

TWENTY-NINTH REPORT
PUBLIC ACCOUNTS COMMITTEE
(1980-81)

(SEVENTH LOK SABHA)

**PRODUCTION OF VEHICLES IN
ORDNANCE FACTORIES**

MINISTRY OF DEFENCE

[Action Taken on 109th Report (Sixth Lok Sabha)]



*Presented in Lok Sabha on
Laid in Rajya Sabha on*

**LOK SABHA SECRETARIAT
NEW DELHI**

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CORRIGENDA TO 29TH REPORT OF THE PUBLIC
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<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
Cover Page		2 from bottom	mber	December
(i)		10	Governments	Government
2	1.5	8	targetted	targeted
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7	1.9	8	transferred	transfer
7	1.10	8	Planing	Planning
7	1.10	8	aappears	appears
8	1.13	3	casting	castings
32		7	1.3	1. 1.3
32		12	1.7 -o-	2. 1.7

CONTENTS

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (1980-81)	PAGE
	(iii)
INTRODUCTION	(v)
CHAPTER I. Report	1
CHAPTER II. Recommendations/Observations that have been accepted by Government.	10
CHAPTER III. Recommendations/Observations which the Committee do not desire to pursue in the light of the replies received from Governments	21
CHAPTER IV. Recommendations/Observations replies to which have not been accepted by the Committee and which require reiteration.	24
CHAPTER V. Recommendations/Observations in respect of which Government have furnished interim replies	30
APPENDIX	
Conclusions/Recommendations	32

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(1980-81)

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4. For reference facility and convenience, the recommendations and observations of the Committee have been printed in thick type in the body of the Report, and have also been reproduced in a consolidated form in the Appendix to the Report.

5. The Committee place on record their appreciation of the assistance rendered to them in this matter by the office of the Comptroller and Auditor General of India.

CHANDRAJIT YADAV,

Chairman,

Public Accounts Committee.

NEW DELHI:

November 13, 1980

Kartika 22, 1902 (S)

CHAPTER I

REPORT

1.1. This Report of the Committee deals with the action taken by Government on the Committee's recommendations/observations contained in their 109th Report (6th Lok Sabha) on Production of Vehicles in Ordnance Factories commented upon in paragraph 10 of the Report of the Comptroller and Auditor General of India for the year 1976-77, Union Government (Defence Services).

1.2. The 109th Report was presented to Lok Sabha on 22 December 1978 and contained in all 23 recommendations/observations. The action taken notes in respect of all the 23 recommendations/observations were received from Government on 19 March, 1980 and these have been broadly categorised as follows:

(i) *Recommendations/observations that have been accepted by Government:*

Sl. Nos. 1-5, 11-12, 16-17, 19 and 21-23.

(ii) *Recommendations/observations which the Committee do not desire to pursue in the light of the replies received from Government:*

Sl. Nos. 6, 10 and 13.

(iii) *Recommendations/observations replies to which have not been accepted by the Committee and which require reiteration:*

Sl. Nos. 8-9, 14-15 and 20.

(iv) *Recommendations/observations in respect of which Government have furnished interim replies:*

Sl. Nos. 7 and 18.

1.3. The Committee deprecate the delay in sending final replies to two recommendations. They desire that final replies, duly vetted by Audit, to those recommendations/observations in respect of which only interim replies have so far been furnished should be submitted to them expeditiously.

Sl. Nos. 13 and 22 not vetted by Audit.

1.4. The Committee will now deal with the action taken by Government on some of the recommendations.

Production of Shaktiman and Nissan vehicles (Paragraph 1.100—Sl. No. 8)

1.5. Commenting on the shortfall in production of Shaktiman and Nissan vehicles during the years 1971-72 to 1977-78, the Committee in paragraph 1.100 of their 109th Report had observed:

“According to the Project Report, the factory was to reach a monthly target of production of 360 Shaktiman and 400 Nissan vehicles in September 1969, that is, a year after the estimated commencement of production there. Monthly targetted production of 500 Shaktiman and 600 Nissan vehicles was to be achieved in April 1970. The Committee are dismayed to find that as against these targets, the actual average monthly production of Shaktiman vehicles during 1971-72 to 1977-78 has ranged between 25 vehicles and 291 vehicles and that of Nissan Patrol and Nissan 1-ton has ranged between 37 and 117 and 50 and 348 respectively. Further, there have been wide variations in the monthly production of each of these vehicles. All this reveals lack of systematic efforts on the part of the factory authorities to evolve a uniform pattern of production and achieving optimum monthly as well as annual production.”

1.6. In their action taken note dated 14 March, 1980 the Ministry of Defence (Deptt. of Defence Production) have stated:

“The production at VFJ is based on the programme assigned to the factory by the Government and is dependent to a large extent on timely, regular and adequate supplies of finished components, half wroughts etc. from a large number of trade sources spread all over the country. Any shortfall or irregularity in supply from the trade sources has its effect on the production efforts at VFJ and the monthly production figures at VFJ therefore vary in sympathy with the variation in rate of supplies.”

1.7. While expressing dissatisfaction over the shortfalls between the monthly targeted production and actual production of Shaktiman and Nissan vehicles in the V.F.J., the Committee had recommended that the factory authorities should evolve a uniform pattern of pro-

duction and achieve optimum monthly as well as annual production of the vehicles. The Committee are unhappy to note that in their action taken note, the Ministry of Defence have not indicated any steps taken or proposed to be taken to augment production of the vehicles as per factory's capacity. Instead, the Ministry have contended that the extent of production of vehicles depends on a number of factors namely regular and adequate supplies of finished components, half wroughts etc. from a large number of trade sources spread all over the country. The Committee need hardly emphasise that it is for Government to find out ways and means to ensure adequate and regular supplies of finished components so that the factory is able to achieve optimum production of Shaktiman and Nissan vehicles. They strongly recommend that Government should review the methods and procedures of procurement of finished components and introduce suitable control/coordination system to ensure that the VFJ's requirements of components are adequately met.

Non-achievement of targets of production of vehicles, under-utilisation of capacity of factory and rise in the cost of production of Shaktiman (Paragraph 1.101, 1.106 and 1.107—Sl. Nos. 9, 14 and 15.

