HARYANA VIDHAN SABHA

PUBLIC ACCOUNTS COMMITTEE

(1974-75)

(Eighth Report)

Report

ON THE

Report of the Comptroller and Auditor General of India for the year 1972-73 in so far as it relates to the Haryana State Electricity Board.

Presented to the House on 5.5.75

VIDHAN SABHA SECRETARIAT,
CHANDIGARH
February, 1975.

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE

1974-75

CHAIRMAN

1. Chaudhri Ishwar Singh.

MEMBERS

2. Shri Amar Singh.
3. Shri Girish Chander Joshi.
4. Shri Gulab Singh Jain.
5. Shri Jogi Ram.
6. Shri Om Parkash Garg.
7. Chaudhri Phool Chand (Mullana).
8. Shri Prem Sukh Dass.
9. Chaudhri Surjit Singh Mann.

SECRETARIAT

1. Shri Raj Kumar Malhotra, Secretary.
2. Shri R.C. Mehta, Accounts Officer.

INTRODUCTION

I, the Chairman of the Public Accounts Committee having been authorised by the Committee in this behalf present this their 8th Report in respect of the paragraphs relating to the Haryana State Electricity Board as reflected in the Report of the Comptroller and Auditor General of India for the year 1972-73, which was presented to the House on the 13th January, 1975.

2. A special audit of some of the transactions of the Haryana State Electricity Board had been conducted during 1973 by the Comptroller and Auditor General of India at the request of the State Government. The results of this special audit were indicated in the above-mentioned Report of the Comptroller and Auditor General of India.

3. In a sitting of the Haryana Vidhan Sabha held on the 17th January, 1975, on a question raised by a Member on the floor of the House that the Report of the Comptroller and Auditor General of India for 1972-73 already presented to the House be discussed, the Leader of the House had requested the Public Accounts Committee to take up the examination of these paragraphs (8.6 to 8.15 of the Audit Report) immediately and to give its Report by the 15th March, 1975.

4. Accordingly, the Committee immediately took up the examination of these paragraphs as well as paragraphs 8.3 to 8.5 which also related to the Haryana State Electricity Board and held 18 meetings during the months of January and February, 1975 for this purpose. This Report has been compiled after examining the written replies and the oral evidence of the Haryana State Electricity Board/Government. The Committee will take up the examination of the paragraphs relating to other Departments in the above Report of the Comptroller and Auditor General of India in due course.

5. A brief record of the proceedings of the meetings of the Committee held in this behalf has been kept in the Haryana Vidhan Sabha Secretariat.

6. The Committee place on record their appreciation of the valuable assistance given by the Accountant General and his staff and are thankful to the Secretary to Government, Haryana, Finance Department and his representatives and the representatives of the Irrigation and Power Department and the Haryana State Electricity Board who appeared before them in connection with the examination of the aforesaid paragraphs. The Committee are also deeply thankful to the Secretary, Haryana Vidhan Sabha and his officers and staff for the whole-hearted co-operation and assistance given by them.

Chandigarh **ISHWAR SINGH**

The 28th February, 1975. **Chairman**

REPORT

Paragraph 8.3—Working results

1. (i) The working results of the Board during the last three years ended 31st March 1973 are summarised below:—

	1970-71	1971-72	1972-73
		(*Rupees in lakhs*)	
(i) Revenue receipts	18,22.92	19,89.40	24,74.87
(ii) Revenue expenditure	11,91.53	14,97.12	18,70.47
(iii) Net surplus	6,31.39	4,92.28	6,04.10
(iv) Appropriation towards general reserve and interest on bonds, etc.	2,53.07	3,35.63	4,13.49
(v) Balance available and appropriated towards interest on loans from Government	3,78.32	1,56.65	1,90.61
(vi) Interest due on loans from Government—			
(a) For the year	5,62.04	5,76.91	6,32.73
(b) Arrears for previous years	83	1,83.72	6,03.98
Total interest due	5,62.04	7,60.63	12,36.71
(vii) Arrears of interest on loans from Government at the end of the year shown in accounts as contingent liability	1,83.72	6,03.98	10,46.10

(ii) The Board made a profit of Rs. 71.53 lakhs during the year as against Rs. 65.00 lakhs in the previous year. A synoptic statement showing the summarised results of working of the Board for 1972-73 is given in Appendix VIII part (ii) of the Audit Report.

The Board stated in evidence that the working results as shown in the audit paragraph were correct. However, the figure of Rs. 71.53 lakhs shown as profit during the year 1972-73 as against Rs. 65 lakhs in the year 1971-72 actually related to appropriation towards general reserve made by the Board as per section 67 (viii) of the Electricity (Supply) Act, 1948. The appropriation towards general reserve out of gross surplus had a priority over approrpriation towards interest on Government loans.

It was also added that the Board had earned a return at the rate of 5.3% on average capital base during the year 1972-73 which was the highest in the country. The Board, however, had not been able to earn sufficient revenue to meet the liability of interest on Government loans because the tariff had been kept low in the interest of the consumers and power development in the State. At the present tariff level, the Board would not be able to make ful payment of interest to Government during the Fifth Plan period.

It was also stated during oral evidence that in case the Board's average return per unit sold under different categories of consumers was equal to the cost of supply at the consumer's terminus after taking into account the full incidence of interest charges, there would be no loss to the Board. In practice, however, it was not possible as the tariff had to be kept low in order to promote agricultural and industrial development in the State.

The Committee observe that the total interest liability of the Board amounted to Rs. 1,236.71 lakhs at the end of 1972-73 which was almost half of the revenue receipts of the Board for that year. According to the Board, it has not been able to earn sufficient revenue to meet this liability because the tariff had to be kept low in the interest of consumers and power development in the State.

The Committee suggest that the matter in this regard may be further examined to resolve this problem keeping in view the over-all financial position of the Board.

Paragraph 8.4—Generation and sale of energy

2. The table below indicates the installed capacity for generation of power, power generated, power available for sale, power sold, and loss in transmission and distribution for the last three years :—

	1970-71	1971-72	1972-73
	(K.W.H. in millions)		
(i) Installed capacity—			
(a) Internal combustion generating sets	45.77	36.73	36.73
(b) Thermal generating sets	759.49	743.29	743.29
(c) Hydro generating stations	3,530.28	3,530.28	3,530.28
Total	4,335.54	4,310.30	4,310.30
(ii) Power generated—			
(a) Internal Combustion generating sets	1.78	2.14	3.27
(b) Thermal generating sets	296.74	357.78	438.33
(c) Hydro generating stations	1,422.82	1,614.64	1,492.14
Total	1,721.34	1,974.56	1,933.74

	1970-71	1971-72	1972-73
	(K.W.H. in millions)		
(iii) Power used for auxiliaries	7.72	4.66	11.26
(iv) Power purchased	44.26	106.20	244.23
(v) Power available for sale	1,757.88	2,076.10	2,166.71
(vi) Power sold—			
(a) Within the State	902.90	1,076.84	1,246.23
(b) Outside the State (Share of power sold by Bhakra Management Board to common pool consumers)	510.97	544.21	533.04
(c) Free supply to employees	0.97	3.60	5.98
Total sales	1,414.84	1,624.65	1,785.25
(vii) Loss in transmission and distribution	343.04	451.45	381.46
(viii) Percentage of power generated to installed capacity	39.7	45.8	44.9
(ix) Percentage of own power generated to total power available	97.5	94.9	88.7
(x) Percentage of loss—			
(a) to power available for sale	27.5	29.5	23.3
(b) to power sold	38.0	41.9	30.6
(xi) Cost of generation per M.K.W.H. (in rupees)	20,221	17,198	21,196
(xii) Cost of generation, transmission and distribution including interest on loans debited to net revenue and appropriation account:—			
(a) Per M.K.W.H. of power generated and purchased (in rupees)	1,00,000	92,390	1,10,100
(b) Per M.K.W.H. of power sold (in rupees) including free supply to employees	1,24,524	1,18,329	1,34,317
(xiii) Revenue per M.K.W.H. sold (in rupees) including free supply to employees	1,28,842	1,22,451	1,38,612

The Management attributed (March, 1973) the low utilisation of installed capacity to the following reasons :—

(a) *Thermal generating stations* (utilisation 39 per cent in 1970-71, 48 per cent in 1971-72 and 59 per cent in 1972-73) :—

(i) Less working hours caused by shut-downs due to annual maintenance, break-downs, etc;

(ii) reduction in load in night hours; and

(iii) operational defects in boiler/turbine unit.

(b) *Internal combustion sets* (utilisation 4 per cent in 1970-71, 6 per cent in 1971-72 and 9 per cent in 1972-73) :—

(i) Higher per unit generation cost—these sets were run only during peak load hours, and

(ii) low working efficiency of sets.

Fifteen internal combustion sets (installed capacity 4,675 KW) valuing Rs. 23.78 lakhs remained practically unutilised during the last three years from 1970-71 to 1972-73, even during periods of acute shortage of power. Out of these, seven sets (installed capacity 482 KW) were unserviceable and had not been put into operation since formation of the Board (May 1967). In addition, one steam generating set (installed capacity 550 KW) at Yamunanagar also remained unutilised since May 1967.

The Board stated in evidence that the system losses for transmission and distribution during the last 3 years were as under:—

1971-72	27.30 per cent
1972-73	23.30 per cent
1973-74	22.30 per cent

The following action had been taken by the Board to reduce the losses:—

(a) A total of 120 MVAR H.T. Capacitors had been installed at various sub-stations throughout the State in order to improve voltage conditions to reduce the loading on the transmission lines and feeders.

(b) The abridged conditions of supply had since been modified and now it was incumbent on all motor power consumers to maintain a power factor of 0.85. It was being made obligatory to instal capacitors. There were 1,33,000 tubewell connections in the rural areas for whom it was not possible to purchase and instal capacitors. So the Board had decided to purchase capacitors and instal them in the premises of the consumers and charge a monthly rental. 5,000 capacitors had so far been installed and 20,000 were on order.

(c) Various steps were being taken to check the pilferage of energy. Regular checking of meters was being done by the field staff.

(d) Special pilfer-proof meter cup-boards had been provided to house the energy meters, which were sealed at the level of S.D.Os in the case of tube-well/industrial consumers. The meters of H.T. consumers were caliberated every six months.

(e) Realignment of the distribution system was being done in such a way that the length of 11 KV lines was reduced to a reasonable limit.

(f) The existing sub-stations were being augmented wherever necessary and some new sub-stations of higher voltage were proposed to be constructed or were being constructed to improve voltage conditions in some areas.

The Board had also furnished figures showing percentage of transmission and distribution losses in other State Electricity Boards during the period from 1970-71 to 1973-74. From these figures, it appears that while the transmission and distribution losses in the States like Kerala, Madhya Pradesh, Karnataka, West Bengal, Maharashtra, Assam, Rajasthan and Himachal Pradesh were comparatively lower those in Punjab, Jammu and Kashmir, Andhra Pradesh, Bihar, Gujerat and Tamil Nadu were generally higher as compared to Haryana. It was stated by the Board that the losses varied from system to system depending upon density of load and pattern of utilisation of power.

In regard to the utilisation of internal combustion sets, it was explained that these were particularly emergency sets and could not run regularly for production of power as the cost of production of power from these sets was very high. One of the sets, installed in Ambala Cantonment. was used only in the event of failure of regular supply to the Ambala Air Force station and this power could not be used in the Grid. Similarly the other Diesel Plant located at Faridabad was used in case of de-synchronising of 15 MW power station from the system to provide power to the auxiliaries of that Thermal Plant to start the Power House again. The other similar diesel plants at Ambala, Panipat and Sonepat which were taken over with the nationalisation of Electric Supply Companies had become obsolete and redundant and as such were never run.

In reply to an enquiry of the Committee as to for how many days the Thermal Sets remained shut down for maintenance, break-downs and defects and whether the sets could not be utilised at night, it was mentioned that the Thermal set at Faridabad was a single unit running in synchronism with the main Bhakra and I.P. stations. Any disturbance on the system resulted in an outage of this set with the result that they could not come back on the bars till the system conditions normalised. The Surajpur Thermal set was installed in the year 1931. It had outlived its useful life and was run only in case of emergency/shortage of power. Also the generation cost of this set was sufficiently higher. Further during night hours, a sufficient load had to be drawn from Bhakra Power Houses in order to maintain tail-race level and to ensure adequate supply of water in the Nangal Hydel Channel to utilise the capacity of Ganguwal and Kotla Power Houses and in addition, Delhi Electric Supply Undertaking also pumped maximum power into the Board's system during night hours.

However, these power houses had been run regularly during the period from August, 1972 to May, 1973 due to shortage of power.

The Committee appreciate the steps taken by the Board to reduce the transmission and distribution losses. However the Committee would like that the position in regard to the losses may be kept under constant review and effective action be taken to reduce these losses to the minimum possible extent.

Paragraph 8.5—Arrears of electricity revenue

3. An amount of Rs. 75.26 lakhs was due to the Board from 21,917 consumers at the close of March 1973, including Rs. 13.60 lakhs outstanding against 3,140 consumers for more than three years. Power supply to 16,025 consumers had been disconnected (up to March 1973) by the Board for non-payment of dues of Rs. 45.05 lakhs. No action had so far (September 1973) been taken to disconnect supply of 5,892 consumers against whom dues of Rs. 30.21 lakhs were outstanding.

The Board stated in evidence that the main reasons due to the non-recovery of outstanding dues were that some of the cases were under dispute in the courts as well as in the concerned offices of the Board and in some cases the whereabouts of the defaulting consumers were not known. Action to recover the outstanding amount against all the old cases under Haryana Government Electrical Undertaking (Dues Recovery) Act, 1970, had since been initiated and such cases were now being processed.

The following reasons were advanced for not disconnecting the power supply to 5892 consumers against whom dues of Rs. 30.21 lakhs were stated to be outstanding:—

(i) The consumers, in most of the cases of heavy amounts, had challenged the accuracy of their billed amount and the disconnections of their premises were pending for want of final decisions.

(ii) Certain consumers had gone to the courts for settlement of the outstanding dues and as such their premises could not be disconnected.

(iii) In some cases, the consumers had requested for acceptance of their payments in instalments. Where the Board had accepted such requests their premises remained connected.

(iv) In other cases, the amounts involved were petty and within the security limits.

As desired by the Committee during oral evidence, the Board furnished the following figures showing category-wise break-up of outstanding arrears for the years 1970-71 to 1973-74:—

Sr. No.	Category	1970-71	1971-72	1972-73	1973-74
			(Rs. in lakhs)		
1	General	9.23	9.00	8.50	9.09
2	Industrial	38.99	33.24	37.57	43.19
3	Tubewells	27.85	20.12	25.54	31.42
4	M.C. and Panchayats	1.56	1.77	1.20	3.61
5	Others	3.35	4.58	2.45	19.41
	Total	80.98	68.71	75.26	106.72

The Board had also furnished figures to show that the percentage of outstanding arrears to the total sales in Haryana was the lowest, *viz* 3.8 per cent, as compared to the other State Electricity Boards in the country.

The Committee observe that a sum of Rs. 75.26 lakhs was outstanding against the various categories of consumers at the end of March, 1973. This figure had risen to Rs. 106.72 lakhs at the end of March, 1974. The bulk of the amount was outstanding against the industrial and tube-well consumers. Besides, a sum of Rs. 19.41 lakhs was shown outstanding against miscellaneous consumers *viz*. Railways, ex-licensees and other States.

The Committee urge that immediate and concerted steps should be taken to liquidate these arrears as, apart from affecting its ways and means position, the recovery of such amounts may become difficult with the passage of time. In particular, the arrears involving heavy amounts and those relating to old periods and to other States/Railways should be examined and settled without loss of time. The Committee would like to be informed of the progress in regard to the recovery of the outstanding arrears from time to time.

SPECIAL AUDIT

Paragraph 8.6—Introduction

4. At the request of the State Government, the Comptroller and Auditor General of India had arranged special audit of some of the transactions of the Haryana State Electricity Board during 1973 which covered a general review of the rural electrification programme, stores control system (1968--72), the purchases, made during the period May, 1967 to March, 1972, of conductors, poles, meters, transformers, wires, cables, insulators and a few other items and disposal of old generating sets, copper scrap, etc.

Most of the audit paragraphs relate to the transactions connected with the procurement of material for the implementation of cent per cent rural electrification and tubewell energisation programmes. Initially, the programme for 100 per cent rural electrification was intended to be completed by 26th January, 1971, but subsequently it was advanced to November, 1970. Dr. K.L. Rao, the then Union Minister of Irrigation and Power had desired in July, 1970 that as part of the national campaign for electrifying one lakh villages to mark the Birth Centenary of Mahatma Gandhi, the Haryana State Electricity Board be asked to accelerate the rural electrification of 6,351 villages by 2nd October, 1970, as already accepted by them at the Conference of Chairmen of State Electricity Boards. **The target for 100 per cent rural electrification programme was achieved by 29th November, 1970.**

In this connection, the Committee would like to mention that the Haryana State Electricity Board is an autonomous body and all decisions relating to the procurement and purchase of materials are taken by it. The State Government is not in any way directly or indirectly involved in any of the purchase transactions.

The Committee have carefully considered the audit observations and the submissions made by the Board/Government in the written replies and oral evidence given by the representatives of the Board/Government in arriving at their conclusions

The Committee observe that most of the audit observations have arisen in respect of decisions taken in pursuance of the purchase procedure in vogue at that

time which was stated to have been inherited from the Punjab State Electricity Board. Under this system, after scrutiny of the tenders received, a letter of intent was issued to the tendering firms conveying the intention of the Board to purchase materials from them and asking them to convey their acceptance for the order. It was only after the receipt of their acceptance that formal contract or agreement could be got signed by them. This enabled a number of firms to wriggle out of their offers before a legally valid contract had come into force, so that they could take advantage of rising prices. Besides, considerable time was spent in finalising the orders after the issue of letter of intent and, in the meantime, validity of offers of other firms lapsed. It would be incorrect to assume that the materials required by the Board could have been procured from certain firms at the prices initially quoted by them, had the orders been placed on those firms instead of the firms on whom orders were actually placed, and consequently there was any avoidable extra expenditure or loss. The previous procedure was stated to have since been revised by the Board in order to plug loop-holes. The Committee would also like that suitable procedure be devised under which concurrent enquiries for the same type of materials are not issued at the same time and prompt action is taken for suspending, banning or black-listing the defaulting firms, wherever necessary.

The Committee also found that as a result of launching of the crash programme for rural electrification and tubewell energisation, the requirements of various materials underwent substantial increase and the Board had to procure a large quantity of materials within a short itme. During that period, on account of growing shortages of materials, the buyers' market was gradually changing into a sellers' market. The advantage that the Board had in a buyers' market by adopting the procedure it was following slowly decreased. In most of the cases the firms seem to have taken advantage of this procedure which enabled them to decline the offer of the Board for entering into an agreement, even after the tenders were decided in their favour.

Another important point is the working of the order preference policy. According to this policy, small scale and large scale industries of Haryana were given order preference and they were given weightage to the extent of 15 per cent in the case of small scale industries and 5 per cent in the case of large scale industries. If after allowing such a weightage,the equivalent rate of a Haryana firm worked out to be the lowest in the order of merit, the order was placed on that firm at the equivalent rate of the lowest acceptable offer received. However, in certain cases, Haryana firms had to be allowed higher rates which would otherwise have been payable to outside firms if the orders had been placed on them. It is to be noted that the Board did not adopt the price preference policy which was in vogue at that time in the case of Government purchases. Under this policy, the Haryana firms were entitled even to higher prices compared to the prices of outside firms. The Board, by not adopting the price preference policy, but restricting the preference only to placing of orders at the price at which these were to be paid to outside firms have saved a considerable amount of money.

In appropriate cases where irregularities/lapses have come to the notice of the Committee, suitable action has been recommended.

Paragraph 8.7—Rural electrification

5. Section 28 of the Electricity (Supply) Act, 1948 stipulates that with a view to rationalising the production and supply of electricity in any area,

the Board may from time to time prepare schemes in which provision may be made for all or any of the matters mentioned therein. Under Section 29 of the Act, the Board is required, *inter alia*, to send a copy each of such schemes to the State Government and the Central Electricity Authority, if the scheme is estimated to result in expenditure exceeding one crore of rupees. Although the capital outlay on rural electrification during the period 1968-69 to 1971-72 amounted to Rs. 44 crores, no schemes as such were prepared and sent to the State Government and/or the Central Electricity Authority. The Board stated in January 1973 that the work of rural electrification was carried out through progressive extensions of the distribution system which fell within the financial powers of the field officers.

Out of the total of 6,669 villages in Haryana, 3,367 villages had been electrified up to March 1970. In April 1970, the Board decided to electrify the remaining 3,302 villages although funds were available for electrification of 500 villages only during the year 1970-71. The State Government, however, asked the Board in August 1970 to achieve the target of hundred per cent village electrification by 26th January 1971.

According to the Annual Administration Report for 1970-71 and the Annual Financial Statement *i.e.* Budget Estimates for 1971-72 and Revised Estimates for 1970-71 of the Board, village electrification was completed on 29th November 1970. The Board explained in July 1973, that hundred per cent village electrification completed in 1970-71 consisted in taking electricity lines within the boundaries of the villages and offering service connections to those villagers which applied for it. The number of applications for electricity supply in rural areas pending at the end of March 1971 and March 1972 was not intimated by the Board. However, the applications for the grant of connections in rural as well as urban areas pending on 31st March 1971 and 31st 1972 were 32,320 and 21,091 involving a load of 1,19,107 KW and 1,50,984 KW respectively. The number of villages in which there was no electric connection at the close of the last three years ended March 1973 was as follows:-

Year ending	*No. of villages having no connection*	*Percentage to total number of villages*
March 1971	1,226	18.4
March 1972	578	8.7
March 1973	310	4.7

As the distribution system in a number of villages had been laid only partially and in many villages it consisted of taking only one or two poles within the village boundaries, the Board decided in March 1972, that the distribution system including sub-stations and extension of 11 KV transmission lines should be replanned in the villages electrified on or after 1st April 1970. It was also decided that no service rental would be charged from the existing/new consumers in all such villages. The extent of replanning done and the expenditure incurred thereon as well as the amount of service rental foregone was not assessed by the Board.

In this connection it is relevant to mention that a sample systematic study carried out by the Board during March to May 1971 in respect of the Project for Augmentation and Realignment for 11 KV Feeders Emanating from 33 KV sub-station at Ismailabad', completed before April 1970 disclosed the following:—

(i) Major alterations to the existing system involving erection of approximately 110 Kms new lines and dismantlement of 60 Kms existing lines at a net cost of Rs. 8.77 lakhs after adjusting Rs. 4.01 lakhs on account of value of dismantled material, were necessary to improve the system and for flow of power from one feeder to the other;

(ii) deficiencies like loose sag, improper earths, etc., were noticed in the 11 KV net work which required removal to bring the system to the required standards;

(iii) the performance of the system was not satisfactory;

(iv) the utilisation factor would improve after improvement of load and continuity in supply. The cost of energy lost in the system emanating from Ismailabad was estimated at Rs. 3.10 lakhs per annum which would be reduced to Rs. 1.82 lakhs resulting in annual saving of Rs. 1.28 lakhs.

Government stated in December 1973, that augmentation and realignment was necessitated due to increase in the number of consumers and load in these areas.

The table below indicates the development of electricity lines, sub-stations, etc., at the close of each year since the formation of the Board in May 1967 :—

	1967-68	1968-69	1969-70	1970-71	1971-72
Length of distribution lines (Kms)	18,610	28,286	41,874	54,875	62,830
Capacity of distribution sub-stations (MVA)	338	524	733	1,027	1,215
Percentage increase in capacity of distribution over 1967-68	..	54.7	116.86	204	260
Installed generating capacity in M.W. (provisional figures)	498	498	498	498	492
Total connected load (M.W.)—					
(i) Agricultural consumers	130	217	319	389	457
(ii) All types of consumers	446	596	745	897	1,039
Percentage of increase of total connected load over 1967-68	..	33.6	67.0	101.1	133

	1967-68	1968-69	1969-70	1970-71	1971-72
Load for which applications for rural as well as urban connections were pending at the end 1970-71 and 1971-72 (M.W.)	..	..	..	119	151
Electricity sold within the State (million units)	502	662	798	904	1,081
Percentage increase in electricity sold over 1967-68	..	31.8	59.0	80.1	115.3

The extension of transmission and distribution system was not matched by increase in generating capacity as well as the total connected load and sales within the State.

This resulted in the following :—

(i) Revenue from rural consumers increased from Rs. 4.9 crores in 1969-70 to Rs. 8.4 crores in 1971-72 (71.4 per cent), while operation expenses, depreciation and interest increased from Rs. 6.3 crores in 1969-70 to Rs. 13.5 crores in 1971-72 (114.3 per cent).

(ii) The net deficit increased from Rs. 1.4 crores in 1969-70 to Rs. 5.1 crores in 1971-72 (264.3 per cent).

The Board stated in evidence that the then Union Minister of Irrigation and Power, Dr. K.L. Rao, wrote a letter in July, 1970, wherein it was mentioned that as a part of the national campaign for electrifying one lakh villages to mark the end of birth centenary year of Mahatma Gandhi. Haryana State Electricity Board had accepted the target of electrifying 6,351 villages by 2nd October, 1970 at the conference of Chairmen of State Eelectricity Boards held at New Delhi on 27th/28th April, 1970, and he had desired that special measures be taken by the Haryana State Electricity Board in ensuring that the target of electrifying these villages was achieved by that date. He had also mentioned that the Ministry of Irrigation and Power (Government of India) be approached for any special assistance that may be required. The Chief Minister of Haryana had also made an announcement in the Haryana Vidhan Sabha on 27th August, 1970 that it was intended that electricity should be taken to each and every village of Haryana by 26th January, 1971. It was in pursuance of the aforesaid letter of the then Union Minister of Irrigation and Power and the announcement made by the Chief Minister in the Haryana Vidhan Sabha that the rural electrification programme was launched.

As regards the point relating to preparation of project report for this work, it was explained that the work of rural electrification largely consisted of progressive extensions of the distribution system which already stood extended on a massive scale as a result of the earlier policy decision of the State Electricity Board for electrifying any tubewell lying within a radius of three miles of the existing distribution system without carrying out financial justification in individual cases. The work of extending existing distribution system to the village boundary was relatively a small work in each particular case, although the total work of the extension of the scheme ran into crores of rupees. Each scheme was a small scheme for which separate estimate was prepared and sanctioned by the local officers. None of the schemes in itself was a big project to warrant the preparation of the project report. It was also explained that the provisions contained in Sections 28 and 29 (reproduced in the Appendix to this Report) of the Central Electricity (Supply) Act, 1948 required the Board to consult the State Government before preparing a scheme relating to generation or transmission of electricity if the estimated cost was more than Rs. 15 lakhs. Procedure for publication and sanctioning of such schemes exceeding Rs. one crore has been given in Section 29 of the Act These provisions, however, do not cover the schemes of distribution of electricity. It was further explained that the progress of rural electrification was under constant review of the Ministry of Irrigation and Power and the Planning Commission. In the light of these facts, the Board contended that it was not necessary to prepare any project report for rural electrfication programme in terms of the provisions contained in Sections 28 and 29 of the Central Electricity (Supply) Act, 1948.

It was added that at the time of taking the decision in April, 1970, to electrify 3302 villages in addition to 3367 villages which were at that time electrified, the power availability position was quite comfortable and Haryana was able to manage well within the power available from Bhakra Nangal Project and Thermal Unit Set at Faridabad and I.P. Station. In fact, the Thermal generating unit at Faridabad and I.P. station were not fully utilised and there was sufficient margin for connecting additional loads. The original target for completion of Beas Project was 1969-70 and in any case power from Beas Project was expected before 1973. It was only in April, 1971, that the Standing Committee of Beas Project revised their targets of completion of Beas-Sutlej link to September, 1973. Again, it was towards the end of August, 1973 that the targets for completion of Beas-Sutlej link were revised to June, 1975. There was crying need for pushing up the pace of development in the neglected State of Haryana for which electrification of rural areas provided the best means.

It was also stated during oral evidence that when Haryana was formed it could not get its share of power from Bhakra out of the allocation of erstwhile Punjab because the transmission lines were not there and the load was not enough. As a result, some of Haryana's share of power was consumed by Punjab and it was still being consumed by it. They were trying to get back Haryana's share that would have been due to it under the Bhakra Nangal Agreement. That matter was pending with the Government of India.

Rural electrification was not an end in itself. The real goal was development of the rural areas which could not be achieved without rural electrification. The intensity of electrification could go on increasing with time once electricity was available within the boundary of a village. It would, therefore, suffice to carry distribution lines upto village boundary and extend electricity to various consumers on demand. Experience had also shown that the rural population had first to be educated and made aware of the presence of distribution mains in an area before they made up their mind to utilise the benefits of electric power for productive use.

It was further stated that according to the concept of an electrified village a village was deemed to be electrified if the distribution was available within the boundary of a village for giving connections to the inhabitants, However, the giving of connections would depend upon the demand of consumers and the submission of test reports after completing the wiring and installation of the fittings or machinery for which the connecting was required. It was further explained that the same concept of an electrified village was adopted by the Planning Commission in May, 1973 when the State Government representatives urged for inclusion of cost of generation and giving connections in rural areas under the Minimum Needs Programme for the Fifth Plan. In this context, it was mentioned that the following note was recorded in the meeting of the Planning Commission held on 18th May, 1973 :—

> "Member (M) appreciated the view point of the State Government expressed by the Secretary and Commissioner of Irrigation and Power Department of Haryana Government but he clarified that Haryana's case for rural electrification under MNP was completely different from those of the other States. Haryana had already extended electricity to all the villages and according to the definition for rural electrification adopted by the C.W. & P.C. the State had done cent per cent electrification."

As desired by the Committee during oral evidence, the Board furnished the following figures showing the progress in the village electrification programme and tube-well connections in each circle month-wise and year-wise :—

Village Electrification :—

Name of Circle	6/70	7/70	8/70	9/70	10/70	11/70	Total
Chandigarh	12	76	195	128	248	59	718
Karnal	30	103	61	68	122	90	474
Delhi	32	70	62	104	111	21	400
Faridabad	12	6	70	162	205	145	600
Hissar	29	28	48	49	79	267	500
Rohtak	43	90	82	33	160	202	610
Total	158	373	518	544	925	784	3,302

Tube-well Connections :—

Sr. No.	Name of Circle	Given during the year 1968-69	Given during the year 1969-70	Given during the year 1970-71	Given during the year 1971-72
1	Chandigarh	2,918	5,403	4,825	2,517
2	Karnal	4,586	6,761	4,525	4,383
3	Delhi	4,018	3,588	1,126	2,452
4	Faridabad	1,564	1,280	2,324	1,246
5	Hissar	4,695	1,815	1,515	2,298
6	Rohtak (created in 1969)	—	4,009	3,924	1,882
	Total	17,781	22,856	18,229	14,778

It was also mentioned during oral evidence that during the period from 1966 to 1971, Haryana electrified 5,205 villages and 71,246 pumping sets at a cost of Rs. 29.73 crores. During the same period, comparative figures for certain other States were as follows :—

State	Number of villages electrified	Number of pumping sets energised	Cost Rs. (in crores)
Gujarat	2,236	52,832	34.26
Punjab	2,482	65,581	30.31
Rajasthan	1,808	28,234	17.27

From the above, it would be seen that the other States had electrified lesser villages and energised lesser pumping sets, but had spent more as compared to Haryana.

