

FOURTH REPORT
ESTIMATES COMMITTEE
(1985-86)

(EIGHTH LOK SABHA)

MINISTRY OF SUPPLY
DIRECTORATE GENERAL OF SUPPLY AND
DISPOSALS

[Action Taken by Government on the Recommendations contained in the 72nd Report of Estimates Committee (7th Lok Sabha) on the Ministry of Supply]



Presented to Lok Sabha on 30 July, 1985

LOK SABHA SECRETARIAT
NEW DELHI

July, 1985/Śrāvana, 1907 (A)
Price : Rs.1.50

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(1985-86)

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INTRODUCTION

I the Chairman of the Estimates Committee having been authorised by the Committee to submit the Report on their behalf present this Fourth Report on action taken by Government on the recommendations contained in the Seventy-Second Report of Estimates Committee (7th Lok Sabha) on the Ministry of Supply—Directorate General of Supply and Disposal.

2. The 72nd Report was presented to Lok Sabha on 16th April, 1984. Government furnished their replies indicating action taken on the recommendations contained in that Report by 16th October, 1984. The replies were examined by Study Group on Action Taken Reports of Estimates Committee at their sitting held on 17th July, 1985. The draft Report was adopted by the Committee on 22nd July, 1985.

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

I. Report

II. Recommendations|Observations which have been accepted by Government.

III. Recommendations|Observations which the Committee do not desire to pursue in view of Government's replies.

IV. Recommendations|Observations in respect of which replies of Government have not been accepted by the Committee.

V. Recommendations|Observations in respect of which final replies of Government are still awaited.

4. An analysis of action taken by Government on the recommendations contained in the 72nd Report of Estimates Committee is given in Appendix. It would be observed therefrom that out of 16 recommendations made in the Report 10 recommendations i.e. 62.50% have been accepted by the Government and the Committee do not desire to pursue one recommendation i.e. 6.25% in view of Government's reply. Replies of Government in respect of 3 recommendations i.e. 18.75 per cent have not been accepted by the Committee. Final replies in respect of 2 recommendations i.e. 12.50 per cent still awaited.

NEW DELHI;
29 July, 1985

7 Sravana, 1907 (Saka)

CHINTAMANI PANIGRAHI,
Chairman
Estimates Committee.

CHAPTER I

REPORT

1.1 This Report of the Estimates Committee deals with action taken by Government on the recommendations contained in their 72nd Report (7th Lok Sabha) on the Ministry of Supply—D.G.S.&D., which was presented to Lok Sabha on April 16, 1984.

1.2 Action taken notes have been received in respect of all the 16 recommendations contained in the Report.

1.3 The Action taken notes on the recommendations of the Committee have been categorised as follows:—

- (i) Recommendations|Observations which have been accepted by the Government:

S. Nos. 3, 5, 6, 7, 9, 10, 11, 12, 15 and 16.

(Total 10—Chapter II)

- (ii) Recommendations|Observations which the Committee do not desire to pursue in view of Government's replies:

S. No. 4

(Total 1—Chapter III)

- (iii) Recommendations|Observations in respect of which Government's replies have not been accepted by the Committee:

S. Nos. 2, 8, 14

(Total 3—Chapter IV)

- (iv) Recommendations|Observations in respect of which final replies of Government are still awaited:

S. Nos. 1, 13

(Total 2—Chapter V)

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

Supply of Tender Documents

Recommendation (Sr. No. 2, Para 2.5 to 2.7)

1.5 It had been brought to the notice of the Committee that belated publication of tender notices was one of the difficulties encountered by the suppliers. It had been pointed out that the publication of the Indian Trade Journal was not up-to-date and regular and the Bulletins issued by the DGS&D were often received late by the parties concerned. Coupled with this was the difficulty of complete tender documents not being available readily; tender copies not being available at local offices; occasionally the tender documents being without connected drawings and specifications.

1.6 Although the Secretary, Ministry of Supply had during evidence stated that there was no substance in the complaint that tender documents were not made available to all those who were interested in bidding, the Committee had emphasised that in this matter constant vigilance was necessary to ensure that unscrupulous persons in or outside the Organisation did not so manoeuvre that the tender notices did not reach at all the parties interested in bidding or reached them very late. The Committee had recommended that it should also be ensured that complete tender documents including the drawings and specifications were made available to the prospective bidders well in time so as to encourage free and fair competition among the bidders. The Committee had desired that any complaints in this regard should be promptly enquired into for appropriate action at a higher level.

1.7 With a view to ensure that the tender notices reached the addressees the Secretary, Ministry of Supply during the evidence had agreed to the suggestion that the tender notices/circular letters should be sent to all concerned under Certificate of Posting. The Committee had expressed the hope that this procedure would commence forthwith.

1.8 The Ministry of Supply have furnished the following action taken note in this regard:—

“The Committee’s observation are well taken. It may, however, be reiterated that apart from publication of advertised tenders in the Indian Trade Journal, tender notices are also simultaneously sent to all the registered/known/likely suppliers under certificate of posting. Copies of tender notices are also sent to the Liaison Officers of the NSIC at Bombay, Calcutta, Madras and New Delhi. Regional Officers of the DGS&D, various trade associations

listed with the DGS&D and all the Directors of Industries of the State Governments. To give further publicity DGS&D brings out Weekly Tender Bulletin on the 9th, 16th, 23rd and 30th of each month. These are sent to all the trade associations, various Chambers of Commerce and such other organisations who make a request to include them in the mailing list.

