but they have rushed up the sale of the ship to a lower tenderer quoting about Rs. 9 lacs and thus causing a loss of Rs. 3 lacs to the Public exchequer and a further loss to the Indian shipping and world tonnage. They have also made India to loss earning foreign exchange. This is a serious loss to the nation as well as to us who have made all arrangements for re-sailing the ship and for that we have also formed the necessary company to run it.

4. When these matters were brought to the attention of the Director General of Supplies and Disposals he has directed us to the Dy. Director General of Supplies who is dealing with this case and he has suggested that as they have also corresponded with the lower tenderer and as there was an apparant error in not paying due attention that it deserves, they suggested that we can approach the Defence Department and that the Defence Department being the owners of this ship INS SHAKTI can legally at any time withdraw the ship from the Directorate and direct the Directorate to allot the ship to the highest offerer of Rs. 12 lacs for the purpose of re-sailing in the international waters and thus earn foreign exchange to New India.

5. We are, therefore, advised that instead of rushing up to the court that we should approach the Defence Department with firm faith that they will immediately intervene and save the ship **INS SHAKTI** from being scrapped for the immediate benefit of a few merchants who have formed a ring and have quoted and they did their best in getting it to the prejudice of the highest offerer. There are enough precedents wherein the above-said department has corresponded with the highest tenderer and they have been sent the conditional sale orders to the highest tenderer. In this case they have violated all the norms of trade practices and they have chosen to favour the lowest as we are far away from the Capital. In these days of Socialist State the mere non-payment of earnest money deposit at the time of tender and when there are substantiating reasons which we have clearly referred in our covering letter, it is nothing but injustice if the ship is allotted to the lowest offerer to the national loss of Rs. 3 lacs and further accruing loss to New India.

6. Thanking you and expecting the Hon'ble Minister to rise up to the occasion and order the stay of all proceedings in order to save the ship being scrapped. Hence, expeditious action is requested.

## APPENDIX V

### Summary of main conclusions|recommendations

S. No.	Para No.	Ministry Deptt. concerned	Conclusions Recommendations
1	2	3	4
1	1.26	Deptt. of Labour	<p>The Committee are greatly distressed over the tardy manner in which the scheme for housing for Dock Workers has been implemented since its inception in 1964. While it was originally thought that houses for about 25 per cent of the registered workers would be constructed by March 1968, houses for only about 23 per cent of them were merely proposed for construction during 8 years from March 1964 to March 1972. The actual progress is even very much more disappointing in that only about 5 per cent of the registered workers were provided with houses upto the end of March 1973. Such a wide gap between the anticipations and achievements suggests that the scheme has not at all been formulated and reviewed realistically from time to time with a view to taking necessary timely action to realise the desirable objective.</p>
2	1.27	-do-	<p>The performance under the Dock Workers Housing Scheme compares very poorly with the Subsidised Housing Scheme for Industrial Workers introduced in 1952 and executed by State Governments, Housing Boards and local bodies under which out of 2.30</p>

lakhs houses sanctioned upto December 1971, 1.76 lakhs (76 per cent) had already been constructed. The fact that out of 6472 houses proposed for construction by March 1972 only 1420 (22 per cent) could be constructed for the Dock labour upto March 1973 reveals very basic neglect and/or weakness in the scheme itself.

### 3 1.28 Labour/Planning Commission

The inability of the Dock Labour Boards to meet their share of expenditure due to their difficult financial position is the main reason for the slow progress. Originally the scheme provided for Central assistance upto 55 per cent (20 per cent subsidy and 35 per cent loan) of the actual cost of construction including cost of land subject to a ceiling fixed and the balance was to be met by the Dock Labour Boards. On the other hand from the very beginning the assistance under the Subsidised Housing Scheme for Industrial Workers has been cent-per-cent (50 per cent loan and 50 per cent subsidy). The Housing Minister's Conference held in June 1969 recommended a similar treatment for the Dock Workers' which was reiterated by the Central Wage Board for Port & Dock Workers in December 1969. These recommendations were, however, not accepted by the Planning Commission and the Ministry of Works and Housing. It was only in June 1971, it was agreed after further consideration, to liberalise the assistance to provide for 50 per cent loan and 25 per cent subsidy of the actual cost of construction or the ceiling cost under subsidised Industrial Housing Scheme, which ever was less. This liberalisation did not improve the position inasmuch as during 1972-73 there was

no addition to the houses constructed under the Scheme. The Committee have been informed that the question of further liberalising the pattern of assistance to the extent of 100 per cent, i.e., 50 per cent loan and 50 per cent subsidy is under discussion with the Planning Commission in the context of the Fifth Plan proposals. The Committee very much desire that Government should come to an early decision in the matter.