The number of pending applications of various categories at the end of March, 1971 and March, 1972 was indicated to be as follows :—

	March, 1971	March, 1972
Domestic	18,045	8,490
Commercial	2,441	1,817
Industrial	1,701	1,489
Agricultural	10,133	9,176
Others	—	119
Total	32,320	21,091

The number of applications pending in respect of 1226 and 578 villages where there were stated to be no connections at the end of March, 1971 and March, 1972 was being collected from the field.

It was explained during oral evidence that grant of connections depended on completion of various formalities and furnishing of test reports etc.

As regards the re-planning of the distribution system including sub-stations and extension of II KV transmission lines, it was mentioned that the work of carrying distribution mains to the village boundary consisted of mainly in extending existing distribution mains. The demands in the rural areas in the initial stages were expected to be low. The augmentation and re-planning of the system was a later stage after loads had developed. In fact, replanning and augmentation of various sections of the distribution system was a perpetual work which had to continue year after year.

The charging of service rentals from the existing/new consumers was being carried out according to departmental instructions already in force and revised from time to time.

In regard to the project for augmentation and realignment in Ismailabad area, it was stated that the rural areas covered in this project report had already been electrified at an earlier stage and there had been progressive increase in the number of consumers and loads in these areas. The distribution system laid initially, therefore, required substantial augmentation to cater to the increased load demands. This also necesiitated rationalisation and re-alignment of certain feeders in accordance with the progressive augmentation of the main transmission system and construction of new sub-stations to feed the increasing load demands. Such realignment of feeders was a continuous process which had to be undertaken from time to time in accordance with the load growth and creation of new centres for disposal of power.

It was further stated during oral evidence that certain villages which were served from feeders of Ambala, Pehowa and Shahabad were shifted to Ismailabad. This was not because of rural electrification or wrong planning but it was a normal feature of the work that Ismailabad station had to be remodelled. It was not correct to say that the Board had to incur extra expenditure due to some wrong activities or planning . This line was laid down much before the formation of Haryana State Electricity Board *i.e.* during the time of the composite Punjab State Electricity Board.

Asked about the rational basis adopted for extension of transmission and distribution system matched by increase in generating capacity as well as the total connected load and sales within the State, it was explained that additions to the available generation capacity were anticipated, although these did not come about on account of successive sliding back of targets of Beas Project on account of circumstances beyond human control. At the time rural electrification work was taken in hand, there was reasonable chance of availability of Beas power and it was a question of building up enough load to absorb Beas power, which would also contribute to fast development of the neglected State. There had actually been phenomenal increase in the consumption of power and connected loads subsequent to the programme of rural electrification. But for the absence of Beas power, the sales of energy would have recorded much higher increase and the finances of the Board would have been in a much happier position. In fact, the resultant effects by way of increased revenue and increased rate of growth in the state of economy were very much in view at the time of undertaking electrification of all the villages.

It was also mentioned that on the advice of the State Government, the National Council for Applied Economy Research was being requested to carry out the study of the impact of rural electrification in Haryana. However, as desired by the Committee during oral evidence, a note was also submitted indicating the socio-economic benefits which had accrued in the wake of rural electrification programme. It was *inter-alia* mentioned therein that the development of rural economy of Haryana was of vital importance since 82.34% of its population resided in rural areas. The economy of rural areas in particular and the entire State in general was dependent largely on primary sector, mostly agriculture, because this sector contributed as much as 60% to the State income.

Therefore, the development of the agricultural sector was of paramount importance for the State economy. It was a well-known fact that surface water resources in Haryana region were limited and most of the resources had already been exploited before the formation of Haryana as a separate State. These could be augmented only with the availability of Ravi-Beas water which had to take years to materialise. Therefore, the only alternative left for increasing agricultural production was the fullest possible exploitation of ground water resources and this could be done speedily through tubewells. In this context, extensive electrification of rural Haryana was most essential for providing necessary and cheapest source of energy in running the tube-wells. It was, thus, necessary to undertake a crash programme of rural electrification in the State mainly for agricultural development of rural areas. The rural electrification programme undertaken in the State had gone a long way in providing much needed energy for tubewells. The number of tubewells energised in the State as it stood at the end of the years 1968-69 to 1973-74 was shown as follows :—

Year	Electric Tubewells
1968-69	45,370
1969-70	68,226
1970-71	86,455
1971-72	1,01,233
1972-73	1,16,882
1973-74	1,28,403

Consequently, the net area irrigated by tubewells had increased considerably as would be evident from the following figures :—

(Area '000' Hectares)

Year	Govt. Canals	Tubewells/ P.sets	Wells/ other sources	Total
1968-69	907	235	170	1,312
1969-70	950	340	118	1,408
1970-71	952	425	155	1,532
1971-72	965	537	63	1,565
1972-73	953	602	77	1,632
1973-74 (estimated)	N.A.	680	N.A.	N.A.

The impact of rural electrification on the growth rate of foodgrains production (including wheat and rice which need assured irrigation facilities) in the State was as follows :—

Year	Production of foodgrains ('000' tonnes) Total	Rice	Wheat	Production of Sugarcane ('000' tonnes in terms of Gur)	Cotton ('000'bales)
1968-69	2,764	272	1,529	669	337
1969-70	4,626	373	2,147	792	340
1970-71	4,771	460	2,342	707	353
1971-72	4,543	536	2,402	514	439
1972-73	4,074	462	2,231	560	423
1973-74	3,832	540	1,810	596	450

Besides, as a result of extension of assured irrigation facilities over large areas, it had been possible for the State to increase the area under High Yielding Varieties and use of fertilizers. The year-wise figures of area under High Yielding Varieties and quantities of fertilizers used from 1968-69 to 1973-74 were as under :—

Year	Area under H.Y.V. Crops (000' Hects.)	Fertilizer consumption (Nutrients in tonnes)
1968-69	325	47,024
1969-70	620	53,920
1970-71	914	70,060
1971-72	1,094	82,134
1972-73	1,324	93,892
1973-74	1,396	1,14,997

In addition to the economic benefits, there were numerous social benefits accruing to the society such as rural water supply, better service facilities in hospitals, dispensaries, rural health centres and schools etc. and lighting of homes and streets in the villages leading to increase in working hours and better facilities and amenities for day to day life.

The Committee observe that the rural electrification programme was introduced as a part of the national campaign for electrifying one lakh villages to mark the birth centenary year of Mahatma Gandhi, the Father of Nation. Dr.K.L. Rao, the then Union Minister of Irrigation and Power had desired in July, 1970 that as already accepted by the Haryana State Electricity Board, special measures be taken in ensuring that the target of electrifying 6,351 villages in Haryana was achieved by 2nd October, 1970. The Chief Minister, Haryana had also made an announcement in the Haryana Vidhan Sabha on 27th August, 1970 that all the villages were intended to be electrified by 26th January, 1971. This target was subsequently advanced to November, 1970. This was a gigantic task placed on the shoulders of Haryana State Electricity Board which had to put its entire machinery to full gear to achieve this target. It was explained that it was not necessary to prepare any comprehensive project report for electrifying the various villages which had still to be electrified. In any case, the provisions contained in Sections 28 and 29 of the Central Electricity (Supply) Act, 1948 relate to the transmission projects and putting up of power houses and these do not cover the distribution schemes.

The Committee agree with the viewpoint of the Board that the primary concern in the initial stage was to take electricity to the villages and the augmentation and re-planning of the distribution system could follow at a later stage, wherever necessary, depending upon the increase in load and sub-stations. The Committee note that the Board was able to electrify 3,302 villages between the short period from April, 1970 to November, 1970. While the number of electric tubewells in the State at the end of 1968-69 stood at 45,370, this number grew to 1,28,403 at the end of 1973-74.

The crash programme for tubewell energisation which went hand in hand with rural electrification had also a great and significant impact on the growth of foodgrains production, especially high yielding varieties like wheat and paddy in the State, which required intensive assured irrigation facilities.

The Committee, however, observe that 21,091 applications for the grant of electric connections in rural and urban areas were pending at the end of March, 1972. It was explained that the grant of these connections depended on completion of various formalities and furnishing of test reports etc. All the same, the Committee would like that the pending applications be disposed of with the utmost speed so that the applicants in rural areas are able to derive the benefit of tubewell energisation.

The Committee would also like to know the number of pending applications in respect of 1226 and 578 villages in respect of which it was stated that the information was being collected from the field.

In regard to the project for augmentation and re-alignment of Ismailabad sub-station the Board has mentioned that there modelling of Ismailabad sub-station was not because of rural electrification or wrong planning but was a normal feature and that the Board was not put to any additional expenditure on this account.

Keeping the overall position in view, the Committee would like to compliment the State Government and the Haryana State Electricity Board for making Haryana the first State in the country to achieve 100 % rural electrification, in such a short time while simultaneously carrying out the programme for tubewell energization in spite of numerous difficulties and bottlenecks.

Paragraph 8.8—Stores control

6. The control of all stores, depots, along with their physical balances, was transferred from the Divisional Officers to the Controller of Stores with effect from 1st September, 1969. The Controller of Stores brought to account stores valued at Rs. 4.20 crores in 1969-70 on the basis of the values as per the priced ledgers taken over by him. The total value of the stock balances as per the abstracts of stock accounts of the various divisions was, however, Rs. 5.65 crores. Out of the difference of Rs. 1.45 crores, discrepancies to the extent of Rs. 1.25 crores were stated to have been reconciled and the remaining difference of Rs. 20 lakhs was still under reconciliation (December, 1973).

Since August 1970, all materials purchased, whether centrally or by the field officers, including those intended for works are being brought to account through the accounting head "Stock", except for some specified consumable items which are being charged direct to "Works". The Board has not fixedthe reserve limits of different items of stock based on the assessment of quantity required from time to time. No list of surplus/obsolete stores was prepared for the year 1970-71. Lists of unserviceable items of stores and slow-moving items as at the end of March 1972 were prepared and submitted to the Board in August, 1972. Government stated in December, 1973 that the unserviceable items were being disposed of through auction and that the slow-moving items were awaiting physical inspection by a committee of officers.

Stores issued to works are finally adjusted in the financial accounts by debit to the work concerned. Material-at-site accounts are required to be maintained in the field for stores in respect of the work estimates costing over Rs. 50,000, which are to be closed on finalisation of completion reports. Physical verification of stock is required to be conducted every year and also on transfer of charge. No day-to-day record of actual issues was kept. Physical verification was being conducted when required, after actually verifying the stores utilised on works and those available on the ground. On the 26th October, 1972, the Chief Internal Auditor brought to the notice of the Board that the material-at-site accounts were not maintained by several divisions. It could not, therefore, be verified whether the stores issued to "Works" from "Stock" were actually utilised and /or were physically available at site. As per the reviews of the Chief Internal Auditor, material-at-site accounts were not maintained for stores worth Rs. 7.28 crores issued during the period from October 1968 to March 1972. Non-maintenance of material-at-site accounts was also commented upon in paragraph 76 of the Audit Report 1970.

Government stated in December 1973 that the Board was being advised to reduce the inventory further, get the stores physically inspected by the committee of officers expeditiously, reconcile the remaining difference of Rs. 20 lakhs, and streamline the procedure of maintenance of material-at-site accounts.

The Board stated in July 1974 that material-at-site accounts for stores worth Rs. 5.49 crores had since been compiled.

The Board stated in evidence that out of the difference of Rs. 20 lakhs, further amount to the tune of Rs. 1,11,607 had also been reconciled. This difference had nothing to do with the physical shortages at the time of hand-ing over of stores to the Controller of Stores Organisation because during cent per cent physical verification of the stores minor discrepancies were noticed which were adjusted. The quantity balances in the value ledger were correct as cent per cent physical verification of the stores was being carried out every year. It was mentioned during oral evidence that one of the reasons due to which the entire difference of Rs. 20 lakhs had not been reconciled was that the composite Punjab State Electricity Board had not as yet finalised the accounts as on 2nd May, 1967. However, it was promised that the reconciliation of the difference which did not relate to the transfer of balance from the composite Punjab State Electricity Board would be completed within a period of three months.

As regards the reserve limit of stock, it was stated that prior to the formation of the Controller of Stores Organisation, reserve stock limit was fixed for a particular year for the Division as a whole. Subsequently, however, after formation of Controller of Stores Organisation, fixation of reserve stock limit was not considered necessary as purchases for all items were centralised in the Head Office. Barring a few items required for operational use, all other items were being procured for stock against capital works on the basis of the actual works lists approved by the Board and it was not possible to fix maximum/minimum limit for such items.

Regarding unserviceable and slow moving items, it was mentioned that their total value as on 31st March, 1974 was as follows :—

(a) Unserviceable items	Rs. 22,10,554
(b) Slow-moving items	Rs. 30,13,321

During oral evidence the Board stated that the material for projects was lying in the stores for a number of years. With the passage of time, some items became obsolete and unserviceable. The unserviceable items also included dismantled copper conductor which was being received in stores from time to time as the copper conductor on the lines was replaced with aluminium conductor. It was added that unserviceable items of the value of Rs. 2,87,69,519 had been disposed of during the period 1st April, 1972 to 31st March, 1974.

As for slow moving items it was added that the committee of officers had inspected such items at eight stores namely Bhiwani, Jind, Jhajjar, Rohtak, Narnaul, Charkhi-Dadri, Sirsa and Fatehabad and necessary action on the basis of their reports had already been initiated. Inspection of such items in the remaining stores had also been taken in hand. The purchase of all items of stores had now been centralised and Material Management Organisation created with effect from February, 1974. The slow moving items were not being purchased now till such time these were properly utilised.

In so far as the material-at-site accounts were concerned, it was stated that the Board was acutely aware of the position which had been brought out in the Audit Report. However, many practical difficulties in the maintenance of material-at-site accounts had been brought to the notice of the Board by the field officers and the whole position of changing or modifying the procedure to suit the present conditions was in the active consideration of the Board. Out of the balance stores valuing Rs. 1.79 crores, material-at-site accounts had since been prepared for stores of the value of Rs. 0.65 crore and checked by Internal Audit. As a result of this check, shortages had been reported only in one case in Operation Division Palwal where stores of the value of

Rs. 4,545 had been found to be short. Two Line Supdts. were stated to be *prima-facie* responsible for this shortage. Their explanations would have to be called for and examined. It was also promised during oral evidence that the remaining material-at-site accounts would be completed within three months.

The Committee observe that since a period of more than five years has elapsed when the Controller of Stores Organisation was created in September, 1969, immediate and concerted efforts are required to reconcile the remaining difference without further delay and in any case within the period of three months as promised by the Board during oral evidence. The Committee would also like that the question of transfer of balances from the composite Punjab State Electricity Board be taken up at high level and finalised as quickly as possible. In regard to the material-at-site accounts, the Committee cannot but emphasise the imperative need of finalising them with utmost speed as the proper maintenance of the materials cannot be vouchsafed in the absence of these accounts and with the passage of time it may become difficult to trace the relevant entries and the officials concerned may also get transferred or retire from service etc. The Committee would, therefore, urge that the remaining material-at-site accounts be completed within the promised time of three months.

The Committee would further like that the final position relating to the shortages of Rs. 4,545 observed at the Palwal stores and action taken against the defaulting officials be intimated to them at an early date.

The Committee also suggest that in order to avoid accumulation of such arrears in future the Board should consider the desirability of introducing the Bin Card System. The Committee would also like that a periodical review of the items lying in the stores be conducted to ensure that they do not remain idle for a pretty long time.

Purchase of Conductors

Paragraph 8.9 (2)—*Extra expenditure on the purchase of ACSR Squirrel Conductor*

7. Tenders for the purchase of 5,000 Kms and 9,000 Kms. ACSR Squirrel Conductor were opened in July, 1967 and August, 1967 respectively. According to the policy of the Board, small scale and large scale industries of Haryana are given order preference. In determining the comparative position of their tenders, weightage is given to the small scale and large scale industries to the extent of 15 per cent and 5 per cent respectively. If after allowing such a weightage, the equivalent rate of a Haryana firm works out to be the lowest in the order of merit, the order is placed on that firm at the equivalent rate of the lowest acceptable offer received. Haryana Conductors, New Delhi, who proposed to set up a factory in Haryana, and Arkay Wires (Private) Ltd., Faridabad, claimed order preference admissible to small scale industrial units of the State. The comparative position of the equivalent rates of the two firms after allowing them order preference was as follows :—

Name of the firm	*Equivalent rates after allowing order preference* (*Rupees per Km.*)
Haryana Conductors, New Delhi	
for supplies up to 31st March, 1968	543.48
for supplies after 31st March, 1968	552.17
Arkay Wires (Pvt.) Ltd., Faridabad	545.00

Order for 9,000 Kms. conductor was placed in November, 1967 on a firm from Rajasthan whose quotation was the lowest. It was also decided to allow order preference to Haryana Conductors and to place an order for 5,000 Kms. on this firm at the lowest tendered rate, subject to the condition that the firm established its factory at Faridabad before commencement of supplies. A letter of intent to this effect was issued in November, 1967 to Haryana Conductors, but the firm declined to accept this proposal in December, 1967. However, on 10th June, 1968, order for 5,000 Kms. was placed on Haryana Conductors at the rate offered to this firm in November, 1967 though the rate offered by the other Haryana firm, *viz.*, Arkay Wires (Private) Ltd., for supply after March, 1968 was lower.

Tenders invited for the same type of conductors opened on 15th June, 1968 disclosed that the market rate had fallen appreciably by that time.

It has not been clarified why the Board placed the order 10 to 11 months after the opening of the tenders, when they had again invited tenders which were to be opened on 15th June, 1968. As compared to the rates obtained on 15th June, 1968, the orders placed on Haryana Conductors on 10th June, 1968 involved an extra expenditure of Rs. 4.66 lakhs.

Government stated in December, 1973 that an enquiry by the Vigilance Department was being instituted for further probe into a few aspects of the case.

The Board stated in evidence that as per the order preference policy of the Board in vogue in November, 1967 the criterion for consideration of various firms for allowing order preference was that the firm should be located in Haryana. There was no such condition that the preference was only admissible to the firms who had actually established their factories in Haryana. The primary consideration was that the firm to whom the order was being given on order preference basis was to manufacture and supply material from their factory located in Haryana.

Haryana Conductors in their tender offered rate of Rs. 625 per km. for supplies upto 31st March, 1968 and Rs. 635 per km. for supplies from April, 1968 onwards. They also quoted the variable price of Rs. 601 per km. which was not dependent on supplies being made upto the end of March, 1968 or thereafter. In their letter dated 3rd September, 1967 the firm made their price of Rs. 601 as firm inclusive of excise duty and CST and other taxes. Arkay Wires, however, quoted the rate of Rs. 597 (equivalent rate worked out to Rs. 626.85). Both Haryana Conductors and Arkay Wires had requested for price preference on the basis of their registration with the Directorate of Industries. Since the rate of Haryana Conductors of Rs. 601 was lower (it was not dependent on supplies to be made upto end of March, 1968 or thereafter) and even their rate of Rs. 625 for supplies upto March, 1968 was also lower than that of Arkay Wires, order was decided to be placed on them on order preference basis. Since it was not their own quoted rate but the rate of the lowest tender of Prem Cables of Rs. 508.80 which was offered to them, no financial implication in any way was involved.

The letter of intent was placed on Haryana Conductors in November, 1967, within the validity of their offer and in response thereto the firm requested for order at their quoted prices keeping in view the price preference policy of the Haryana Government. The matter remained under consideration in consultation with the Director of Industries and ultimately the order was placed on the firm on 10th June, 1968. It was further stated that in the case of conductors there were certain amounts of uncertainties in prices due to fluctuations in the price of raw material dependent on various conditions as would be evident from the table given below :—

Sr. No.	Name of particular item	Date of order	Rate of conductor	Eqvt. rate of Conductor
			Rs.	Rs.
1	ACSR Conductor size 13 sq.mm.	10-6-1968	508.80	535.36
2	Do	28-8-1968	415.00 less 1/4% discount	439.48
3	Do	6-1-1969	412.25 410.00 less 1/4% discount 408.75	435.54
4	Do	24-2-1969	470.00	494.08
5	Do	14-10-1969	551.00 less 1/4 % discount 549.08	548.24
6	Do	23-2-1970	598.00	643.30
7	Do	10-8-1970	640.00	686.56
8	Do	25-9-1970	762.20	762.20

The Board, therefore, contended that when the order was placed on Haryana Conductors the price trend was quite uncertain. Unfortunately, however, when the later tenders were opened on 15th June, 1968 the price showed downward trend. While finalising tender enquiry QH-92, the Stores Purchase Committee decided to procure only 2,333 kms. against tendered quantity of 5,000 kms. on the understanding that price trend was downward. However, when the tenderes were opened in December, 1968, the prices showed upward trend.

During oral evidence it was disclosed that the enquiry by the Vigilance Department was still under way and it was likely to be finalised in a short time.

The Committee would like that the findings of the Vigilance Department be intimated to them and follow-up action in the light of their findings finalised as quickly as possible.

Paragraph 8.9 (3)—Purchase of ACSR Conductor

8. Tenders were opened on 5th September 1968 for the purchase of ACSR Conductor, size 65 sq. mm (Dog). The Board decided on 8th October 1968 to offer the lowest rate of Rs. 2,085.14 per Km. f.o.r. destination, received from Aluminium Corporation of India, Calcutta, to the three Haryana firms, *viz.*, Hindustan Brown Boveri, Faridabad, Indian Aluminium Cables, Faridabad and Haryana Vanijya Nigam (selling agents of Haryana Conductors, New Delhi) whose equivalent rates were Rs. 2,013.13, Rs. 2,141.93 and Rs. 2,373.13 per Km. respectively. On telegraphic enquiries made on 11th October 1968, these firms declined to accept the rate offered.

The lowest tenderer for 500 Kms conductor, Aluminium Corporation of India, informed the Board on 11th and 19th November, 1968 that due to typographical error, the validity of its offer was mentioned as 3rd October, 1969 instead of 3rd October 1968 and that the same had expired. The Board considered this to be unbusiness-like and decided on 21st November 1968 to place order on this firm for 710 Kms and in case of non- acceptance, to suspend business dealings with it. The firm declined on 28th November 1968 to accept the Board's letter of intent dated 26th November 1968.

In spite of the urgent requirement of the conductor, the offers of Harshda Engineering Electric Co., Bombay, at the equivalent rate of Rs. 2,132.75 per Km and Industrial Cables, Rajpura, at the equivalent rate of Rs. 2,212.57 per Km valid upto 3rd and 5th December 1968 respectively, were not availed of and no reasons therefor were recorded.

On 8th January, 1969, the Board made telegraphic enquiries from all the tenderers, except Express Cables, business dealings with whom had been suspended and Aluminium Corporation of India, who had declined to accept the letter of intent of 26th November 1968, to ascertain if these firms were willing to accept the order for 710 Kms at their quoted rates and to extend the validity of their offers up to 15th February, 1969. Thirteen firms responded and eight of them revised their rates. The order for 710 Kms was placed on 5th February, 1969 on Haryana Conductors at the equivalent rate of Rs. 2,321 per Km. This involved an extra expenditure of Rs. 1.17 lakhs as compared to the lower rates available up to 3rd/5th December 1968.

The Board stated in evidence that in the tender enquiry the firms were asked to give the validity period for not less than three months time. In their tender M/s Aluminium Corporation of India had quoted the validity of their offer upto 3rd October, 1969. However, in their letter dated the 11th November, 1968, they only informed the Board that since the validity of their offer had expired on the 10th October, 1968, their offer should be treated as closed. This stand of the firm was not accepted by the Stores Purchase Committee in their meeting held on the 12th November, 1968, and they recommended that order for 710 Kms might be placed on them and in case they did not agree to accept the order, the Board might consider stopping further business relations with them. The Board accepted the recommendations of the Stores Purchase Committee in their meeting held on the 21st November, 1968, and a letter of intent was accordingly placed on the firm on the 26th November, 1968, as it was felt that the firm might accept the order on account of the fact that it was their fault having given validity period upto 3rd October, 1969, even by mistake but the firm declined to accept the order *vide* their letter dated 28th November, 1968, received in the Store Purchase Section some time in the first week of December, 1968.

It was added that while the validity had been given by the firm upto 3rd October, 1969 in their tender, their request for amendment to read this as 3rd October, 1968, was sent through their telegram only on the 19th November 1968, after the Stores Purchase Committee had recommended placing of order on them on the 12th November, 1968, and Memorandum on the subject had been sent to the Board on the 14th November, 1968. This delayed action on the part of the firm not only prompted the Stores Purchase Committee to recommend the order on the 12th November, 1968, but in so doing they could not consider the other higher offers available at that time.

Due to unbusiness like behaviour of the firm in first giving validity of the offer upto 3rd October, 1969 and thereafter making it as 3rd October 1968 with their telegram dated the 19th November, 1968, (as against three months asked for in the tender specification), neither their offer could be considered within the time allowed by them nor other offers of Harshda Engineering Co., Bombay and Industrial Cables Rajpura, where their offers were valid up to 3rd and 5th December, 1968, could be availed of since refusal of Aluminium Corporation of India to accept the order with their letter dated the 28th November, 1968, was received in the first week of December, 1968, when it was not possible to avail of these two offers.

The Committee observe that the controversy in this case had arisen primarily because the lowest tenderer namely, Aluminium Corporation of India who had originally indicated the validity period of its offer as 3.10.1969, subsequently amended it to 3.10.1968. The Board put forth the plea that although it was aware of the fact that the firm had withdrawn its offer, it considered that the order should be placed on the firm because, in its opinion, the validity period was still there and if the party did not agree to accept the order it would do so at the risk of stoppage of further business relations. In this process, by the time the refusal of the firm to comply with the order placed on it was finally received, the validity period of the other two firms had expired. In fact, the Board issued telegraphic enquiries on 8th January, 1969 to the tenderers who had quoted against the earlier enquiry to ascertain whether they were willing to supply the material at their quoted rates and to extend the validity of their offer but none of them agreed to supply the material at the old rates. Therefore, the Committee feel that there was no certainty that the other firms would have supplied the material on the prices originally quoted by them. The Committee are, therefore of the view that there is hardly any question of extra expenditure in this case.

Paragraph 8.9 (4)—Extra expenditure due to non-acceptance of available offers

9. (a) Tenders for ex-stock supply of 5,000 Kms ACSR Squirrel Conductor were opened in September 1968. Telegraphic enquiries were made on 11th October 1968 of Haryana firms *viz.* R.S. Hard Metal, Hindustan Brown Boveri and Indian Aluminium Cables, to ascertain if they were willing to accept the order at the rate of Rs. 423.92 per Km which was the equivalent rate of the lowest tenderer, Express Cables, Patna. The first two firms declined to accept the Board's offer on 23rd and 14th October 1968 repectively. Indian Aluminium Cables which had quoted the rate of Rs. 420 per Km., equivalent rate Rs. 446.56, informed on 29th October 1968 that it would accept the order for 2,333 Kms at Rs. 410 per Km., equivalent rate Rs. 436.56. Before a final decision was taken by the Board, the lowest tenderer, Express Cables, Patna and the third lowest tenderer, Hindustan Brown Boveri

withdrew the offers on 12th November 1968 and 23rd October 1968 respectively stating that they had received orders from elsewhere.

The second lowest tenderer, Aluminium Corporation of India, Calcutta, whose offer was valid upto 10th November 1968, declined on 11th November, 1968 and again on 18th November 1968, to extend the validity of its offer. As this was not brought to the notice of the Board, it was decided on 21st November 1968 to place order for 5,000 Kms conductor on this firm at its quoted rate. The firm declined on 28th November 1968 to accept Board's letter of intent dated 26th November 1968.

The fourth and lowest offers of Ram Kishan Metal Works for 500 Kms at the equivalent rate of Rs. 439.38 per Km. and Harshda Engineering electric Co., Bombay, for 5,000 Kms. at the equivalent rate of Rs. 446.06 per Km. were available for acceptance upto 10th December 1968, but no action wes taken to accept these offers, though the Board had invited tenders for ex-stock deliveries as the materials were required urgently.

It was, however, decided on 23rd December, 1968 to purchase 2,333 Kms. offered by Indian Aluminium Cables at its reduced rate of Rs. 436.56 per Km. Requirment for the balance quantity of 2,667 Kms. was met by the Board from the purchase effected in February, 1969 against another tender enquiry opened on 30th December, 1968 from Prem Cables at an equivalent rate of Rs. 496.56 per Km. involving an additional expenditure of Rs. 1.38 lakhs as compared to the rates of Ram Kishan Metal Works and Harshda Engineering Electric Co., Bombay.

The Board stated in July 1973 that due to uncertainties in the market and the downward trend in prices, the Stores Purchase Committee (S.P.C.) in its meeting held on 16th December, 1968 did not consider it advisable in the financial interest of the Board to accept the offers of Ram Kishan Metal Works and Harshda Engineering Electric Co. It may, however, be stated that the offer of Harshda Engineering Electric Co., was valid up to 10th December 1968 only. That the S.P.C. did not consider it advisable to accept the offers of Ram Kishan Metal Works and Harshda Engineering Electric Co., was not borne out by the minutes of the S.P.C. meeting held on 16th December 1968 .The S.P.C had recommended on 12th November, 1968 acceptance of the next available offers in case Aluminium Corporation of India did not accept the order. Non-acceptance of the offers of Ram Kishan Metal Works and Harshda Eugineering Electric Co., and the delay in taking decision not only defeated the object of ex-stock purchase, but also resulted in extra expenditure.

Government stated in December 1973 that a few aspects of the case were being looked into.

The Board stated in evidence that when the case was considered by the Stores Purchase Committee in their meeting held on 12th November, 1968, it was known to them that the validity of M/s Aluminium Corporation had expired on 10th November, 1968, but the firm had been asked to extend the same by another one month. This fact was duly brought to the notice of the full Board in the Memorandum submitted to them. For this very reason, Stores Purchase Committee had recommended on 12th November, 1968 that in case the firm would refuse to extend the validity and to accept the order which as expected by the Stores Purchase Committee actualy happened, the order for this quantity may be placed on the next lowest offers available for acceptance *i.e.* where the validity had not expired at their quoted rates. In fact, to cover this eventuality, the Stores Purchase Committee had also instructed the S.E, (Purchase) to request the firms upto 6th lowest offers i.e. upto M/s Indian Aluminium Cables, New Delhi, to indicate whether they were willing to accept the order at their quoted rates. The Board was duly informed of all these facts in the memorandum submitted to them. The fact of expiry of validity of M/s Aluminium Corporation having been intimated to the Board after the Stores Purchase Committee's decision would not have materially affected the purchase case since the Board would have accepted the Stores Purc hase Committee's recommendations for consideration of other available offers.