With such a wide publicity being given for tenders floated by the DGS&D, it is difficult to believe that the interested bidders do not come to know of the tenders issued by the DGS&D. Suggestion of the Committee that all tender notices/circular letters should be sent to all concerned under certificate of posting is already being followed and instructions in this regard have been reiterated vide Routine Note No. 18 dated 10-10-1984 (Annexure I)* to all the Purchase Officers. As regards supply of the drawings and specifications alongwith the tender documents it may be stated that it has not been found practical to do so in respect of items of which the Authority Holding Sealed Particulars is the Director General of Inspection (Defence) and in whose case some of these specifications and drawings are considered as classified."

1.9 The Committee take note of the assurance given by the Ministry regarding the ways and means adopted by them to make available tender notices to all concerned, like publication thereof in the Indian Trade Journal and Weekly Tender Bulletins and sending copies to Liaison Officers of the NSIC at Bombay, Calcutta, Madras and New Delhi and to the State Directorates of Industries, etc. They also note that tender notices are being issued to all concerned under certificate of posting. While it is thus being ensured that the tender notices reach all those concerned, nothing has been mentioned as to what is being done to ensure that these notices reach them in due time. As observed by the Committee in the original report, it was brought to the notice of the Committee that there were delays in the publication of tender notices. The complaints made to the Committee were that the tender notices were being published late, the publication of Indian Trade Journal was not up-to-date and weekly tender bulletins were often received late. In order that the efforts made to make available tender notices to the prospective bidders are result oriented and not rendered infructuous, it is imperative that the publication and communication of ten-

*Not printed.

der notices is done at the earliest and it should be ensured that there will be sufficient time for the prospective buyers to bid after due consideration. The Committee therefore stress that this aspect of the matter should receive closer attention.

1.10 As regard supply of 'complete tender documents including the drawings and specifications to the prospective bidders well in time so as to encourage free and fair competition among the bidders', while there could be genuine difficulties in supplying the drawings and specifications which were of classified nature, the Committee would reiterate their recommendation that in all other cases it should be ensured that complete tender documents including the relevant drawings and specifications are made available to the prospective bidders well in time to ensure free and fair competition and avoid any scope for malpractices.

Proprietary Purchases

Recommendation Sl. No. 8 (Paras 3.13 to 3.14)

1.11 Considering that the system of proprietary purchase was liable to abuse the Committee had observed that in addition to the existing restrictions on such purchases (which are of procedural nature) there was need for further controls at the level of the DGS&D. DGS&D was not merely an agent of indentors but also the principle policy making organisation in respect of Government purchases. It was therefore, incumbent upon it to see that the system of proprietary purchases was not abused by the Government Departments. The Committee had suggested that all indents for proprietary purchases should be scrutinised by the DGS&D in consultation with Director-General of Technical Development and in case it was found that alternative sources of supply existed, the indentors should be advised to try the item obtained from the alternative source. Any difference of opinion could be thrashed out at a meeting the representatives of the indentor, DGS&D and DGTD and procurement action taken accordingly.

1.12 The Committee had also recommended that a list of items procured by DGS&D under the Proprietary Purchase System during the 6 month preiod with value of orders placed in respect of each item should be published in the next issue of Indian Trade Journal so as to evoke interest in trade and industry to make sustained R&D effort. The Committee had desired effective coordination between DGS&D and DGTD in developing alternative sources for proprietary items to drive price advantage arising out of healthy competition and particular attention being paid in regard to the items procured from abroad to develop indigenous source(s) speedily.

1.13. The Ministry of Supply have stated in their action taken note furnished to the Committee that:—

“The Proprietary Article Certificate indents could be for imported stores as well as for indigenous stores. Director-General of Technical Development will not be able to say who are the other suppliers abroad. Indents for such imported stores are raised on DGS&D after the indentors get clearance for import from the Director-General Technical Development. In respect of the indigenous stores the indentor asks for a particular brand in view of his end-use requirements and availability of spares, after-scale-service etc. Scrutinising of indents by DGS&D in consultation with Director-General Technical Development may delay the purchase. The spirit behind the recommendation that a Proprietary Article Certificate should not be raised as a matter of course or accepted is already being ensured by the instructions the indentors that they should if necessary consult the Director-General Technical Development to satisfy that no other acceptable substitutes are available and further the DGS&D themselves can suggest alternative to the indentors and persuade them to accept it.

The Committee's suggestion regarding publication of details of proprietary purchases in the Indian Trade Journal has been accepted except that details of Defence requirements are not to be publicised. A copy of the order issued in this regard is enclosed an Annexure-X [DGS&D U.O. No. CDN-1|4(1)|84 dated 12-10-84].

The Committee has suggested that there should be effective co-ordination between DGS&D and Director-General of Technical Development in developing alternative sources for proprietary items. In this connection it is stated that we are already consulting Director General Technical Development where-ever we fail to find out the alternative sources ourselves.”