1.8. Commenting on non-achievement of the monthly targets of production of Shaktiman during 1973-74 to 1976-77, under utilisation of the capacity of the factory and rise in the cost of production of Shaktiman, the Committee in paragraphs 1.101, 1.106 and 1.107 of the Report had observed:

"1.101. Explaining the reasons for non-achievement of the monthly targets, the Secretary (Defence Production) informed that the production had to be correlated to the orders placed on the factory. In this context the Committee observed that as against the requirements of Shaktiman indicated by the Defence Ministry during 1973-74, 1974-75, 1975-76 and 1976-77 for 3000, 4200, 4800 and 6000 vehicles respectively, the production programme assigned to the factory for this vehicle during these years was 2100, 2000, 3071 and 3067 vehicles. The actual production of Shaktiman during the years 1973-74, 1974-75, 1975-76 and 1976-77 was, however, 2400, 2000, 3152 and 3492 vehicles. Similar patterns have been revealed in the figures of requirements, programming and actual production of other two types of vehicles during these years. The Committee were informed that this programming was done on the basis of the allotment of funds.

made by Apex Body of Planning Commission. This shows that in spite of the pressing requirements of the armed forces for these vehicles and also when the factory had capacity to produce more, lesser programmes for the production of these vehicles were assigned to the factory due to the financial constraints imposed by the Planning Commission. It is really perplexing that such a strategic and important factory established for meeting the pressing needs of the army for the vehicles could not be pressed into optimum production partly due to the financial constraints. The Committee are afraid that all the necessary facts about the requirements of the armed forces for these vehicles, capacity of the factory etc. were not placed before the Planning Commission by the Defence Ministry while seeking allotment of funds. The Committee would like to be enlightened in this regard."

"1.106. The under-utilisation of the capacity of the factory has not only affected the production but there had been considerable wastage on this account. The Committee, however, regret to note that Government have been unable to furnish to the Committee the value of the loss incurred by the factory because of such under-utilisation."

"1.107. The Committee note that due to the under-utilisation of the capacity of the factory, there has been very considerable increase in the cost of production of the vehicles. For instance, as against the cost of production of Rs. 37,303 for Shaktiman envisaged in the project Report the actual cost of production during 1976-77 was Rs. 1.33 lakhs. This means that the increase in the cost of production in the case of Shaktiman has been of the order of 257 per cent which is a sad reflection on the functioning of the ordnance factory. The Committee are unable to appreciate why it is not possible for the ordnance factory to match the cost of production of these vehicles with the cost of procurement of these vehicles by the Department from trade which is considerably less, being only Rs. 91,250 for Shaktiman during 1975-76. The Committee strongly emphasise that the Department should make a serious attempt to locate the real causes for this high cost of production and take suitable steps for bringing them down as far as possible."

1.9. In their action taken notes dated 19th June, 14th July and 14th March, 1980 respectively, the Ministry of Defence (Department of Defence Production) have stated:

“1.101. From the minutes of the vehicle Production Review Meetings held during 1973-74 i.e. 27th February, 1973, 23rd March, 1973 and 7th May, 1973, it is seen that the following targets for the period from 1973-74 to 1978-79 were laid down for Vehicle Factory, Jabalpur:—

<i>Year</i>	<i>Shaktiman</i>	<i>Nissan 1-Ton</i>	<i>Nissan Patrol</i>
1973-74	3000	4000	1000
1974-75	4200	5000	1000
1975-76	4800	5600	1200
1976-77	6000	5600	1600
1977-78	6000	5600	1600
1978-79	6000	5600	1600

2. From the above figures it is clear that the trend of the targets of production was higher than what was actually fixed by the Apex Planning Group in Appendix D-I and D-II of the Report which are reproduced below:

<i>Year</i>		<i>Shaktiman Against</i>		<i>Nissan 1-Ton Against</i>		<i>Nissan Patrol Against</i>
1973-74	2100	(3000)	3000	(4000)	900	(1000)
1974-75	2100	(4200)	3000	(5000)	596	(1000)
1975-76	3271	(4800)	3304	(5600)	1057	(1200)
1976-77	3000	(6000)	3000	(5600)	1000	(1600)
1977-78	3000	(6000)	3000	(5600)	1000	(1600)
1978-79	3000	(6000)	3000	(5600)	1000	(1600)

3. The reduction in target figures by the Apex Planning Group appears to be on account of the stringency of available resources which is evident from the observation made by the Apex Planning Group in page 10 and para 1.9.1 of its Report, which is reproduced below:

“The stringency of available resources, both internal and external has been borne in mind.”

"1.106. In this connection it is mentioned that it has already been submitted by the Department to the Public Accounts Committee that the Ordnance Factories cater almost exclusively to the needs of the Services and in certain product ranges have spare capacities for stepping up production in times of emergency. In the present system of accounting and budgeting in the Ordnance Factories, items issued to the Services are treated as free issues. Even though the items of manufacture are costed, the system of account is not geared up for preparation of profit and loss accounts.

2. The loss which the vehicle factory, Jabalpur suffered by not working to full capacity in two shifts can be computed only on hypothetical basis.
3. The quantum of loss has been assessed by the CGDA by taking *pro rata* production targets on the basis of IE strength as on 31st March, 1973 and 31st March 1974. According to the CGDA the full complement of manpower was in position only from 1st April, 1975. The loss arrived at the above basis come to Rs. 4,17,00,367/ for the years 1973-74 to 1976-77.*
4. It may, however, be pointed out that the quantum of production cannot be determined by merely computing the number of IEs put on production work. As such, *pro rata* production targets based on IEs strength cannot be taken as base for the purpose of assessing the national loss. Besides, apart from the labour force, other factors like availability of requisite technical know-how, state and limitations of plant and machinery, non-availability of the production facilities as envisaged in the project Report and other deficiencies of the Project Report have not been taken into account while assessing the loss."

"1.107. The reasons for variation between the estimated and actual costs of production such as the effect of devaluation of the Indian Rupee in June, 1966, the steep variation in rate of exchange between Indian Rupee and DM & Yen and price escalation granted to the Collaborators during the period between 1965 and 1971-72 etc., are beyond the control of DGOF. Also the general inflation that has taken place during the intervening period has also to be

*The loss figures could not be verified in Audit.

taken note of. It may be appreciated that no commercial truck was available even from the trade sector for a price of Rs. 32,000 or near about in 1971-72. Also straight forward cost comparison of these vehicles with those falling in the same general classification would not be correct since the vehicles manufactured at VFJ have certain specific features for operating them in difficult terrain, high altitude and extreme climates i.e. transferred case, live front axle etc. which are requirements of special nature by services not required in load carrying commercial vehicles. These features called for additional cost in the manufacture of the vehicles. Also the commercial vehicles as available ex-factory are bare chasis at best with half cab only whereas the vehicles manufactured at VFJ and issued to the Army are complete Trucks with full cab and complete body."

1.10. The Committee note that as against the available capacity of 13,200 vehicles per annum, the targets approved by the Apex Planning Group of the Planning Commission for the years 1973-74, 1974-75 and 1975-76 represented only 45 per cent, 43 per cent and 57.8 per cent of the capacity in the respective years while for the next three years ending 1978-79, these were pegged at 53 per cent of the capacity. According to the Ministry "the reduction in target figures by the Apex Planing Group appears to be on account of the stringency of available resources" A computation of the loss suffered by the factory by not working to full capacity, made at the instance of the Committee, has revealed that during the four years period ending 1976-77, the total loss was of the order of as much as Rs. 4.17 crores i.e., a little more than Rs. 1 crore per year on an average.