As desired by the Stores Purchase Committee on 12.11.68, enquiries were made from M/s Hindustan Brown Boveri (3rd lowest offer with equivalent price of Rs. 436.56), M/s Ram Kishan Metal (4th lowest offer with equivalent price of Rs. 439.37) and M/s Harshda Engineering Co. (5th lowest with equivalent price of Rs. 446.06) as to whether they would be agreeable to supply 5,000, 500 & 5,000 Kms. respectively at their quoted rates and they were asked to extend the validity of their offers upto 31.12.1968. M/s Indian Aluminium Cables were also asked telegraphically on 5th December, 1968, as to whether they were agreeable to supply 2,333 Kms. at their revised rate of Rs. 410/- per K. m. (equivalent rate of Rs. 436.56) and they were also asked to extend the validity of their offer upto 31.12.68. While M/s Hindustan Brown Boveri refused to accept the offer, M/s Harshda Engineering Co. and M/s Ram Kishan Metal Works had not responded when the case was considered by the Stores Purchase Committee on 16.12.68. However, M/s Indian Aluminium Cables agreed to supply 2,333 Kms. at their reduced rates. Accordingly, the matter was again considered by the Stores Purchase Committee in their meeting held on 16th December, 1968 who recommended placement of order for 2,333 Km. available ex-stock, on M/s Indian Aluminium Cables at their revised reduced rates of Rs. 410- (equivalent rate of Rs. 436.56) to meet the urgent requirement of the Board. The Board in their meeting held on 23rd December, 1968 accepted these recommendations. Obviously in the circumstances and in the absence of any response from M/s Ram Kishan Metal works and M/s Harshda Engineering Co. availing of their offers by the Stores Purchase Committee was hardly possible.

In reply to an enquiry from the Committee as to whether Government had taken a decision in regard to a few aspects of the case which were stated to be under their examination, it was mentioned that Government had referred certain questions to the Board and their reply had been received only a few days back which were under examination. It was also added that a lot of trouble was arising because of the existing purchase system which was inherited from the composite Punjab State Electricity Board. The Haryana State Electricity Board had been asked to improve their procedure. According to the previous procedure, a letter of intent was issued to a firm that it was proposed to place order on it. If it suited the firm, it would accept this and then the agreement would be entered into, but if it did not suit it, it would back out. In this background, Government had requested the Board to streamline their procedure which they have now done and they have also abolished the letter of intent.

During oral evidence, it was further added that the Board had postponed the purchase in this case hoping that the prices were coming down. Many a time, they have done this and they were proved right but these things would not come in the audit report. The Committee wanted to know whether there had been any cases where the Board had earned a profit in similar circumstances. The representative of the Board stated that there had been such cases and that they would supply the details of such cases to the Committee, although it would take sometime.

From the facts placed before the Committee, it is evident that the offers of Ram Kishan Metal Works and Harshda Engineering Co. Bombay, who were 4th and 5th lowest tenderers had been duly taken into consideration by the Stores Purchase Committee in their meeting held on 12th November, 1968, who recommended that order on the next lowest tenderer be placed in case Aluminium Corporation of India did not accept the order. It appears that the Board placed order on Aluminium Corporation of India to put pressure on them to make the supply by keeping their order alive. The firm, however, did not agree to execute the order. The other firms, namely Ram Kishan Metal Works and Harshda Engineering Co., did not respond to the request of the Board to extend the validity period. It seems they were not interested to supply the material.

In the opinion of the Committee, since Indian Aluminium Cables had agreed to supply only 2,333 Kms. of conductors at their reduced rate of Rs. 436.56, there was no alternative for the Board except to effect the purchase of balance quantity of 2,667 Kms. on the basis of tenders opened on 30th December, 1968.

However, the Committee would like to know the final decision taken by Government on the replies received from the Board in regard to certain questions on which clarifications had been sought. The Committee would also like to have details of the cases in which the Board had earned profit in similar circumstances as promised during oral evidence. The Committee would further like to be informed whether the revised purchase procedure now introduced is working satisfactorily.

(b) Business dealings with Express Cables, Patna, were suspended on 23rd December, 1968 by the Board as the withdrawal of its offer was considered unbussiness-like. The lower tendered rate of Rs. 450 per Km of ACSR Squirrel Conductor, equivalent rate Rs. 490.86 received from Express Cables against tenders opened in December 1968 was, therefore, not available for acceptance. Purchase of 6,000 Kms conductor had to be effected form Power Cables and Prem Cables at higher equivalent rates of Rs. 498.56 and Rs. 496.56 respectively. Similar withdrawal of the offer of Hindustan Brown Boveri was discussed neither by the S.P.C. nor by the Board. The Board stated in December 1973 that this was being looked into.

The Board stated in its written reply that since M/s Hindustan Brown Boveri was considered to be a firm of repute, supplying other important electrical equipment also, action against them was not considered desirable in the interest of the Board. It was felt that no hard and fast rules/guide lines for taking administrative action against the firms who defaulted in the faithful execution of their contract could be laid down since no two cases were similar in nature. Administrative action against the various defaulter firms was to be taken on merits of each case.

While the Committee consider that the business dealings with the various firms should normally be on even keel, they would not like to fetter the discretion or judgment of the Board in regard to the quantum of action to be taken against particular firms keeping in view the merits of each case.

Paragraph 8.9 (5)—Extra expenditure due to improper examination of tenders.

10. Tenders were opened in December, 1968 for the purchase of 36,000 Kms. AC SR Squirrel Conductor required during 1969-70. The Board decided in February 1969 to allow order preference to a small scale industrial unit of Haryana viz., Haryana Conductors and an order for 6,000 Kms. was placed on it at the equivalent rate of Rs. 496.56 per Km, of its associate, Prem Cables. According to the order preference policy of the Board, Haryana Conductors could be allowed the lowest acceptable rate received from any firm. In this case, the lowest rate was Rs. 466.56 of R. S. Hard Metal, Faridabad on whom an order for 3,500 Kms conductor, which this firm could supply during 1969-70, was placed.

However, considering that Haryana Conductors was not entitled to order preference for the reason that the tender was submitted on its behalf by its sole selling agent, *viz.*, Haryana Vanijya Nigam, the Board cancelled the order in August 1969 and communicated its decision not to place any further order with the firm. On a representation received from the firm, the embargo on future orders was revoked in September 1969, but the order cancelled in August 1969 was not revived. The facts on the basis of which the order was cancelled were known when the decision of placing the order was taken in February 1969. Had the matter been fully examined at that time, the order for 5,500 Kms could have been placed on Harshda Engineering Electric Co., Bombay, at Rs. 499.10 per Km and for 500 Kms on Power Cables, Bombay, at Rs. 498.56 per Km. Purchase of 6,000 Kms from these firms would have saved the extra expenditure of Rs. 3.38 lakhs as compared to the purchases effected at higher rates against fresh tenders received in August 1969 at rates ranging from Rs. 551.00 to Rs. 561.56 per Km including 3,000 Kms from Haryana Conductors at Rs. 551 per Km.

Government stated in December 1973 that "the Board has been advised to devise a definite and proper procedure for giving order preference to local firms".

The Board stated in evidence that according to the Board's order preference policy, Haryana Conductors was to be offered appropriate rates of the lowest tenderer. Since, however, Haryana Conductors had in the past declined to accept rates of the lowest tenderers, the Board considered that it would be useless to offer rates of lowest tenderers of R. S. Hard Metal to them. It was, therefore, decided to allow them the highest rate of Rs. 470 per Km. allowed to an outside party *i.e.* Prem Cables (Haryana Vanijay Nigam, Agents of Haryana Conductors had quoted for the Conductor against this enquiry at Rs. 510/- per Km F.O,R. destination). Another consideration for placing orders with this firm was that the next higher tenderer Harshda Engg. Electric Co., had quoted rate of Rs. 458/- per Km. F.O.R. destination (ebuivalent rate of Rs, 499.10), whereas in the case of Haryana Conductors, the rate being offered was Rs. 470/- (equivalent rate of Rs. 496.56 per Km.). In case, order for 6,000 Kms. had not been placed on Haryana Conductors on the basis of order preference at the highest rate of the outside party of Rs. 470 per Kms., the other alternative would have been to go in for the purchase of this quantity from Power Cables (500 Kms.) at the equivalent rate of Rs. 498.56 and 5,500 Kms. from Harshda Engg. Electric Co. at its quoted price of Rs. 458/- (equivalent price of Rs. 499.10) and in so doing there would have been an extra expenditure of Rs. 15,000. It was added that whereas other Electricity Boards/Governments and even Controller of Stores, Haryana, were allowing price preference to the industries located in their State and afforded them the orders on that basis on their rates, Haryana State Electricity Board only allowed order preference to Haryana based industries and orders were given on that basis at rates lower than those quoted by such acceptable firms. Orders were given to these industries at their rates only if they came within zone of consideration of their own without order preference.

It was also explained during oral evidence that in case full requirement of material could not be met by any one party, order was to be placed on different parties from Haryana and outside. There would be no loss to the Board if the Haryana party was offered the highest rate of any outside party on which the order would have to be placed if the Haryana party was disregarded.

It was further explained that as per the opinion of the Legal Adviser of the Board dated 11th June, 1969, Haryana Vanijya Nigam was not entitled for price/order preference and it had manipulated to obtain orders wrongly. It was for these reasons that order placed on Haryana Conductors was cancelled in August, 1969. Even when the Board had revoked the embargo placed on Haryana Conductors the revival of the order could not have been justified on any valid consideration. Naturally, therefore, against fresh tender enquiry orders had to be placed strictly on merits against the offers received at the rates obtained thereagainst. The mere fact that the price obtained was noticed on higher side, could not have justified revival of the order wrongly obtained by the firm. It was also stated that final decision as to whether the order was to be revived or not was still under consideration of the Stores Purchase Committee.

It was also mentioned during oral evidence that Government, had advised the Board to devise a definite and proper procedure for giving order perference to local firms so that this kind of difficulty did not arise in future. The Board enforced new purchase regulatsons and have streamlined the procedure in such a way that the delay in correspondence would not take place and the matter would be settled straightaway.

The Committee have carefully gone into the working of the system of order preference policy. As explained by the Board if an outside firm submits tenders for the supply of material to the Board and if Haryana firm also tenders a rate within the range of prescribed percentage the Haryana firm gets preference over the outside firm. Some times the tendering firms specify certain quantities which they are able to supply at their offered rates. In such cases the rest of the requirements are to be obtained from the next higher tenderer and so on. If the second tenderer happens to be an outside party and the Haryana firm also comes within the prescribed zone of percentage, it is offered the lowest rate which would be payable to an outside firm and in case it agrees to make the supply at that rate the material is obtained from it. As such the Haryana firm gets that rate which would otherwise have been payable to an outside firm if the material had been purchased from it. In the ultimate analysis while the Haryana firm gets order preference over an outside firm, the Board does not suffer any extra financial burden. In view of this, the Committee consider that the action of the Board in offering the rate of Rs. 496.56 to Haryana firm was justified.

In so far as the question of cancellation of the purchase order placed on Haryana Conductors is concerned, the Committee note that the legal opinion

was that Haryana Vanijya Nigam, who were the agents of Haryana Conductors and who had quoted on behalf of Haryana Conductors against this enquiry with a request to place order on the principals, were not entitled to the benefit of order preference and as such the Board had a valid ground for cancelling the purchase order initially placed on Haryana Conductors. However, the Committee would like to know about the final decision as to whether the order originally placed on Haryana Conductors is to be revived or not.

The Committee also note the statement of the Board that they had since introduced new purchase procedure and streamlined it so as to avoid delay in correspondence. The Committee would like the new procedure to be reviewed periodically and further improvements brought about in the light of the practical experience gained.

Paragraph 8.9 (6)—Delay in taking risk purchase action

11. (a) Dhiraj Lal Shah & Co., on whom an order for 5,000 Kms ACSR Squirrel Conductor at Rs. 445 per Km., was placed in February 1969, was to complete delivery within 4 to 5 months, *i.e.* by July 1969. The firm failed to produce the material for inspection. On a risk purchase notice issued in March 1970, the firm replied that it could not get raw materials after March 1969 and was unable to effect supplies due to certain reasons covered under *'force majeure'*. The reasons were not specified by the firm. However, it offered to complete supplies if higher rates were allowed.

The Board had to purchase conductor at much higher rates in August 1970 involving extra expenditure of Rs. 11.85 lakhs for 5,000 Kms. In view of the legal opinion that it was not possible to establish any claim against the firm as the purchase was effected $1\frac{1}{2}$ years after the date when delivery was due to commence and much after expiry (April 1970) of the risk purchase notice, the Board decided in April 1971 not to proceed further in the matter and to cancel the purchase order.

The Board stated in evidence that efforts were continuously made by the Board to force the firm to supply material against the order placed on them but since they used delaying tactics in postponing the inspection till they could find a party to supply the material to them for supplying to the Board, risk purchase action was corresponding by delayed. In the light of the legal opinion order was subsequently cancelled. The only alternative left was to take administrative action against them and the Board had already decided to black-list the firm.

It was disclosed during oral evidence that in reply to the risk purchase notice issued to the firm in March, 1970 they said that after March, 1969 they could not get raw material. The representatives of the firm also appeared before the SPC and said that they would supply material at 2/3 places and the Inspecting Officer be sent for inspection. The Inspecting Officer went in July, 1969 even at the places mentioned by them but there was no material and he came back without inspection. Then the firm again wrote that they were prepared to make supplies and the Inspecting Officer be sent for inspection but they could not even then produce the material for inspection and ultimately failed to make supplies.

The Legal Adviser of the Board did not favour filing a civil suit against the firm for recovery of the risk purchase amount because of the delay involved in the case. The Board explained that the delay occurred due to the clever tactics of the firm in delaying the supplies by making false promises.

It was also mentioned that it was possible for the firm to wriggle out of its commitment in view of the previous purchase procedure under which a letter of intent was issued before the agreement was signed by the parties.

The Committee was subsequently informed by the Board, that the firm had since gone into liquidation and according to the legal advice the Board was now gonig to lodge its claim against the firm with the liquidator. It was mentioned that in another case where order for the supply of 325 transformers had been placed on this firm the arbitrator had awarded an amount of Rs. 1,82,437.11 in favour of the Board.

The Committee observe that after the order was placed on the firm in February, 1969 it had been trying to avoid the execution of the contract by adopting delaying tactics and by making false promises. The Board seems to have been misled by the firm into believing that the supplies would be made eventually.

Now that the firm is stated to have gone into liquidation, the Committee would like to know whether the Board has put in its claim with the liquidator and, if so, to what extent and the results thereof.

The Committee would time recommend that in future risk purchase action should be taken will in time whenever there is likelihood of any delay in supplies.

(b) An order for 10,000 Kms. conductor was placed in February, 1969 on Prem Cables at the equivalent rates of Rs. 486. 56 per Km. for the first 1,000 Kms., Rs. 491.56 per Km. for the next 1,000 Kms. and Rs. 496.56 per Km. for the balance 8,000 Kms. The delivery was due to commence within 3 months of the receipt of the order and was to be completed at 3,000 Kms. per quarter. The firm supplied only 6,569 Kms. by the end of September, 1969 and sought extension in delivery period for the balance supplies on the ground of scarcity of aluminium. In June, 1970 it expressed its inability to effect supplies due to reduction of allocation of aluminium to it. Under the terms of the purchase order, the procurement of raw material was the sole responsibility of the supplier. Risk purchase notice requiring the firm to complete supplies within 20 days was served in July 1970.

The firm offered in October, 1970 to discuss the deliveries against this order if another order for 10,000 Kms. conductor at Rs. 762 per Km. was also placed with it. The Board did not find any justification for additional purchase but allowed extension in delivery period up to December, 1971 which the firm did not accept.

The Board, however, claimed in August, 1972 a sum of Rs. 5.46 lakhs from the firm as difference between the cost of 3,431 Kms. conductor prevailing at the time of expiry of the delivery period *i.e.* February, 1970, and that given in the purchase order. The amount was not deposited by the firm ; only an amount of Rs, 20,000 deposited by the firm as permanent security was available for recovery of damages. Goverument stated in December, 1973 that necessary action for effecting recoveries through arbitration was being taken by the Board,

The Board stated in its written reply that risk purchase action through arbitration as per contract executed by the firm against this order for claiming damages in respect of the risk purchase amounts, was already in hand. Apart from the nominee of the Board the firm had also nominated their own arbitrator. The first meeting was held on 26.8.1973. Arbitration proceedings were still in progress.

The Committee would like to be informed of the decision in the arbitration proceedings as soon as the award is announced.

Paragraph 8.9(7)—Extra expenditure due to non-completion of supplies

12. Against an order for 3,000 Kms. ACSR Squirrel Conductor placed in February, 1969 on Industrial Cables, Rajpura, the firm supplied 2,470 Kms. by the end of October 1969, when it was required to complete the entire supplies. In response to a risk purchase notice issued in July, 1970 for non-supply of the balance 530 Kms. the firm stated that with effect from 1st April 1969, the Government of India had decided to allocate EC grade aluminium to manufacturing units in the electrical industry and, since it was not licensed to manufacture ACSR Conductor, it was not able to get any allocation of EC grade aluminium. The firm also stated that it had been previously manufacturing ACSR Conductor under diversification policy of Government of India when EC grade aluminium was available freely in the market.

The Director General, Technical Development had, on receipt of the production report for November, 1970 from the firm, asked it in January 1971 not to manufacture conductors from out of the quota of indigenous or imported aluminium allocated to it for manufacture of cables. This indicated that the firm was manufacturing conductors even in November 1970 and could, therefore, have supplied the balance quantity against that order.

Legal opinion received in October, 1970 was that the supplier could not wriggle out of the contract, as, in terms of the purchase order, procurement of raw materials was its sole responsibilty. A quota for aluminium ingots, though for the manufacture of cables, had been allocated to the firm and the facility of diversification of production was still available to it. It may be stated that the firm's requirement of aluminium ingots was only 32 tonnes for the supply of the remaining 530 Kms. of conductor. The allocation of the material made to the firm by the D.G.T.D. for the years 1969-70 and 1970-71 was 1,060 tonnes and 954 tonnes respectively. Aluminium scrap was also freely available in the market.

Subsequent purchase of the remaining 530 Kms. made in February 1970 at higher rate from Power Cables involved additional expenditure of Rs. 0.83 lakh. It may be stated that Industrial Cables was licensed for the manufacture of ACSR/AAC Conductors in May, 1971 but did not supply the remaining quantity.

Government stated in December, 1973 that necessary action for recovery of damages through arbitration was being taken by the Board and pending payments of Rs.42,653 due to the firm against various orders, in addition to bank guarantee of Rs. 34,020, were available for recovery.

The Board stated in its written reply that at no stage the firm informed the Board regarding their inability to supply the balance material. It was only in July, 1970 that the firm, during discussions, explained their difficulty regarding the non-availability of raw material and immediately thereafter the risk purchase notice was served on them on 17-7-1970 to supply the balance material failing which action under negligence clause would be taken against them and the material purchased from elsewhere at their risk and responsibility. In order to recover damages on account of risk purchase amount, arbitration proceedings had already been started in this case which were still in progress.

It was also mentioned that all pending payments of the firm against various orders of conductor and cables had already been withheld and would be released only after settlement of the claims of the Board.

The Committee would like that the decision in the arbitration proceedings be intimated to them as soon as it is announced.

Paragraph 8.9 (8)-Extra expenditure

13. Tenders for ACSR Squirrel Conductor required during 1969-70 were opened in August 1969 and orders were placed on eight firms in September/October 1969. Three firms did not effect supplies. Asian Cables Corporation, on whom an order for 800 Kms was placed at an equivalent rate of Rs. 551.16 per Km, asked for amendment of the delivery schedule so as to commence delivery from April 1970 subject to availability of EC grade aluminium. This request was rejected by the Management in January 1970. The firm informed the Board in July 1970 that allocation of EC grade aluminium had not been made to it by the D.G.T.D. and hence the purchase order was being kept in abeyance. The firm did not respond to the risk purchase notice issued in September 1970. On a recommendation made in January 1971 to the D.G.T.D. for allocation of EC grade aluminium to the firm, the Board was informed that Asian Cables was not licensed for the manufacture of ACSR Conductor and as such allocation of aluminium to it was not possible.

The order was cancelled in June 1971 on the consideration that due to non-acceptance of the purchsse order it was difficult to conjecture that a legally binding contract had come into existence and that the D.G.T.D. had declined to allocate raw material to the firm. The Board stated in July 1973 that the control on EC grade aluminium was introduced in October 1969 with retrospective effect from April 1969 and that the firm was not aware of any control at the time of submitting the tender in August 1969 and even after the issue of telegraphic acceptance in September 1969. It may, however, be mentioned that informal distribution control over EC grade aluminium, effective from April 1969, was introduced on 5th July 1969 before the firm submitted the tender in August 1969 and not in October 1969. Moreover, all the essential terms quoted by the firm were accepted and the telegraphic acceptance issued by the Board was unconditional and there was no condition in the tender of the firm that delivery would be dependent on the availability of raw materials.

The other two orders were also placed in September and October 1969, on M. P. Industries, Gwalior, for 1,800 Kms conductor and on Shamsher Sterling Cables Corporation, Bombay, for 2,000 Kms conductor at the equivalent rates of Rs. 545,90 to Rs. 561.93 per Km. The Board required the materials before 31st March 1970. But the offers of these two firms were conditional with delivery depending on availability of raw materials and allocation of EC grade aluminium by the D.G.T.D. under the distribution control introduced on 5th July 1969. Orders placed on these firms, however, stipulated definite delivery period without linking it with the availability of raw materials. The firms did not accept the orders and these were ultimately cancelled in June 1971.

The offers of the following firms which had quoted firm deliveries, not depending upon availability of raw materials, were not considered because orders had been placed against the conditional offers of M P. Industries, Gwalior and Shamsher Sterling Cables, Bombay.

(i) Muzaffarpur Hosiery Industries and Agencies, Patna, for 400 Kms at the equivalent rate of Rs. 566.50 per Km.

(ii) Madras Electrical Conductors for 2,000 Kms at the equivalent rate of Rs. 570.62 per Km.

(iii) Electrical Manufacturing Company, Calcutta, for 1,400 Kms at the equivalent rate of Rs. 573.26 per Km.

The requirement of 4,600 Kms conductor not received against the three orders on Asian Cables, M.P. Industries and Shamsher Sterling Cable Corporation was met by placing orders at higher rates in September 1970 against another tender enquiry involving extra expenditure of Rs. 8.94 lakhs including Rs. 78,280 in purchase of 400 Kms from Muzaffarpur Hosiery Industries and Agencies, Patna.

The Board stated in evidence that in response to the quotation of Asian Cables against tender enquiry due in August, 1969 order for 800 Kms. which they could supply during the delivery schedule stipulated by the Board, was placed on them. Unconditional telegraphic acceptance of the offer of the firm was issued by the Board on 9.9.1969 and the detailed terms and conditions were to be followed in the purchase order. Naturally, therefore, telegraphic acceptance did not constitute any legal binding contract unless their terms and conditions were also accepted into to which was not done even in the detailed purchase order placed on them. It was a common tactics of many firms to stipulate terms and conditions different from the N.I.T. (Notice Inviting Tender) and also seek amendment of purchase orders with the idea of avoiding commitments when it suited them to do so. Usually the Board preferred its own terms to be incorporated in the purchase order notwithstanding that the suppliers made their own terms in the tenders. From order to order the Board had been insisting on its own terms being accepted. In the absence of any unconditional acceptance of the order by the firm, there was no valid purchase order on them. Therefore, when they informed the Board that they could not supply the material, the only course left with the Board was to approach the D.G.T.D. for allocation of aluminium to them. The other alternatives would have been either to cancel the order or to force the firm to supply the material but the latter course could hardly be adopted in the absence of any valid contract with the firm.

When the D.G.T.D. refused to allocate the raw material to them for execution of the order, the same was cancelled.

Before the imposition of control on allocation of raw material aluminium had been readily available in the country and the firms had been supplying material by making their own arrangements of raw material. There had been general practice in the past both in the composite Punjab State Electricity Board as well as in the Haryana State Electricity Board where the firms had submitted their quotations on acceptable price and for suitable delivery even dependent on availability of raw material, these used to be accepted on firm prices and for the quantity which they could supply within the period required by the Board and in almost all such cases the firms had been accepting the orders and supplying the material. On similar considerations offer of M.P. Industries Gwalior and Shamsher Sterling Cables Corporation Bombay were accepted and orders placed on them. Unfortunately, however, after the imposition of control on aluminium and general scarcity of the material during the years 1969-70 and 1970-71, these firms could not supply the material and managed to wriggle out of their commitments on the plea of non-availability of raw material. Had these firms supplied the material, as was expected of them like other firms in the past who despite such a stipulation of delivery subject to availability of raw material in their tenders, had executed orders faithfully, the suggestions for ignoring these firms and going in for other higher offers would not have been applicable under such circumstances.

During oral evidence it was stated by the Board that in case the Board does not accept the terms offered by the firms and place order on them on the basis of Board's terms and conditions (as the Board prefers its own terms and conditions) or give terms other than those stipulated in the tender, then it becomes an offer again, and the tenderer may or may not accept the same. In a few cases on account of non-acceptance of the terms of the Board, where the Board modifies the terms in the purchase order it becomes difficult for the Board to take action against the parties. There are a few cases, where because of Board's purchase order being different, it could not take action against the parties. In hundreds of cases, the same procedure, particularly in cases where terms are favourable to the Board, is followed. This is what happens in a buyers' market. In the buyers' market the Board dictates its terms. But now it is a sellers' market.

The Committee feel that the action of the Board in placing order on Asian Cables Corporation, M.P. Industries and Shamsher Sterling Cables Corporation who had quoted the lower rates for 800 Kms., 1,800 Kms and 2,000 Kms conductors respectively was in order. Although the offers of these firms were conditional subject to the availability of raw materials and allocation of EC grade aluminium by the D.G.T.D. it seems that the Board had placed orders on them to avail of their lower offers. The Committee consider that no further action is called for.

Paragraph 8.9 (9)—Extra expenditure due to postponement of closing dates for tenders.

14. Tenders for 21,000 Kms ACSR Squirrel Conductor were invited in June 1969 and opened in August 1969. Another tender enquiry for 50,500 Kms of the same conductor required for tne year 1970-71, was issued in July 1969. Tenders were due to be received up to 15th September, 1969, but the closing date was extended up to 21st October, 1969 for reasons not on record. While considering, on 29th September, 1969, the tenders received in August, 1969, the Board again decided to postpone the closing date further to the end of December 1969 without recording any reason. Purchases against

tenders received in August 1969 were also not made though the requisite quantity of conductor was available at equivalent rates varying from Rs. 551.05 to Rs. 594.37 per Km.

In the wake of postponement of the closing dates, a number of firms increased their rates and in some cases the validity of the offers received in September 1969 expired. After the opening of the tenders in December 1969, the requirements of the conductors were re-assessed on 14th January, 1970 as 22,000 Kms, but were again revised on 22nd January 1970 to 30,000 Kms and on 23rd February, 1970 to 36,000 Kms as discussed in sub-paragraph 11. The Board incurred extra expenditure of Rs. 11.35 lakhs on purchase of 24,376.682 Kms received against orders for 36,000 Kms, as compared to the rates that would have been available had the closing dates for tenders not been extended. This includes extra expenditure of Rs. 2.70 lakhs in respect of 8,551.087 Kms purchased from four firms, who had quoted lower rates in the tenders submitted in September 1969.

Government stated in December 1973, that the opening of tenders; when the offers received in August, 1969 were valid would have created complications, as the firms which quoted higher prices against the enquiry could have backed out from their earlier offers on one pretext or the other.

The Board stated in its written reply that the tenders for 51,000 Kms. A.C.S.R. Conductor opened in August, 1969 were meant for meeting with the requirement of conductors during the year 1969-70. After these tenders were floated requirement of this material for the year 1970-71 was received from the Chief Engineer (Operation) and to arrange for timely procurement of this material tender enquiry was also issued in July, 1969. Since the requirement for the subsequent year had not been received by the time earlier tender enquiry was floated the question of merging the requirement in the earlier enquiry did not arise. It was added that during the years 1969-70 and 1970-71 targets for village electrification and tubewell energisation were modified from time to time during the year to boost up the agricultural production in the State. Frequent assessment of requirement was, therefore, called for from time to time.

It was further stated that since the former tender enquiry and the latter tender enquiry were for the same conductor but with different delivery schedules to meet with the requirement for two different years *i.e.* 1969-70 and 1970-71, earlier opening of the latter tender enquiry when the offers against the first tender enquiry were also valid and were under consideration/finalisation, would have created complications to the extent that the firms who had quoted higher prices against the subsequent enquiry and had been considered and accepted against the earlier enquiry could have backed out from the earlier enquiry on one pretext or the other. Therefore, the requirement during the year 1969-70 could not have been met with such mingling of the two enquiries.

It was, however, stated by the Board that although decision on the first tender was taken on 29.9.69 and orders placed by 14.10.69 yet the date of opening of the new tenders was postponed from 21.10.69 to the end of December, 1969, as they wanted to see the reaction of the firms on which orders were placed.

It was also explained by the Government that now the Board has introduced a very healthy practice that while decision on one tender is pending another fresh tender for the same material should not be floated in the market. The suppliers could take advantage of this under the old procedure. If the prices then are higher, they would get out of the order and if they are lower, they will press the Board for deciding it quickly.

The Committee observe that in the special circumstances which prevailed during the year 1969-70 when the implementation of the crash programme was in full swing, there had to be stage by stage assessment of requirements of conductors in the interest of timely completion of the programme. The contention of the Board was that the two tender enquiries were meant for meeting requirements of two different years, *viz.* 1969-70 and 1970-71 and the earlier opening of the tenders against the second enquiry on the scheduled date, *i.e.* September, 1969, might have created complications and some of the firms who had quoted lower rates against the first tender enquiry might have re-traced these offers entailing extra expenditure and set-back to the programme. The first enquiry was stated to be under process when the opening of the second enquiry became due and the Board felt that there was rising trend of market. The Committee, therefore, consider that there was nothing irregular in the action of the Board in extending the closing date for the tenders against the second enquiry upto the end of December, 1969. However, it would have been better if the Board had taken a decision on the first enquiry and placed firm orders before the second enquiry was due for being opened.

Paragraph 8.9 (10)—Extra contractual payments

15. With the announcement on 28th February, 1970 of increase in excise duty on aluminium from Rs. 1,020 per tonne to 25 per cent *ad valorem* and additional excise duty at 20 per cent thereof, the firms on whom orders were placed in February 1970 for supply of 36,000 Kms. ACSR Squirrel Conductor at rates varying from Rs. 628.30 to Rs. 645.81 per Km. represented in March 1970 that the increase in excise duty should be borne by the Board. Under the terms of the contracts, the suppliers' rates were firm in all respects and they could not claim this increase. However, the Board agreed in August 1970 to allow full increase in excise duty on aluminium even though the demand of the firms was extra-contractual. Claims totalling Rs. 7.68 lakhs were received from six firms. Claim of Power Cables for Rs. 2.01 lakhs was admitted for Rs. 1.84 lakhs and was paid in August 1971. No decision had been taken by the Board in respect of remaining claims. The Board stated in June 1973 that it was agreed to absorb the increase in excise duty in view of the representations of the firms, the urgency of requirements and because the other Electricity Boards had agreed to pay. The Board further stated that there was acute shortage of conductor and the firms were not willing to supply without reimbursement of increase in excise duty.

It was explained by the Board in evidence that after order was placed on different firms excise duty was levied by the Government of India on aluminium and the firms refused to supply the material. The Board held meetings with them but they did not agree. Then the Board met and after due consideration, on the pattern of Tamil Nadu and other State Electricity Boards, decided to offer the firms 50% of the excise duty. They did not agree even to this. Then the Board was in a quandary as to how to proceed. It was added that West Bengal, Andhra Pradesh and Punjab State Electricity Boards had also agreed to absorb the enhanced excise duty. The Board also decided to float short term tender enquiries to see the price position. In response to these enquiries almost the same firms quoted but at much higher rates. The new rates quoted by them were even higher than the rates on which the orders were placed on them plus the excise duty claimed by them against these orders. Under the circumstances there was no way out for the Board except to give this statutory levy. But the stipulations made were such that out of all the firms only one firm could claim this concession and the others have not so far got it because they have not met with the requirements, one of which was that the firm had to give a proof that the concerned raw material was purchased and actually consumed after the excise duty had been raised. The Board took all precautions before it agreed to allow this statutory levy.