1.14 The Committee are of the view that the existing measures such as publication of details of proprietary purchases in the Indian Trade Journal and resorting to consultations with DGTD when DGS&D itself fails to find an alternative source for a proprietary purchase or the instructions to the Indentors in this regard are not enough to meet the spirit of the recommendation made by the Committee that the system should not be allowed to be abused by the Government Departments. They feel that a constant liaison between DGS&D and

DGTD needs to be evolved in this regard. A system should be evolved whereby DGS&D could consult DGTD in respect of all indents of proprietary nature with adequate safeguards against delay. The Committee suggest that such a system should initially be tried in respect of a few types of items on a pilot basis to be extended to more types of items in due course.

Inspection Delays

Recommendation Sl. No. 14 (Para 4.14)

1.15 In regard to the delays occurring in inspection of stores after the stores had been offered the Committee had made the following observations:—

“The Committee are concerned at the considerable time taken in inspection of stores after the stores have been offered for inspection. They appreciate that it may be partly due to shortage of staff as pointed out by the Secretary, Ministry of Supply, which is already engaging the attention of the Government. The Committee however take a serious view of deliberate delays in conducting inspections by the Inspecting staff for obvious reasons. The Committee would like the Ministry to devise a suitable monitoring system under which delays beyond a prescribed time limit are identified and prompt action is taken to conduct inspection and also punish the staff responsible for the delay, if warranted by the result of an inquiry into the matter.”

The Ministry have stated in reply that:

“Instructions regarding time limit for attending the local and outstation inspection work already exist. The inspection calls are regularly monitored. Inspectorates are maintaining the inspection call registers wherein date of inspection call, date of inspection and issue of inspection note are recorded. These registers are scrutinised by the Sr. Officers and wherever a *prima-facie* case of deliberate delay in inspection comes to the notice, the Inspectorates are required to report such cases to Vigilance Branch for suitable action against the inspector.”

1.16 If despite the aforesaid measures adopted by Government delays in inspections of stores are reported, evidently the existing monitoring system is not adequate. The Committee feel that the monitoring system needs streamlining. Not only has adequate staff to be brought

into position to obviate delays, this has to be accompanied by disciplinary action against those causing deliberate delays beyond a prescribed limit.

Implementation of Recommendations

1.17 The Committee would like to emphasise that they attach the greatest importance to the implementation of the recommendations accepted by Government. They would, therefore urge that Government should keep a close watch so as to ensure expeditious implementation of the recommendations accepted by them. In case where it is not possible to implement the recommendations in letter and spirit for any reason, the matter should be reported to the Committee in time with reasons for non-implementation.

1.18 The Committee desire that replies in respect of the recommendations contained in Chapter V of the Report may be finalised and final replies of the Government furnished to Committee expeditiously.

CHAPTER II

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation Sl. No. 3, (Para No. 2.13)

The Committee recommend that the system of finalisation of contracts by Tender Committees, which has been experimented for over 3 years in a few Directorates of DGS&D and found successful in expediting tender decisions, should gradually be extended to cover all contracts entered into by DGS&D of the value of over Rs. 75 lakhs.

Reply of Government

Suggestion of the Committee has already been accepted and implemented. The instructions in this regard were issued through Office Order No. 74 dated 28-7-83 (Annexure-II).

[Department of Supply O.M. No. P. III-18(1)|84 dated 16-10-84]

Recommendation Sl. No. 5 (Para No. 2.26)

It has been brought to the notice of the Committee that a considerable gap of time intervenes between issue of "Advance Accepted Tenders" and the "Accepted Tenders". Some time the gap runs into 2 to 3 months and cause inconvenience to the tenderers. Secretary, Ministry of Supply admitted during evidence that there was some delay despite instructions that ATs should be issued within a period of 10 days of the issue of advance AT. The Committee would stress that normally it should not be necessary to issue an Advance AT. If for any reason it is necessary to do so regular AT should be issued within the prescribed time limit. In exceptional cases where this time limit has to be exceeded, the matter should be brought to the attention of the appropriate higher authority, who should initially examine the justification for the delay.

Reply of Government

It may be stated that instructions already exist that the Advance Acceptance of Tender should be issued only in exceptional circumstances and that formal Acceptance of Tender should follow the Advance Acceptance letter within 10 working days thereafter. These instructions have been reiterated with the provision that if the time limit exceeds, the matter should be brought to the notice of appropriate

authority who should examine the justification for delay vide Routine Note No. 17 dt. 10-10-84 (Annexure-IV)*.

[Department of Supply O.M.No.P.III-18(1)]84 dated 16-10-83!

Recommendation Sl. No. 6 (Para No. 2.34)

The Secretary, Ministry of Supply has admitted before the Committee during evidence that "a certain amount of delay does take place" in finalising and issuing the amendments to the "Accepted Tenders" which, according to him, naturally holds up payments of suppliers' bills for stores delivered against the ATs. The Committee would like the Ministry to streamline their procedure in such a way that the delays in the finalisation and issue of amendments to the Accepted Tenders is reduced to the minimum. One of the measures could be to refer the matter to a Committee consisting of all the parties concerned for consideration and decision, as is being done for acceptance of Tenders.