The Committee have been informed that the Rajadhyaksha Committee is looking into the performance of Ordnance factories. The Committee hope that the aspect of under-utilisation of the vehicle Factory at Jabalpur would also be examined by the Rajadhyaksha Committee and suitable measures would be taken to optimise the production in the factory so that the pressing needs of the Army are fully met. Since under-utilisation of capacity has also been the cause of higher cost of production of vehicles, the Committee desire that steps should be taken to increase the output so as to reduce the cost of production.

Establishment of a foundry (Paragraph 1.112—Sl. No. 20)

1.11. Commenting on the delay in the establishment of a foundry for production of castings, the Committee in paragraph 1.112 of the Report had observed:

“Yet another abysmal feature of this project was the long and costly delay in the construction of a foundry meant for production of castings with almost entirely indigenous raw materials for supply to the factory. Firstly, there was a gap of two years between the sanction for the factory and that for the foundry which indicates lack of planning and foresight on the part of the Department. Secondly, at the time of according sanction of Rs. 963.52 lakhs in October 1967, it was envisaged that there would be no substantial gap between the commissioning of factory ‘B’ and that of the foundry. But it is greatly disappointing to note that while the castings were to be made available by the Foundry to the Factory ‘B’ by 1970-71 regular production in the foundry could commence only from July, 1976. The Department have adduced various reasons for this delay, e.g. delay in the submission of Project Report by a foreign Government, general shortage of structural steel then prevailing in the country, long time taken by DGS&D in concluding A/Ts for machines indented on them, import of certain plant and equipment, DGTD’s anxiety for locating a local source for ‘penalized roller conveyers’ etc. The Committee, however, feel that by proper planning and concerted efforts, the delay in setting up the foundry could have been avoided.”

1.12. In their action taken note dated 14 March, 1980 the Ministry of Defence (Department of Defence Production) have stated:

“This aspect of the case is being looked into by the Rajadhyaksha Committee and detailed recommendations are expected to be made in their second Report, which is yet to be submitted. After decision is taken on the recommendation by the Government suitable steps would be taken for timely execution of the Projects in future.”

1.13. The Committee had expressed their displeasure over the delay in the construction of a foundry meant for production of casting, with almost entirely indigenous raw materials, for supply

to the factory. The Committee had opined that by proper planning and concerted efforts, the delay in setting up the foundry could have been avoided. In their reply, the Ministry of Defence have merely stated that this aspect of the case is being looked into by the Rajadhyaksha Committee and detailed recommendations are expected to be made in their second Report, which is yet to be submitted and that after decision is taken on the recommendations by the Government, suitable steps would be taken for timely execution of the Projects in future. The Committee desire that their observations should be sepcifically referred to the Rajadhyaksha Committee for consideration.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

The Committee note that the indigenous assembly of Shaktiman 3-ton, Nissan 1-ton and Nissan Patrol vehicles was established in an Ordnance Factory 'A' from 1959, 1960 and 1962 respectively. The components for the assembly of these vehicles, which could be produced indigenously, were then obtained from different sister Ordnance Factories, largely by utilising their surplus capacity and also from trade. The Chinese aggression of 1962 revealed large shortage of these vehicles and also the ordnance factories so far feeding components for the assembly of the vehicles, were required thereafter to undertake other priority items. Consequently, it became imperative to establish a self-contained vehicle producing factory, sufficient enough to meet the Defence requirements for these vehicles along with adequate capacity and facilities for manufacturing requisite components by transferring exclusive facilities for manufacturing components then existing in the other ordnance factories to this unit. With this end in view, it was decided in July 1963 to set up a self-contained centralised unit to manufacture vehicles along with requisite components. The setting up of factory 'B' was however sanctioned by Government in November, 1965, that is after a lapse of two years. The Committee regret that even when in 1962 Government had realised that there was large-scale shortage of these vehicles for use by armed forces of the country, prompt steps were not taken to make good this shortage and it took more than two years to sanction the setting up of the factory after it was decided to do so.

The Committee note that the sanction of November 1965 was based on the Detailed Project Report, prepared in consultation with Engineer-consultants of two motor-producing foreign firms 'X' and 'Y'. The Committee are deeply pained to find that all the parameters projected in the Project Report viz., the time schedule for construction of the factory and commencement and achievement of optimum production in the factory, scale for deployment of staff, estimated cost of production, time schedule for indigenisation of

components, etc. have gone away. From the facts placed before the Committee in writing as well as during evidence the Committee cannot help concluding that there has been utter lack of concerted and purposive approach in the establishment and execution of such an important and strategic project valuing 46.84 crores. Some of the notable features which the Committee would like to highlight are indicated in the following paragraphs.

To begin with, the project was estimated in November 1965 to cost Rs. 32.06 crores. This sanction was subsequently revised twice—once in December 1970 to Rs. 41.53 crores and again in January 1973 to Rs. 46.84 crores. The Department have advanced various reasons for the escalation of cost of the project such as increase in cost due to procurement of additional plant and machinery not envisaged initially, procurement of machines planned to be transferred from other factories but which could not ultimately be spared, and a general rise in the prices. The Committee nevertheless feel that with adequate anticipation and foresight, all these eventualities could have been visualised at the time of preparation of the Project Report with which experts of foreign companies engaged in the production of such vehicles were intimately associated.

[Sl. Nos. 1, 2 and 3 (Paras 1.93, 1.94 and 1.95) of Appendix to 109th Report (6th Lok Sabha)]

Action Taken

The complete gamut of Project planning, control and implementation in Ordinance Factories is one of the aspects being looked into by the Rajadhyaksha Committee set up by the Government and detailed recommendation on streamlining these areas to avoid delays in sanction, over ride in cost and time frame, etc. are expected to be made in the second Report of the Rajadhyaksha Committee which is yet to be submitted. Once decisions on the recommendations are taken by the Government and implemented it is expected that the Project Planning, Monitoring, Control and Execution would be put on a sound footing.

[Ministry of Defence (Department of Defence Production)
O.M. No. 26(6)/79/D(PA) dated 19 March, 1980]

Recommendation

The Committee are surprised to note that 71 machines (out of the 137 additional machines procured which partly necessitated the aforesaid cost revisions) were not provided for in the final project

Report inadvertently, though the need for these machines was accepted at the time of preparation of Project Report and they were originally included in the Project Report. The Committee are not at all satisfied with the plea of inadvertence for this vital omission and they deplore this serious lapse.

[Sl. No. 4 (Para 1.96) of Appendix to 109th Report
(6th Lok Sabha)].

Action Taken

It will be ensured that such an inadvertent omission, as has happened in this case, is not repeated again.

[Ministry of Defence (Department of Defence Production)
O.M. No. 26 (6) /79/D (PA) dated 19 March, 1980].