The Committee find that in this case the payment of increased excise duty, though extra contractual was necessitated by the force of circumstances. While the Board had taken all precautions and steps to persuade the firms to execute the orders at their quoted rates, the firms were adamant on the payment of additional excise duty on raw material levied by the Government of India. Evidently, the Board could not have refused the payment of statutory levy in the face of similar payments agreed to by the Tamil Nadu, West Bengal, Andhra Pradesh and Punjab State Electricity Boards. The Committee also feel that while submitting their tenders, the firms could not apparently foresee the levy of additional excise duty although the firms while quoting firm rates usually made allowance for possible expected increase in rates of raw materials also. In fact the Board had floated a short term tender to check the market reaction when the prices quoted were found to be higher than the previous rates after including the element of excise duty. The Board could thus refuse the payment of additional excise duty to the firms and threaten risk purchase but at the same time would have had to face problems arising out of delayed or non-supply of conductors thereby causing serious dislocation to the timely implementation of the crash programme.

The Committee also note that only one firm has received payment of additional excise duty after furnishing proof that the concerned raw material was purchased and consumed after the excise duty had been raised.

Paragraph 8.9(11)—Placement of order against post-tender offers without specific requirements

16. Tenders for the purchase of 50,500 Kms. ACSR Squirrel Conductor required during 1970-71 (referred to in sub-paragraph 9) were opened in December 1969. The requirements were re-assessed on 14th January, 1970 as 22,000 Kms. and the S.P.C. recommended on 15th January 1970 its purchase from 5 different firms at rates varying from Rs. 628.30 to Rs. 643.30 per Km. f.o.r. destination. Two of these were Haryana firms, *viz.* Haryana Conductors and R.S. Hard Metal. In accordance with the order preference policy, these firms were entitled to a rate of Rs. 628.30 per Km. being the lowest acceptable rate, but they were given the highest rate of Rs. 643.30 allowed to an outside firm, resulting in undue benefit of Rs. 1.25 lakhs.

Power Cables, Bombay, had quoted equivalent rates of Rs. 643.30 per Km. for the first 2,000 Kms., Rs. 652.56 per Km. for the next 5,000 Kms. and Rs. 661.84 per Km, for the next 10,000 Kms. The offer of Power Cables was ignored by the S.P.C. for the reason that its first two rates were "dependent on budget variations" and the third on raw material prices. The Board, while approving the recommendations of the S.P.C. for the purchase of 22,000 Kms. conductor, also directed, on 20th January, 1970, without recording any reason, that the offer of Power Cables be re-examined.

The requirements of the conductor were increased on 22nd January, 1970 to 30,000 Kms. "in order to guard against non-receipt of supplies from firms for one reason or the other." On the 5th February, 1970 Power Cables withdrew the condition stipulated in the tender in regard to its rates being subject to budget variations, thereby making its rate for 2,000 Kms. firm. It also offered another 6,000 Kms. at the same equivalent rate of Rs. 643.30 per Km. but subject to statutory variation in prices of raw materials. The S.P.C. recommended on 11th February, 1970, placement of orders for additional 8,000 Kms. on 4 firms, including Power Cables for 2,000 Kms at rates varying from Rs. 643.30 to Rs. 645.81 per Km. of the total value of Rs. 51.30 lakhs. This was approved by the Whole Time Members on 11th February, 1970 and by the Board on 23rd March, 1970. Meanwhile, telegraphic acceptances for 30,000 Kms. were issued to various firms on 12th February, 1970.

Power Cables offered on 14th February, 1970 further 6,000 Kms. conductor at the same firm equivalent rate of Rs. 643.30 per Km. Considering that this type of conductor was always required for tube-well and village electrification schemes and there were possibilities of increase in targets during 1970-71, it was decided by the Whole Time Members on 23rd February, 1970 and approved by the Board on 27th March, 1970 to place order for the additional 6,0 0 Kms. of the value of Rs. 38.60 lakhs, on Power Cables at Rs. 643.30 per Km. The purchase order for 8,000 Kms., 2,000 Kms. approved on 11th February, 1970 and 6,000 Kms. approved on 23rd February, 1970, of the value of Rs. 51.46 lakhs, was placed on the firm on 23rd February, 1970, in anticipation of Board's approval.

The orders for additional 14,000 Kms. conductor of the total value of Rs. 90.10 lakhs were placed without any specific requirement. Moreover, the order for 8,000 Kms. of the value of Rs. 51.46 lakhs was placed on Power Cables on the basis of its revised offer more than one month after the opening of the tender as well as the decision of the Board to place orders for the full requirement of 22,000 Kms. The revised offer of the firm for 2,000 Kms. as well as offer for additional supply of 6,000 Kms. was considered without giving any chance to other tenderers to quote which was contrary to the accepted tender procedure.

The Board stated in December 1973 as follows :—

> "Equivalent rate of M/s. Power Cables also worked out to Rs. 643.30 as that of M/s. J.J.H. Industries the highest offer of which was accepted by S.P.C. for order for 9,900 K.M. M/s J.J.H. Industries had mentioned in their tender that the prices were firm subject to increase due to the new imposition and/or variation of statutory levies on finished products and/or raw materials. They withdrew the words "and/or raw materials" with their telegram dated 13th January 1970 (received after opening of tenders) and on that basis, since their prices had become firm subject to statutory levies on finished goods alone, their offer was accepted by the S.P.C. In the case of M/s Power Cables, the prices quoted in their tender were firm subject to budget variation. Since the equivalent rates of M/s J.J.H. Industries and M/s. Power Cables were equal and stipulations for variation of statutory levies on raw materials were also the

same in their original tenders, the Board while approving recommendations of S.P.C. on 20th January 1970 desired that offer of M/s. Power Cables might also be examined by S.P.C. as they had scrutinised the offer of M/s. J.J.H. Industries".

However, the reason given above for re-examination of the offer of Power Cables was not on record.

The Board stated in evidence that in accordance with the order preference policy, orders were to be afforded to Haryana firms at the appropriate rates of the lowest tenderer. Since M/s Haryana Conductors and M/s. R.S. Hard Metal had in the past declined to accept the orders at the rates of the lowest tenderer, the Stores Purchase Committee while considering purchase against tender enquiry opened in December, 1969 felt that it would be useless to offer the rates of the lowest tenderer, viz. Rs. 628.30 per k.m. to these two firms. It was therefore, recommended by them to allow these firms the highest rate (allowed to outside firm) viz. Rs. 643.30 per k.m. for 9,100 k.ms. which would have been offered to outside firms, had these firms been ignored for their unwillingness to accept rates of lowest tenderer as per order preference policy. R.S. Hard Metal and Haryana Conductors had themselves quoted against this enquiry at Rs. 650 per k.m. which was higher than the rate of Rs. 643.30 allowed to them. In case orders for this quantity had not been placed on Haryana firms at the rates allowed to them, the other alternative would have been to go in for the purchase of this quantity from other higher tenderers and in doing do, extra expenditure to the tune of Rs. 20,800 would have been involved.

It was also stated that various other State Electricity Boards/Governments and even Controller of Stores, Haryana were allowing price preference to the industries located in their respective States and afforded the orders on that basis on their rates. The Haryana State Electricity Board only allowed order preference to Haryana based industries and orders on that basis were given at rates lower than those quoted by them.

As regards re-assessment of requirements of conductors, it was argued that with the creation of the Controller of Stores Organisation since August, 1969 there had been a set system/procedure for assessment of requirements. On the basis of the targets fixed by the Board/State Government requirement was assessed by the Chief Engineer Operation for all works below 33 K.V. and by Chief Engineer (P & C) for 33 K.V. works and above and intimated to the Controller of Stores where the same was further scrutinised and then intimated to the respective purchase organisation. In the present case the tender enquiry was floated in July, 1969 on the basis of the requirement received from the Chief Engineer Operation in June, 1969 prior to the formation of the Controller of Stores Organisation. Naturally, therefore, when the tenders were opened on 30-12-1969 after the Controller of Stores Organisation came into existence the Board felt that the requirement of the material for the years 1969-70 and 1970-71 should be re-assessed correctly for proper procurement against enquiries floated and for that purpose they also appointed a special committee of officers on 5th January, 1970.

Tenders were accordingly floated for the purchase of 50,500 k.ms. against which the Stores Purchase Committee recommended on 15-1-1970 to procure only 22,000 k.m. from various firms on rates ranging from Rs. 628 30 to Rs. 643.30 per k.ms. in the light of the recommendations dated 13-1-1970 of the special committee appointed by the Board. Equivalent rate of Power Cables worked out to Rs. 643.30 as that of J.J.H. Industries, the highest offer of which was accepted by the Stores Purchase Committee for order for 9,900 k.ms. out of the total 22,000 k.ms. recommended by them for purchase. After withdrawal of the words "and/or raw materials" by J.J.H. Industries, Power Cables had also *vide* their telegram dated 6-2-1970 made their price firm subject to the statutory levy on finished good for 2,000 kms. In the meanwhile, the special committee appointed by the Board for assessing the requirements had recommended in their meeting held on 27-1-1970 procurement of 30,000 k.ms. for the year 1970-71. This increase in quantity was intended as a safeguard against supplies which might not be received from the firms on their backing out of their commitments for one reason or the other. Keeping this in view, the Stores Purchase Committee recommended the purchase of another 8,000 k.ms. against the enquiry floated for the purchase of 50,500 k.ms. on 11-2-1970. These recommendations were approved by the Whole Time Members on the 11th February, 1970. While acknowledging the receipt of the telegraphic order dated 12-2-1970 Power Cables offered on 14-2-1970 to supply another 6,000 k.ms. on the same rates on which order had already been placed on them for 2,000 k.ms. While the Stores Purchase Committee considered the matter again in their meeting held on 16-2-1970 and recommended that it would be worthwhile availing of the offer of Power Cables to supply additional quantity of 6,000 k.ms. as this size of conductors was always required for tube-wells and village electrification and there was also possibility of increase in targets for the year 1970-71 as had happened during the years 1968-69 and 1969-70. The Whole Time Members accepted their recommendation on 23-2-1970. It was also pointed out that while the offer of Power Cables was accepted at the equivalent rate of Rs. 643.30 orders were placed on other firms viz. Muzzafarpur Hosiery at Rs. 643.75 and Prem Agencies at Rs. 645.81. It was contended by the Board that purchase of 14,000 k.ms. of conductor was made, keeping in view the increased requirement recommended by the special committee and also on account of increase in targets during the year 1970-71. It was further mentioned that while initially it was intended to electrify 1300 villages and 15,000 tubewells during the year 1970-71 subsequently targets were revised to include 20,000 tubewells and electrification of all the remaining villages in the State during the year 1970-71. The action of the Board for purchasing enhanced quantity was fully justified which not only enabled it to achieve increased targets in 1970-71 but also afforded enormous financial gain to the Board due to upward trend in prices noticed in subsequent tender enquiry.

The Committee note that the requirements were changed three times within a period of 5 weeks i.e. on 14th January, 1970, 22nd January, 1970 and 23rd February, 1970 from 50,500 kms. to 22,000 kms, 30,000 kms. and 36,000 kms. respectively. The Committee do, however, appreciate that in the special circumstances which prevailed during the year 1969-70 when the crash programme for rural electrification was in full swing, the reappraisal of the requirements of conductors at various stages was unavoidable.

The Committee are also of the view that the acceptance of the offer of Power Cables after withdrawal of the condition about the price variation was in the best financial interests of the Board, more so when the offer of J.J.H. Industries had been similarly accepted. In case their offer had not been accepted by the Board it might have had to explore alternative avenues to procure the same material by accepting higher rates which would have involved extra expenditure. The Committee agree that by purchasing additional quantity of conductors the Board was able to secure substantial savings as the prices had shown upward trend subsequently.

In so far as the question of allowing the higher rate of Rs. 643.30 per k.m. to two Haryana firms under the order preference policy is concerned, the Committee feel that there was nothing irregular in allowing this rate to the Haryana firms which would in any case have to be paid to an outside firm if the material had been purchased from it. The Committee feel convinced that no undue benefit was extended to these firms on this account.

Paragraph 8.9 (12)—Extra expenditure in purchase of ACSR Conductor 'Ferret'

17. An order for supply of 8,000 Kms. ACSR Conductor 'Ferret' was placed in April. 1969 on the lowest tenderer, *viz.*, Indian Aluminium Cables Ltd., at Rs. 866.25 Km. exclusive of excise duty, f.o.r. destination. Payment for 90 per cent value of complete items despatched and full excise duty was to be made against railway receipt/goods transport receipt and the balance 10 per cent within one month from the date of receipt of material at destination. The firm supplied 1,787 Kms. conductor during September and October 1969 and claimed, in December 1969, the balance 10 per cent payment of Rs. 1.55 lakhs in respect of these supplies. The firm stopped making further supplies on the plea that the Board was not making payments in accordance with the terms of the contract. In July, 1970, the Board amended the payment clause in the purchase order authorising the balance 10 per cent payment for each consignment on *pro rata* basis provided the firm furnished bank guarantee for 5 per cent of the contract value. The firm, however, did not commence supplies. The Finance Member and the Chairman of the Board observed in August, 1970, that there had been considerable delay in clarifying the payment clause and desired that responsibility should be fixed for the possible loss of Rs. 44 lakhs on subsequent purchases at higher rates. Government informed Audit in December 1973 that the matter was being looked into by the Board. Further report is awaited (July 1974).

Meanwhile, another tender for 12,500 Kms. conductor of the same size was opened in October 1969. The lowest equivalent rate was that of E.M.C. Calcutta, *i.e.* Rs. 1,146.84, for the first 3,000 Kms. which was amended by it on 26th October 1969 to Rs. 1,176.71, for 6,000 Kms. and Rs. 1,188.04, for the next 3,000 Kms. With this amendment, the offer of Indian Aluminium Cables Ltd., Faridabad, at Rs. 1,153.44 per Km., became the lowest. It was decided in November 1969 to place an order for 3,000 Kms. on E.M.C. at the rate originally quoted by it and for 9,500 Kms. on Indian Aluminium Cables Ltd., at an equivalent rate of Rs. 1,146.84 per Km. for the first 3,000 Kms. on the basis of the rate quoted by E.M.C, and at the equivalent rate of Rs. 1,153.44 per Km. for 6,500 Kms. on the basis of the rate quoted by Indian Aluminium Cables Ltd., itself.

E.M.C., Calcutta, on being persuaded, agreed to accept the order for 3,000 Kms. and an order was placed on it for supply of this quantity by June 1970 at the agreed rate, less 1/2 per cent cash discount for 100 per cent payment against railway receipt. The firm declined the order on the ground that the discount had not been agreed to by it.

Indian Aluminium Cables Ltd., did not communicate its acceptance of the order for 9,500 Kms. placed on it and no supplies were effected by it. A risk purchase notice issued to it was challenged by the firm on the ground that the order placed was not in conformity with the terms and conditions of its offer.

As the Board was not getting supplies of 15,700 Kms. conductor from Indian Aluminium Cables Ltd., against orders placed in April and December 1969 and 3,000 Kms. from E.M.C. against the order placed in December 1969 short term tender for urgent requirement of 15,000 Kms. was opened in June 1970. Orders for 17,300 Kms. were placed in August/September 1970 on the lowest seven firms at rates ranging from Rs. 1,341 to Rs. 1,530 per Km. according to the quantity offered to be supplied by these firms by 31st March 1971.

Although Indian Aluminium Cables Ltd., was not asked to quote, it submitted an offer of its own accord. Its offer was ignored due to its poor performance against orders already outstanding against it for this size of conductor. The offer of Aluminium Cables and Conductors (UP) Pvt. Ltd., Calcutta, at equivalent rate of Rs. 1,445.54 per Km. for 15,000 Kms. was also ignored due to poor performance in the past and the delivery quoted by it being negotiable.

After post-tender negotiations with Indian Aluminium Cables Ltd., the Board entered into a package deal with the firm in September 1970. Under the package deal, an order for 7,000 Kms. conductor of the value of Rs. 1,03.73 lakhs was placed on Indian Aluminium Cables Ltd. at its newly quoted rates of Rs. 1,425 per Km. for 1,000 Kms., Rs. 1,450 per Km. for 2,000 Kms., Rs. 1,500 per Km. for 2,000 Kms. and Rs. 1,550 per Km. for 2,000 Kms. The order for 9,500 Kms. placed on it at lower rates in December 1969 was cancelled in return for the firm agreeing to supply the balance 6,212 Kms. conductor against the order of April 1969 according to a revised schedule extending upto 1972-73. The fresh order for 7,000 Kms. was placed without observing the prescribed procedure of processing the purchase through the Stores Purchase Committee. Against 11,634 Kms received from various sources upto 31st December 1970, only 5,174 Kms. were issued to works by that date. The firms were directed to suspend further supplies after 31st December 1970 due to financial stringency. The balance of stock as on 31st March, 1971 was 6,746 Kms.

Indian Aluminium Cables Ltd., supplied only 4,700 Kms. up to July 1973 as against 6,200 Kms stipulated in the order of April 1969, although it completed the supply of 7,000 Kms at the Board higher rates. The short supply at the lower rate was attributed by the to the imposition of embargo on supplies after 31st December 1970. The embargo was lifted in September 1971 and the firm agreed in December 1972 to effect supplies of the balance quantity in 1973-74, but asked for increased rates due to imposition of additional duty on finished products in April 1972. Government stated in December 1973 that the Board has asked the firm to supply the balance quantity during 1973-74 without any increase in price. No information about further supplies has been received (July 1974).

Government stated in December 1973 that by entering into the package deal with Indian Aluminium Cables Ltd., the Board saved about Rs. 50 lakhs in regard to the unexecuted part of supplies against the order of April 1969 and other orders placed earlier and by not accepting supplies against some of the orders placed at higher rates on seven firms in August/September 1970. In the absence of details, the exact savings, if any, could not be verified in audit. It was, however, noticed that orders for 8,277 Kms conductor, size 25 sq. mm, placed at higher rates in August/September 1970 were cancelled. In this connection, it may be stated that these were cancelled as the Rural Electrification Corporation had recommended in January 1971 the use of conductor sizes 20 sq. mm and 30 sq. mm only and the Board had no need for conductor size 25 sq. mm. Even then two orders for 5,427 Kms conductor size 25 sq. mm were revived in February 1973, at the same rates. The quantity, if any, received against these orders has not been intimated (July 1974). In this connection the following further points may be mentioned :—

(i) By entering into the package deal, only a partial enforcement of the April 1969 order could be secured.

(ii) 7,000 Kms conductor had to be purchased from Indian Aluminium Cables Ltd., at rates higher than the rate quoted by it in October 1969 which resulted in extra expenditure of Rs. 23.51 lakhs.

(iii) Purchase of 8,137 Kms conductor against the orders placed at higher rates on seven firms in August/September 1970 resulted in extra expenditure of Rs. 28.13 lakhs as compared to the rates of E.M.C. and Indian Aluminium Cables Ltd., which were available in October/December 1969.

(iv) 8,137 Kms conductor purchased at higher rates included 2,637 Kms conductor purchased without specific requirements.

The Board stated in evidence that clause 8 of the terms of payment provided that balance 10% payment would be made within one month from the date of receipt of material at destination stations, provided the test certificates were sent to the Board for approval well in time so that approval thereof may be conveyed to the consignee promptly to ensure the release of balance 10% payment within one month from the receipt of material by the consignee. It was interpreted by the Accounts Department of the Board as referring to the completion of supply of entire material and not the supply of material against individual consignments, and on this basis Accounts Department objected to release 10% payment. The firm went on representing against this objection and not receiving satisfaction, decided on 20th December, 1969 to withhold further supplies. Risk purchase notice was served on the firm on 17th March, 1970 for effecting balance supplies and in response thereto the firm intimated on 6th April, 1970 that consequent to breaches of contract by the Board the same stood terminated and risk purchase if resorted to by the Board would be at its own responsibility and consequences. Thereupon the SPC referred the case for legal opinion on 19th June, 1970 and the Legal Adviser of the Board expressed the opinion on 4th July, 1970 that the firm was not entitled to repudiate the contract to supply the material because of failure of the buyer to make payment on the appointed date but the firm would be entitled to withhold delivery until the price was paid. In the light of this opinion, SPC agreed on 23rd July, 1970 that the balance 10% payment be made on *pro rata* receipt of material subject to the firm furnishing bank guarantee for 5% of the value of the contract price and starting the balance supplies. The firm was informed of this decision on 30th July, 1970. In the absence of any response from the firm the Board desired to take risk purchase action but the Legal Adviser was not in its favour and suggested that arbitration proceedings be resorted to if possible or other means be taken for claiming damages etc.

It was also stated that necessary action to find out causes for delay in clarifying the payment clause had already been initiated and would be finalised soon. However, on account of the above delay, there had been no loss to the Board on this account.

Amplifying the position further during oral evidence, it was explained that in such cases, there were four alternatives. First legal proceedings, second risk purchase action, third the arbitration and the last attempt to procure the material. The Board could have gone into arbitration which could have been a lengthy process and the firm might have got out of it. So they thought of other means. Other means were to settle all disputes to the satisfaction of the firm, to put pressure on firm that the Board would be buying the material from other tenderers, taking administrative action and by making the firm realise that unless they made the supplies, the Board would be forced to take other action possible within its powers.

It was also stated that when the dispute about the balance 10% payment came for consideration of the Board, it was decided that the Board should better give them the payment and let them supply the material because they were in the know of this that the prices were rising and the firms were trying to wriggle out.

It was further added that it was a common tactics of many firms to stipulate terms and conditions different from the NIT and also seek amendment te purchase orders with the idea of avoiding commitments when it suited them to do so. Similar tactics were adopted by EMC while obtaining order for 3000 Kms. of conductor. The general proposition that the firms' terms should be accepted and amendments sought incorporated would not always be advantageous to the Board. Except in rare cases, the Board placed orders on its own terms and was reluctant to issue amendments to purchase orders.

As regards the tenders for 12,500 Kms. conductors opened in October, 1969, it was explained that the lowest rate was that of EMC, Calcutta. The firm in their telegram dated 18th October, 1969 and 22nd October, 1969 intimated that their price for 3000 Kms. would be Rs. 1060 per Kms. and Rs. 1120 per Kms. for next 6000 Kms. This was also confirmed by their letters dated 23rd October, 1969 and 24th October, 1969. In their telegram dated 24th October, 1969, they also extended the validity of their offer upto 30th November, 1969. When the firm revised their offer with their letter dated 26th October, 1969 from Rs. 1069 to Rs. 1089 per Kms. (equivalent rate of Rs. 1176.71) and Rs. 1100 per Kms. (equivalent rate Rs. 1188.04) for 6,000 Kms. and 3,000 Kms. respectively, the same could not be accepted as their earlier offer was still valid upto 30th November, 1969. Although with revision in their price by E.M.C., Indian Aluminium Cables became the lowest tenderer their rates being Rs. 1100 per Km. (equivalent rate of Rs. 1153.44) yet the earlier offer of E.M.C. of Rs. 1060 per Km. (lower than that of Indian Aluminium Cables) was still valid. There was no question of offering order to Haryana industries at any rate other than that of the lowest rate of Rs. 1060 per Kms. of E.M.C. for 3,000 Kms. Evidently taking into consideration these facts, SPC decided on 30th October, 1969 to place the order on Indian Aluminium Cables at the rate originally offered by E.M.C. (which was valid upto 30th November, 1969) for the first 3,000 Kms. and balance at the rate of Indian Aluminium Cables. EMC in fact accepted the order on the basis of their earlier lowest offer of Rs. 1060 per Kms. and the action of the Board in offering their rate for 3,000 Kms. to Indian Aluminium Cables was perfectly in order. For these reasons, order for 3,000 Kms. was placed in December, 1969 on Indian Aluminium Cables on the lower rate of EMC as per order preference policy of the Board, and for balance quantity of 6,500 Kms. on their own rates. The firm contended that this was a counter offer which they could not accept. The Legal Adviser of the Board also gave the legal advice on 11th September, 1970 that there was no valid and legally tenable order on the firms as they had not given any unconditional acceptance to Board's offer at any stage. Obviously, therefore, even part order for 6,500 Kms. placed on the firm could hardly be enforced and had to be cancelled.

It was further pointed out that under the purchase procedure which was inherited from the composite Punjab State Electricity Board, purchase order *inter alia* contained the following clause :—

> "Please acknowledge receipt of this purchase order and signify your acceptance to the terms and conditions herein given within seven days."

and the last para used to be—

> "You should start the supplies only after you have furnished such unconditional acceptance."

From the middle of 1969 when the prices started showing an extraordinary upward trend and there was scarcity of material, it became 'sellers' market and thus sellers had upper hand. In cases where letters of intent were used, acceptance by the suppliers were not received against the purchase order. In order to discourage this tendency, the Board had framed the new purchase regulations according to which the firms were now required to submit their tenders on the Board's prescribed tender forms which were accompanied by the Board's prescribed terms and conditions which also had to be duly sent by them alongwith the tenders. Instead of issuing the telegraphic letter of intent, a telegraphic acceptance was sent to the tenderer indicating the acceptance of the offers. The suppliers tendered on Board's prescribed form accompanied with the Board's prescribed terms and conditions of the contract and duly signed by the supplier together with the purchase order containing acceptance on behalf of the Board, constituted the contract agreement. Thus, the chances of the suppliers wriggling out of the transaction on account of terms and conditions incorporated in the purchase order being different were eliminated.

Against tender enquiry floated in June, 1970 for 15,000 Kms. orders for 17,300 Kms. of conductors were placed on different firms which came within the requirements of notice inviting tenders. In their deliberations of 13th July, 1970, the S. P. C. did not consider the tender of Indian Aluminium Cables and the Board concurred with it on the understanding that the firm had failed to meet their previous obligations. As a matter of fact, in this process, some orders were placed at prices which were higher than those quoted by Indian Aluminium Cables against the same enquiry. Inspite of these, supplies in sufficient quantity to meet with the increased requirements to achieve 100% village electrification targets were not assured upto December, 1970, keeping in view the delivery schedule stipulated in various orders, especially when targets for 100% village electrification had been advanced firstly from March, 1971 to 26th January, 1971 and then to the end of November, 1970. It was, therefore, decided to put pressure on Indian Aluminium Cables and try to secure supplies against the original order of April, 1969 which was at rates lower by about Rs. 700 per K. m. as compared to the orders placed by the Board against tender enquiry of June, 1970. The Managing Director of the firm met the Chairman on 5th September, 1970 and the Chairman specifically told him that the Board would have to suspend dealings with the firm if they did not comply with their original order and could take such legal action as was possible to secure the compliance of the order. Subsequent to the discussion, the Managing Director of the firm wrote on the 7th September, 1970 when he agreed to supply Ferret Conductor at the rate of Rs. 866.25 per Km. against the order of April, 1969, but wanted re-scheduling of deliveries in view of shortage of raw material. He further requested that because of his having agreed to meet the commitment, the Board might consider them now on merits alongwith others for supplies against tender enquiry of June, 1970 where they had been passed over. The letter of the Managing Director dated 7th September, 1970 was discussed in a meeting of Whole Time Members *viz.* the Chairman and the Finance and Accounts Member with S.E. Purchase and the Accounts Officer (members of the S.P.C.) and the Deputy Secretary, Legal. As a result of this discussion, full facts of the case were placed before the Board for consideration at its meeting held on 15th September, 1970. Noting that large financial gains would accrue by the firm's acceptance of the agreement to execute the order of April, 1969 (which they had treated as cancelled for the unexecuted portion) and noting further that the firm had participated in the tender enquiry of June, 1970 but had been ignored only because of their previous lapse and reasons for the delay in supplies, the Board accepted the proposal, since it was felt that in doing so, the Board would not only be able to procure the much needed conductor (which was not forthcoming from earlier orders placed on Indian Aluminium Cables, E.M.C. and others) to complete 100% village electrification but would also result in saving of Rs. 50 lakhs in respect of balance supplies against the order of April, 1969 at much cheaper rates. (The Board supported this contention by giving the details of gains achieved to the extent of Rs. 54,46,493). Out of the balance supplies of 1,500 Kms., the firm had already supplied about 1,000 Kms. so far and were expected to supply the balance quantity during the current financial year.

In regard to the revival of two orders for 5,427 Kms. conductors which were originally cancelled on the recommendation of the Rural Electrification Corporation, it was mentioned that these orders were revived as a consequence of settlement reached between the arbitrators. The firm had so far supplied only 400 Kms. and had refused to supply the balance without price increase. The Board had moved the court at Chandigarh and had obtained the rule of the Court.

On a careful examination of the facts placed before the Committee, they find that the difficulty in this case had arisen primarily because of the interpretation of the payment clause in regard to the balance 10 % payment and the previous purchase procedure followed by the Board which was inherited from the composite Punjab State Electricity Board. The Committee feel that the Board had made genuine efforts to make the firm agree to complete the supplies against the order of April, 1969 by agreeing to release the balance 10% payment for each consignment on pro rata basis and also by putting pressure on the firm during discussions in September, 1970. The Board had, in fact, tried to obtain the required quantity of conductors from alternative sources as well but practical difficulties arose in obtaining the supplies from other firms as happened in the case of E.M.C. Calcutta. As contended by the Board, they were in urgent need of conductors in view of the advancement of target for 100% rural electrification and there was also scarcity of material. Besides, there was an upward trend in the market and a situation arose where the sellers tried to wriggle out of their commitments and put forth different pleas by making their supplies dependent on various contingencies. In the special circumstances which thus prevailed in those times, the Committee cannot imagine that the action of the Board in entering into the package deal with Indian Aluminium Cables in September, 1970, was not in the best financial interests of the Board. In fact, the Board has contended that by entering into this package deal, they were able to save about Rs. 54 lakhs. The Committee do not, therefore, consider that any further action is necessary in this behalf.

The Committee also observe that the Board has since revised their old purchase procedure which was inherited from the composite Punjab State Electricity Board, and under which the firms were able to wriggle out of their commitments on one pretext or the other. The Committee would like that the new procedure should be reviewed from time to time and further improvements brought about, whenever necessary, as a result of the experience gained.

The Committee would further like that the information on the following points be furnished to them as early as possible :—

(1) Results of the enquiries in regard to the case for delay in clarifying the payment clause and the final decision taken in the matter.

(2) Whether the balance quantity of conductors has since been received from Indian Aluminium Cables against the order of April, 1969.

(3) Further progress in regard to the supply of balance quantity of conductors size 25 sq. mm. for which the rule of the Court was stated to have been obtained.

8.9 (13)—*Order of the value of Rs* 91.46 *lakhs placed after post-tender negotiations.*

18. (a) Tenders for purchase of 32,000 Kms. ACSR Squirrel Conductor were invited on 25th July, 1970 and the quantity was increased to 50,000 Kms.

on 29th July, 1970. After the opening of the tenders, the Whole Time Members decided to procure only 10,000 Kms. due to the fact that 44,685 Kms were already on order and it was also proposed to purchase 20,000 Kms All Aluminium Conductor (AAC). The Stores Purchase Committee recommended placement of orders for 11,150 Kms on seven firms including Haryana Conductors, Faridabad, at rates ranging from Rs. 722.61 to Rs. 762.20 per Km. for supply by 31st December, 1970.