Reply of Government

Amendments to contracts arises either (i) due to mistakes in the contracts or omissions in the contract; or (ii) due to extension of delivery period, change of consignee's instructions, incorporations of the specific amounts of Sales Tax, Excise Duty payable, finalisation of balance payment etc. In regard to the amendments due to defective contracts, instructions already exist that the contract should be complete and should embody the terms and conditions mutually agreed. There is also a check list, as indicated in Annexure-V, provided so that the mistakes|omissions normally noticed are avoided. In regard to the extension of delivery period, the competent purchase officer can grant extension upto 6 months beyond the original delivery period in case of ordinary indents. For extension beyond this and far any extension in delivery period in respect of contracts against operational|urgent indents placed, the indenter's approval has to be taken. A register has been provided for watching actions on requests for amendments and the register is to be reviewed at appropriate level periodically. Control measures and time norms as indicated in Annexure-VI have also been evolved for various stages of action in finalisation of cases with a view to avoid delays in issue of amendments to contracts regularising delivery period, finalising prices etc. The recommendation to refer to a Committee,

*Not printed.

the requests for amendments is not necessary, since the decision on requests for amendments can be taken by the competent purchase officer. Many of the indenter are outside Delhi. The Committee's emphasis on avoiding delay in issue of amendments has been brought to the notice of purchase officers impressing upon them the need to decide on amendments within the period laid down, vide letter No. P. III-18(1)|84 dated 10-10-84 (Annexure—VII).*

[Department of Supply O.M. No. P. III-18(1)|84 dated 16-10-84]

Recommendation Sl. No. 7 (Para Nos. 3.5 to 3.6)

The Committee consider that it would be certainly economic for the States as also the Public Sector Undertakings to avail of the expertise built up by the DGS&D in the matter of purchase of stores. They recommend that the advantages of centralised purchases of common stores through DGS&D should be brought home to the State Governments, and the Central Public Sector Undertakings through the Bureau of Public Enterprises. At the same time, the Ministry should ensure that the DGS&D is properly geared up to accept and expeditiously execute indents from a wider field. As a step in this direction in the overall interest of the country, the Committee desire that a study of the time taken on procurement and the prices settled *vis-a-vis* those for the State Public Undertakings, in respect of a few typical items should be made to see whether it would be really economical and expeditious to make purchases through the DGS&D. The Committee would also await the outcome of this study.

Incidentally the Committee desire that the existing system of DGS&D handling the purchase of products of Public Undertakings like petroleum companies the prices of which are either controlled or informally administered, on behalf of Government departments etc. should be reviewed to see whether in view of no price advantage being derived and the distribution being legitimately the function of the Public Undertakings concerned, the DGS&D should continue to handle them unnecessarily adding the service charges to the prices and creating an artificial element of profit for the Public Undertakings. A senior Official each of the Finance Ministry and the Bureau of Public Enterprises should be associated with this Study.

*Not printed.

Reply of Government

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It is not obligatory for State Governments or Public Sector Undertakings to meet their requirement of stores through DGS&D. Most of the State Governments and Public Sector Undertakings have their own Purchase Organisations and are unlikely to utilise DGS&D unless they experience some difficulty in procurement of stores directly. However, as recommended by the Committee the advantages of centralised purchase of Common stores have been brought to the notice of all State Governments and Central Public Undertakings through the Bureau of Public Enterprises vide this Department letter No. P. III-18(1)|84 dated 29-6-84 (Annexure. VIII). The Organisational set-up of DGS&D has also been geared up as indicated against recommendation No. 1.

As desired by the Committee a study is being made of the time taken in procurement of Stores and prices settled by DGS&D *vis-a-vis* those of State Public Sector Undertakings in respect of few items. The Study has been entrusted to the Internal work Study Unit of the DGS&D whose report is awaited.

As recommended a Committee has been constituted *vide* O.M. No. P. III-18(1)|84 dated 7.7.84 (Annexure-IX)* to examine and report on the question whether DGS&D should continue to purchase the products of the Public Sector Undertakings like Petroleum Companies the prices of which are either controlled or informally administered. The report of the Committee is awaited.

[Department of Supply O.M. No. P. III-18(1)|84 dated 16-10-84]

Recommendation, Sr. No. 9 (Paras 3.21 to 3.22)

The Committee note that DGS&D purchases have been divided into six groups. Group I consist of items which are manufactured only by the large scale sector. Group II consist of those items which are purchased only from large scale units but the large scale units buy number of ancillary items and components from small scale units. In Group III are included items purchased from large scale sector as well as from small scale sector. Group IV consist of items which are reserved for purchase exclusively from the small scale sector. Group V and VI comprise of those items where small scale sector is still in the developmental stage. Barring the first two groups, the percentage of purchases from small scale units in the remaining four Groups is claimed as being 37 per cent in 1978-79,

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42.5 per cent in 1979-80, 45 per cent in 1980-81 and 45.6 per cent in 1981-82. The Committee have been further informed that there is a Standing Review Committee with the Secretary Ministry of Supply as the Chairman, and the Development Commissioner, Small Scale Industries as the Convener which goes continuously into whether any more items could be brought under Groups IV, V and VI for purchase from the Small Scale Sector. The Committee trust that efforts to encourage small scale sector would continue.