4 1.29 Labour/Works and Housing

Another factor which contributed to the slow progress was the unrealistic ceiling of cost of construction fixed under the scheme. Although the ceiling was revised in 1967, it continued to be low, as is evident from the actual expenditure incurred by the Dock Labour Boards at Bombay, Calcutta and Madras. Although initially they were expected to bear 45 per cent of the expenditure their contribution turned out to be 67 per cent in Bombay, 73 per cent in Calcutta and 79 per cent in Madras, the actual cost of construction having been so high. It was only in June 1971, after a lapse of long 4 years, the Ministry of Works & Housing took up the question of further revision of the ceiling. Although in February 1973 it was revised for the Subsidised Housing Scheme for Industrial Workers the question of extending it to the housing scheme for Dock Workers is surprisingly still under examination. The Committee desire that there should be no further delay in the matter.

5 1.30 -do-

In view of continuous rise in cost of construction the Committee suggest that revision of ceilings of cost should be done at

1 2 3

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more frequent intervals in future. The Committee also desire that the specifications and covered area for the workers' quarters should not be unreasonably reduced; these should be such as to meet at least the minimum needs of a family of 5.

6 1.31 Labour

The Committee note with great concern that the problem of finding suitable land has still not been solved at the Calcutta Port. The Dock Labour Board, Calcutta with 14,077 registered workers (the largest in the country) has been able to provide houses to only 2.7 per cent of workers against 7.66 per cent in Bombay, 20.2 per cent in Madras and 24.76 per cent in Visakhapatnam. The Committee regret that this Board proceeded in the matter of acquiring land in a very casual manner. Although they advertised for purchase of land in June, 1965 and September, 1967 without success, for about 5 years thereafter no serious attempts have been made to acquire land. It was only in April 1972 that the question of purchasing land from Calcutta Port Commissioners was taken up by them, again without success. They are reported to be still making efforts to secure land adjacent to the Port area from the Government of West Bengal. The Committee desire that the matter should be taken up immediately by the Ministry of Labour with the State Government at the appropriate level. The Committee would like to be informed of the outcome.

7 1.32 -do-

The Committee desire the Dock Labour Boards at Cochin, Mormugao and Kandla who have not yet made a beginning towards



construction of houses, should be persuaded to take up the scheme at least in the Fifth Five Year Plan.

## Labour

8 1.33

According to the provisions of the Dock Labour Workers (Regulation of Employment) Schemes, the rate of welfare levy is to be determined by each Dock Labour Welfare Board. The Committee find that the quantum of welfare levy is not uniform in all the ports. It ranges from 5 per cent of the daily wages of the dock workers to 50 per cent. Further, it is not clear whether at the time of fixing this levy the liability of the Board to meet a part of the expenditure on housing of the workers was taken into account. In any case in view of the continued inability of the Labour Boards to meet the excess of expenditure over the assistance received, the desirability of raising the welfare levy suitably should be urgently considered. Further, as there is wide disparity in the levy some guidelines as to the minimum welfare measures to be provided by the Labour Boards appear called for.

9 134 Lab. Plng. Com- W. & H.

The Committee have come to the inevitable conclusion that the various organisations concerned have we fully failed in implementing the scheme and have brought about this sorry state of affairs which they deprecate.

10 2.23

## Rehabitation

The Committee take a serious view of the various lapses in disposing of the evacuee property situated at such a central commercial locality, viz., Cannaught Place, New Delhi. The property was evaluated in November, 1957 as worth Rs. 5.5 lakhs. However,

an attempt was made only in December 1960 to auction it, which was not successful. It was finally auctioned in March, 1961 and it fetched Rs. 6.25 lakhs. Regrettably the property was not re-evaluated before this auction. The Committee desire that the responsibility for this lapse should be fixed. At the instance of the Committee, the Ministry have now reckoned that the value of the property at the time of auction would have been at least Rs. 7.95 lakhs. Thus it had been disposed of for a much lower price.