The tender of Equipment Sales Corporation, Faridabad, was ignored by the S.P.C. because the delivery period quoted by it did not suit the Board's requirements. On 7th September, 1970, Indian Aluminium Cables Ltd., New Delhi, which was the principal of Equipment Sales Corporation, but had not itself quoted against this tender enquiry, submitted a proposal stating, *inter alia,* that it, alongwith its associates, could supply 20,000 Kms. by end of December 1970 and an additional 7,000 Kms by March 1971. This offer ws discussed by the Board on 15th September, 1970, when the recommendations of the S.P.C. for purchase of 11,150 Kms conductor also came up for discussion.

The Board approved, on 15th September 1970, the recommendations of the S.P.C. for purchase of 11,150 Kms from the seven firms, including Haryana Conductors. The Board also decided to reduce the purchase of A.A.C. from 20,000 Kms. to 6,000 Kms. and to place an order for 12,000 Kms of ACSR Conductor of the total value of Rs. 91.46 lakhs with Equipment Sales Corporation on 23rd September 1970 at Rs. 762.20 per Km f.o.r. destination. This was the highest rate paid to one of the seven firms recommended by the S.P.C., instead of the lowest acceptable rate of Rs. 722.61 per Km. admissible even in order preference cases. Later, on a request from Equipment Sales Corporation, the order for 5,000 Kms of the total value of Rs. 38.11 lakhs was transferred to Indian Aluminium Cables Ltd., at the same rate on the consideration that Equipment Sales Corporation had insufficient credit limits and would delay supplies, whereas Indian Aluminium Cables Ltd., was prepared to accept payment later. No separate contract was entered into with it.

Two lower offers of J.J.H. Industries, Calcutta, at Rs. 730.27 and Rs. 742.63 per Km for 5,000 Kms each and Aluminium Cables & Conductors (U.P.) Pvt. Ltd., Calcutta, at Rs. 734.97 per Km for 50,000 Kms were ignored, as their delivery was negotiable and performance of the latter against pending orders was considered unsatisfactory. No efforts were made to ascertain definite deliveries from these two firms though their rates were lower than those allowed to Equipment Sales Corporation/Indian Aluminium Cables Ltd. Of the two orders against which the performance of Aluminium Cables & Conductors (UP) Pvt. Ltd., was considered unsatisfactory, one was placed by the composite Punjab State Electricity Board (P.S.E.B.) in March 1964 and the other was placed by the Haryana State Electricity Board (H.S.E.B.) in September 1969. The firm had completed supplies against the composite P.S.E.B. order in accordance with the revised despatch instructions received from the P.S.E.B. and the order placed by the H.S.E.B. in September 1969 was not in accordance with the tender of the firm. J.J.H. Industries had executed fully the order placed in October 1969 for 5,000 Kms. squirrel conductor. Against another order for 12,000 Kms placed in February 1970, delivery was to commence in June 1970 and be completed in June 1971. It had supplied 1,992 Kms by July 1970 and thereafter, its request, alongwith that of others, for increase in price due to increase in excise duty on raw materials was under consideration of the Board. On the other hand, Indian Aluminium Cables Ltd., had also not effected supplies against orders of April 1969 and December 1969. It had not quoted against this tender and the delivery period quoted by its agents, *viz.*, Equipment Sales Corporation, was not suitable. The purchase of 12,000 Kms. from Equipment Sales Corporation/Indian Aluminium Cables Ltd., involved extra expenditure of Rs. 3.50 lakhs as compared to the rates of J.J.H. Industries/Aluminium Cables & Conductors (UP) Pvt. Ltd. The Board stated that Indian Aluminium Cables Ltd., of its own accord, offered to negotiate and had J.J.H. Industries and Aluminium Cables & Conductors (UP) Pvt. Ltd., offered to negotiate, the Board would have discussed the matter with these firms and considered their requests on merit. It may, however, be mentioned that the rates of these two firms were lower than those of Equipjment Sales Corporation/Indian Aluminium Cables Ltd., and they had, in their tenders, mentioned that delivery would be negotiable. It has not been clarified why, in the circumstances, no negotiations were conducted with these two firms.

Besides, Equipment Sales Corporation was a partnership firm with a capital of Rs. 5,000 only and had not started manufacture of conductors when the order worth Rs. 91.46 lakhs was placed on it in September 1970 and was not at that time entitled to order preference given to it. As per records maintained for excise duty, 402 Kms conductor were manufactured by the firm during October 1970 to December 1970, out of which, 363 Kms were cleared out of its factory in November and December 1970; 5,656 Kms were, however, supplied upto 31st December 1970.

The normal prescribed procedure of inviting tenders and processing the case through the S.P.C./Whole Time Members was not followed for purchase of materials of such a large value.

Though Equipment Sales Corporation/Indian Aluminium Cables Ltd., supplied 2,012 Kms after the scheduled date of delivery, *viz.*, 31st December 1970, damages amounting to Rs. 76,677 under the provisions of the purchase order, were not imposed.

No purchase was effected from the lowest tenderer, *viz.*, Sahibganj Electric Cables against order of September 1970 for 500 Kms at the rate of Rs. 722.61 per Km., as the clarifications sought by it on 17th October 1970 were not considered by the Chief Engineer of the Board. The second lowest tenderer, *viz.*, Vidhyut Bharti, Dehradun, supplied only 101 Kms. upto end of December 1970 against 1,500 Kms. on order at the rates of Rs. 732.33 and Rs. 742.36 for 1,000 Kms. and 500 Kms. respectively. Clarification sought on 23rd October 1970, by Union Metal & Engineering Works on which an order for 3,000 Kms. at Rs. 746.30 per Km. was placed in September 1970, was not given. An embargo was placed by the Board on supplies by all the above firms on 31st December 1970, due to financial stringency and the orders were cancelled in March 1971 as the material was no longer required. Equipment Sales Corporation was, however, allowed to supply the balance 2,012 Kms. after 31st December 1970, although its rate was higher than those of the three firms mentioned above and this resulted in extra expenditure of Rs. 0.58 lakh. Government stated in December 1973 that in view of the package deal (sub-paragraph 12) it was hardly possible to cancel this order for the balance quantity as, in that case, it was apprehended that the firm would back out from its commitment to supply the other conductor at lower rate.

The Board stated in evidence that the requirement of conductors was assessed by the Chief Engineer Operation/Controller of Stores on the basis of targets fixed by the Board/State Government for village electrification, tube-well energisation and giving of general and industrial service connections during the year 1970-71. Since, however, targets were revised during the year 1970-71 as per direction of the State Government, requirement had to be re--assessed and tendered enquiries modified accordingly. When the supply position against the pending orders was reviewed in about the middle of July, 1970, it was found that 44,685 kms. conductors were pending to be received against earlier orders. However, out of this quantity only about 12,955 kms. conductor was expected to be supplied upto December, 1970 and 14,005 kms. conductor upto 15th January, 1971, and the remaining ordered quantity was either doubtful or was expected to be received after the 15th January, 1971. In order, therefore, to arrange for the balance ordered quantity of about 32,000 kms. (not expected upto December, 1970) to meet with the targets, tender enquiry for 32,000 kms. conductor was sent to the Press on 20th July, 1970, for publication on 25th July, 1970. The earlier orders had been placed on the basis of electrification of 1,300 villages and 15,000 tubewells during the entire year of 1970-71. On receipt of directions from the Government that all the remaining 3,302 villages were also to be electrified by 26th January, 1971, the Board instructed the Superintending Engineer, Purchase to arrange for the material in the light of the modified targets. Since the revised requirement was received after the enquiry for 32,000 kms. conductor had been sent to the press, the tendered quantity was increased to 50,000 kms. on the basis of the requirement worked out by the Controller of Stores (he desired procurement of 50,000 kms. from August, 1970 to December, 1970) and an enquiry therefor was sent to the press on 23rd July, 1970 for publication on 28th July, 1970. While all the remaining villages were initially required to be electrified upto 31st March, 1971, the target date was advanced to 26th January, 1971 and thereafter to the end of November, 1970. The tender enquiry was therefore, allowed to be, floated for the full requirement of 50,000 kms. intimated by the Controller of Stores in July, 1970 to ensure completion of targets by the due date. It was only on examination of the tenders against this enquiry that it was found that the tendered quantity could not be arranged against the tenders received within the period required by the Board and it was decided to go in for the purchase of only 11,150 kms. A.C.S.R. Conductor and purchase instead all aluminium conductor (since on account of shortage of steel core wire A.C.S.R. Conductor had not been readily available with them). However, when it was found that another 12,000 kms. could be arranged from Equipment Sales Corporation (who had quoted against the above enquiry) and the firm offered this much quantity to be supplied by December, 1970, the order was placed on this firm for the said quantity against the above enquiry in addition to 11,150 kms. earlier recommended by the Stores Purchase Committee and in addition all aluminium conductor of the same size was also procured to meet with the requirement.

When Indian Aluminium Cables were not supplying the material against P.O. No. HH-162 dated 14th April, 1969 pressure was put on them to force them to supply the balance material. On that account when Managing Director of the firm met the Chairman on 5th September, 1970, the Chairman specifically told him that the Board would have to suspend dealings with the firm if they did not comply with their original order and take such legal action as would enable the Board to secure the compliance of the order. The firm, therefore, came forward to negotiate the matter and put up their proposals in their letter dated 7th September, 1970 which were accepted by the Board after thorough examination as the same were in the financial interest of the Board and enabled it to achieve the target of 100% village electrification. The Board never took any initiative to negotiate with this firm. Indian Aluminium Cables of their own accord offered to negotiate and put up proposals in their letter dated 7th September, 1970. Had J. J. H. Industries, Calcutta and Aluminium Cables and Conductors, Calcutta also offered to negotiate like Indian Aluminium Cables for supply of material against pending orders where they had defaulted, the Board would have certainly discussed the matter with them and considered their request on merits. Indian Aluminium Cables had tendered against tender enquiry QST-50 for 'Ferret' conductor where they had been passed over on account of their unsatisfactory past performance. In the case of tender enquiry QH-255 the order was placed not on Indian Aluminium Cables but on Equipment Sales Corporation who had actually tendered against this enquiry.

The Board further contended that it was not correct to say that the existence of the factory of Equipment Sales Corporation and its capacity to manufacture and supply conductor was not known to the Board before the placement of the order in as much as that the firm had electric connection in their name in June, 1970, was registered as a small scale industry in Haryana with the Assistant Industries Officer with plant and machinery valuing less than Rs. 7.5 lakhs and had been allocated raw material for the manufacture of conductor. Indian Aluminium Cables *vide* their letter dated 17th September, 1970 gave an undertaking that in case any default in supply was made by their associate Equipment Sales Corporation, they would make good for the shortfall in supply.

As per the order preference policy in vogue at that time order preference was to be afforded to industries located in Haryana. There was no such condition that before order preference was given, the industries should actually be established in the State. However, Equipment Sales Corporation was in existence as a small scale industry when the order was placed on them. It was further stated that in line with the order preference policy and the fact that Haryana firms had not accepted orders in the past at the rates of the lowest tenderer order was placed on Equipment Sales Corporation at the highest rate which had been offered for orders to outside parties to meet with the requirement of the Board. The order was given to this firm at rates lower than those quoted by them against this enquiry. The Board also mentioned that whereas other State Electricity Boards/State Governments and even Controller of Stores, Haryana were allowing price preference to the industries located in their respective States and afforded them orders on that basis on their rates, the Haryana State Electricity Board allowed only order preference to Haryana based industries, and orders on that basis were given at rates lower than those quoted by them.

As regards the point for non-observance of the normal procedure of inviting tenders and processing the case through the Stores Purchase Committee/ Whole Time Members, it was explained that against the tenders invited through the press for the purchase of 50,000 kms. of A.C.S.R. conductor to meet the requirement of the Board during the year 1970-71 (August, 1970 to December, 1970) where Equipment Sales Corporation and other associates of Indian Aluminium Cables submitted their quotations. Equipment Sales Corporation were entitled for order preference being a small scale industry located in Haryana State but their offer could not be considered by the Stores Purchase Committee (though they came within the range of getting orders in accordance with the Board's order preference policy), since as per delivery schedule quoted by them, they could not supply any material within the period stipulated in Notice Inviting Tender. After the opening of the tenders and before the tender enquiry was finally decided by the Board Indian Aluminium Cables offered to execute the balance supply against their earlier order of April, 1969 (which they had treated as cancelled on account of default/delay on the part of the Board in releasing their payments) when they also proposed to the Board that in order to meet the requirement of A.C.S.R. conductor they along with their associates were willing to supply 20,000 kms. of A.C.S.R. conductor by end of December, 1970 and for that purpose they might be considered for orders on merits against offers of Equipment Sales Corporation and their other associates. The proposals of Indian Aluminium Cables were discussed by the Whole Time Members (including Member Finance and Accounts) with Members of Stores Purchase Committee (Superintending Engineer Purchase and Accounts Officer) and Deputy Secretary (Legal), where it was considered by them that the proposals put forth by the firm would not only meet with the shortage of A.C.S.R. conductor required urgently in the field, but would also be enormously beneficial to the Board as in so doing the Board would be able to procure the conductor against the old order which the firm had declined to supply (against that order alone there would be a saving of Rs. 40 lakhs to the Board). These proposals were examined by the Whole Time Members and the Stores Purchase Committee and were submitted to the full Board for their consideration and approval. These were approved by them on 15th September, 1970.

It was further stated that the firm supplied 9,988 kms. conductor by 31st December, 1970 when the embargo was placed on the supplies. It was lifted on 1st May, 1971 when the firm was asked to intimate as to when the balance supply would be commenced by them. The balance committed supply under the package deal had to be accepted without levy of any penalty. In case the Board had insisted for getting balance supply with levy of penatly despite imposition of embargo by the Board it would not have been able to obtain balance material from the firm against other orders placed at lower rates and this would have caused heavy loss to the Board.

As regards the cancellation of the orders of Sahibganj Electric Cables, Vidhyut Bharti, Dehradun and Union Metal and Engineering Works, Calcutta, it was mentioned that it was a common tactics of many firms to stipulate terms and conditions different from the notice inviting tender and also to seek amendments to purchase orders with the idea of avoiding commitments when it suited them to do so. Similar tactics were adopted by the aforesaid firms while obtaining orders against this enquiry. The general proposition that the firms' terms should be accepted and amendments sought incorporated would not always be to the advantage of the Board. Since the firms failed to supply the material upto December, 1970 due to their delaying tactics the orders subsequently had to be cancelled when there was no requirement.

The Committee have gone into the facts of this case minutely. They feel that taking into account the special circumstances which prevailed during the year 1970-71 in view of the crash programme for village electrification and tubewell energisation etc. the revision of requirements of conductors at various stages was unavoidable and based on practical considerations since the target initially fixed for rural electrification was advanced first from March, 1971 to January, 1971 and then to November, 1970.

The circumstances relating to the case of Indian Aluminium Cables Limited New Delhi with whom package deal was entered into by the Board in September, 1970 have already been discussed in detail in the preceding paragraph. In view of the observations contained therein, the Committee are of the opinion that the action of the Board to strike a package deal with this firm was in the best financial interests of the Board and of the crash programme itself. The Board has also adduced adequate evidence to show that a saving of about Rs. 54 lakhs was brought out by entering into this package deal.

As regards the question of allowing the highest rate to a Haryana firm under the order preference policy, the position has also been discussed by the Committee in detail in the preceding paragraphs. On the basis of similar concession extended to Haryana based firms under the order preference policy Equipment Sales Corporation were also allowed the rate of Rs. 762.20 which was equivalent to the rate which would have been offered to an outside firm if the requisite quantity of conductor had been purchased elsewhere.

The Committee, therefore, feel that consistent with the general policy followed in this behalf Equipment Sales Corporation were not extended any extra benefit on this account. The Committee do not consider that any irregular procedure was adopted by placing order for 12,000 kms. of the A.C.S.R. conductor on Equipment Sales Corporation since they had been registered as a small scale industry with the Industries Department and they had also obtained electric connection in June, 1970. The Board could not *prima facie* treat them otherwise. Indian Aluminium Cables *vide* their letter dated 17th September, 1970 also gave an undertaking that in case any default in supply was made by their associate Equipment Sales Corporation, they would make good for the shortfall in supply. The Committee also feel that the argument that the Board should have entered into similar negotiations with J.J.H. Industries Calcutta or Aluminium Cables and Conductors (U.P.) Pvt. Limited involves far-fetched implications. In the circumstances which existed during the year 1970-71, the Board was in urgent need of the material and to enter into negotiations with every firm for settlement of delivery schedules or other terms and conditions of supply unless there was a genuine offer from them, it might have been impossible for the Board to achieve the target of rural electrification by the scheduled date. While some instances of shortcomings or over-enthusiasm in observing the normal procedure might have occurred but these have by and large to be viewed in the context of the totality of the situation then prevailing. The Committee are of the opinion that the question of extra expenditure of Rs. 3.50 lakhs as compared to the rates of J.J.H. Industries, Calcutta and Indian Aluminium Cables and Conductors (U.P.) Pvt. Limited, Calcutta does not arise since the offers of these firms were not found to be acceptable by the Board in view of their past performance and indefinite delivery schedule.

In view of the position explained by the Board in regard to the acceptance of supplies after 31st December, 1970 when an embargo was imposed, the Committee consider that it would not have been proper to levy damages on Equipment Sales Corporation/Indian Aluminium Cables Limited. The Committee further feel that the cancellation of the orders placed on Sahibganj Electric Cables, Vidhyut Bharti Dehra Dun and Union Metal and Engineering Works, was in order in view of the embargo placed in December, 1970 and does not call for any further action.

(b) The offer of Haryana Conductors, Faridabad, who had quoted Rs. 825 per Km. and had not claimed order preference, was considered after allowing such preference. In accordance with the Board's policy of order preference to industries in Haryana, the firm could have been allowed the lowest acceptable rate of Rs. 722.61 per Km. whereas, it was allowed the highest rate of Rs. 762.20 per Km. involving undue benefit of Rs. 97,193 on 2,466 Kms. supplied by it. In April 1968, the Board informed the State Government that preference was given to industries in Haryana with the stipulation that they should not sell at lower rates to outside parties, and in case they did so, they should charge the same lower rate to the Board. Though the firm was given order on the basis of preference, no such stipulation was incorporated in the purchase order. The firm, however, sold conductor of the same specification at a lower rate of Rs. 721 per Km. to the Punjab State Electricity Board in October 1970.

The Board stated in its written reply that Haryana Conductors were allowed the highest rate of Rs. 762.20 per Km. under the order preference policy in view of the position explained above in the case of Equipment Sales Corporation. It was mentioned that if Haryana firm had been ignored for order in this case the order would have gone to outside party at rates even higher than those allowed to Haryana Conductors. The rate allowed to this firm *viz.* Rs. 762.20 per Km. was lower than that quoted by them *viz.* Rs. 825.00 per km.

In view of the position explained by the Board and as discussed in the earlier paragraph the Committee consider that no further comments are called for in the matter.

Paragraph 8.9 (14)—Purchase of costlier conductor

19. A suggestion of the Technical Member to use All Aluminium Conductor (A.A.C.) for low tension lines, as was being done by other Electricity Boards in India, was approved by the Board on 11th August, 1970 immediately after tendered quantity of A.C.S.R. Conductor was raised from 32,000 Kms. to 50,000 Kms. (sub-paragraph 13 above).

A short term tender enquiry for 20,000 Kms of size 13 sq. mm. and 10,000 Kms. of size 25 sq. mm. of A.A.C. was issued on 6th August, 1970 and tenders were opened on 19th August 1970. The Board decided on 29th August, 1970 to procure 20,000 Kms. of A.A.C. size 13 sq. mm only. The Stores Purchase Committee (S.P.C.) accordingly recommended placement of orders for 19,600 Kms. conductor of 13 sq mm. on 17 different firms at rates varying from Rs. 577.57 to Rs. 758.85 per Km. f.o.r. destination.

Indian Aluminium Cables Ltd., submitted on 7th September, 1970, a proposal for additional supplies of A.C.S.R. Conductor 13 sq. mm. and 25 sq. mm. (sub-paragraphs 12 and 13). The Board decided, on 15th September, 1970, to purchase only 6,000 Kms.A.A.C. from four firms, *viz.*,Premier Cables,Power Cables Ltd., Bihar Cables and Union Metal & Engineering Works at rates varying from Rs. 577.57 to Rs. 614.74 per Km. Orders were placed in September/October 1970 for supply by end of December 1970. Order for A.A.C. on Power Cables Ltd., was increased from 2,500 Kms. to 5,000 Kms. on 30th October, 1970. In the same meeting of the Board held on 15th September, 1970, it was also decided to procure 12,000 Kms. of A.C.S.R. Conductor, 13 sq. mm. at Rs. 762.20 per Km. and 7,000 Kms. A.C.S.R. Conductor, 25 sq. mm. at Rs. 1,425 to Rs. 1,550 per Km. offered by Indian Aluminium Cables Ltd., and Equipment Sales Corporation on 7th September, 1970 during post-tender negotiations (sub-paragraphs 12 and 13). Besides, an additional order for 2,000 Kms. A.C.S.R. Conductor, 13 sq. mm. was placed in October, 1970 on Haryana Conductors against which the firm supplied 455 Kms. conductor.

Government stated in December 1973, that the use of A.A.C. was dispensed with in 1968 on the advice of the Chief Engineer (Operation) as it was found technically unsuitable, but in August 1970, it was decided to try this conductor again due to acute shortage of A.C.S.R. Conductor. Technical opinion of the Chief Engineer (Operation) was not shown to Audit. The Board's decision in August 1970 to use A.A.C. was based on the advice of the Technical Member that A.A.C. was being used by other Electricity Boards.

Amendments sought by the three firms on whom orders for A.A.C. 3,500 Kms. were placed in September/October, 1970 were not allowed. Embargo was imposed on supplies on 31st December, 1970 due to financial stringency. These orders were cancelled on 1st May 1971 on the ground that the requirements were already met by arranging A.C.S.R. Conductor which was preferred to A.A.C.

Though A.A.C. has less tensile strength as compared to A.C.S.R. of the same size, it involves less line losses. The Board had, in their various project reports prepared during November 1968 to November 1970, provided for the use of only A.A.C. on low tension lines. The standards laid down by the Rural Electrification Corporation Ltd. also provided for use of A.A.C. on such lines. The Board had also decided in August 1970, in principle, to use A.A.C. on low tension lines.

The tenders for 10,000 Kms. A.A.C. 25 sq. mm. were not considered at all. The quantity of A.A.C. 13 sq. mm. to be purchased was reduced by 14,000 Kms. These requirements were met by purchase of 12,000 Kms. and 7,000 Kms. of A.C.S.R., 13 sq. mm. and 25 sq. mm. respectively from Indian Aluminium Cables Ltd./Equipment/Sales Corporation on the basis of post-tender negotiations and 455 Kms. of A.C.S.R. 13 sq. mm. from Haryana Conductors. The purchase of 12,455 Kms. A.C.S.R. 13 sq. mm. and 7,000 Kms. A.C.S.R. 25 sq. mm. in place of cheaper A.A.C. has resulted in additional expenditure of Rs. 32.75 lakhs.

Government stated in December 1973, that the cost of low tension line per Km. with A.C.S.R. Conductor was cheaper by Rs. 205 compared to the line with A.A.C. of the same size. It was not clarified as to why in that case—

(a) an average span of 62.5 metres was adopted in this comparison instead of 67.5 metres in the project reports, and

(b) the use of A.A.C. on low tension lines was provided in the project reports.

The Board stated in its written reply that on account of acute shortage of A.C.S.R. conductors it was decided in August, 1970 on the advice of the Technical Member to try again all aluminium conductor only for short distances and L.T. lines and S.E. Purchase was asked to work out the requirement in consultation with the Chief Engineer (Operation) and float enquiry for the same.

Accordingly tenders were invited for 20,000 Kms. conductor size 13 sq. mm. and 10,000 kms. of conductor size 25 sq. mm. In a subsequent meeting of Whole Time Members on 29th August, 1970 with other officers of the Board where they discussed the matter regarding procurement of material for rural electrification and other works of the Board, it was decided to procure only 20,000 kms. of all aluminium conductor size 13 sq. mm. for delivery upto 31st December, 1970. The Stores Purchase Committee in their meeting held on the 3rd September, 1970 recommended to procure only 19,600 kms. against the above enquiry and dropped the purchase of 10,000 kms. conductor of 25 sq. mm. in line with the decision of the Whole Time Members of 29th August, 1970. Even 19,600 kms. of conductor size 13 sq.mm was not purchased in full when A.C.S.R. conductor to meet with the requirement was offered to be made available upto 12/70 by Equipment Sales Corporation and the quantity of all aluminium conductor size 13 sq. mm. was reduced to only 6,000 kms. All aluminium conductor was decided to be purchased only as a stop gap arrangement to meet with the requirement when A.C.S.R. conductor was not available. As soon as the same was assured to be obtained the purchase of the corresponding quantity of all aluminium conductor was curtailed. The use of all aluminium conductor was discussed by the Technical Member who was also working as Chief Engineer Operation, with the other technical officers of the Board, when he decided that in view of the trouble experienced by the field officers with the use of all aluminium conductor, its purchase and use should be discontinued. However, while the case was discussed in 1968 not only the technical disadvantages which the system had with the use of all aluminium conductor were considered but also the financial gains which the Board would have with the use of A.C.S.R. conductors in place of all aluminium conductors and it was found that from both the angles the use of A.C.S.R. conductor would be technically and financially beneficial. On similar reasons, the other State Electricity Boards, like Punjab State Electricity Board, Tamil Nadu and Mysore, who had also been using all aluminium conductor for L.T. lines had now completely switched over to the use of A.C.S.R. conductor in view of the trouble experienced by them with the use of all aluminium conductor.

In 1968 the Board had been purchasing all aluminium conductor but on finding it technically unsuitable and easily breakable and on the advice of the Chief Engineer Operation gave up the purchase of this conductor. Since, however, the matter was informally discussed and decided by the Technical Member after discussion with the other technical officers of the Board no minutes therefor were recorded.

The project report for transmission system of 33 KV and below works in Haryana was prepared with all aluminium conductor on L.T. Lines ranging from one mile to 2.5 miles for 40,63 and 100 K.V.A. transformers, respectively. Since, however, the mechanical strength of all aluminium conductor was far less than that of A.C.S.R. conductor of the same size, the under-mentioned difficulties were experienced :—

(1) The sag was more and was changing widely with difference in temperature resulting in sufficient ground clearance which necessitated either use of longer poles or use of conductor in horizontal formation instead of vertical formation. Both alternatives required extra cost.

(2) Limitation of the spans upto only 200 ft. in case of all aluminium conductor required more supports which was more than compensat-

ing the saving in cost due to price difference of the two types of conductor per K.M. on line.

(3) Due to windy conditions the conductor swung and fouled with each other causing break-downs and consequent loss of revenue.

(4) Heavy short circuit duty was being imposed on distribution transformers.

Due to the above-mentioned difficulties the Board preferred the use of A.C.S.R. conductor on L.T. lines. It was further mentioned that span length of L.T. lines for use with all aluminium conductor as well as A.C.S.R. conductor would depend upon the following variable factors :—

(i) Type of pole.

(ii) Length of pole.

(iii) Ground clearance.

(iv) Wind pressure.

(v) Type of conductor.

(vi) Prevailing temperature in the area.

(vii) Topography of the area.

(viii) Configuration of the conductor.

(ix) Whether line is passing through urban area or cross country.

As per instructions issued by the Board permissible span for 13 sq. mm. A.C.S.R. Squirrel conductor was 290 ft. for brace channel poles. Since various types of line structure were in use of the Board for L.T. lines span of 250 feet was provided in the calculation to cover weakest pole and worse conditions. In project report span length on the 11 K.V. line with 13 sq. mm. A.C.S.R. conductor was 100 metres with 30 feet poles. For L.T. lines of 27 feet pole span length with the same size of conductor calculated to 76.25 meters. As per project estimate the assumed span on 30 feet long pole with 13 sq. mm. all aluminium conductor was 67.5 metres. With 27 feet poles the span would be less and accordingly it had been taken as 62.5 metres. There were many variable factors which determined the span to be adopted which generally varied from place to place and State to State. The project report indicated the assumed span which was to be followed in general and was to be adopted according to topography of the area and route adopted. Therefore, keeping in view the prevailing conditions in Haryana and consistent with sag, strength and other technical considerations the span adopted while calculating the cost of one K.M. on L.T. line with all aluminium conductor as well as A.C.S.R. conductor size 13 sq. mm. was fully justified on every consideration.

During oral evidence the representatives of the Board also quoted the opinion of a few technical experts of the country about the technical worthwhileness of the A.C.S.R. conductor vis-a-vis the all aluminium conductor.

The Committee note the statement of the Board that the use of A.A.C. for L.T. lines was dispensed with in 1968, though the said decision wasn ot on record. Although the decision to use A.A.C. was taken in August, 1970 as other Electri-

city Boards were using it, the Board had argued that it was only a stop gap arrangement, and as soon as A.C.S.R. conductor became available the requirement of A.A.C. was correspondingly reduced, since it was not considered beneficial from technical point of view. In fact according to the technical opinion, the A.C.S.R. conductor is more beneficial and economical and has greater tensile strength. The Committee is of the view that no extra expenditure on this account is thus involved.

The Committee feel that the decision as to the type of conductors to be used is based on technical grounds and the Board is competent to decide the matter. However, the Committee would like the Board to examine thoroughly the merits and demerits of the use of cheaper A.A.C. conductors on short distance lines *viz-a-viz* its cost and lay down a suitable policy in this regard for future.

Paragraph 8.9. (15)—Excess payment of excise duty

20. Government of India notified on 14th September 1968 that excise duty leviable on A.A.C./A.C.S.R. Conductors and Cables was limited to 4 per cent *ad valorem* in respect of industrial undertakings to which the Industries (Development and Regulation) Act, 1961 did not apply. On 1st June 1970, this provision was amended and the concession was extended to all industrial undertakings where an officer, not below the rank of an Assistant Collector of Excise, was satisfied that initial investment on plant and machinery was not more than Rs. 7.5 lakhs. In other cases, the excise duty was 5 per cent *ad valorem*.

In spite of the specific provision in the purchase orders that excise duty would be paid as applicable at the time of despatch, payments to five firms *viz.*, Haryana Conductors, R.S. Hard Metal, Hindustan Conductors, Ram Kishan Metal Works and J.J.H. Industries, which were entitled to concessional rate of 4 per cent, were made at 5 per cent from 14th September 1968 onwards, resulting in excess payments aggregating Rs. 2.56 lakhs.

Government stated in December 1973 that recovery of Rs. 10,166 from R.S. Hard Metal had since been made by the Board from its pending payments and that action had been initiated to effect recoveries in other cases. Government also stated that a review of the other purchases of conductors and cables had since been undertaken by the Board and that action for recovery would be taken after the excess duty paid was determined.

The representatives of the Board accepted the facts contained in this paragraph and stated that most of the parties had agreed to pay back the excess amount of excise duty paid to them. It was also stated that a review of other purchase orders of conductors and cables had already been undertaken but since this was a voluminous work, the same had not so far been completed.

The Committee urge that action for the recovery of the excess payment of excise duty be pursued with the concerned parties vigorously and the progress in this behalf intimated as early as possible. The Committee would also like that the review of other purchase orders for conductors as well as cables be completed expeditiously and the results thereof intimated to them.