The Committee learn that 15 per cent price preference has been made available to the small scale sector which is at present being allowed in selected cases on merit. The Secretary, Ministry of Supply informed the Committee during evidence that he has sought certain clarifications from the Cabinet in regard to the extent of applicability of this policy. In this connection, the Committee would like Government to bear in mind the following considerations:—

- (i) Price preference is an indirect financial subsidy to the small scale Industrial units by Government and as such has sizeable financial implications.
- (ii) It has to be in the nature of a temporary concession allowed to specified small scale industries in the early stage of their development when they are unable to compete in the matter of pricing of their products with the large scale industry engaged in the same manufacturing activity.
- (iii) The price preference policy has to be clear and unambiguous so as to leave no scope for doubt in the minds of the manufacturers and the administering authority. It should leave minimum discretion with the administering authority.
- (iv) The policy should be subject to review at stated intervals so as to prompt entrepreneurs to constantly endeavour to improve economy of production in their units.

Reply of Government

The policy of encouragement of Small Scale Sector will no doubt continued to be followed. The question of modification of the existing policy in regard to price preference applicable to Small Scale Units in Government purchases, has not yet been referred to the Cabinet. The matter is under consideration in consultation with concerned Ministries. The points brought by the Committee will no

doubt be taken into consideration while formulating the final proposals.

[Department of Supply O.M. No. P. III-18(1)|84 dated 16-10-84]

Recommendation Sr. No. 10 (Para No. 3.29)

The Committee note that the Purchase Officers have been empowered to accept higher price over the last purchase price if the difference is upto 30 per cent. While the Committee see justification in the delegation of this power because of rapid escalation in prices in recent times, they would like the Ministry to devise suitable checks to ensure that this power is not abused.

Reply of Government

According to the existing Delegation of Powers any increase beyond 10 per cent over the last Purchase price has to be admitted only in consultation with Finance and after recording fully justification and reasons for considering such an increase as justified. This, in our opinion, leaves little possibility of any abuse of powers delegated in this regard.

[Department of Supply O.M. No. P. III-18(1)|84 dated 16-10-84]

Recommendation Sr. No. 11 (Para No. 3.33)

The Committee consider it reasonable that when a Public Undertaking bids against tenders floated by DGS&D on behalf of a foreign party, the price preference of ten per cent should be made available to it only on indigenous components. This was agreed to 'in principle' by the Secretary Department of Supply during evidence before the Committee. The Committee trust that this principle will be followed in future.

Reply of Government

This has already been accepted and is being acted upon.

[Department of Supply O.M. No. P. III-18(1)|84 dated 16-10-84]

Recommendation Sr. No. 12 (Para No. 3.41)

The Committee are unable to conceive as to why Government Departments should buy an item included in the running rate contract at prices higher than those provided for in the rate contract unless it is that the rate contract is not readily available with them or that the procurement under the rate contract would take time while the stores were required immediately. However, with a view

to achieving wider and better utilisation of the system, the Committee would like to suggest that the Secretary, Ministry of Supply may write to the Chief Secretaries to the State Government|Union Territory Administrations, the State Accountants-General and the Bureau of Public Enterprises pointing out the economic advantage of purchases under the rate contract system. Further, copies of the rate contract may be sent *suo moto* to all the State Governments|Union Territory Administrations, the State Accountants General and the Central Public Undertakings.

Reply of Government

As recommended by the Committee a circular letter has been issued to all State Governments, Administrations of Union Territories etc. (copy at Annexure-VIII)* pointing out the advantages of purchase against rate contracts. It is obligatory for Administrations of Union Territories to utilise DGS&D rate contracts. Copies of the rate contracts are already being sent to them as also to State Governments. The copies will also henceforth be sent to Accountants General of States.

It is proposed to send to Public Sector Undertakings list of rate contracts entered into by DGS&D instead of sending copies of rate contracts. Copies of rate contracts could be sent as and when a Public Sector Unit asks for the same.

[Department of Supply O.M. No. P. III-18(1)|84 dated 16-10-84]

Recommendation Sr. No. 15 (Para No. 5.5)

The Committee recall that in paragraph 2.42 of their 54th Report (7th Lok Sabha) on Ordnance Factories, they had observed that they did not appreciate the existing position wherein the Ministry of External Affairs had control over the ISM London which was mostly catering to the needs of the Ministry of Defence and had expressed the view that it would be more appropriate to transfer control of that organisation to Ministry of Defence which was the main user of the facility of the organisation. In this connection, the Government had informed the Committee that it has been decided by the Government that the Supply Wing in London would work under the local administrative control of the High Commission but would functionally be answerable to the Ministry of Defence. It was further stated that

*Not printed.

specific ways and means by which the functional control over the Supply Wing would be effectively exercised by the Ministry of Defence were being devised in consultation with the Service Headquarters and others concerned. The Committee desired that the ways and means of functional control by the Ministry of Defence and the local administrative control of the High Commission should be drawn up early. The ways and means should clearly define the responsibility of the Supply Wing in the matter of procurement of stores and the line of control in regard to various aspects of the working of the organisation.

Reply of Government

The comments given by the Ministry of Defence on this recommendation are given below:—

“It has been decided to transfer the work relating to procurement of requirements of three services from ISW, London to the respective Services Headquarters with effect from 1st August, 1984. The existing staff would be reduced when their tenure is over or the work handled by them is finished, whichever is earlier.”