Recommendation

A serious deviation from the basic and elementary provision made in the Project Report is that in respect of the completion of civil works for factory 'B'. According to the Project Report, a time-frame of one year and nine months from 1 April, 1966 to December 1967 was contemplated for the completion of civil works for the factory but the production buildings were handed over by the Engineers to factory authorities between July, 1969 and December, 1969. The Department have explained this deviation from the Project Report by stating that the Military Engineers required four years for completion of the civil works, was also mentioned in Appendix 'D' of the Project Report. The Committee regret that two contradictory statements of time projections for the completion of the civil works for the factory with a wide difference were allowed to be incorporated in the basic document such as Project Report, without making efforts to arrive at a realistically conclusive time-frame for the purpose. The Committee would seek specific explanation for careless scrutiny of the Project Report overlooking this serious contradiction.

[Sl. No. 5 (Para 1.97) of Appendix to the 109th Report
(6th Lok Sabha)]

Action Taken

1. No doubt all possible scrutiny was carried out by the authorities concerned at the time of preparation of the Project Report.

2. However, it will be ensured that such lapse as pointed out in this case, should not occur in future. Procedure will be evolved that there is greater liaison between the DGOF and MES right from the Project Report Stage.

[Ministry of Defence (Department of Defence Production)
O.M. No. 26(6)/79/D(PA) dated 19 March, 1980]

Recommendation

The Department have fortified their contention about the inadequacy of the staff on the basis of the recommendations of the Manpower Committee. According to the Manpower Committee for an annual level of production 8,000 to 9,000 vehicles, the actual manpower required would be 10,387, as against the staff strength of 6875, estimated by the Project Report for the same level of production. The report of the Manpower Committee was received by the Department in October, 1976. The Committee were informed during evidence in July, 1978 that it was still "under consideration". However, in a subsequent note received from the Department, it is stated that on examination of the recommendations of the Committee, they have evolved a principle of laying down the revised ceiling strength of workers in the factory which would entail an increase of 1849 worker in the existing strength of 11,572 of industrial establishment, non-gazetted officers and non-industrial establishment. It is further stated that with the induction of additional manpower, to be done gradually, the factory will be able to raise production to 10,000 vehicles per annum with some additional items of balancing equipment. The Committee hope that all appropriate steps for increasing the production of the factory to the optimum level, keeping in view the established principle of economy, will now be taken in right earnest so that our armed forces are not handicapped for want of this equipment. The Committee, however, desire that before the induction of new staff on the basis of the strength-ceiling now evolved, the Department should also make all possible adjustments in the positioning of staff in the service and general administration of the factory, the wing stated to be overstaffed according to Appropriation Accounts of the Ministry of Defence for 1974-75.

[Sl. No. 11 (Para 1.103) of Appendix to 109th Report
(6th Lok Sabha)]

Action Taken

This is being implemented.

[Ministry of Defence (Department of Defence Production)
O.M. No. 26(6)/79/D(PA) dated 19 March, 1980]

Recommendation

The Committee note that the payments of over-time allowance made to non-Industrial employees and non-gazetted officers was as much 40 per cent of their wages during 1972-73 about 30 per cent of their wages in the years from 1969-70 to 1975-76 and 16—18 per cent of their wages during 1976-77 and 1977-78. They trust that with the strengthening and reorganisation of staff the payment of over-time allowance will at least be controlled, if not eliminated altogether.

[Sl. No. 12 (Para 1.104) of Appendix to 109th Report
(6th Lok Sabha)]

Action Taken

This is being done.

[Ministry of Defence (Department of Defence Production)
O.M. No. 26(6)/79/D(PA) dated 19, March, 1980]

Recommendation

The Committee were informed during evidence that apart from the current year to year requirements of the Army there was also a sizeable backlog of quantity which remained to be supplied by DGOF against orders placed on him in the past. As on 1-10-1973, whereas the assessed deficiency of 3-tonners with the army was stated to be 12,549 vehicles, the backlog to be supplied by DGOF against old orders was as much as 18,866. Thus, as on 1-10-1973 the total number of 3-tonners which were required to be supplied by DGOF to the army was 18,866. Asked as to how the Department proposed to meet the full requirements of the army in the context of the limited capacity of the factory and restricted size of the programmes allocated, the representative of the Ministry of Defence replied that "they have to carry forward their shortage". The Committee would like the Ministry of Defence to examine

this position in detail and its implications on the defence preparedness of the army for taking such remedial action as may be necessary.

[Sl. No. 16 (Para 1.108) of Appendix to 109th Report
(6th Lok Sabha)]

Action Taken

The various actions that have been taken by the Government in order to meet the deficiencies pointed out in the above recommendations are as follows:—

- (i) A review on the disposal norms presently adopted has been undertaken.
- (ii) Action for increasing the production of vehicles in VFJ and for this purpose extra staff has also been sanctioned.
- (iii) There is a proposal to upgrade the present 3-ton vehicle and when this is approved, the total requirements would come down.

[Ministry of Defence (Department of Defence Production)
O.M. No. 26 (6) |79|D| (PA) dated 14 May, 1980]

Recommendation

The Committee take this opportunity to emphasise once again that avoidable delays in the setting up of factories and establishments for the production of items needed by the Defence Forces and non-utilisation or under-utilisation of production capacity in the factories even though full capacity utilisation is warranted by the projected requirements, is reprehensible as it affects our general defence capacity. The Committee desire that the DGOF and the controlling authorities in the Ministry should devise a suitable control mechanism to keep a systematic close watch on the progress in setting up of the factories and on the level of production achieved and if a bottleneck comes to the notice concerted remedial action should be taken immediately.

[Sl. No. 17, (Para 1.109) of Appendix to 109th Report
(6th Lok Sabha)]

Action Taken

The complete gamut of Project planning, control and implementation in Ordinance Factories is one of the aspects being looked into by the Rajadhyaksha Committee set up by the Government and detailed recommendation on streamlining these areas to avoid delays in sanction over ride in cost and time frame, etc. are expected to be made in the second report of the Rajadhyaksha Committee which is yet to be submitted. Once decisions on the recommendations are taken by the Government and implemented it is expected that the Project Planning, Monitoring, Control and Execution would be put on a sound footing.

[Ministry of Defence (Department of Defence Production)
O.M. No. 26(6)/79(D(PA) dated 19 March, 1980]

Recommendation

The Committee note that according to the Audit paragraph, the indigenous content of 90 per cent of components was planned to be achieved in both Shaktiman and Nissan vehicles by the end of 1970-71. The initial setback in the commencement of production in the factory due to delay in the completion of civil works has had, according to the Department, the corresponding adverse effect on the achievement of these targets, which were suitably revised. The Committee regret to note that the Department failed even to adhere to those revised targets. According to the Department, the 90 per cent indigenisation of components of Shaktiman, proposed to be achieved in 1973-74 was actually achieved in 1974-75. The position in respect of the other two vehicles was very far from satisfactory. According to the revised programme, the 90 percent indigenisation of components in respect of Nissan-1-ton and Nissan Patrol vehicles was proposed to be achieved by 1972-73 but it was actually achieved in 1977-78. The Committee desire to know the reasons for this long delay in effecting indigenisation of components in respect of Nissan 1-ton and Nissan Patrol vehicles. They will also like the Department to make all out efforts to achieve cent-per-cent indigenisation of components of these vehicles so as to save precious foreign exchange.