Paragraph 8.10—Purchase of poles

21. During the period February 1968 to November, 1972, orders for 3.61 lakh prestressed cement concrete (P.C.C.) poles of the value of Rs. 5.90

crores were placed by the Board on various suppliers for use as line supports in laying transmission and distribution lines. Orders for the largest number of poles were placed on the following two firms (sub-paragraphs 6 and 8) :—

	No. of poles (lakhs)	*(Value Rs. in lakhs)*	*Percentage to total*	
			No.	*Value*
Hindustan Prestressed Concrete Structures Pvt. Ltd., New Delhi	0.83	1,40.34	23	24
Jai Hind Investment and Industries Pvt. Ltd., Calcutta	0.84	1,29.91	23	22

The trend of rates at which purchases were made from various firms was as follows :—

Tender enquiry	*Low tension (L.T.) poles (Rs. per pole)*	*High tension (H.T.) poles (Rs. per pole)*
December 1967	135.00	..
August 1968	131.50	180.82
May/July 1969	133.00 to 138.52	182.00 to 198.00
May 1970	154.15 to 158.30	219.15 to 219.48
February 1972	147.17	..
September 1972	145.00 to 153.00	210.00 to 225.00

A review of the purchases, *inter alia,* revealed the following:—

(a) Major orders were placed against the following tender enquiries:—

	Tender enquiry issued in August 1968(*against which orders were placed in December 1968*)	*Tender enquiry issued in May/ July 1969 (against which orders were placed in December 1969*)	*Tender enquiry issued in May 1970 (against which orders were placed in July 1970*)
(i) Rates obtained :			
Per low tension pole	Rs. 131.50	Rs. 133 to 138.52	Rs. 154.15 to 158·30

Per high tension pole	Rs. 180.82	Rs. 182 to 198	Rs. 219.15 to 219.48
(ii) Number of poles ordered	50,000	88,000	1,11,000
(iii) Value (Rs. in lakhs)	78.08	1,41.87	1,80.18
(iv) Stipulated date of completion of delivery	October 1970, November 1970 and July 1971	31st March 1970	31st December 1970
(v) Number of poles received within stipulated date of delivery	42,165	20,794	27,770
(vi) Number of poles received during subsequent period	7,835	52,341	46,047

No poles were received during 1968-69 against order for 50,000 poles placed in December 1968. Against the orders placed in December 1969 for 78,000 poles excluding 10,000 poles for which orders were cancelled in October 1970, only 20,794 poles were received by the stipulated date of delivery. Again, during 1970-71 only 27,770 poles were received before the stipulated date of delivery against 1,11,000 poles ordered in July, 1970. This indicated that orders were placed in excess of the capacity of the suppliers (sub-paragraphs 3, 4 and 5).

(b) During 1969-70 requirement of 40,000 poles given in the tender notice was raised to 90,000 poles at the time of consideration of tenders. Similarly during 1970-71, the initial requirement of 60,000 poles for which tenders were invited, was raised to 1,00,000 before opening of tenders. The increase in the requirement during 1970-71 was justified by the Board on the ground of immediate requirements of the rural electrification programme. The due date of delivery of the poles by December 1970 was also given in the context of the rural electrification programme which was to be completed by January, 1971. However, the programme was reported to have been completed in November 1970 with hardly 25 per cent of the supplies delivered (sub-paragraphs 4 and 5 and paragraph 8.7).

(c) One of the two firms on which orders for the largest number of poles were placed had secured D.G.S. & D's rate contract during the period October 1965 to September 1967 but did not manufacture any pole during that period. In October 1967, the firm approached the Board for securing orders. The first order for 2,000 poles was placed in February 1968 on the basis of a limited tender enquiry. The field Superintending Engineers were authorised to place order for 500 L.T. poles for each circle. The Superintending Engineer, Delhi, placed orders on the firm for 6,500 L.T. poles of the value of Rs. 8.78 lakhs and 10,000 H.T. poles of the value of Rs. 18.28 lakhs during May 1968 to June 1970 without inviting open tenders (sub-paragraphs 6 and 7).

(d) The other firm on which orders for the largest number of poles were placed was given order for 21,000 poles in December 1969 although it had not quoted against the open tender enquiry of May 1969 and had not been asked to quote against the limited tender enquiry of July 1969. The quotation of the firm at the highest rate was entertained without earnest money. The firm was given the largest single order against that enquiry. The firm had not yet set up P.C.C. poles factory when the order was placed (sub-paragraph 8).

(e) The alternative lower offers of Hindustan Housing Factory Ltd., an established concern in public sector, for poles of the Board's specifications but with less H.T. steel content were not considered. Reasons for ignoring these offers were not on record (sub-paragraphs 4 and 5).

(f) The lower offers of Orissa Cement Ltd., against various enquiries from August 1968 onwards were ignored because of difference in the cross section dimensions. Their design was not called for and examined. The only order placed on them in July 1970 was cancelled (sub-paragraphs 3 to 5 and 12).

(g) Orders on various firms were placed at firm prices equivalent to the base prices ruling under the D.G.S. and D's rate contracts with Hindustan Housing Factory Ltd., without ensuring supply of poles of the same specifications. The poles manufactured by various suppliers with less number and different sizes of wires than those stipulated in the purchase orders were accepted without any price reduction. As a result of an audit observation, the matter was considered by the Whole Time Members in September 1972 but they decided not to effect any price reduction. The suppliers were relieved of their contractual obligations and this gave them financial benefit of about Rs. 13.57 lakhs in the supply of 1,17,993 poles as mentioned in sub-paragraph 2.

(h) Payment of Rs. 1.62 lakhs was made to Bharat Spun Pipe and Tiles Company on account of price escalation on the basis of lower base price of H.T. steel wires agreed to in the post-tender negotiations without ascertaining the ruling market price at the time of submission of quotation by the firm (sub-paragraph 10).

(i) Inspection and testing of poles was not done in accordance with the requirements of IS: 1678—1960 despite a provision to that effect in the purchase orders. The tensile strength test results of H.T. steel wires used in the poles were not obtained except in a few cases with the result that the use of tested quality wires could not be ensured. No pole was tested until failure occurred and as such the crushing strength of the poles, proper spacing of H.T. steel wires and use of wires in full lengths remained unverified (sub-paragraphs 6 to 11).

(j) Complaints were made by the field officers about the quality of poles supplied by the various firms (sub-paragraphs 6 to 8 and 11).

(k) While facilities for departmental manufacture of reinforced cement concrete (R.C.C.) poles were created at a number of places, the capacity was not fully utilised up to March 1971 and has not been utilised at all thereafter (sub-paragraph 14).

The details of these cases have been discussed in the following sub-paragraphs.

The Board stated in evidence that orders for 50,000 poles were placed in December, 1968, in the light of the targets fixed by the Board for energisation of 20,000 tubewells during the year 1968-69. The requirement for 40,000 poles was assessed by the Chief Engineer, Operation in the light of targets fixed for village electrification/tubewell energisation. When the purchase case was considered by the S.P.C. in their meeting held on 18-7-1969, they re-assessed the requirement as 90,000 poles on account of cancellation of orders for steel tabular poles placed at higher rates. Against the tender enquiry floated for this purpose, 88,000 poles were purchased by the Board. The requirement against tender enquiry of May, 1970 was initially assessed by the Controller of Stores at 81,000 poles in December, 1969, against which tenders were invited for 60,000 poles. However, when in May, 1970, it was stipulated that all the remaining 3,302 villages against 1,300 as earlier envisaged were to be electrified during the year 1970-71, the requirement was re-assessed and the tendered quantity was increased to 1 lakh poles. 1.11 lakh poles were purchased against this enquiry. When the case was considered by the S.P.C. on 20th July, 1970, the Controller of Stores informed them that the total requirement for poles for achieving increased targets fixed by the Board upto 12/70 was of the order of 2,50,000 poles and keeping in view 50,000 poles expected from pending orders, 2 lakh poles should be arranged. The requirement for 8.22 meter long P.C.C. poles was initially assessed by the Controller of Stores in January 1972 for 45,000 poles. However, the Board purchased only 30,000 poles in April, 1972 from the lowest acceptable tenderer subject to the condition that the supply and payment thereof would be staggered keeping in view the stringent financial position of the Board. In accordance with the decision of the Whole Time Members, tender enquiry for the supply of 25,000 8.22 meter and 10,000 9.75 meter P.C.C. poles was issued as per the requirement assessed by the Chief Engineer, Operation on 5th September, 1972 on account of energisation of tubewells covered under Emergency Food Production Scheme during 1972-73. It was also mentioned during oral evidence that in order to increase food production, the Government of India had laid down certain targets. They gave a sum of Rs. 4 crores to energise 10,000 tubewells within a short span of 3—5 months and the Haryana State Electricity Board was the only Board which achieved that target. In no case where the quantity of poles to be purchased was increased after the receipt of the tenders, purchases of those increased quantities were made on rates higher than the ones on which the original assessed quantity was available.

Orders were stated to have been placed on various firms on the basis of their assessed capacity to supply certain quantity within the stipulated period. However, there had been acute shortage of H.T. steel wire throughout the country particularly during the years 1969-70 and 1970-71 and various firms on whom orders had been placed were unable to supply the required material, within the stipulated delivery period despite their best efforts to arrange raw material. On that account extension in delivery period was granted to them on merits and various firms supplied the material within the extended delivery period. While on one hand the firms had tried to honour their commitment and executed the orders faithfully within the extended delivery period despite the rates being lower than the then prevailing market rates, the Board could not ignore the firms against subsequent enquiry since they were in a poisition to supply the material within the scheduled period except for circumstances beyond their control.

By December, 1970 and due to reasons beyond the control of the suppliers, the firms on whom orders had been placed for 1.11 lakh poles could supply only 21,101 poles of 8.22 meters and 6,669 poles of 9.75 meters. In addition to these supplies 18,551 poles of 8.22 meters and 14,675 poles of 9.75 meters, were received against other pending orders, placed for P.C.C. poles. In addition, about 36,300 B.C.C. Poles and about 12,000 R.C.C. Poles were also manufactured in the various departmental Workshops centres. With the supplies so received/made available, the targets were achieved. Although the requirement was assessed by the Controller of Stores somewhat on higher side yet keeping a reasonable safety margin the orders placed thereagainst were not in excess. In case these poles on order had been made available, the Board might not have had to resort to manufacture of B.C.C. poles which were costlier as compared to P.C.C. poles.

As soon as the targets of 100 per cent village electrification had been completed, the Board put an embargo on 31st December, 1970 for the supply of balance quantity of P.C.C. poles against various orders. Even they put an embargo on manufacture of these poles after 10th February 1971. The supplies were suspended but not cancelled as in the opinion of the Legal Adviser of the Board, where part supplies had been made by any supplier against order/contract, the cancellation of the order could not be made without legal complication and financial risk. The orders were, therefore, kept pending. These purchases were reviewed from time to time keeping in view the requirements indicated by the Chief Engineer and the supplies accepted where rates were lower than the prevalent market rate at that time. In accepting such supplies, the Board had made a saving of Rs. 16,62,000.

It was also mentioned during oral evidence that the works of rural electrification and other programmes for giving tubewell connections etc. were carried out side by side. It was also mentioned that the poles received at lower rates were utilised to the maximum advantage of the Board during 1971. When in December, 1970, the Board placed the embargo, the total number of 27 feet poles in stock was 13,533 and from December, 1970 to 31st March, 1971, the Board had given 7,472 tubewell connections and in March, 1971, the stock of these poles was 18,503. Again in December, 1971, the total quantity of poles in stock was 1,365 and in March, 1972'108 poles only against about 1.20 lakh poles consumed by the Board every year.

Asked as to what were the specifications which the Inspecting officers had to follow for the inspection of poles, it was stated that the specification were given in the purchase order. Normally these were I.S.S. specifications.

The Committee have gone into the facts relating to the purchase of poles from individual firms and made appropriate observations in the succeeding paragraphs. However, the Committee observe that crash programme for 100 per cent rural electrification which was initially intended to be implemented by 26th January, 1971 was subsequently advanced to November, 1970 and as a consequence the reassessment of requirement of poles and other material at various stages became unavoidable. In view of the magnitude of the transactions involved, while the Board had made genuine efforts to secure the maximum quantity of materials within the framework of the fixed targets, they had to grant extension in delivery periods on the merits of individual cases because of scarcity of raw material and the embargo placed by the Board in December, 1970 due to financial stringency. The Committee also find that side by side with the rural electrification programme, the work of tubewell energisation etc., had also to be carried out and the poles purchased against the various orders placed during 1969-70 and 1970-71 were fully utilised on such works. The Board has stated that in accepting

supplies against pending orders after the lifting of embargo placed in December, 1970, it had made a saving of Rs. 16.62 lakhs. The Committee agree that it was also necessary for the Board to maintain certain level of poles in stock in order to meet with urgent requirements.

Paragraph 8.10 (2)—*Undue benefit to suppliers*

22. Tender specifications issued by the Board did not specify the number and size of high tensile (H.T.) steel wires to be used in manufacture of poles. No reasons were on record as to why the number of wires, which is an important factor in determining the life and working load of poles and also forms an important element of cost of manufacture of prestressed cement concrete poles, was not specified. The design of the poles to be supplied by the tenderers was also not obtained and technically examined before placing orders.

Against the tender enquiries of December 1967, August 1968 and September 1972, purchase orders for 99,400 poles of the value of Rs. 1,59.93 lakhs were placed on various firms without specifying the number and size of H.T. steel wires to be used in the poles. The Board had been accepting poles in accordance with the specifications laid down in the D.G.S. & D's rate contract with Hindustan Housing Factory Ltd., a Government of India Undertaking. Supplies against the order placed in February 1968 were made by a firm using the same number and size of wires as given in the D.G.S. & D's rate contract. However, subsequently supplies against the other orders were made by various firms with less number of wires than those specified in the rate contract. The saving effected by using less number of H.T. steel wires by suppliers as compared to that specified in the D.G.S. & D's rate contract worked out to 196 tonnes valued at Rs. 5.45 lakhs in respect of 82,126 poles. The extent of saving, if any, on account of steel wires used in 1,184 poles supplied by Haryana Structural Engineering Co. could not be assessed as pre-despatch inspection reports did not indicate the number of wires used in the poles.

In pursuance of two other enquiries made in May/July 1969 and May 1970, orders for 1.99 lakh poles were placed on various suppliers, specifying the number and size of H.T. steel wires and contracts containing these stipulations were signed by them. Despite this specific provision, poles with less number and different size of wires supplied by the firms were accepted by the Board. The saving effected by the suppliers by using less number of steel wires than that specified in the contracts worked out to 413.24 tonnes, valued at Rs. 13.57 lakhs, in respect of 1,17,993 poles. The extent of saving, if any, on account of steel wires used in one case, in respect of 11,000 poles supplied by Haryana Structural Engineering Co. where pre-despatch inspection reports did not indicate the number of wires, could not be assessed.

As a result of an audit observation, the question of price reduction on account of use of less number of wires was considered by the Board but it was decided in November 1972 not to effect any price reduction on the ground that there was no mention regarding wires in the specifications included in the tender notice as well as in the tenders submitted by the firms. The number and size of wires indicated in the purchase orders and contracts signed by the suppliers was considered by the Board as an interpolation.

The Board stated in July 1973 that :—

(i) The ISS did not mention the number of wires and the most important requirement was the working load and the safety margin and the provision of wires in the tender specification was not considered;

(ii) in certain purchase orders the provision of wires was "made unauthorisedly at lower level" without any decision of the competent authority;

(iii) calling of designs of poles to be supplied either before placement of orders or thereafter was not considered necessary; however, some firms did supply drawings for approval but these drawings incorporated the dimensions and other particulars of poles as per Board's specifications, but with less number of wires than those indicated in the purchase orders and these were approved since the poles supplied by them fulfilled the technical requirements; and

(iv) the question of recovery could arise only if the suppliers offered a product at a certain price, but supplied inferior product at the same price; and this was not the case.

Government agreed in December 1973 with the views of the Board. It may, however, be stated that :—

(a) IS : 1678—1960, *inter alia*, provides guidelines for manufacture of poles. It does not specify the technical particulars like cross section dimensions, number of wires, volume and weight of the poles which have to be laid down by the purchaser;

(b) against the tender enquiry of May/July 1969 and May 1970, Hindustan Housing Factoy Ltd., submitted alternative quotations of poles with different number and size of wires, other technical particulars remaining the same, and the price quoted varied with the number and size of wires. It may be mentioned that the D.G.S. & D. specifies the number and size of wires in tender specifications. The Board had also specified the the number and size of wires as in the D.G.S. & D's rate contract in the enquiry of February 1972, and had insisted upon use of the specified number and size of wires in the manufacture of poles; and

(c) against the enquiries of May/July 1969 and May 1970, the suppliers had accepted the purchase orders specifying the number and size of wires and they were, therefore, contractually bound to supply poles with the number and size of wires so specified.

The Board stated in evidence that except in a solitary case against enquiry issued in February, 1972, NIT against all the other enquiries issued by the Board did not specify the number of wires. ISS. 1678/1960 for P.C.C. poles provided guidelines for the design and specification of poles. It did not specify requirement like cross-sectional dimensions, volume, weight and number of H.T. steel wires to be used for the poles. The poles had, however, to be so designed that they did not fail owing to the failure of concrete in compression snapping of prestressing tension or permanent stretching of the steel in any part of the pole. The main technical particulars to be taken into consideration were, therefore, the working load with the safety margin on the basis of which the physical measurements, volume, weight etc. were to be determined for each class of pole. The H.T. steel wires to be used in the poles were obviously dependent on the requirement of working load with the safety margin prescribed. During oral examination the Board stated that they had made some calculations which showed that the use of 8 wires (5mm) would be sufficient to ensure work load required by them. It was further stated that although the Board wanted safety factor of 2.5, it was also possible to manufacture it to higher and higher standard and that if more wires were used in the pole the price would be higher and this fact was not unknown to the Board. So long as these vital technical particulars like working load with the safety margin *i.e.* strength of the pole and other dimensions etc. as prescribed by the purchaser were fulfilled, provision of specific number of wires in the pole was immaterial. On that basis the specifications were framed by the Board by adopting the dimensions and vital technical particulars like working load etc. That the number of wires had no relevancy was borne out from the fact that the D.G.S. & D. while finalising the latest rate contract with Hindustan Prestressed Concrete for the supply of P.C.C. poles, initially specified the number of wires, but subsequently deleted the number of wires *vide* letter no. SMH/4/RC-8479/PCP/71/431/1013, dated 22nd August, 1972, issued with the concurrence of Ministry of Finance.

When the firms offered the material as per dimensions and other technical particulars of Board's specification and on inspection, the poles were found to withstand working load with the safety margin, it was not considered necessary to call for designs of the poles before or after placing of the orders. However, some firms did supply drawings for approval but these drawings incorporated the dimensions and other particulars of poles as per the Board's specification but with lesser number of wires than those unauthorisedly indicated in the purchase orders and these were approved since the poles supplied by them fulfilled the technical requirements of the Board, particularly the working load with the safety margin. While the case with regard to audit objections relating to the lesser number of wires was examined by the Whole Time Members on 29th September, 1972, the Technical Member desired that the design calculations of poles where the firms had used fewest number of wires should be obtained and checked up to ensure that the designs of the poles were satisfactory as per the technical requirements of the Board. For that purpose, the design calculations were obtained from Jai Hind for their 8.22 metres poles with use of 8 wires (5 mm.) and 12 wires (4mm.) and H.T. poles with 12 wires (5 mm.) and 18 wires (4 mm.). Similar design calculations were also called for 10.97 metre long poles from Hindustan Prestressed. These calculations were thoroughly checked by the Design Directorate and found satisfactory and were also subsequently approved by the Technical Member. Calling of design calculations from other suppliers who had used higher number of wires in the poles supplied by them when the above designs with fewest number of wires had been found okay by the Design Directorate was not considered necessary.

It was further stated that prior to the formation of the Haryana State Electricity Board, P.C.C. Poles were being procured by the composite Punjab State Electricity Board against D.G.S & D. rate contract from the Hindustan Housing Factory. Before preparation of specifications against first tender enquiry floated by Haryana State Electricity Board in December, 1967, a copy of rate contract of Hindustan Housing Factory was collected from the Punjab State Electricity Board and technical particulars therefor were provided in the technical specifications against the said enquiry. However, there were certain technical particulars incorporated in the rate contract for which there was no specific mention in the relevant I.S.S. Since I.S.S. did not mention anything with regard to number of wires and the vital technical particulars of the poles were the working load with safety margin, making of such a provision was not considered advisable and the poles were required to be offered as per the relevant I.S.S. Accordingly, the order was placed in February, 1968 in line with the stipulation of the tender specification issued by the Board where no mention of number of wires had been made. The various orders against tender enquiry of May/July, 1969 and May, 1970 had also been placed without making mention of number of wires in the specification. The S.P.C. in its recommendations to the Board did not lay down any number of wires and the Board had also approved the placement of orders on various firms on the basis of tender specifications irrespective of number of wires. Any introduction of number of wires in the purchase order was not in accordance with the decision of the competent authority. While in the case of one firm *i.e.* Ukay Builders, there was no mention of number of wires, in case of another firm, namely R.N. Ghanekar, & Co. this provision was deleted by the Store Purchase Section. In other cases, this was not insisted upon since the provision in the purchase order had been made by the Store Purchase Section without any decision of the competent authority.

As regards the Hindustan Housing Factory quotations, it was explained that the prices quoted by this firm were higher at all times. The Board was able to make purchases from other manufacturers at lower rates and according to its computations, if the Board had all gone to Hindustan Housing Factory during the period from 1969 to 1972, the Board would have had to pay Rs. 74.71 lakhs extra.

On a careful examination of the facts relating to this case, the Committee find that I.S.S. specifications do not lay down the number of wires to be used in the P.C.C. poles. The specifications given in the N.I.T. issued by the Board from time to time which were in conformity with the I.S.S. specifications also did not indicate the number of wires to be used. Even the D.G.S & D. who had originally indicated the number of wires to be used in the rate contract entered into with Hindustan Prestressed Concrete had subsequently withdrawn this requirement in August, 1972 with the approval of the Ministry of Finance. The essential requirement to be observed, as contended by the Board, was that the poles offered by the various firms should conform to the relevant I.S.S. and the Board's tender specifications and they should withstand the working load with safety margin. In the face of weight of these facts, the Committee do not consider that the mentioning of the number of wires was of any material consequence particularly as the poles supplied by the Haryana Structural Engineering Co. were otherwise found to meet with the technical requirements of the Board.

The Committee, therefore, feel that the question of any undue benefit having been extended to the suppliers on this account does not arise.

In so far as the point relating to the consideration of alternative quotations of Hindustan Housing Factory Ltd. is concerned, the Board has contended that rates offered by this firm were always higher and that if they had purchased all their requirements from the Hindustan Housing Factory during 1969 to 1972, they would have been put to an additional expense of Rs. 74.71 lakhs. Even otherwise, the Committee feel that it would not have been a prudent policy to place orders for the entire requirements of the Board for poles with a single firm which

would obviously have been fraught with grave complications and might have even affected the timely completion of the programme for cent per cent rural electrification and tubewell energistation.

Paragraph 8.10 (3)—Purchase of poles at higher rates

23. Tenders were invited in August 1968 for 20,000 H. T. poles of 9.75 metres' length and 20,000 L. T. poles of 8.22 metres' length required during 1968-69. None of the tenderers offered to supply the whole quantity during 1968-69.

The lowest offer of Orissa Cement Ltd., for L.T. poles at Rs. 120.96 per pole f.o.r. destination, including central sales tax, was not accepted due to specifications being different. According to the Board, the vital technical particulars of these poles were the working load with the safety margin. The poles offered by the firm were longer in size *i.e.* of 8.25 metres' length, of different cross sections, lighter in weight and with steel reinforcements weighing 25.19 lbs. per pole, but designed for the same working load and safety margin as required by the Board. The second lowest rate of Rs. 124.28 per pole f.o.r. destination offered by Eastern Commercial Corporation, Patiala, for supply from its factory at Pinjore was also not accepted as the firm had no arrangements at that time to manufacture P.C.C. poles. The next lowest rate of Rs. 131.50 per pole f.o.r. destination, including Rs. 11 for transport charges, was quoted by B.N. Bhaskar & Sons. Order for 5.000 poles was placed on this firm in December 1968. A Haryana firm, Hindustan Prestressed Concrete Structures 'P' Ltd., was allowed order preference and order for 20,000 poles at Rs. 131.50 per pole f.o.r. destination was placed on this firm in December 1968 although, according to the order preference policy of the Board, the lowest available rate of Rs. 124.84 per pole, could be allowed to it. This resulted in undue benefit of Rs. 1.44 lakhs to the firm. The Board stated in July 1973 that the rate of Eastern Commercial Corporation was not offered to Haryana based industries as Eastern Commercial Corporation had no arrangement for manufacture of P.C.C. poles. It may, however, be stated that against subsequent enquiry of May/July 1969, order was placed in December 1969 on Jai Hind Investment & Industries 'P' Ltd., who had no factory at that time (sub-paragraph 8).

The lowest rate for H.T. poles was quoted by Shelley Products, Bhopal. at Rs. 149.90 per pole f.o.r. any one despatching station in Haryana. The despatching station and the railway freight were not indicated by the firm ; nor were these enquired by the Board. Presuming the offer to be f.o.r. Bhopal and adding railway freight of Rs. 26.42 from Bhopal to destination stations and central sales tax Rs. 4.50, the rate of Rs. 180.82 per pole was worked out by the Board. Orders at this rate were placed by the Board on two Haryana firms, R.N. Ghanekar & Co. and B N. Bhaskar & Sons, for 20,000 and 5,000 poles respectively on the basis of the order preference policy.

On the basis of rail freight rates from a place near Delhi to specified stations in Haryana, quoted by Orissa Cement Ltd., the Board had itself worked out the average rail freight for supplies at various stations specified in the tender enquiry as Rs. 9.02 per H.T. pole. On this basis the price payable to Shelley Products worked out to Rs. 163.42 per pole f.o.r. destination stations in Haryana. By allowing the higher rate of Rs. 180.82 per pole to the Haryana based industries, the Board incurred extra expenditure of Rs. 4.35 lakhs in the purchase of 25,000 H. T. poles.

All the three firms commenced supply from June/August 1969 though they were required to start delivery in March 1969. R.N. Ghanekar and Co., required to supply by July 1971. completed the supplies in May, 1972, and B.N. Bhaskar & Sons, required to supply by November 1970, completed supplies in January 1973. No penalty was imposed for delayed supplies. The Board stated in July 1973 that had the delayed supplies not been accepted, purchase would have been made at higher rates. It may, however, be mentioned that against subsequent enquiry of May/July 1969 the same rates of Rs. 131.50 per L. T. and Rs. 180 per H.T. pole, were quoted by Hindustan Prestressed Concrete Structures 'P' Ltd., but orders had to be placed at higher rates due to delay in finalisation of tenders. Thus the Board neither got any supply of poles during 1968-69 against these orders nor availed of the benefit of competitive rates offered by other firms.

Government stated in December 1973 that some aspects of the case were being examined.

The Board stated in evidence that the offer of Orissa Cement was not accepted since the technical particulars like dimensions of poles offered by them were not in line with the Board's specification, The design of poles with the technical particulars offered by this firm was not checked at the time their offer was considered.

As regards the lowest offer of Eastern Commercial Corporation, it was explained that the SPC in their meeting held on 17th November, 1968 observed that their tender could not be considered for placing order on them because they had no arrangements for manufacture of PCC poles. In the case of tender enquiry of July, 1969, the Board decided on 5th September, 1969, that since the total tendered quantity could not be arranged from the existing firms orders might be placed on existing firms for the quantity they could supply within delivery period and also on non-existing firms who had offered to set up their factory in Haryana provided adequate assurances were given by them to make supplies available within the stipulated period and the Whole Time Members were authorised to take final decision in the matter in accordance with the above decision. In pursuance of this decision, orders were placed on non-existing firms like Jai Hind Investment, U.K.Builders and Cement Fabrics subject to their furnishing bank guarantee to ensure supplies within the stipulated period. Jai Hind Investment had quoted ex-factory firm price of Rs. 141 for 8.22 metres and Rs. 181 for 9.75 metres long PCC poles (equivalent price worked out to Rs. 172.69 and Rs 214.30 per pole respectively). However they were given the order at Rs. 138.52 and Rs. 198 per pole F.O.R. destination on firm price basis respectively (the rates allowed were the base F.O.R. destination price of DGS&D rate contract of Hindustan Housing Factory on firm price basis).

As per the then prevalent policy of the Board, orders were to be afforded to Haryana firms at the appropriate rates of the lowest tenderer. During their meeting of 17th November, 1968 the SPC observed that since the tender of Eastern Commercial Corporation Patiala at the rate of Rs. 124-28 per pole could not be considered for placing order on them because they had no arrangements for manufacture of PCC poles, there was no question of offering their rates to Haryana industries. They accordingly recommended that the orders might be placed on different Haryana firms at the rates of next higher tenderer *i.e.* B.N. Bhaskar & Sons. These recommendations were accepted by the Board and order was placed on Hindustan Prestressed Concrete on the rates of B.N. Bhaskar & Sons in line with the order preference policy of the Board,

In regard to the quotation of Shelley Products, Bhopal it was mentioned that they had quoted their rate as F.O.R. despatching station (any one station in Haryana State). The SPC considered the purchase case on 17th November, 1968 and they were of the view that the above offer implied that they would be offering the material F.O.R. Bhopal and the purchaser would have the discretion to consign the material any where it liked within the State. They further mentioned that while offering the rates to Haryana industries their quotation had been taken to mean F.O.R. Bhopal and that rate should be offered to Haryana industries as per the lowest acceptable rate. There was no question of asking the firm about the name of despatching station which was rightly taken as F.O.R. Bhopal and the railway freight was also added thereto on the basis of the railway freight figures obtained from the railway authorities.

Asked as to why no penalty was imposed on the firms for delayed supplies, it was stated that Hindustan Prestressed completed supply of material by September, 1970 against the completion date of November, 1970 stipulated in the order while the other two firms R N. Ghanekar & Co. and B.N. Bhaskar & Sons completed the supply tn May, 1972 and January 1973. In case any penalty for delay in supply was subsequently considered and imposed on them it would be recovered from balance payments due to them which had not so far been released.

It was also disclosed during oral evidence that this case was being investigated by the Vigilance Department and that the enquiries by that Department were likely to be finalised within a month or so.

The Committee would like to know the results of the investigations into the case by the Vigilance Department as soon as these are finalised. The Committee would also like that the follow-up action in the light of the findings of the Vigilance Department be finalised at an early date.

Paragraph 8.10 (4)—Negotiated purchase of poles at higher rates

24. Before supplies commenced in June 1969 against orders for 50,000 P.C.C. poles placed in December 1968, another tender enquiry was issued in May 1969 for 20,000 L.T. poles of 8.22 metres, length and 20,000 H.T. poles of 9.75 metres' length. While the tenders were under consideration, it was decided to increase the number to 90,000 poles and to ask all the tenderers to indicate by 30th July, 1969, their reduced rates and revised delivery schedules for supply of poles within 1969-70. In response to the limited enquiry so made revised offers were received from 11 firms. An offer was also received from Jai Hind Investment and Industries Pvt. Ltd. Calcutta who had neither originally submitted any tender nor was asked to quote against the limited tender enquiry.