[Department of Supply O.M.No. P. III-18(1)/84 dated 16-10-84]

Recommendation Sr. No. 16 (Para No. 5.12 to 5.13)

The Committee would like the Ministry of Supply to make a general survey of the pendency of cases under Arbitration and if it is found that Arbitration proceedings are taking unduly long time, the matter should be taken up with the Ministry of Law for remedial action.

The Committee agree with the suggestion of the Ministry of Supply that awards of the value of Rs. 1 lakhs or more should be “speaking awards”. They recommend that the question of amending the relevant rules accordingly may be examined by the Ministry of Law.

Reply of Government

Department of Personnel and Administrative Reforms have recently made a study on the arbitration procedure followed in DGS&D. The question of setting up of administrative tribunals for setting of disputes arising out of DGS&D contracts is also being considered.

The arbitration clause in DGS&D conditions of contract has since been amended to make it obligatory for the arbitrator to give “reasoned awards” in respect of claims exceeding Rs. 1 lakh in value.

[Department of Supply O.M.No. P. III-18(1)/84 dated 16-10-84]

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT REPLIES

Recommendation Sr. No. 4 (Para No. 2. 20)

It has been represented to the Committee that to further bring down the prices, there is a growing reliance on post-tender negotiations which is not only bad in principle but also undermines the very rationale and sanctity behind inviting tenders throwing the secrecy of tenders over board, and that negotiations resulting in unremunerative prices create genuine difficulties for suppliers inhibiting timely and regular supplies. The Committee were informed by the Secretary, Ministry of Supply during evidence that while he was in agreement with the general principle that post-tender negotiations should be avoided, in exceptional circumstances post-tender negotiations became inevitable such as where abnormally high prices were quoted or where competition was lacking or the prices shown in the tenders were considered unreasonable for any reason. In all cases, such negotiations, were held to bring down the prices. Noting the assurance given by the Secretary, Ministry of Supply that post-tender negotiations will be resorted to only in exceptional cases, the Committee recommend that even in circumstances where such negotiations become inevitable, the post-tender negotiations should be conducted invariably by an authority higher than the Tender Accepting Authority. Any complaint made at the time of negotiations should be promptly investigated and appropriate action taken. Where tender conditions are modified at the time of negotiations equal opportunity should be given to all the tenderers to revise their quotations.

Reply of Government

The existing instructions provide that negotiations should be undertaken only in exceptional circumstances and negotiations after tenders have been opened, should be severely discouraged. Where post-tender negotiations become inevitable because of exceptional circumstances, the special reasons justifying the negotiations should be recorded and approval of the competent authority in accordance with the delegation of powers (which is tender accepting authority) should be obtained. The substance of the Committee's recommendation that sanctity of the tenders should be preserved and post

tender negotiations avoided as far as possible has been accepted and the departmental instructions have been re-iterated vide letter No. P. III-18(1)|84 dated 10-10-1984 (Annexure-III)*. Regarding Committee's recommendation that post-tender negotiations should be conducted by an authority higher than the tender accepting authority, it may be mentioned that instructions exist that in respect of tenders falling within the powers of the Assistant Director and Deputy Director, the negotiations should be conducted at the level of Director of Supplies. Director of Supplies, Deputy Director General, Additional Director General and Director General being senior officers have been delegated powers to negotiate any tenders falling within their purchase powers. Delegating this power to a higher authority is not considered necessary.

If tender conditions are modified at the time of negotiation equal opportunity is invariably given to all the tenderers to revise their bids in accordance with the existing procedure.

[Department of Supply O.M. No. P. III-18(1)|84 dated 16-10-84]

CHAPTER IV

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

Recommendation Sr. No. 2 (Para Nos. 2.5 to 2.7)

It has been brought to the notice of the Committee that belated publication of tender notices is one of the difficulties encountered by the suppliers. It has been pointed out that the publication of the Indian Trade Journal is not up-to-date and regular and the Bulletins issued by the DGS&D are often received late by the parties concerned. Coupled with this is the difficulty of complete tender documents not being available readily; tender copies not being available at local offices; occasionally the tender documents being without connected drawings and specifications.

Although the Secretary, Ministry of Supply during evidence stated that there was no substance in the complaint that tender documents were not made available to all those who were interested in bidding, the Committee would like to emphasise that in this matter constant vigilance is necessary to ensure that unscrupulous persons in or outside the Organisation do not so manoeuvre that the tender notices do not reach the parties interested in bidding at all or reach them very late. It should also be ensured that complete tender documents including the drawings and specifications are made available to the prospective bidders well in time so as to encourage free and fair competition among the bidders. Any complaints in this regard should be promptly enquired into for appropriate action at a higher level.

With a view to ensure that the tender notices reach the addresses the Secretary, Ministry of Supply during evidence agreed to the suggestion that the tender notices|circular letters should be sent to all concerned under Certificate of Posting. The Committee hope that this procedure would commence forthwith.