The concessional terms for payment of price by associating claims of displaced persons were extended to the non-claimants as per a Press note issued by the Government on 21st January 1961 followed by detailed instructions issued by the Chief Settlement Commissioner on 8th February 1961. Although copies of these were received in the office of the Regional Settlement Commissioner on 23rd January and 9th February 1961 respectively, the concessional terms for payment were not included in the auction notice in respect of this property published on 24th February 1961, nor were these announced at the time of auction held on 16th March 1961. The Committee are distressed that no explanation is forthcoming from the records for the failure to do so. The matter requires investigation as surely the concession could have attracted a better price.

A letter of acceptance was issued on the 5th April, 1961 to the successful bidder (a non-claimant) to deposit the balance 90 per cent amount (after deducting the earnest money of 10 per cent paid by him at the time of auction) within 15 days. But before the expiry of this period another letter was issued to him on 15th April 1961 *suo motu* by the Regional Settlement Commissioner, advising him that he could associate the compensation claims of other displaced persons for payment of the balance amount by adjustment against such claims. Strangely enough there is again no record available about the circumstances leading to the issue of this letter. Although the purchaser did not make payment within 15 days as stipulated no action was taken by the Regional Settlement Commissioner till 5th June 1961 when he extended time-limit by 15 days. What is more he exceeded his authority and granted further extensions upto 16th August 1961. The Committee take a serious view of this undue solicitude shown to the purchaser by this officer. The property was provisionally handed over to the purchaser in March 1962 but there is no record to indicate whether any indemnity bond was taken from him as required in terms of the instructions issued by Government in 1956. The Committee are unhappy to note that the Delhi Development Authority were addressed by the Regional Settlement Commissioner in 1965 to issue a copy of lease-deed to the purchaser informing them that the property had been transferred to the purchaser permanently, although in fact it had been transferred only provisionally. The Committee feel that there is a *prima facie* case for an enquiry with a view to fixing responsibility for various acts of Commissions and omissions even at this late stage.

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13 2.26 Rehabilitation

Another unsatisfactory feature of the case is the inordinate delay in adjustment of the claims associated by the purchaser. A claim to the extent of Rs. 11,047 was on verification found to be bogus as no money was available in the accounts for adjustment. Strangely enough no endorsement regarding the money already utilised by him is made on the document kept with the claimant. As against another claim for Rs. 60,657, adjustment of Rs. 43,645 only could be made and that too after 7 years. The shortfall was thereafter made good in cash. The delay in adjustment was admittedly due to lack of coordination between the Managing Officer (Sales Unit) and the Assistant Settlement Officer and the time taken in implementing a judicial order of the Deputy Chief Settlement Commissioner regarding the reconciliation of certain rent accounts of the claimant. It is surprising the judicial order was not available in the relevant files and it had to be ultimately produced by the claimant himself. This is indeed a sad commentary on the working of the organisation which needs to be looked into immediately.

14 2.27 -do-

In yet another case, a claim of Rs. 1.43 lakhs has not so far been adjusted as the case has been *sub judice* since December, 1962 on a writ petition of claimant for enhancement of the claim. Surprisingly according to the register of the Department only a sum of Rs. 0.43 lakh was first found to be available against the claim, but the file found subsequently indicated the availability of the full

amount of Rs. 1.43 lakhs. At the instance of the Committee the Department has now obtained the advice of the Ministry of Law that the adjustment of the amount towards the purchase of property in question may not be objectionable and that it is desirable to apply for formal permission of the court. It is unfortunate that it did not occur to the Department all these years to consult the Ministry of Law. The Committee would await the action taken in the matter as also in regard to execution of sale deed with the purchaser.

15 2 28

#### Rehabilitation

Incidentally the Committee find that there is no provision in the Displaced Persons (Compensation and Rehabilitation) Rules 1955 for the recovery of interest for the delayed payment of purchase price although interest is payable for the delayed payment of compensation by Government. This lacuna in the rules should be remedied forthwith.

16 2 29

-do-

The Committee recommend that the sale certificate should not be issued to the purchaser till all the points mentioned in the Committee's foregoing recommendations are fully resolved.

17 2 30

-do-

The Committee's examination of this case has convinced them that the practices and procedure followed by the Department are wholly unsatisfactory and that there is no inbuilt safeguard against such serious irregularities as have happened which cannot but be deplored.