[Sl. No. 19 (Para 1.111) of Appendix to 109th Report
(6th Lok Sabha)]

Action Taken

The major items still remaining to be indigenised are mainly those which are bought out by the Collaborators. Hence the de-

tailed manufacturing drawings, specification, testing parameters and inspection criteria are not available. The absence of these vital information has caused more time being taken in the indigenisation of these items since, development by process of reverse engineering and experimentation is a long process. It is however stated that indigenous development of most of these major components has since been completed and sources of supplies are being established so that dependence on imports is avoided.

[Ministry of Defence (Department of Defence Production)
O.M. No. 26(6)/79/D(PA) dated 19 March, 1980]

Recommendation

The position with regard to the level of production achieved in the foundry so far is extremely unsatisfactory. Out of the factory's monthly requirements of 730 metric tons of castings, total production of 180 metric tons per month has been achieved so far. Further, production still remains to be established in respect of 14 items. The Committee would like the Department to make all-out efforts to establish production in respect of the remaining 14 items and also increase production in the foundry so as to meet the requirements of the factory in full.

[Sl. No. 21 (Para 1.113) of Appendix to 109th Report
(6th Lok Sabha)]

Action Taken

The annual output of the factory as estimated by the Czech. Experts in the DPR was forecast based on condition as per Czech. standard since G.I.F. is first of its kind in Indian Ordnance Factories, it will take a few years more to reach the target. Even as per DPR the peak capacity is to be achieved only 1981-82. The reasons are:—

- (a) Lack of suitable trained personnel in Ordnance Factories both in maintenance and production.
- (b) Non-availability of adequate man power to run two shifts.
- (c) Less skill of workmen recruited locally.
- (d) Fluctuation in the quality of raw materials resulting in more time to adjust the composition of metal specified, thereby losing productive hours.
- (e) The need for providing balancing capacity in certain fields has been found and this has been reflected to CSSR for a Project Review.

- (f) Out of 14 items stated in the Report as yet to be established, the following 5 items have been established and supply is being made partially: GIF 1001, 2020, 2025, 2036 and 2719.

All out efforts are being made to establish the balance items within the least possible time; they are however dependent on supply of moulding boxes from trade sources or importation of Pattern equipments from foreign sources.

[Ministry of Defence (Department of Defence Production)
O.M. No. 26(6)/79/D(PA) dated 19 March, 1980]

Recommendation

The Committee note that the collaboration agreements concluded with foreign firms 'X' and 'Y' for assembly of Shaktiman and Nissan vehicles in 1958 and 1960 respectively were initially valid for a period of 10 years, after which the licensee was at liberty to continue the manufacture and market the vehicles without payment of research and development charges, technical assistance fee and royalty to the licensor. These agreements were, however, extended from time to time. According to the Department, the question of further extending the agreement with firm 'X' which was last extended upto December 1978, is under consideration of Government. As regards the agreement with firm 'Y', it was last extended upto February 1978 and the Government propose to extend it further upto 1980. According to Audit, the total amount paid to these firms as royalty etc. during the period July 1973 to December 1976 (for which figures were available) was Rs. 99.25 lakhs. The total payments made on this accounts from the beginning will obviously be much more. It is disappointing that over the last 18—20 years for which these technical collaboration agreements have been in operation, the factory was unable to develop the technical expertise to independently handle the production of this item. It also reflects adversely on the Defence, Research and Development Organisation on which enormous expenditure is being incurred every year, which has not been able to help the factory to dispense with the need for foreign expertise involving substantial outgo of foreign exchange. The Committee recommend that before taking a definite decision for extension of these agreements, Government should thoroughly assess the need for such extensions and in case it is ultimately decided to grant an extension, it should not be for a period exceeding one year and it should be made clear to the factory authorities that no further,

extension will be made available and they will have to take over the technical operation of the factory without foreign expert assistance.

[Sl. No. 22 (Para 1.114) of Appendix to 109th Report
(6th Lok Sabha)]

Action Taken . .

Although Collaboration Agreement have been in existence for a period of 18—20 years, it is only after centralised facilities for manufacture of vehicles was set up at VFJ and the Technical Committee Vehicles transferred to VFJ in 1973 that proper impetus to the indigenisation drive could be given and the Collaboration Agreement exploited properly. Therefore, the effective operation of the Collaboration Agreement in its complete sense was only in the last 8 to 9 years.

In so far as the Collaboration Agreement with MAN is concerned, for the extension beyond December, 1978, it is understood that there is no clause for any payment on account of Technical assistance fee and royalty to the firm. However, 25 per cent rebate on purchase of certain items is available to us as most favoured customer of the licensor. Therefore, financially the Agreement is in our favour and it also provides us with considerable technical back up in times of need.

In so far as the Agreement with Nissan Motors Co. is concerned the same has not been extended further after it expired on 2-2-1980.

[Ministry of Defence (Deptt. of Defence Production)
O.M. No. 26(6) |79|D(PA) dated 19 March, 1980]

Recommendation

The Committee note that at the time of transfer of assembly line of Nissan 1-ton vehicles from factory 'A' to factory 'B', 346 vehicles held by the former were also transferred to the latter in batches during the period 23 January 1971 to 22 May 1973. In spite of incurring of full expenditure on these vehicles by factory 'A' on all operations provided for in the estimates and also when these vehicles were fully inspected by the representatives of factory 'A' and factory 'B' at the time of transfer of these vehicles, factory 'B' had to spend as much as Rs. 18.88 lakhs to make good the deficiencies in them before issuing them to the Army. The Committee were informed that these vehicles were rejections out of production at factory 'A' during the period from 1967 to 1970 due

to defects in engines, water pumps, gear-boxes etc. and were kept aside for repairs of the defective components etc., which could not be attended to in factory 'A' before transfer. The Committee regard it an act of negligence and carelessness on the part of factory 'A', as according to commercial prudence, the defects noticed in these vehicles should have been rectified immediately so that these could have been issued to the Army for service, instead of being allowed to remain unattended and thus locking up the capital of the factory.

[Sl. No. 23 (Para 1.115) of Appendix to 109th Report
(6th Lok Sabha)]

Action Taken

It is regretted that this has happened and it will be ensured that it is not repeated in future.