Reply of Government

The Committee's observation are well taken. It may, however, be reiterated that apart from publication of advertised tenders in the Indian Trade Journal, tender notices are also simultaneously sent to

*Not printed.

all the registered/known/likely suppliers under certificate of posting. Copies of tender notices are also sent to the Liaison Officers of the NSIC at Bombay, Calcutta, Madras and New Delhi; Regional Offices of the DGS&D, various trade associations listed with the DGS&D and all the Directors of Industries of the State Governments. To give further publicity DGS&D brings out Weekly Tender Bulletin on the 9th, 16th, 23rd and 30th of each month. These are sent to all the trade associations, various Chambers of Commerce and such other organisations who make a request to include them in the mailing list.

With such a wide publicity being given for tenders floated by the DGS&D, it is difficult to believe that the interested bidders do not come to know of the tenders issued by the DGS&D. Suggestion of the Committee that all tender notices/circular letters should be sent to all concerned under certificate of posting is already being followed and instructions in this regard have been reiterated vide Routine Note No. 18 dated 10-10-84 (Annexure-I)* to all the Purchase Officers. As regards supply of the drawings and specifications alongwith the tender documents it may be stated that it has not been found practical to do so in respect of items of which the Authority Holding Sealed Particulars is the Director General of Inspection (Defence) and in whose case some of these specifications and drawings are considered as classified.

[Department of Supply O.M.No. P. III-18(1)/84 dated 16-10-84]

Recommendation Sr. No. 8 (Para No. 3.13 to 3.14).

The Committee consider that since the system of proprietary purchases is liable to abuse, in addition to the existing restrictions on such purchases (which are of procedural nature) there is need for further controls at the level of the DGS&D. DGS&D is not merely an agent of indentors but also the principle policy making organisation in respect of Government purchases. It is, therefore, incumbent upon them to see that the system of proprietary purchases is not abused by the Government Departments. The Committee suggest that all indents for proprietary purchases should be scrutinised by the DGS&D in consultation with Director-General of Technical Development and in case it is found that alternative sources of supply exists, the indentors should be advised to try the item obtained from the alternative source. Any difference of opinion could be thrashed out at a meeting between the representatives of the indenter, DGS&D and DGTD and procurement action taken accordingly.

*Not printed.

The Committee also recommend that a list of items procured by DGS&D under the Proprietary Purchase system during the 6 month period with value of orders placed in respect of each item should be published in the next issue of the Indian Trade Journal so as to evoke a interest in trade and industry to make sustained R&D effort. There should also be effective coordination between DGS&D and DGTD in developing alternative sources for proprietary items to derive price advantage arising out of healthy competition. Particular attention should be paid in regard to the items procured from abroad to develop indigenous source (s) speedily.

Reply of Government

.. ..

The Proprietary Article Certificate indents could be for imported stores as well as for indigenous stores. For imported stores, Director-General of Technical Development will not be able to say who are the other supplies abroad. Indents for such imported stores are raised on DGS&D after the indentors get clearance for import from the Director-General Technical Development. In respect, of the indigenous stores the indentor asks for a particular brand in view of his end-use requirements and availability of spares, after-sale-service etc. Scrutinising of indents by DGS&D in consultation with Director-General Technical Development may delay the purchase. The spirit behind the recommendation that a Proprietary Article Certificate should not be raised as a matter of course or accepted, is already being ensured by the instructions to the indentors that they should if necessary, consult the Director-General Technical Development to satisfy that no other acceptable substitutes are available and further, the DGS&D themselves can suggest alternative to the indentors and persuade them to accept it.

The Committee's suggestion regarding publication of details of proprietary purchases in the Indian Trade Journal has been accepted except that detail of Defence requirements are not to be publicised. A copy of the order issued in this regard is enclosed an Annexure-X* (DGS&D U.O. No. CDN-1|4(1)|1|84 dated 12-10-84).

Committee has suggested that there should be effective co-ordination between DGS&D and Director General of Technical Development in developing alternative sources for proprietary items. In this connection it is stated that we are already consulting Director General Technical Development wherever we fail to find out the alternative sources ourselves.

[Department of Supply O.M. No. P. III-18(1)|84 dated 16-10-84]

*Not printed.

Recommendation Sr. No. 14 (Para No. 4.14)

The Committee are concerned at the considerable time taken in inspection of stores after the stores have been offered for inspection. They appreciate that it may be partly due to shortage of staff as pointed out by the Secretary, Ministry of Supply, which is already engaging the attention of the Government. The Committee however take a serious view of deliberate delays in conducting inspection by the Inspecting staff for obvious reasons. The Committee would like the Ministry to devise a suitable monitoring system under which delays beyond a prescribed time limit are identified and prompt action is taken to conduct inspection and also punish the staff responsible for the delay, if warranted by the result of an inquiry into the matter.

Reply of Government

Instructions regarding time limit for attending the local and out-station inspection work already exist. The inspection calls are regularly monitored. Inspectorates are maintaining the inspection call registers wherein date of inspection call, date of inspection and issue of inspection note are recorded. These registers are scrutinised by the Sr. Officers and wherever prima-facie case for deliberate delay in inspection comes to the notice, the Inspectorates are required to report such cases to Vigilance Branch for suitable action against the inspector.