The Committee deeply regret that the manner in which 'INS SHAKTI', a serviceable fleet tanker of Indian Navy was disposed of in 1970 as scrap at a low price of Rs. 9.68 lakhs, was not at all business-like or in the interest of the State for the following reasons:

(i) The ship was purchased for Rs. 48.81 lakhs in 1953. According to Navy Rules its book value, after allowing for 4 per cent depreciation, would have been Rs. 17.60 lakhs. It was, however, evaluated by a professional evaluator in 1968 as Rs. 14 lakhs for the purpose of disposal. This valuation evidently was not done on the basis of the prevailing market value. At the instance of the Committee the Ministry of Defence have now reckoned that a new ship of this kind might have cost approximately Rs. 1.35 crores in 1968.

(ii) Although the ship was declared in the surplus report as serviceable, it was not mentioned clearly in the tender notice.

(iii) The highest quotation (Rs. 12.01 lakhs) of the tenderer who proposed to use the ship as an ocean going vessel and earn some foreign exchange for the country was ignored

on the ground that it was not accompanied by earnest money.

(iv) Although the existing instructions provide that in the case of purchases, security deposit may not be insisted upon at the discretion of the Secretary of the Department, there is no such provision for disposals. However, in this case the highest tenderer had offered to pay the earnest money within the stipulated period and yet it was not taken up with him.

(v) Surprisingly the letter dated 9th February, 1970 from the highest tenderer again proposing to open an irrevocable letter of credit for the full sale value and earnest money, security deposit is stated to have not been received by the DGS&D. The lower offer was accepted on 9th March, 1970.

(vi) Although the highest tenderer subsequently represented twice within the validity period of his tender, he was not informed that his letter of 9th February, 1970 was not received and no conclusive enquiry was made to ascertain how the letter was lost.

The Committee deprecate the above lapses irregularities which give every appearance of malpractice and call for thorough investigation of the matter for appropriate action. The action taken against those found responsible may be reported to the Committee. The Committee would also suggest that Government should examine

the procedures for disposals particularly with reference to valuation, method of disposal and acceptance of offers, with a view to streamlining them in a manner that would safeguard better the financial interest of Government.

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## Supply

A bulk order for supply of 24 pre-fabricated steel tubular structures (1056 tonnes) was placed in August 1968 on a small scale unit, for delivery within 4 months overlooking its limited capacity. The capacity report had indicated that the firm had a production capacity of only 25 to 30 tonnes per month per shift. It is distressing to find further that even when subsequently the National Small Industries Corporation while intimating that the firm was enlisted with them as small scale unit, stated that it had assumed that the DGS&D had verified its antecedents and capacity, the DGS&D did not wake up. Indeed, the DGS&D went on to bestow further favours and waived the recovery of the security deposit. The inevitable happened in a striking manner, for the firm failed to supply even a single structure and the order had to be cancelled in September, 1969. The DGS&D's faith in the firm was still not shaken and the risk purchase order was placed on the same firm in October, 1969. Again the capacity was not checked. This time, however, payment of security deposit was insisted upon and on the failure of the firm to comply, the order was cancelled.



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A fresh tender enquiry was issued in April, 1970, and the structures were purchased from another firm at a cost which was higher than the original quotation of the defaulting firm by Rs. 16

lakhs. It has not so far been possible to recover the extra cost as the firm is not traceable. It is regrettable that the National Small Industries Corporation were not informed of the failure of the firm. The fact that demand notice for the recovery of the extra expenditure issued to the firm in March, 1972 was received back undelivered was intimated to the Corporation only in October, 1973.

Supply

It is abundantly clear from this bare narration of facts that the officials concerned with this case showed throughout incredible indifference to the public interest, and were grossly negligent. The Committee trust that they will be brought to book. In doing so severe action including penal recovery should be taken against those indulging in malpractices of any kind and the Committee informed of it. The Committee would also await the outcome of the efforts to recover the extra expenditure from the defaulting firm.

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The Committee are displeased that no one at the higher level in the Ministry appears to have felt any indignation over such conducts in one of the Ministry's important subordinate organisations, for action otherwise would have been taken as soon as the facts had been brought to their notice by the Audit. That this was not done is deplorable.

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Supply

The Committee are concerned over the delay of about three years in procuring the material needed very urgently for construction of foodgrain godowns. The procedure followed for making risk purchases is obviously unsatisfactory. The Committee recall that in pursuance of an earlier recommendation the DGS&D had issued instructions in January, 1972 for the guidance of the Purchase Officers in the matter of risk purchases in order that supplies might materialise in time (p. 17 of 70th Report—5th Lok Sabha). The Committee would like Government to critically review the position and take further remedial measures, as necessary, to ensure that risk purchased are completed expeditiously and goods made available in time to the indenting departments.