[Ministry of Defence (Deptt. of Defence Production) O.M.
No. 26(6)/79|D(PA) dated 19 March, 1980]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES RECEIVED FROM GOVERNMENT

Recommendation

The Committee are further perturbed at the long delay in the commencement of production in the factory. According to the original estimates, the factory was expected to commence production by November, 1968 but actual production of Nissan 1-ton and Shaktiman vehicles was commenced in November, 1970 and March, 1972 respectively. One of the reasons for this delay, according to the Department, is the longer time taken in the completion of civil works. The commencement of production of Shaktiman was, however, delayed by about 3½ years. Giving an allowance of about 2 years on account of the delay in completion of civil works which has already been commented upon, another gap of about 1½ years remained to be justified. The Department has sought to justify this delay as due to longer period taken in effecting transfer of 338 machines out of 448 machines originally planned to be transferred from the sister ordnance factories and on account of the fresh procurement of the balance 110 machines in lieu of those which could not be spared. The Committee are not convinced and consider that the delay was not justified and could have been avoided by foresight and coordinated approach on the part of the Department.

[Sl. No. 6 (Para 1.98) of Appendix to 109th Report
(6th Lok Sabha)]

Action Taken

Although the issue of complete Shaktiman vehicles from VFJ commenced in March, 1972, the manufacture/assembly of major items/sub-assemblies like Engine, Gear Box, Transfer Case, Front Axle and Rear Axle started in October, 1970 or earlier in VFJ and therefore there is no delay in commencement of Shaktiman production also in VFJ, once allowance of about two years on account of completion of civil works is taken into consideration.

2. It must be added that this is the first time that an automotive factory was set up under the aegis of the DGOF and would necessarily take slightly longer time as this was a totally new discipline.

[Ministry of Defence (Deptt. of Defence Production) O.M. No. 26(6)/79/D(PA) dated 19 March, 1980]

Recommendation

According to the Department, apart from the financial constraints imposed by Apex Body of the Planning Commission, the other constraint responsible for the low production of the factory was the inadequacy of staff. The Committee, however, find that as against the requirement of 8,732 employees assessed by the Project Report for achieving optimum production of 13,200 vehicles, the factory had a manpower of 9,034 while the actual production achieved is about 50 per cent of the optimum figures.

[Sl. No. 10 (Para 1.102) of Appendix to 109th Report (6th Lok Sabha)]

Action Taken

According to the Manpower Committee Report, due to various constraints it was found that the manpower as envisaged in the Detailed Project Report was not sufficient. The Report of the Manpower Committee has been accepted and Government letter enhancing extra manpower has since been issued.

[Ministry of Defence (Deptt. of Defence Production) O.M. No. 26(6)/79/D(PA) dated 19 March, 1980]

Recommendation

The Committee note that the whole capacity in the factory is based on two shifts. They are perturbed to note that all these years the utilisation of capacity in the second shift was only to the extent of 18 per cent which means that in this shift as much as 82 per cent of the capacity of the machines remained idle during all these years. It is a sad reflection on the functioning of this factory in which crores of tax-payer's money has been invested to meet the requirements of the armed forces. Except a request made by the factory authorities for sanction of 2826 additional posts, which also was perhaps shelved by DGOF, the authorities concerned had failed to take timely effective steps for the optimum utilisation of costly machines when the armed forces were badly in need of

the vehicles. This clearly indicates the absence of an inbuilt system of regularly and systematically monitoring the production in the factory, identifying bottlenecks and taking remedial action. The Committee emphasise the need for establishing such a system.

[Sl. No. 13 (Para 1.105) of Appendix to 109th Report
(6th Lok Sabha)]

Action Taken

19.92 per cent of the total strength employed in night shift is not an indication of the utilisation of machines in the second shift and total strength of the factory in both the shifts together. The total strength includes not only the men employed on machines but also in supporting services and administrative sections also. In a typical shift-wise disposition, the percentage of men on machines deployed in the night shift to that in the day shift worked out to 54.57 per cent. It, therefore, means that the utilisation of machines in the night shift is the order of 55 per cent and not 18 per cent as indicated. It would be appreciated that when the production programme, to which factory was operating, did not call for full utilisation of the machines in the night shift, it was necessary to induct additional manpower at that time.

[Ministry of Defence (Deptt. of Defence Production) O.M. No.
26(6)/79/D(PA) dated 19 March, 1980]

CHAPTER IV

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

Recommendation

According to the Project Report, the factory was to reach a monthly target of production of 360 Shaktiman and 400 Nissan vehicles in September 1969, that is, a year after the estimated commencement of production there. Monthly targetted production of 500 Shaktiman and 600 Nissan vehicles was to be achieved in April 1970. The Committee are dismayed to find that as against these targets, the actual average monthly production of Shaktiman vehicles during 1971-72 to 1977-78 has ranged between 25 vehicles and 291 vehicles and that of Nissan Patrol and Nissan 1-ton has ranged between 37 and 47 and 50 and 348 respectively. Further, there have been wide variations in the monthly production of each of these vehicles. All this reveals lack of systematic efforts on the part of the factory authorities to evolve a uniform pattern of production and achieving optimum monthly as well as annual production.

[Sl. No. 8 (Para 1.100) of Appendix to 109th Report
(6th Lok Sabha)]

Action Taken

The production at VFJ is based on the programme assigned to the factory by the Government and is dependent to a large extent on timely, regular and adequate supplies of finished components, half wroughts, etc. from a large number of trade sources spread all over the country. Any shortfall or irregularity in supply from the trade sources has its effect on the production efforts at VFJ and the monthly production figures at VFJ, therefore, vary in sympathy with the variation in rate of supplies.

[Ministry of Defence (Deptt. of Defence Production) O.M. No.
26(6)/79/D(PA) dated 19 March, 1980]

Recommendation

Explaining the reasons for non-achievement of the monthly targets, the Secretary (Defence Production) informed that the production had to be correlated to the orders placed on the factory. In this context, the Committee observed that as against the requirements of Shaktiman indicated by the Defence Ministry during 1973-74, 1974-75, 1975-76 and 1976-77 for 3000, 4200, 4800 and 6000 vehicles respectively, the production programme assigned to the factory for this vehicle during these years was 2100, 2000, 3071 and 3067 vehicles. The actual production of Shaktiman during the years 1973-74, 1974-75, 1975-76 and 1976-77 was, however, 2400, 2000, 3151 and 3492 vehicles. Similar pattern have been revealed in the figures of requirements, programming and actual production of other two types of vehicles during these years. The Committee were informed that this programming was done on the basis of the allotment of funds made by Appex Body of Planning Commission. This shows that in spite of the pressing requirements of the armed forces for these vehicles and also when the factory had capacity to produce more, lesser programmes for the production of these vehicles were assigned to the factory due to the financial constraints imposed by the Planning Commission. It is really perplexing that such a strategic and important factory established for meeting the pressing needs of the army for the vehicles could not be pressed into optimum production partly due to the financial constraints. The Committee are afraid that all the necessary facts about the requirements of the armed forces for these vehicles, capacity of the factory etc. were not placed before the Planning Commission by the Defence Ministry while seeking allotment of funds. The Committee would like to be enlightened in this regard.