[Department of Supply O.M. No. P. III-18(1)|84 dated 16-10-84]

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES ARE STILL AWAITED

Recommendation Sr. No. 1 (Para No. 1. 17)

It has been represented to the Committee in a memorandum from a non-official organisation that there is lack of coordination between Planning and Development, Purchase and Inspection Wings of DGS&D and between DGS&D and the indentors, which affects the speed and quality of procurement of stores. During evidence, the Secretary, Ministry of Supply spelt out the existing methods of coordination but pointed out that for a more effective coordination between DGS&D and the indenting departments, the Planning and Development Wing of the DGS&D needed to be strengthened. He further stated that in order to bring about better efficiency and supervision, there was need for increasing the number of Purchase and Inspection Directorates, particularly when the stores which DGS&D was required to procure were becoming more and more sophisticated. The Committee are informed that proposals for strengthening the organisation of DGS&D are under consideration of the Ministry of Finance and the Department of Personnel. The Committee recommend that the systems and procedures of work and the staffing pattern of the DGS&D should be reviewed and rationalised and the Organisation suitably strengthened, if any when necessary, so that the store procurement process is streamlined and the objective of purchase of stores of the requisite quality at economic prices and at greater speed than hitherto is realised. The Committee wish to add that the Inspection Wing should be independent of the Purchase Wing so as to obviate any possible malpractice. They have dealt with this aspect elsewhere in this Report.

Reply of Government

The Government have since approved the Cadre Review proposals made by the Department of Supply consequent to which the number of Purchase and Inspection Directorates have been increased, both in the DGS&D Headquarters and the Regional Offices. The supervisory levels have been strengthened by providing one Additional post of Additional Director General, 3

more posts of Deputy Directors General, 5 additional posts of Directors and 14 posts of Deputy Director on the supply side and one post of Additional Director General, 2 more posts of Deputy Directors General, 4 posts of Directors of Inspection and 9 posts of Deputy Directors (Inspection) on the Inspection side.

In order to bring about better efficiency and supervision, the officers at different levels have been entrusted with specific responsibilities. The Planning and Development Wing has also been strengthened and has been placed directly under the charge of Senior Deputy Director General.

Further the system and procedure of work and the staffing pattern of DGS&D are under constant review and it is our endeavour to streamline the procurement process to bring about the optimum efficiency in the purchase management of the Government. As regards the independence of the Inspection Wing it may be mentioned that Department of Personnel and Administrative Reforms have also submitted a Report on the Study of Inspection Procedures in the DGS&D. DP&AR have taken into account the Estimates Committee's recommendation that the Inspection Wing should be independent and have recommended a combined Inspection and Testing Organisation (combining the DGS&D Inspection Wing with the National Test House) as an independent entity directly under the Department of Supply. The Cabinet Secretariat have stated that this is likely to be discussed in a meeting of a Committee of Secretaries. As required under the procedure the recommendations of the DP&AR are being considered by an Empowered Committee and thereafter this will be put up for consideration of the Committee of Secretaries. It may also be mentioned that the post of DG(S&D) is filled under the Central Staffing Scheme of the Government through the Department of Personnel. Officers of all regularly constituted Group A Services empanelled for appointment to Joint Secretary level post at Centre including those belonging to Indian Supply Service and Indian Inspection Service are eligible for consideration.

[Department of Supply O.M. No. P. III-18(1)/84 dated 16-10-84]

Recommendation Sr. No. 13 (Para No. 4.5)

The Committee find that at present the Inspection Wing is a part and parcel of the DGS&D under the administrative control of the same Director General who looks after the purchase Wing. Since the Inspection Wing has to carry out inspection of the Stores

ordered for by the Purchase Wing, it would, in the opinion of the Committee, be a better arrangement to separate this Wing from the DGS&D and bring it directly under the Ministry of Supply. This System would ensure the Inspection Wing against possible extraneous pressures for clearing sub-standard stores. The Committee would like to point out that similar arrangement exists on the Defence side where procurement functions have been separated from Inspection functions.

Reply of Government

The comments given against recommendation No. 1 cover this also.

[Department of Supply O.M. No. P. III-18(1)|84 dated 16-10-84]

COMMENTS OF COMMITTEE

Please see paragraphs 1.17 and 1.18 of the Report—Chapter I.

NEW DELHI;

July 29, 1985

Sravana 7, 1907 (Saka)

CHINTAMANI PANIGRAHI,

Chairman,

Estimates Committee.

APPENDIX

(Vide Introduction)

ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON THE 72ND REPORT OF THE ESTIMATES COMMITTEE

(7TH LOK SABHA)

I. Total number of Recommendations	16
II. Recommendations/Observations which have been accepted by Government :	
(Nos. 3,5,6,7,9,10,11,12,15&16)	
Total	10
Percentage	62.50%
III. Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies :	
(No. 4)	
Total	1
Percentage	6.25%
IV. Recommendations/Observations in respect of which Government's replies have not been accepted by the Committee :	
(Nos. 8 & 14)	
Total	3
Percentage	18.75%
V. Recommendations/Observations in respect of which final replies of Government are still awaited :	
(Nos. 1 & 13)	
Total	2
Percentage	12.50%

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PUBLISHED UNDER RULE 382 OF THE RULES OF PROCEDURE AND CONDUCT
OF BUSINESS IN LOK SABHA (SIXTH EDITION) AND PRINTED BY THE
GENERAL MANAGER, GOVERNMENT OF INDIA PRESS,
MINTO ROAD NEW DELHI