The lowest tender of Orissa Cement Ltd., at Rs. 116 per L.T. pole of 8.25 metres' length f.o,r. destination was not considered as the specifications of its poles were different although 11,000 poles of the same specifications were later purchased in July, 1970 from Bharat Spun Pipe & Tiles Co. Chandigarh, at the higher rate of Rs. 154.73 per pole. Another lower offer from Daya Concrete Works Tohana, at Rs. 130 per L.T. pole f.o.r. destination and the lowest rate of Rs. 155 per H.T. pole was also not considered on the ground that the firm had not set up its factory when the site was inspected in July, 1969. However, the post-tender higher offer of Jai Hind Investment & Industries (P) Ltd., was accepted though his firm had also not established its factory in Haryana.

Hindustan Housing Factory Ltd.. had offered three alternative f.o.r. destination rates for both lengths of poles, as follows:

		L.T. (8.22 metres) pole	*H.T. (9.75 metres) pole*
		Rs.	*Rs.*
(i)	Poles of the same specifications as in the D.G.S. & D's rate contract	134.23	192.35
(ii)	Poles of the same specifications as in the D.G.S. & D's rate contract but with 16 and 20 steel wires of 4 mm for L.T. and H.T. Poles respectively	128.23	180.35
(iii)	Poles of an alternative design of slightly different dimensions with 12 and 16 wires for L.T. and H.T. poles respectively	123.23	178.25

The Board did not consider the f.o.r. destination offers of Hindustan Housing Factory Ltd., but decided in September, 1969 to purchase 21,000 poles from it at the D.G.S. and D's rates of Rs. 133 per L.T. and Rs. 190 per H.T. Pole f.o.r. factory railway siding, on variable price basis. The ruling prices of the D.G.S. & D's rate contract at that time were Rs. 127.80 per L.T. and Rs. 180.69 per H.T. pole. For the balance requirements, the Board negotiated in October 1969 with various firms including Jai Hind Investment & Industries (P) Ltd., Ukay Builders and Haryana Structural Engineering Co., who had no established factories in Haryana at that time. However, Orissa Cement Ltd., Daya Concrete Works and India Stores Supply Co., who had offered lower rates and proposed to set up factories in Haryana, were not called for negotiations. The firms, except Cement Fabrics and National Prestressed, with whom negotiations were carried out had formed a pool and were not agreeable to accept rates lower than the D.G.S. & D's equivalent rates, f.o.r. destination, which worked out to Rs. 138.52 per L.T. and Rs. 198.26 per H.T. pole.

Orders for 27,500 L.T. and 29,500 H.T. poles were placed in December 1969 on Hindustan Prestressed Concrete Structures Pvt. Ltd., B. N. Bhaskar & Sons, Cement Fabrics, Jai Hind Investment and Industries (P) Ltd., Ukay Builders and Haryana Structural Engineering Co., at rates varying from Rs. 133 to 138.52 per L.T. pole and Rs. 182 to Rs. 198 per H.T. pole, subject to the ceiling of D.G.S. & D's equivalent rates. It was also stipulated that they should supply the whole quantity during 1969-70, commencing with immediate deliveries and using 18 wires of 4 mm diameter in L.T. poles and 22 wires of 4 mm diameter in H.T. poles except in the case of Ukay Builders where no mention was made of the number of wires. The number of wires used by Hindustan Prestressed Concrete Structures (P) Ltd., was not indicated in any of the inspection notes and in respect of other firms the number was shown only in a few inspection notes which indicated that the number of wires used in L.T. and H.T. poles varied between 8 and 16 per pole. The second and third alternative offers of Hindustan Housing Factory Ltd., were cheaper by Rs. 3.51 lakhs and Rs. 5.39 lakhs respectively as compared to the rates paid by the Board for the supplies with less reinforcements accepted from these firms. On actual supplies received upto July 1974 the difference in cost worked out to Rs. 3.29 lakhs and Rs. 5.21 lakhs respectively.

The Board stated in July 1973 that had orders not been placed on firms who were yet to set up their factories in Haryana, the alternative would have been to purchase poles at higher rates from Hindustan Housing Factory Ltd., against the D.G S. & D's rate contract. It may be stated that while the Hindustan Housing Factory Ltd., had quoted D.G.S. & D's rate for poles with higher steel content, their alternative offers were lower than those accepted by the Board. The firms who were given orders in anticipation of setting up their factories, supplied only 2,063 poles by March, 1970 against 38,000 poles due for delivery by that date.

The purchase orders placed for 78,000 poles stipulated completion of delivery by March 1970. However, only 20,794 poles were supplied during that period, out of which 15,000 poles were supplied by Hindustan Housing Factory Ltd. Supplies of 45,104 poles were made during the extended delivery period up to March 1971 and 8,289 poles after the extended delivery period up to July 1974. No damages were recovered for delayed supplies.

The limited tender enquiry was issued with the object of getting supply of a large number of poles at lower rates during 1969-70. However about 5 months were taken to place the orders during which period the firms demanded higher rates and orders were placed with reference to D.G.S.&D's equivalent rates without ensuring steel reinforcements, as in the D.G.S & D's technical specifications of poles. The object of getting larger supply during 1969-70 was also not achieved.

The Board stated in evidence that offer of Orissa Cement was ignored as the technical particulars like dimensions etc. furnished by them were not in accordance with those stipulated in the Board's tender specifications.

The Technical Member of the Board stated during oral examination as under :—

> "The poles require two things. One is work load depending on the material used and secondly dimensions. For dimensions, we have to see that the poles are of that particular type that the fittings fit in properly. If the poles are not according to the specifications, fittings become useless. So it is must that the poles should conform to the specifications. If this is not so, then we have to modify various other items which are required simultaneously, which means extra expenditure. So for that reason we cannot accept poles which are of different dimensions."

In the subsequent enquiry, both Orissa Cement and Bharat Spun Pipes submitted tenders. Orissa Cement did not have anything to offer ex-stock. According to their delivery schedule, they were to supply material after three months of placement of order at the rate of 3,000 poles per month. Order was placed on them as per Board's specifications and designs. On the other hand, Bharat Spun Pipes offered 5,000 poles ex-stock and 11,000 poles within the delivery schedule stipulated by the Board. After testing of material by a competent technical officer, the designs of Bharat Spun Pipes were found suitable and order for 5,000 poles ex-stock and 11,000 poles to be supplied within the delivery schedule was placed on their design. The Board required the material within a definite period to implement its rural electrification programme. As such, it could not wait for manufacture of poles of Orissa Cement and then test their design etc.

When the Inspecting Officer visited the site of proposed factory of Daya Concrete Works Tohana, he reported that the firm had neither any technical know-how nor any resources and had not undertaken work so far of this nature. It was, therefore, considered doubtful whether they would be able to supply the poles as per the requirements of the Board. However, the position of Jai Hind was quite different and could hardly be compared with that of Daya Concrete Works. Jai Hind had purchased a plot for their works at Faridabad in September, 1969 and construction of building and installation of plant and machinery was started immediately thereafter. This was almost completed by December, 1969. Electric power was provided in October, 1969 and their unit was registered as small scale industry on 6th November, 1969. The firm had in fact set up the P.C.C. poles factory when order was placed on 20th November, 1969. During discussions with the S.P.C. in October, 1969, the firm had also offered to furnish required bank guarantee for faithful execution of the contract since at that time S.P.C. considered them as a non-existing unit.

In regard to Hindustan Housing Factory, it was explained that they had given three alternative offers which were all for variable prices without any ceiling. Considering that price difference in their alternative offer as per Board's specifications from that of D.G. S. & D. rate contract was marginal, it was considered advisable to go in for purchase of poles only against D.G.S. & D. rate contract so far as they were concerned. It was also mentioned during oral evidence that according to the practice followed, the Board had always placed orders on Hindustan Housing Factory consistent with D. G. S. & D. rate contract.

As regards India Stores & Supply Co., it was mentioned that this firm had intimated that they would set up their factory in Haryana provided they were afforded an order for a minimum quantity of 30,000 poles. Moreover, they expected to commence supply from factory after four to six months from the date of receipt of order which meant they could not supply any material during 1970-71. For these reasons, S.P.C. did not consider it advisable to call their representatives for discussion. It was further explained that most of the firms had quoted variable rates without any mention of ceiling. In some cases, rates were higher than the D.G.S. & D. rate contract. The Board in order to safeguard its interest laid down that no firm would be allowed a rate higher than the base rate of D.G.S. & D. rate contract at that particular time and that too without price variation. While the rate contract price of Hindustan Housing Factory with specific number of wires was variable without any ceiling, the Board allowed the various firms the ceiling on base rate of D.G.S. & D. without any price variation and for that reason, the rate offered to them was not linked with the number of wires which were also not mentioned in the tender specification issued by the Board.

The firm's tenders did not contain the number of wires. The S.P.C. in its recommendations to the Board also did not lay down the number of wires and when memorandum was put up to the Board, there was no mention about these. The Board approved placement of order on various firms on the basis of Board's specification irrespective of number of wires. Any introduction of number of wires in the purchase order was not in accordance with the decision of the competent authority. It was obvious from the fact that wires were not provided in the case of Ukay Builders and in certain other cases these were deleted. Therefore, when the poles on inspection were found to be in accordance with the working load with the safety margin and other technical particulars of tender specification, these were accepted without insisting for specific number of wires in the poles offered by the suppliers.

In regard to extensions in delivery periods, it was mentioned that when the firms could not supply material within the stipulated delivery period, on account of certain reasons beyond their control, extensions for delivery period were granted by the S.P.C. on merits of each case with reference to the documentary evidence/reasons advanced by the firms.

During 1969-70 and 1970-71, there was an acute general shortage of H.T. steel wire used in the manufacture of P.C.C. poles and despite their best efforts made by the various firms, they could not procure the required quantity of wires to supply the material in accordance with the delivery schedule stipulated in the orders.

The general scarcity of raw materials in the country at that time for implementation of power programme, particularly rural electrification, had also figured during the Fourth Conference of Chairmen of State Electricity Boards held at Delhi on 27/28th April, 1970.

On 31st December, 1970, embargo on supplies was placed which was subsequently lifted by the Board from time to time keeping in view the requirements indicated by the Chief Engineer and availability of material against these orders at rates lower than the prevalent market rates.

As regards the short term tender enquiry floated in July, 1969, for purchase of 90,000 poles, it was mentioned that approval to this effect was accorded by the Board in their meeting held on 5th September, 1969, since only 33,000 poles could be purchased from the existing firms. Keeping in view the quantity which they could offer for supply within the delivery schedule required by the Board in addition to 21,000 poles from Hindustan Housing Factory against D.G.S. & D. rate contract, the balance quantity had to be procured to meet with the requirements. Even the existing firms on whom orders were placed on firm price basis did not agree to supply the material on these rates. The Board, therefore, decided that the orders might be placed on existing firms for the quantity they could supply within the delivery period and also on non-existing firms who had offered to set up factory in Haryana provided adequate assurance was given by them to make the supply available within the stipulated period. The Whole Time Members were authorised to take final decision in the matter in accordance with this decision. Because of this, the representatives of the existing as well as non-existing firms had to be called for discussion to finalise the purchase from them. After such discussion, S.P.C. made their recommendations on 13th October, 1969, which was approved by the Whole Time Members on 23rd October, 1969. However, the C.A.O. (C.P.C.) while pre-auditing the purchase order, raised certain queries and wanted clarifications/interpretation of the Whole Time Members' decision and discussion had to be conducted at various levels. After clarifications of the points raised by the C.A.O. (C.P.C.), purchase order was issued to various firms from 20th December, 1969 to 26th December, 1969.

In reply to an enquiry of the Committee as to why decision on tender enquiry of July, 1969 could not be finalised expeditiously resulting in allowing higher rates than those quoted by various tenderers, it was stated that it was not correct to say that the above unavoidable delay resulted in the demand of higher rates by any firm. The various firms were allowed rates as per the discussions with the S.P.C. in the best financial interest of the Board.

The Committee observe that the offer of Orissa Cement for supply of P.C.C. poles was not accepted due to the fact that the specifications of their poles differed from those of the Board and they had no pole to offer from ex-stock and, according to their delivery schedule, they could supply the material three months after the placement of order. On the other hand, Bharat Spun Pipes had offered 5,000 poles ex-stock and 11,000 poles within the delivery schedule stipulated by the Board. Besides the inspection of the proposed factory of Daya Concrete Works had also revealed that they did not possess the requisite technical know-how or resources to set up the proposed factory. In the light of these facts, the Committee do not consider that the action of the Board in placing order for poles on Bharat Spun Pipes and Tiles Co. and Jai Hind Investment and Industries Pvt. Ltd. was in any way irregular.

In regard to the Hindustan Housing Factory, the Board had explained that they had placed order for the purchase of poles on them against the D.G.S. & D. rate contract and for other requirements, they had invited quotations from other firms in accordance with the Board's specifications. This aspect has also been discussed by the Committee in respect of paragraph 8.10(2) and according to the Board, if they had placed all their orders with Hindustan Housing Factory during 1969 to 1972, they would have had to undergo extra expenditure to the extent of Rs. 71.74 lakhs. Obviously, such an action would not have been in the financial interest of the Board and would have undoubtedly created complications which might have even affected the timely completion of the programme for rural electrification etc. The Committee, therefore, consider that no extra expenditure has been incurred by the Board.

In so far as the no. of steel wires in the poles is concerned, the Committee have already discussed the position in detail in the case of paragraph 8.10(2) and they feel that no further action is necessary on this point.

In view of the magnitude of the requirements of poles and acute scarcity of raw materials, the Committee consider that the Board had no choice but to grant extensions in the delivery periods. In fact, the general scarcity of raw materials in the country was also the subject matter of discussion at the Fourth Conference of the Chairmen of State Electricity Boards held at Delhi in April, 1970.

The Committee further consider that keeping in view the facts explained by the Board in regard to the issue of orders against the limited tender enquiry of July, 1969, the time taken in holding discussions with the representatives of the firms and issuing the orders on the basis of final decision arrived at by the Whole Time Members was unavoidable.

Paragraph 8.10. (5)—Purchases in excess of requirements

25. The Special Committee constituted by the Board to assess requirements of poles for 1969-70 and 1970-71 recommended in January, 1970 that P.C.C. high tension poles of 9.75 metres' length with working load of 380 lbs. were not suitable, and that extension for supplies against pending orders should not be granted beyond June 1970 and the Board should use braced channel or R.C.C. poles manufactured in departmental workshops. It was further recommended that requirements of P.C.C. low tension poles of 8.22 metres' length could be met with 40,000 P.C.C. poles due against previous orders and 70,000 braced channel poles to be manufactured departmentally. The Board's decision on these recommendations was not obtained. Tenders were, however, invited on 11th May, 1970 for purchase of 40,000 L.T. and 20,000 H.T. P.C.C. poles. The requirement of L.T. poles was increased on 29th May, 1970 to 80,000 poles due to the decision to carry out a hundred per cent village electrification. Supplies were required between June and December, 1970.

Orders were placed in July, 1970 for 42,000 L.T. and 35,000 H.T. poles at the then ruling D.G.S. & D's rates of Rs. 143.65 per L.T. and Rs. 204.83 per H.T. pole ex-works on firm price basis on 6 firms *viz.*, Jai Hind Investment & Industries Pvt. Ltd., Hindustan Prestressed Concrete Structures Pvt. Ltd., R.N. Ghanekar & Co., B.N. Bhaskar & Sons, Haryana Structural Engineering Co., and Bharat Spun Pipe & Tiles Co. According to the Stores Purchase Committee these firms had formed a pool and quoted the same rates. Orders were also placed for 5,000 L.T. poles at the firm rate of Rs. 128.85, ex-works, on Bharat Spun Pipe & Tiles Co., Chandigarh, for supply from ready stock, for 12,500 L.T. and 5,000 H.T. poles on Hindustan Housing Factory Ltd., at D.G.S. & D's rate contract prices, for 1,000 L.T. and 1,500 H.T. poles on Cement Fabrics (India) at firm rates of Rs. 139.50 per L.T. and Rs. 204.50 per H.T. pole ex-works and for 9,000 L.T. poles on Orissa Cement Ltd., at the firm rate of Rs. 124.00 per pole ex-works. The purchase orders specified the use of 18 wires (4 mm.) in L.T. and 22 wires (4 mm.) in H.T. poles. The lowest rates of Hindustan Housing Factory Ltd., for poles with less H.T. steel content but of the same working load and safety margin as required by the Board at Rs. 133 per L.T. and Rs. 195 per H.T. pole f.o.r. factory railway siding with price escalation, were not accepted. The reasons therefor were not recorded. The Board, however, accepted poles from the other firms at higher rates but with less number of H.T. steel wires without making any reduction in price (vide sub-paragraph 2). Another lower offer of Ukay Builders (Pvt.) Ltd., New Delhi, at Rs. 118 per L.T. and Rs. 168 per H.T. pole ex-works Faridabad with price variation, subject to ceiling of 10 per cent, was also not considered on the ground that their performance against the previous order of December 1969 had not been satisfactory.

Against 1,11,000 poles for which orders were placed in July 1970, supplies of only 27,770 poles were received up to the due date of 31st December, 1970. No supplies were received from Hindustan Housing Factory Ltd. and Orissa Cement Ltd., as their requests for amendment of purchase orders in terms of their tenders were not considered by the Board. These two orders were cancelled in April 1972 although the rate of Orissa Cement Ltd., was lower. The Board, however, continued to get supplies even after the scheduled delivery period from other firms on whom orders were placed at higher rates. These orders were not cancelled as, in the opinion of the Legal Adviser of the Board, where part supplies had been made by any supplier, cancellation of the order could not be made without legal complications and financial risk.

Delayed supplies of 47,600 poles were received up to July 1974. No supply against the order for 3,000 H.T. poles was made by Bharat Spun Pipe & Tiles Co. Out of the remaining 5,900 poles due against order placed on B.N. Bhaskar & Sons, order for 2,900 L.T. poles was cancelled in May 1972 while the supply of balance 3,000 H.T. poles was awaited (July 1974). The Board did not claim any damages from the suppliers for delayed supplies.

Government stated in December 1973 that supplies against the spilled over orders were received keeping in view the subsequent requirements and the supplies were accepted where the rates were lower than the prevalent market rates. It may, however, be stated that the orders were placed at the higher rates for securing supplies by December, 1970 and this object was not achieved. Acceptance of supplies thereafter led to accumulation of stock of P.C.C. poles which increased from 24,000 on 31st December, 1970 to 44,000 poles, valued at Rs. 75 lakhs on 31st May, 1971. Further, lower offers were received against subsequent tender enquiries of February 1972 at Rs. 120 per L.T. pole ex-works with 18 wires (4 mm.) and of September 1972 at Rs. 210 per H.T. pole f.o.r. destination.

The Board stated in evidence that the Special Committee was constituted by the Board on 5th January, 1970 for assessing the requirement of the years 1969-70 and 1970-71. This Committee consisted of S. E. Purchase, S. E. (Design), Controller of Stores and Chief Engineer Operation. This Committee decided in its meeting held on 27th January, 1970 that the working load for 9.75 meter poles be increased from 380 lbs. to 600 lbs but a copy of the minutes of the meeting was not sent to the Board. This suggestion was, therefore, never examined by the Technical Member or Board and approval accorded therefor. In the absence of the said approval poles have continued to be procured as per the various specifications for working load of 380 lbs which have all along been considered in the field to be quite suitable. Even against the D.G.S & D rate contract the poles for 9.75 metres were being manufactured for working load of 380 lbs. which had been found technically suitable in the field.

In regard to the non-acceptance of the lowest alternative rates of Hindustan Housing Factory, the Board had stated that they had made two offers, one against D.G.S & D rate contract and the other as per their alternative design. While considering the case against tender enquiry QH-231 offer of Hindustan Housing Factory with 10 wires of 5 mm. was not approved by the S.P.C. in their meeting held on 20th July, 1970 and they recommended that since this firm was a Government of India Undertaking order may be placed on them on D.G.S & D rates, terms and conditions. Both of their two alternative offers were variable without any ceiling. Considering that price difference in the alternative offer as per the Board's specification from that against D.G.S & D rate contract was marginal, it was considered advisable to go in for purchase of poles against D.G.S. & D rate contract so far as the Hindustan Housing Factory was concerned.

Regarding the number of steel wires to be used in the manufacture of P.C.C. poles, it was contended that the number of wires had no relevancy as would be evident from the fact that the D.G.S & D. while finalizing the latest rate contract with Hindustan Prestressed Concrete Structure (P) Limited for the supply of P.C.C. poles, initially specified the number of wires. But after finalisation of the rate contract he deleted the number of wires *vide* letter No. SMH/4/RC-8479P.C.P./71/431/1013 dated the 22nd August, 1972 issued with the concurrence of the Ministry of Finance.

In regard to the non-acceptance of the lower offer of Ukay Builders(P) Limited it was stated that when the case was considered by the S.P.C. on 20th July, 1970 they observed that there was an order already outstanding on this firm for 10,000 poles out of which it had supplied only 800 poles. Even 800 poles supplied by the firm had not been found satisfactory and the firm had applied for extension of 6 months to complete supplies which was considered to be doubtful by the S.P.C. They, therefore, felt that keeping this in view it would not be desirable to place further order on the firm and their offer should be passed over.

Another firm R.N. Ghanekar and Company had quoted for variable prices whereas the Board placed order on this firm on their quoted prices on firm price basis which was not accepted by the firm. Since the firm had not given unconditional acceptance to the Board's purchase order there was no valid order on them and in the light of legal opinion it was subsequently cancelled in October, 1970. B.N. Bhaskar & Sons also did not send their unconditional acceptance to the purchase order and wanted price variation. Since the dispute could not be resolved they did not supply any material. Subsequently, however, they agreed to supply the material on the firm price of the purchase order.

Asked as to what were the specific reasons necessitating the non-receipt of supplies from Orissa Cement Limited and Hindustan Housing Factory, it was mentioned that in the tender of Orissa Cement they had quoted for poles with dimensions and weight different from ones stipulated in the Board's tender specification though working load and other particulars offered were in accordance with the Board's requirements. However, they did not have any thing to offer from ex-Stock. According to the delivery schedule they were to supply material after three months of the placement of order at the rate of 3,000 poles per month. Keeping this position in view the order was placed on them for 9,000 poles 8.25 meters long as per the Board's specification and design. Since the firm had no poles in stock and had to manufacture them afresh, it was felt that they should be asked to manufacture the poles according to the Board's specifications. The firm's request for amendment of the order as per their technical particulars was not, therefore, accepted and when the firm subsequently offered material as per their own design the same was not accepted The order was subsequently cancelled in April, 1972, since they failed to supply the material in accordance with the technical requirements of the Board

As regards Hindustan Housing Factory, it was stated that they had asked for certain amendments *vide* their letter dated 8th September, 1970. The amendment asked for by the firm, however, was not such as could stand in their way to commence supplies. Though the firm was required to complete the supplies by 31st December, 1970 they did not supply a single pole during that period. Keeping this position in view and the fact that equivalent rate against this order was higher than that of other suppliers on whom orders for such poles had been placed, S.P.C. recommended that this order might be cancelled. This was especially so when in the absence of supplies from this firm within the stipulated period the targets of 100% village electrification had been completed with supplies of poles from other firms at the lower rates S.P.C's recommendations were agreed to by the Whole Time Members in their meeting held on 13th April, 1972 and order on this firm was cancelled.

In reply to an enquiry of the Committee as to why damages were not imposed for the delayed supplies, it was explained that when the firms could not supply material within the stipulated delivery period on account of certain reasons beyond their control extension in delivery period was granted by the S.P.C. on merits of each case with reference to the documentary evidence/ reasons advanced by the firms. During 1969-70 and 1970-71 there was an acute general shortage of H.T. steel wires used in P.C.C. poles and despite their best efforts the suppliers could not procure the required quantity of wires to supply material in accordance with the delivery schedule stipulated in the orders. The general scarcity of raw material in the country at that time for implementation of power programme (particularly rural electrification) had also figured in the 4th Conference of Chairmen of State Electricity Boards held in Delhi on 27/28th April, 1970.

On 31st December, 1970 embargo on supplies was placed and on 10th February, 1971 embargo on manufacture was also placed by the Board. This embargo was lifted subsequently by the Board from time to time keeping in view the requirements indicated by the Chief Engineer and availability of material against the orders at rates lower than the prevalent market rates. In view of this there was no question of levy of any penalty for supplies delayed on account of reasons beyond the control of suppliers. The supplies were only suspended but not cancelled as in the opinion of the Legal Adviser of the Board that where part supplies had been made by any supplier against order/ contract the cancellation of the order could not be made without legal complications and financial risk. In case, the orders for the balance quantity had been cancelled, it would have not only attracted legal complication but would have also involved financial implictations. In fact, by accepting supplies against the pending orders (as against ordering the material afresh on various firms at enhanced market rates) the Board had made saving of Rs 6.81 lakhs.

The Board also stated that it was not correct to say that when after stocks of poles had accumulated, the Board placed further orders far in excess of the requirement and continued getting supplies against orders placed earlier at higher rates. Apart from the supplies which were accepted after the lifting of the embargo in the financial interests of the Board, further orders were placed after February, 1972, when the stocks of poles in the field had completely been exhausted and the supplies accepted against earlier orders were not enough to meet the requirements in the field.

It was also stated that when enquiry was floated for L.T. poles in February, 1972, stock of these poles in the departmental stores was practically negligible and the works were badly suffering on that account. It was desirable to have sufficient stock of poles to the extent of at least 20% to 30% of the annual consumption at the end of each year for their timely utilisation for various programmes to be undertaken by the Board during each year.

The Committee observe that the recommendations of the Special Committee for increase in the working load of 9.75 metre poles from 380 lbs to 600 lbs were not submitted for the approval of the Board. However, the Board had contended that the poles with working load of 380 lbs. have all along been found suitable in accordance with the prescribed specifications and technical requirements. In so far as the use of braced channel or R.C.C. poles manufactured in departmental workshops is concerned, the matter has separately been discussed in detail in the case of paragraph 8.10 (14). It was explained that the manufacture of these poles in the departmental workshops was subsequently discontinued as there was reluctance on the part of the field staff to utilise them as they easily broke during transportation/installation.

The Committee have also separately gone into the point relating to the number of steel wires used in the manufacture of poles in respect of paragraph 8.10 (2) and the purchase of poles from Hindustan Housing Factory who were on rate contract with the D.G.S. & D. The Board have explained that the number of wires in the manufacture of poles was not of material consequence in view of the fact that the D.G.S. & D. had himself deleted the clause about the number of wires from the rate contract entered into with Hindustan Prestressed with the approval of the Ministry of Finance. Besides, as per the procedure followed by the Board purchases from Hindustan Housing Factory were effected against D.G.S. & D. rate contract only and for meeting other requirements supplies were obtained from various firms at rates lower than equal or to the base rate of D.G.S. & D. The Board had also mentioned that if they had met all their requirements from the Hindustan Housing Factory against rate contract during 1969 to 1972 they would have been put to additional expense to the tune of Rs. 71.74 lakhs. Moreover, the Committee consider that the purchase of all requirements of poles from a single firm would have created manifold complications. This is evident from the fact that in the present case, Hindustan Housing Factory was not able to make any supply against the order for 12,500 L.T. and 5,000 H.T. poles against rate contract and the order was subsequently cancelled.

In the opinion of the Committee in a situation where a large number of material had to be procured by the Board within a limited time to achieve 100% rural electrification and there was general scarcity of raw materials, the grant of extensions to the firms on merits of individual cases was unavoidable particularly in view of the fact that a number of firms put forth various pleas for amendment of the delivery schedule and other terms and conditions of the supply orders. The Committee also observe that after the imposition of the embargo in December, 1970 the pending orders could not be cancelled in view of the legal opinion. Even if these orders had been cancelled fresh supplies of poles would have been obtained subsequently at higher prices. In fact, the Board has stated that by accepting supplies against the pending orders it had made a saving of Rs. 6.81 lakhs.

From the facts placed before the Committee they do not feel that there was any unnecessary accumulation of the stock of the P.C.C. poles. The poles received against the various orders were stated to have been utilised for meeting other requirements. The Committee are inclined to accept the viewpoint of the Board that it is necessary to keep a sufficient stock of poles for utilisation according to the exigencies of work.

In view of the foregoing conclusions, the Committee feel that no further action is necessary in the matter.

Paragraph 8.10. (6)—Letter of intent placed before opening of tenders.

26. Hindustan Prestressed Concrete Structures Pvt. Ltd., was having D.G.S. & D's rate contract for P.C.C. poles from October 1965 to November 1967 but did not manufacture any pole during that period In October 1967, the firm represented to the Director of Industries, Haryana, that its tenders were overlooked though its rates were lower. In fact no tender enquiry for P.C.C. poles had been issued by the Board till then. The Director of Industries and *ex-officio* Member of the Board recommended on 14th November, 1967, granting of preference to the firm in purchase of P.C.C. poles on the grounds that :—

this firm was established in Haryana and it had agreed to shift its registered office also to Haryana,

- it had all the machinery and requisite facilities for manufacture of prestressed concrete poles,

- it had I.S.I. marking and its product was fully according to specifications, and

- it was willing to supply poles at Re. 1 less than the rate in the D.G.S. & D's rate contract.

The firm was taken on the Board's approved list on the same day and field officers were informed accordingly. In accordance with the decision taken the next day by the Stores Purchase Committee (S.P.C.), a limited tender enquiry for 5,000 L.T. and 5,000 H.T. poles was issued on 8th December 1967. On 10th December 1967, a letter of intent for 2,000 L.T. poles of 8.22 metres' length and 1,500 H.T. poles of 9.75 metres' length, was issued to the firm at the rates offered by it or the lowest of the rates to be received against the limited tender enquiry whichever were lower. The S.P.C. decided on 10th January, 1968 to place order on the firm for 2,000 L.T. poles at its lowest rate of Rs. 124 per pole ex-works and 1,500 H.T. poles at the lowest rate of Rs. 150 per pole ex-works Faridabad, quoted by R.N. Ghanekar & Co., Faridabad. The S.P.C. also decided to inivite open tenders for 10,000 poles in order to avail of competitive rates for bulk purchase. Hindustan Prestressed Concrete Structures Pvt. Ltd., declined to supply H.T. poles on the ground that the rate of Rs. 150 quoted by R.N. Ghanekar & Co., was for poles with less number of steel wires. R.N. Ghanekar & Co., agreed in January 1968 to supply L.T. poles at Rs. 124 and H.T. poles at Rs. 150 each conforming to the Board's specifications and extended the validity period of their offer up to 30th September, 1968, but the offer of the firm was not accepted. Later on the basis of tenders opened on 24th September, 1968, order for 20,000 H.T. poles was placed on R.N. Ghanekar & Co. at the higher rate of Rs. 180.82 per H.T. pole, f.o.r. destination.