[Sl. No. 9 (Para 1.101) of Appendix to 109th Report
(6th Lok Sabha)]

Action Taken

From the minutes of the Vehicle Production Review Meetings held during 1973-74 i.e 27th February, 1973, 23rd March, 1973 and 7th May, 1973, it is seen that the following targets for the period from 1973-74 to 1978-79 were laid down for Vehicle Factory, Jabalpur:—

Year	Shaktiman	Nissan 1-Ton	Nissan Patrol
1973-74 . . .	3000	4000	1000
1974-75 . . .	4200	5000	1000
1975-76 . . .	4800	5600	1200
1976-77 . . .	6000	5600	1600
1977-78 . . .	6000	5600	1600
1978-79 . . .	6000	5600	1600

2. From the above figures is clear that the trend of the targets of production was higher than what was actually fixed by the Apex Planning Group in Appendices D-I and D-II of the Report which are reproduced below:—

Year	Shaktiman Against	Nissan 1-Ton Against	Nissan Patrol Against
1973-74 . . .	2100 (3000)	3000 (4000)	900 (1000)
1974-75 . . .	2100 (4200)	3000 (5000)	596 (1000)
1975-76 . . .	3271 (4800)	3304 (5600)	1057 (1200)
1976-77 . . .	3000 (6000)	3000 (5600)	1000 (1600)
1977-78 . . .	3000 (6000)	3000 (5600)	1000 (1600)
1978-79 . . .	3000 (6000)	3000 (5600)	1000 (1600)

3. The reduction in target figures by the Apex Planning Group appears to be on account of the stringency of available resources which is evident from the observation made by the Apex Planning Group in page 10 and para 1.9.1. of this Report, which is reproduced below:—

“The stringency of available resources, both internal and external has been borne in mind”.

[Ministry of Defence (Deptt. of Defence Production) O.M. No. 26(6)/79/D(PA) dated 24 June, 1980]

Recommendation

The under-utilisation of the capacity of the factory has not only affected the production but there had been considerable wastage on this account. The Committee, however, regret to note that Government have been unable to furnish to the Committee the value of the loss incurred by the factory because of such under-utilisation.

[Sl. No. 14 (para 1.106) of Appendix to the 109th Report (6th Lok Sabha)]

Action Taken

In this connection it is mentioned that it has already been submitted by the Department to the Public Accounts Committee that the Ordnance Factories cater almost exclusively to the needs of the Services and in certain product ranges have spare capacities for stepping up production in times of emergency. In the present system

of accounting and budgeting in the Ordnance Factories, items issued to the Services are treated as free issues. Even though the items of manufacture are costed, the system of accounts is not geared up for preparation of profit and loss accounts.

2. The loss which the Vehicle Factory, Jabalpur suffered by not working to full capacity in two shifts can be computed only on hypothetical basis.

3. The quantum of loss has been assessed by the CGDA by taking *pro rata* production targets on the basis of IE strength as on 31st March, 1973 and 31st March, 1974. According to the CGDA the full complement of manpower was in position only from 1st April, 1975. The loss arrived at on the above basis comes to Rs. 4,17,00,387/- for the years 1973-74 to 1976-77.

4. It may, however, be pointed out that the quantum of production cannot be determined by merely computing the number of IEs put on production work. As such, *pro rata* production targets based on IEs strength cannot be taken as base for the purpose of assessing the national loss. Besides, apart from the labour force, other factors like availability of requisite technical know-how, state and limitations of plant and machinery, non-availability of the production facilities as envisaged in the Project Report and other deficiencies of the Project Report have not been taken into account while assessing the loss.

[Ministry of Defence (Deptt. of Defence Production) O.M. No. 26(6)/79/D(PA) dated 14th July, 1980]

Recommendation

The Committee note that due to the under-utilisation of the capacity of the factory, there has been very considerable increase in the cost of production of the vehicles. For instance, as against the cost of production of Rs. 37,303 for Shaktiman envisaged in the Project Report the actual cost of production during 1976-77 was Rs. 1.33 lakhs. This means that the increase in the cost of production in the case of Shaktiman has been of the order of 257 per cent which is a sad reflection on the functioning of the ordnance factory. The Committee are unable to appreciate why it is not possible for the ordnance factory to match the cost of production of these vehicles with the cost of procurement of these vehicles by the Department from trade which is considerably less, being only Rs. 91,250 for Shaktiman during 1975-76. The Committee strongly emphasise that

the Department should make a serious attempt to locate the real causes for this high cost of production and take suitable steps for bringing them down as far as possible.

[Sl. No. 15 (Para 1.107) of Appendix to 109th Report
(6th Lok Sabha)]

Action Taken

The reasons for variation between the estimated and actual costs of production such as the effect of devaluation of the Indian Rupee in June, 1966, the steep variation in rate of exchange between Indian Rupee and DM & Yen and price escalation granted to the Collaborators during the period between 1965 and 71-72 etc., are beyond the control of DGOF. Also the general inflation that has taken place during the intervening period has also to be taken note of. It may be appreciated that no commercial truck was available even from the trade sector for a price of Rs. 32,000 or near about in 1971-72. Also straight forward cost comparison of these vehicles with those falling in the same general classification would not be correct since the vehicles manufactured at VFJ have certain specific features for operating them in difficult terrain, high altitude and extreme climates, i.e. transfer case, live front axle etc. which are requirements of special nature by services not required in load carrying commercial vehicles. These features called for additional cost in the manufacture of the vehicles. Also the commercial vehicles as available ex-factory are bare chassis at best with half cab only whereas the vehicles manufactured at VFJ and issued to the Army are complete Trucks with full cab and complete body.

[Ministry of Defence (Department of Defence Production)
O.M. No. 26(6)/79/D(PA) dated 19th March, 1980]

Recommendation

Yet another abysmal feature of this project was the long and costly delay in the construction of a Foundry meant for production of castings with almost entirely indigenous raw materials for supply to the factory. Firstly, there was a gap of two years between the sanction for the factory and that for the foundry which indicates lack of planning and foresight on the part of the Department. Secondly, at the time of according sanction of Rs. 963.52 lakhs in October 1967, it was envisaged that there would be no substantial gap between the commissioning of factory 'B' and that of the foundry. But it is greatly disappointing to note that while the castings were to be made available by the Foundry to the Factory

'B' by 1970-71 regular production in the foundry could commence only from July 1976. The Department have adduced various reasons for this delay, e.g. delay in the submission of Project Report by a foreign Government, general shortage of structural steel then prevailing in the country, long time taken by DGS&D in concluding A/Ts for matching indented on them, import of certain plant and equipment, DGTD's anxiety for locating a local source for 'penalized roller conveyers' etc. The Committee, however, feel that by proper planning and concerted efforts, the delay in setting up the foundry could have been avoided

[Sl. No. 20 (Para 1.112) of Appendix to 109th Report
(6th Lok Sabha)]

Action Taken

This aspect of the case is being looked into by the Rajadhyaksha Committee and detailed recommendations are expected to be made in their second Report, which is yet to be submitted. After decision is taken on the recommendation by the Government suitable steps would be taken for timely execution of the Projects in future.

[Ministry of Defence (Department of Defence Production)
O.M. No. 26(6)/79/D(PA) dated 19th March, 1980]

CHAPTER V

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

Recommendation

The Committee deplore yet another slippage from the estimates made in the Project Report, relating to the level of production achieved in the factory. The Committee note that keeping in view maximum annual requirements of the Army of 10,500 vehicles (3800 Shaktiman, 4300 Nissan 1-ton vehicles and 2400 Nissan Patrol), the factory assigned an annual capacity of 13,200 vehicles. The excess capacity of the factory was planned in order to obtain economies of scale. The Committee are, however, surprised that the factory has failed even to meet fully the requirements of Army. The Committee are deeply concerned to know from the Secretary (Defence Production) during evidence that as against the factory's annual capacity for 13,200 vehicles it was only recently that the factory had, achieved annual production in the neighbourhood of 7,900 to 8,000, i.e., only 60 per cent of the capacity of the factory.

[Sl. No. 7 (Para 1.99) of Appendix to 109th Report
(6th Lok Sabha)]

Action Taken

Detailed reply will follow.

[Ministry of Defence (Department of Defence Production)
O.M. No. 26(6)/79/D(PA) dated 19th March, 1980]

Recommendation

The Committee were informed that a committee under the Chairmanship of Shri V. G. Rajadhyaksha has already been set up to make recommendations, *inter alia*, for improving the performance of ordnance factories including this factory. The final recommendations of the committee are awaited. The committee understand that Rajadhyaksha Committee has submitted its first report—"Report of the study Group on vehicle factory in November 1976". However, this report is stated to be still under consideration. The causes of production slippages and under-utilisation in the Vehicle factory are understood to have been attributed by this committee to uneconomically low volume of production and major shortcomings in the

preparation of the Detailed Project Report on which the factory was sanctioned, viz., inadequate plant and machinery, variation in plant and machinery actually procured from that which was originally visualised, poor quality of some vital machines etc. This committee is also understood to have made a number of recommendations for immediate action relating to organisation, Role of personal Management, Quality Control, Productoin Finance and Control, Industrial Engineering etc. while, *inter alia* pointing out wide disparity in the Army's forecasts of requirements of vehicles and actuals. The Committee would like to know the precise action taken on the recommendations of the aforesaid report of Rajadhyaksha Committee. The Committee would also anxiously await the final recommendations of the Rajadhyaksha Committee on this factory and action taken by the Government on these recommendations.

[Sl. No. 18 (Para 1.110) of Appendix to 109th Report
(6th Lok Sabha)]

Action Taken

While some recommendations of the Rajadhyaksha Committee have been implemented, Government is awaiting the final Report which is expected before September, 1980 and that after this is received, a comprehensive note showing the action taken on various recommendations would be furnished.

[Ministry of Defence (Department of Defence Production)
O.M. No. 26(6)/79/D(PA) dated 19th March, 1980]

NEW DELHI;

CHANDRAJIT YADAV,

November 13, 1980

Chairman,

Kartika 22, 1902 (Saka)

Public Accounts Committee.

Appendix **Conclusions/Recommendations**

Sl. No.	Para No.	Ministry/Department concerned	Conclusions/Recommendations
		3	4
	1.3	Defence (Dept. of Defence Production)	<p>The Committee deprecate the delay in sending final replies to two recommendations. They desire that final replies, duly vetted by Audit, to those recommendations/observations in respect of which only interim replies have so far been furnished should be submitted to them expeditiously.</p>
	1.7	0-	<p>While expressing dissatisfaction over the shortfalls between the monthly targeted production and actual production of Shaktiman and Nissan vehicles in the V.F.J., the Committee had recommended that the factory authorities should evolve a uniform pattern of production and achieve optimum monthly as well as annual production of the vehicles. The Committee are unhappy to note that in their action taken note, the Ministry of Defence have not indicated any steps taken or proposed to be taken to augment production of the vehicles as per factory's capacity. Instead, the Ministry have contended that the extent of production of vehicles depends on a number of factors namely regular and adequate supplies of finished components, half wrought etc. from a large num-</p>

ber of trade sources spread all over the country. The Committee need hardly emphasise that it is for Government to find out ways and means to ensure adequate and regular supplies of finished components so that the factory is able to achieve optimum production of Shaktiman and Nissan vehicles. They strongly recommend that Government should review the methods and procedures of procurement of finished components and introduce suitable control/co-ordination system to ensure that the VFJ's requirements of components are adequately met.

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The Committee note that as against the available capacity of 13,200 vehicles per annum, the targets approved by the Apex Planning Group of the Planning Commission for the years 1973-74, 1974-75 and 1975-76 represented only 45 per cent, 43 per cent and 57.8 per cent of the capacity in the respective years while for the next three years ending 1978-79, these were pegged at 53 per cent of the capacity. According to the Ministry 'the reduction in target figures by the Apex Planning Group appears to be on account of the stringency of available resources....' A computation of the loss suffered by the factory by not working to full capacity, made at the instance of the Committee, has revealed that during the four years period ending 1976-77, the total loss was of the order of as much as Rs. 4.17 crores i.e., a little more than Rs. 1 crore per year on an average.

The Committee have been informed that the Rajadhyaksha Committee is looking into the performance of Ordnance factories.

The Committee hope that the aspect of under-utilisation of the Vehicle Factory at Jabalpur would also be examined by the Rajadhyaksha Committee and suitable measures would be taken to optimise the production in the factory so that the pressing needs of the Army are fully met. Since under-utilisation of capacity has also been the cause of higher cost of production of vehicles, the Committee desire that steps should be taken to increase the output so as to reduce the cost of production.

4. 1.13 Defence: (Deptt. of
Defence: Production)

The Committee had expressed their displeasure over the delay in the construction of a foundry meant for production of castings, with almost entirely indigenous raw materials, for supply to the factory. The Committee had opined that by proper planning and concerted efforts, the delay in setting up the foundry could have been avoided. In their reply, the Ministry of Defence have merely stated that this aspect of the case is being looked into by the Rajadhyaksha Committee and detailed recommendations are expected to be made in their second Report, which is yet to be submitted and that after decision is taken on the recommendations by the Government, suitable steps would be taken for timely execution of the Projects in future. The Committee desire that their observations should be specifically referred to the Rajadhyaksha Committee for consideration.