In accordance with the decision of the S.P.C. of 10th January, 1968, order for 2,000 L.T. poles of the value of Rs. 2.70 lakhs had been placed in February 1968 on Hindustan Prestressed Concrete Structures (Pvt). Ltd. at Rs. 124 plus Rs. 11 as road transport charges. Further orders for 2,000 L.T. poles of the value of Rs. 2.70 lakhs by Head Office and 8,500 poles of the value of Rs. 11.48 lakhs by field Superintending Engineers were also placed on this firm at the same rate from May 1968 to November 1968 although the S.P.C. had decided in January 1968 to invite open tenders for bulk purchases. Against subsequent enquiries, further orders for 30,000 L.T. poles and 30,000 H.T. poles of the total value of Rs. 99.43 lakhs were placed on this firm between December 1968 and July 1970, although on inspection of its factory in November 1968, it was found that the firm had no satisfactory arrangements for curing of poles. According to the report of D.G.S. & D's inspection of the firm's works in February 1970, the quality of the poles manufactured by the firm was not of the required standard and the poles were found curved with blow holes in many cases. The Government, however, stated in December 1973 that before placing the order in December 1968 the Board had fully satisfied themselves that the firm had the requisite arrangements/facilities including proper curing, for manufacture of quality poles. There was, however, nothing on record to show that it had been verified that the firm had made satisfactory curing arrangements.

The firm had no arrangement for manufacture of poles of 10.97 metres' length when the order for 1,250 poles of this length was placed on it in August 1970 at Rs. 347 per pole ex-works, subject to price variation of Rs. 21.18 per pole, against an enquiry of May 1970, Order for 700 poles of the same length was also placed in August 1970 against that enquiry on Cement Fabrics at Rs. 330 per pole ex-works on firm price basis. This order remained unexecuted as the amendments required by the firm in line with its tender were not issued. Government stated in December 1973 that the matter was still under the consideration of the S.P.C.

Hindustan Prestressed Concrete Structures (Pvt.) Ltd., completed the supply by August 1971 against stipulated delivery by March 1971. Another order for 2,000 poles of 10.97 metres' length was placed on the firm in June 1972 at the D.G.S. & D's rate contract price of Rs. 395 per pole, ex-works, on firm price basis. The last order for 5,500 L.T. poles and 1,500 H.T. poles at Rs. 153 and Rs. 225 per pole respectively f.o.r. destination on firm price basis was placed in November 1972 against the rates of Rs. 145 and Rs 210 at which orders were placed on Haryana Structural Engineering Co., Chandigarh, against two enquiries issued in September 1972.

The crushing strength of the poles and concrete cover over steel reinforcements in respect of the poles supplied by Hindustan Prestressed Concrete Structures (Pvt.) Ltd., were not checked in pre-despatch inspections. The D.G.S. & D. pointed out in May 1970 that the firm was not quality conscious as it had no arrangement for testing of concrete. The poles supplied by the firm were tested in the premises of R.N. Ghanekar & Co. The certificates regarding tensile strength of H.T. steel wires used in the poles were not checked. Supplies of poles with less number of H.T. steel wires were accepted (*vide* sub-paragraph 2). In the case of supplies against the order of December 1968, transverse load tests were conducted on 0.1 to 0.6 per cent instead of 1 per cent of the poles in the approved lots as required according to the Schedule appended to the purchase order read with relevant I.S.S.

The Superintending Engineer, Karnal, reported in January 1971 that the poles supplied by the firm at Kaithal, against the order of July 1970, were not according to specifications. Several other consignees also reported between June 1970 and September 1972 that supply of broken poles was made by the firm. Development of cracks in the poles within the warranty period was also reported by the consignee at Kaithal. Replacement of 61 broken/damaged poles of the value of Rs. 13,000 has not been made by the firm nor has recovery been made so far (December 1973).

The Board stated in evidence that Hindustan Prestressed Concrete Structures (P) Limited represented to the Director of Industries in October, 1967 that since their's was a Haryana industry and they had been on D.G.S.D rate contract from October,1965 to November, 1967 they might be afforded orders in accordance with the price preference policy of the Haryana Government. This representation was forwarded by the then Director of Industries to the Board with the recommendation that since the firm was established in Haryana and had all the machinery and requisite facilities for the manufacture of PCC poles and in view of their low cost and standarised goods according to the relevant specification they might be considered for affording them preference in the purchase of poles. Since the firm had a rate contract with the D.G.S.D valid during October, 1965 to November, 1967, it must have been awarded by the D.G.S.D on the basis of the quality goods purchased/to be manufactured by them according to the relevant specification.

It was disclosed during oral evidence that factory of the firm had, in fact, been inspected by the D.G.S.D on 7th October, 1964. Noting that the firm was manufacturing PCC poles and was also on the D.G.S.D rate contract, the inspection of the factory for order for a small quantity of 2,000 poles afforded to them was not considered necessary by the Board. It was also mentioned during oral evidence that the firm had actually supplied poles to the M.E.S. (Ministry of Defence) against the order placed on them during the pendency of the rate contract in accordance with the specifications. The material was passed in inspection and full payment therefor was made. When the firm quoted against a subsequent enquiry and they were given another order for 20,000 poles, their factory was inspected in November, 1968 by the Chairman and the Member Finance and Accounts themselves to ascertain their capacity and capability to supply quality material before the order was placed.

As per the targets fixed by the Board about 7,000 tubewells were required to be energised during the year 1967-68 (from 2nd May, 1967 to 31st March, 1968) and on that basis requirement of 40,000 poles was assessed and short term enquiry for the purchase of 10,000 P.C.C. poles (both sizes) was floated. The Haryana State Electricity Board came into existence on 2nd May, 1967 and had just started working. Requirement had, therefore, to be estimated and the material procured to achieve the desired targets. The letter of intent was placed with the approval of the Whole Time Members in December, 1967 asking the firm to give their acceptance for supply of poles at their rates quoted by them or the lowest rates to be received against the enquiry already floated whichever was less. Since the enquiry had not been opened by the time the letter of intent was placed on the firm, it carried no contractual value. The offer of R.N. Ghanekar & Co. was not technically suitable (their technical particulars being not in accordance with those stipulated in the Board's tender specification) and was not accepted by the S.P.C. on 10th January, 1968. The firm in their letter dated 20th January, 1968 offered to adopt dimensions and other particulars as per the Board,s tender specifications thereby making their offer for H.T. poles in line with the Board's tender specification. This offer was considered by the S.P.C. on 9th April, 1968 when they decided that in view of the fact that this firm had modified their offer to make it in conformity with the specifications of the Board and as the second lowest tenderer had not accepted the order placed on them, tenders should be re-invited for this item. It was also stated that normally post tender offers were not considered. After opening of tenders only terms were settled through negotiations. It was not correct to say that there was no requirement of poles at that time. In order to meet with the requirement of poles in the field, orders for such poles were also being placed by the Superintending Engineers against D.G.S. and D's rate contract from Hindustan Housing Factory as per the standing instructions of the Board. In addition supplies of steel tubular poles/pipe poles and wood poles of these sizes were also forth coming against pending orders placed by the composite Punjab State Electricity Board.

Since it had been decided on 9th April, 1968 to re-invite the tenders (at that time the validity of the modified offer of R.N. Ghanekar & Co. was upto 22nd March, 1968) and the Board had already decided to call for fresh tenders against tender enquiry due on 23rd September, 1968, there was hardly any question of considering the offer made by R.N. Ghanekar and Co. on 24th July, 1968 extending the validity of their offer upto 30th September, 1968. Asked as to why the Board and the field Superintending Engineers placed further orders for 10,500 L.T. poles during May, 1968 to November, 1968, it was explained that the tenders invited in August, 1968 were opened in September, 1968. These tenders were finalised and orders placed in December, 1968. Evidently during the intervening period orders were placed by the field Superintending Engineers to meet with the requirement in their respective circles.

The order for 20,000 L.T. poles on Hindustan Prestressed concrete Structures (Private) Limited was placed by the Board in December, 1968 when they were fully satisfied that the firm had all requisite arrangements and facilities for nanufacture of P.C.C. poles. Subsequent satisfactory inspections of these poles by the Board's inspecting officers also testified that the firm had the required facilities for manufacture of quality material. The supplies received against the orders for 10,500 L.T. poles placed by the Board and field Superintending Engineers on the firm during May, 1968 to November, 1968 had also been found to be quite satisfactory.

Regarding inspection of February, 1970 by the D.G.S. and D. it was pointed out that the firm was registered with the D.G.S. and D. in 1968 for 3 years upto 1971. However, the same Inspecting Officer who had initially given the adverse report in February, 1970, had subsequently, after inspection of the firms' works and their other particulars recommended further extension of the registration of the firm for five years *i.e.* upto March, 1976. Obviously the D.G.S. and D. was satisfied about the quality of material of the firm and the firm was also brought by the D.G.S. and D. on rate contract in March, 1972.

As regards the order placed against the tender enquiry floated in May, 1970, it was stated that orders for 700 poles, 1250 poles and 550 poles were placed on Cement Fabrics at the rate of Rs. 330 per pole ex-works (on firm price basis), Hindustan Prestressed Concrete Structures (P) Limited at the rate of Rs. 343 per pole ex-works (with price variation clause) and Hindustan Housing Factory at the rate of Rs. 338 per pole F.O.R. Railway Siding Jangpura (with price variation clause) with equivalent price of Rs. 366.30, Rs. 387.97 and Rs. 389.52 per pole F.O.R. destination, respectively. The order for 1,250 poles was placed on the firm on merits as their offer was competitive. Even order at rates higher than those of Hindustan Prestressed was also given to Hindustan Housing Factory. Hindustan Prestressed in their letter dated 5th September, 1970 requested to increase the quantity to 2,500 poles as the order for 1,250 poles would not cover the cost of laying the casting bed for their manufacture. They also requested to amend the purchase order for providing for manufacturing of poles with 4 mm or 5 mm H.T. steel wires as there was acute shortage of this material. In another letter of the same date they wanted extension of the delivery period upto 28th April 1971, which was in fact in line with the stipulation of rate of completion of supplies given in the order. Extension was, however, given upto 31st March, 1971. The firm commenced supplies in December, 1970 but could not complete the supplies within the stipulated period since embargo was placed on 31st December, 1970. However, the firm offered the entire material for inspction upto 8th June, 1971 within the extended delivery schedule.

As for the question of levy of penalty for delay in supply, it was explained that the firm had completed the supplies of 20,000 L.T. poles against the order placed in December, 1968. The firm could not , however, complete the supply of 10,000 poles against the order placed in December, 1969 for which the stipulated time was March, 1970, on account of certain reasons beyond their control for which extension in delivery period was granted by the S.P.C. on merits with reference to the documentary evidence/reasons advanced by the firm. The firm completed the supply in June, 1970. Another order for 20,000 poles had also been placed on the firm against which the supply was to be completed by December, 1970. During 1969 and 1970 there had been an acute scarcity of H.T. steel wire required for manufacturing P.C.C. poles throughout the country. The firm could, therefore, supply only 10,451 poles within the delivery schedule upto December, 1970 when the Board imposed the embargo on supplies and thereafter on manufacture on 10th February, 1971. The embargo was lifted subsequently by the Board from time to time keeping in view the requirement intimated by the Chief Engineer and the availability of material against this order at rates lower than the prevalent market rates. Similar reasons were explained for the delay in the supply of 1,250 poles against the order placed in August, 1970.

As for the quality of the poles supplied by the firm, it was contended by the Board that :—

(i) as per the relevant I.S.S. 1678/1960 the poles were required to be tested for transverse strength test for specified working load upto the specified factor of safety of 2.5. Naturally, therefore, when the tests were conducted as per the relevant I.S.S. and the trans verse strength test with the minimum ultimate transverse load was found to be satisfactory, testing of poles to failure limit was not called for.

(ii) Since the inspecting Officer had specificatly mentioned in the inspection report that the poles had been tested strictly as per I.S.S. which had withstood the tests, it was implied that the concrete cover over steel reinforcement was within the limits provided in the I.S.S. Non-mention, therefore, in the inspection report did not mean that the same had not been tested and measured.

(iii) Since the firm had no arrangements for concrete cube test, these tests were conducted at the premises of R.N. Ghanekar & Co. by the Board's Inspecting Officers and the cube tests when conducted were found satisfactory. As per clauses 7 and 8 of I.S.S. 1678/1960 cube test results were not required to be produced in the inspection reports, but had to be produced by the manufacturers as and when required by the purchaser or his representative.

Out of 82,750 poles for which orders were placed on this firm between February, 1968 and November, 1972 only 158 poles had been reported damaged by some of the consignees, which represented only 0.15 per cent of the quantity ordered on the firm. Most of the damaged poles had already been replaced by the firm and cost of the remaining poles had also been made good from their pending poles. This would bear testimony to the fact that the quality of material manufactured and supplied by the firm had been excellent. It was further stated that the poles offered for inspection against the orders placed on different firms (including this firm) and Hindustan Housing Factory was subject to load tests ranging from 0.1 per cent to 1 per cent in all cases. The same transverse load test patterns had been followed at the premises of the different firms and percentage of the checks had been applied universally for the supply of PCC poles without distinction. Since the number of rejected poles was neglible, it was not considered advisable to carry out these tests upto 1 per cent rigidly against all the lots, though in many cases particularly in the case of this firm tests were performed upto 1 per cent of poles offered.

The recovery of 39 poles reported damaged at Kaithal and 12 H.T. poles reported broken by S.D.O. Jind had already been made from the firm's pending payments although the firm had represented against the recovery in respect of 12 H.T. poles on the plea that since the damage occurred after the warranty period, they were not liable for the damage at this belated stage. The Chief Accounts Officer (C.P.C.) had already been instructed to deduct the cost of remaining 10 poles from the pending payments of the firm if they had not made replacements so far.

The facts adduced before the Committee show that before Hindustan Prestressed Concrete Structures (P) Ltd. represented to the Director of Industries in October, 1967 for being extended the benefit of price/order preference policy, it had already been placed on rate contract by the D.G.S. and D. from October, 1965 onwards, and the inspection of the firm's works had also been arranged in October, 1964. The Committee were informed that the firm had actually made supplies of poles to the Defence authorities against rate contract for which it had received full payment. Besides, the Board had also arranged inspection of the firm's factory in November, 1968 to ascertain their capacity and capability to supply the quality material. The Committee do not, therefore, see any objection to the firm being extended the benefit of order preference which was being similarly afforded to Haryana based industries.

The Committee also find that the offer of R.N. Ghanekar & Co. could not be accepted initially because the poles offered by this firm were not found technically suitable and secondly because in the meanwhile the Board had decided to invite fresh tenders. The Board was obviously not aware at that time that the rates against the fresh tender enquiry would be higher. In view of the urgent requirement of the Board, the Committee also feel that the Board could not for obvious reasons postpone its purchases of poles till the finalisation of tenders received against the fresh enquiry. The Committee observe that the purchases of poles from Hindustan Prestressed Concrete Structures (P) Ltd., during the period from May, 1968 to November 1968 by the Head Office and field S.Es. was resorted to with the object of achieving timely implementation of the programme for 100 per cent rural electrification.

The Committee also observe that the D.G.S. and D's inspection report made in February, 1970 about the quality of poles of Hindustan Prestressed Concrete Structures (P) Ltd., was subsequently revised and its registration with the D.G.S. and D. was also renewed for another five years upto March, 1976.

In regard to the grant of extensions for supply of poles by the firm, the Committee are of the opinion that in view of the large quantity of poles required and the scarcity of raw materials, the grant of extensions on merits of individual cases could not *prima facie* be avoided particularly when the Board had also placed an embargo on supplies in December, 1970.

The Board had also explained that the technical tests of poles supplied by the firm as per the I.S.S. specifications showed that these generally conformed to the required standards and were found to be in order. It was also mentioned that the transverse tests were generally conducted upto the prescribed limit of 1 per cent in accordance with the relevant I.S.S./purchase order.

The Committee note with satisfaction that out of 82,750 poles ordered on the firm during the period February, 1968 to November, 1972, only 158 poles were reported to be damaged which constitutes only 0.15 per cent of the quantity ordered on the firm. The Board had also taken adequate action by effecting recovery of cost of 51 poles reported damaged at Kaithal and Jind. However, the Committee would like to be informed as and when the recovery of cost of the remaining 10 poles is also effected.

In the light of the facts discussed above, the Committee do not consider that Hindustan Prestressed Concrete Structures (P) Ltd., were extended any undue benefit by the Board.

Paragraph 8.10 (7)—Purchase of poles by field Superintending Engineers

27. In order to meet urgent requirements for three to four months, the Board authorised the field Superintending Engineers in May, 1968 to make local purchase of L.T. poles up to 500 nos. from Hindustan Prestressed Concrete Structures Pvt. Ltd., at Rs. 124 per pole ex-factory, Faridabad, exclusive of transport charges at Rs. 11 per pole. Accordingly, the Superintending Engineers, Chandigarh, Faridabad, Hissar and Karnal placed five orders during June-October 1968 for 2,000 L.T. poles of the value of Rs. 2.70 lakhs and the Superintending Engineer, Delhi, placed five orders on the firm between May 1968 and November 1968 for 6,500 L.T. poles of the value of Rs 8.78 lakhs. The orders placed by the Superintending Engineers, Faridabad, Chandigarh and Hissar stipulated completion of supplies within 30 days. As the firm could not do so, three orders for 1,250 poles were cancelled by these circle officers in July/August 1968. Supply of 6,500 L.T. poles to Superindtending Engineer, Delhi was effected by the firm during extended delivery periods from June 1968 to April 1969, the extensions ranging from one month to six months.

Although Superintending Engineers were authorised in May 1968 to make local purchase only of L.T. poles from Hindustan Prestressed Concrete Structures Pvt. Ltd., the Superintending Engineer, Delhi, placed orders between June 1968 and February 1969 on Hindustan Housing Factory Ltd., New Delhi, for 5,500 L.T. poles of the value of Rs. 7.32 lakhs and for 7,500 H.T. poles of the value of Rs. 13.58 lakhs at the D.G.S. & D's rates to meet the demand of poles for tubewell connections. When the Chief Engineer (Operation) asked Superintending Engineer, Delhi, in March 1969 to intimate the authority for placing the orders, five partly executed orders for the remaining quantity of 2,150 L T and 2,550 H.T. poles were cancelled in April 1969. Thereafter, three orders for 7,000 H.T. poles were placed during May, June and July, 1969 by Superintending Engineer, Delhi, on Hindustan Prestressed Concrete Structures Pvt. Ltd., at Rs. 180.82 per pole f.o.r. destination. Again in June 1970 another order for 3,000 H.T. poles was placed on this firm by Superintending Engineer, Delhi at the D.G.S. and D's rate of Rs. 192 per pole, f.o.r. destination on firm price basis with 2-1/2 per cent rebate. Subsequently, the price of this contract was made variable on the lines of the D. G. S. & D's rate contract with Hindustan Housing Factory Ltd., and payment of Rs. 0.44 lakh on account of price escalation was made to the firm without ascertaining whether the firm had actually used the same quantity of H.T. steel wires *i.e.*, 23 kgs. per pole as provided in the D.G.S. and D's rate contract.

The first two orders of May and June 1969 for 3,000 and 2,000 H.T. poles respectively were said to have been placed on Hindustan Prestressed Concrete Structures Pvt. Ltd., by the Superintending Engineer, Delhi, as per verbal approval of the Chairman accorded during his visits to Delhi Circle office on 6th May 1969 and 9th June 1969 respectively. The third order of July 1969 for 2,000 poles was stated to have been placed in view of the instructions of June 1969 issued by the Stores Purchase Section of the Board, asking the field Superintending Engineers that purchase of poles from Hindustan Housing Factory Ltd., at higher rate against the D.G.S.&D's rate contract should be stopped and poles should be purchased from the market as poles were cheaper outside the rate contract. The fourth order for 3,000 H.T. poles was stated to have been placed on the firm in view of the authorisation given by the Chairman in the meeting of the Superintending Engineers (Operation) held on 19th May 1970 which was also attended by the Chief Engineer (Operation). In this meeting, the Superintending Engineers were authorised to purchase their immediate requirements at the rates in the D.G.S. & D's rate contract. However, Hindustan Prestressed Concrete Structures Pvt. Ltd., was not on the D.G.S. and D's rate contract during that period and no formal authorisation was made by the Board or the S.P.C. for placement of any of these orders on this firm.

Out of the total supply of 6,500 L.T. and 9,800 H.T. poles received in Delhi circle from Hindustan Prestressed Concrete Structures Pvt. Ltd., predespatch inspection was not carried out in respect of 5,050 L.T. and 7,600 H.T. poles. The quality of these poles was thus not verfied.

Government stated in December 1973 that , in order to meet urgent requirements, various orders for poles were placed by the field Superintending Engineers in accordance with the instructions issued by the Secretary to the Board in July, 1967 and June 1968 under which Superintending Engineers were authorised to procure material against the D.G. and D's rate contract and also from outside the rate contract if it was available at cheaper rates. However, it may be stated that the instructions issued by the Secretary in July 1967 did not indicate if the Superintending Engineers could purchase items other than those for which authority had been given to them. There was no formal delegation of powers to the field Superintending Engineers for purchase of poles which was on the list of items to be procured centrally. In fact, it was only in May 1968 that a specific delegation of powers for the purchase of L.T poles was made by the S.P.C. As such the purchase of poles made by the Superintending Engineer, Delhi, was not in accordnace with the powers so delegated. Further, open tenders were not invited for such large purchases in order to secure competitive rates and the rate received against open tender enquiry of August 1968 was Rs. 131.50 as against Rs. 135 f.o.r. destination per L.T. pole at which the orders were placed by the Superintending Engineer, Delhi, during May and November 1968.

The Board stated in evidence that the Superintending Engineers in the field were direct demanding officers for the procurement of material against D. G.S and D rate contract and were authorised to purchase material against such rate contracts upto the monetary limit for which the rate contract applied keeping in view their requirements. Accordingly, the Superintending Engineers had full powers to procure P.C.C. poles against D.G.S.&D rate contract. Prior to the formation of the Haryana State Electricity Board P.C.C. poles were being purchased only against D.G.S. and D rate contract from Hindustan Housing Factory and the same procedure as was being followed by the composite Punjab State Electricity Board was inherited by the Haryana State Electricity Board and continued to be followed by the field Superintending Engineers after the formation of Haryana State Electricity Board. On 29-7-1967 the Board issued instructions to the field S.Es to procure material borne on the D.G.S.&D rate contract on the basis of competitive tenders and on lowest prices coupled with earlier delivery periods, keeping in view financial cannons as laid down in the Punjab Financial Rules. It implied that instead of going in for the rate contract against which they were fully competent to purchase material, they could procure such material borne on rate contract within the financial limits of the rate contract from open market by calling competitive quotations. on 13-6-1968 the above instructions were modified to the extent that where material was available on cheaper rates against D.G.S.&D rate contract, the S.Es were not required to go in for competitive rates from the open market. In accordance with these instructions various orders were placed by various S.Es including S.E Delhi on Hindustan Housing Factory against the D.G.S.and D rate contract as well as on Hindustan Prestressed Concrete Strutures(P)Ltd. and R.N. Ghanekar and Co. on the basis of repeat orders on rates at which the orders had been placed by the Chief. Engineer (P & C). On 25-11-1968 the Board also issued instructions laying down inter-alia that—

(i) the rules for the procurement of stores provided that quotations/ tenders, as the case may be, should invariably be called for in each case unless the material to be procured was a proprietory item.

(ii) Repeat purchase orders were to be issued in case the rates were found to be cheaper as compared to the market rates and in such cases the issuing authority was to satisfy himself that the prices in repeat orders were cheaper than those prevailing in the market.

Further instructions were issued to all S.Es on 22-7-1972 that no repeat purchase orders should be issued by them and normal process of purchases should be followed in each case.

In May, 1968 only specific delegation for the purchase of 500 L.T. poles from Hindustan Prestressed was made. This, however, did not restrict the powers of the field S.Es to buy poles on D.G.S. and D. rate contract or otherwise in accordance with the instructions issued by the Board from time to time. It was also stated that concellation by the S.Es of partly executed and other orders placed on Hindustan Housing Factory was made in the light of instructions issued to them by the Chief Engineer (P&C) on 25th June,1969.

It would, thus, be clear that apart from placing orders for P.C.C. poles against D.G.S. and D. rate contract and also for such material outside the rate contract, if available at cheaper rates, the S.Es were also authorised to procure such material against repeat orders placed by the Store Purchase Section/S.Es if they were satisfied that the prices of the orders were cheaper than the prevailing market rates.

In regard to the order placed on the firm in June, 1970, it was explained that in accordance with the decision taken in S.Es meeting on 19th May, 1970, S.E. Delhi placed an order for 3,000 H.T. 32 feet long poles on Hindustan Prestressed on D.G.S. and D. rate contract F.O.R. destination price of Rs. 192 per pole. The prices of D.G.S. and D. rate contract were variable but the rate was erroneously mentioned in the order as firm subject to no variation While acknowledging the purchase order the firm pointed out that though the order had been placed on D.G.S. and D rates on F.O.R. destination basis the same could be acceptable to them only if price variation clause as per the standard clauses in the D.G.S. and D. rate contracts was made applicable to this purchase order also. Accordingly, amendment to the pruchase order was issued by S.E. Delhi on 6th July, 1970 making the price variable based on price variation formula detailed in the D.G.S. and D. rate contract and the price was raised by Rs. 14.95 per pole (with a rebate of 2-1/2 per cent on F.O.R. price) on account of increase in price of steel wires and cement. The payment of Rs. 0.44 lakh was, therefore , made to the firm in accordance with the aforesaid amendment. It was also pointed out that when the order was placed on the firm on 15th June, 1970., the then prevalent D.G.S. and D. rate of Hindustan Housing Factory was Rs. 204.83 per pole F.O.R. Jangpura and in placing the above order the S.E. Delhi saved over Rs. 60,000 . It was futher stated that the price variation formula incorporated in the rate contract of Hindustan Housing

Factory provided only the basic cost of cement and steel (on which prices of poles indicated in the rate contract were based) and the corresponding increase in prices per pole consequent upon increase per tonne in cost of the above material was allowed with reference to quantum of cement and steel used in the pole and number of wires mentioned in the rate contract.

In regard to the two orders of May and June, 1969 for 3,000 and 2,000 L.T. poles, it was explained that on 6th May, 1969 a meeting was held in Delhi to ascertain the requirement of material for energisation of tubewells and village electrification. It was attended by S.E. Delhi and his Executive Engineers. The S.E. Delhi discussed with the Chairman the availability of the material. The decisions taken in this meeting were recorded by the Chairman in his tour notes dated 6-5-1969 according to which procurement of specific material was to be arranged by S.E. Purchase and S.E. Delhi and there was nothing in the record of the Board regarding any other discussion in this behalf with S.E. Delhi or any other approval accorded by the Chairman. S.E Delhi had the works of R.N. Ghanekar & Co. and B. N. Bhaskar & Sons inspected through his Executive Engineer for availability of poles and the Executive Engineer intimated that these firms were in a position to supply only 800 and 150 poles per month respectively. Keeping this position in view the S.E. Delhi placed purchase order on Hindustan Prestressed for supply of 7,000 poles and all correspondence conducted by S.E. Delhi in regard to purchase orders of May, 1969 and June 1969 was with Chief Engineer (P&C), Store Purchase Section and no copy of these purchase orders was marked to the Chairman in confirmation of the said verbal approval. However, in a meeting of the S.Es on 9th May, 1969 it was decided that the poles should be purchased centrally and also by the S.Es. The question of Chairman's then directing purchase of poles by S.E. Delhi on 9th June,1969 did not arise. It was further mentioned that by placing orders on Hindustan Prestressed at the rates on which orders had been placed by the Head office in December, 1968, the S.E Delhi afforded a saving of Rs. 1.25 lakhs to the Board as compared to the then prevalent D.G.S&D rate of Hindustan Housing Factory. It was further explained that in accordance with the discussion in the meeting of the Superintending Engineers held on 19-5-1970 S.E. Delhi had placed order for 3,000 H.T. poles on Hindustan Prestressed on D.G.S.&D rate of Rs 192 per pole F.O.R. destination less 2-1/2 per cent discount to meet with his immediate requirement. The Superintending Engineer's meeting were invariably held with the Whole Time Members who were authorised to make delegation for purchase of poles within their financial powers. In the present case, though Member Finance and Accounts and Technical Member did not attend the meeting for certain reasons, minutes of the meeting were endorsed to them on 1-6-1970 for information and necessary action. It was further mentioned during oral evidence that S.E. Delhi had done a lot of work during those 2/3 months and gave connections to 900 tubewells. He acted in good faith and thought that he could place repeat orders.

In regard to pre-despatch inspection of poles received from Hindustan Prestressed Concrete Structures (P) Ltd , it was stated that orders in the composite Punjab State Electricity Board for P.C.C. poles had been placed on Hindustan Housing Factory and the inspection of material thereagainst was conducted by the consignees concerned at the works of the suppliers, prior to despatch. It was also the practice in the composite Punjab State Electricity Board that the material ordered by the field S.Es. was inspected by the concerned consignees and the same procedure was inherited and followed by the Haryana State Electricity Board after its information and it had continued since then. Similar practice was followed in the case of orders placed by S.E. Delhi. The various lots of poles offered by the firm were inspected in accordance with the provisions laid down in I S.S 1678/1960 before they were authorised for despatch and accepted.

The Committee observe that according to the contention of the Board, the S.Es. were authorised to make purchases of material outside the rate contract if available on cheaper rates. It is primarily for the Board to determine whether the S.Es. had made purchases within their financial powers. The Committee also observe that the orders placed by the S.Es were essentially in the nature of repeat orders of the purchase orders issued by the Head Office of the Board.

In the light of the facts explained by the Board, the Committee consider that the payment of Rs. 0.44 lakh made to the firm in accordance with the price escalation admissible under the D.G.S.&D rate contract was in order. On the other hand, the Board had argued that compared with the rate admissible to Hindustan Housing Factory at that time under the rate contract, S.E. Delhi had secured a saving of Rs. 60,000.

The Board had also contended that by making purchases against two orders of May abd June, 1969, S.E. Delhi had brought about a saving of Rs 1.25 lakhs as compared to the then prevalent D.G.S.&D rate contract price. It was also pointed out that because of these purchases, S.E. Delhi was able to energise 900 tubewells.

The Committee further observe that the various lots of poles offered by the firm were inspected in accordance with the provisions laid down in the I.S.S. specifications before they were authorised for despatch and accepted and the procedure observed at that time was stated to be in consonance with the practice inherited from the composite Punjab State Electricity Board.

In view of the foregoing facts, the Committee feel that no further action is necessary in the matter.

8.10 (8)—*Purchase of poles at higher rates without adequate inspections*

28. Tenders were invited in May 1969 for 40,000 P.C.C. poles. While these tenders were under consideration, it was decided to increase the number to 90,000 poles and to ask all the firms who had quoted, to submit their revised delivery schedules as well as reduced rates for the larger quantity (sub-paragraph 4). Tenders received from these firms were opened on 31st July 1969. The existing factories at Faridabad and the proposed works of various other Haryana firms were inspected in July/August 1969. Jai Hind Investment & Industries (Pvt) Ltd., Calcutta, was not invited to tender as it had not bought any tender form and had not quoted against tender enquiry of May 1969. A letter dated 30th July 1969 treated as tender of the firm, indicated that the firm had quoted the highest rates of Rs. 166 per L.T. pole and Rs. 206 per H.T. pole f.o.r. destination. The minutes of the meetings of the Stores Purchase Committee (S.P.C.) held on 13th August 1969 and 29th August, 1969 made no mention of the offer of the firm. Its further communications dated 7th August 1969 and 26th September, 1969, indicated that it would set up its factory in Haryana and that production would start within two months of the receipt of order and supplies would commence three months thereafter. The proposed location of the firm's factory was not mentioned in these communications, nor was the factory inspected by the Board as had been done in all other cases in July and August 1969.

On 9th October 1969, the firm stated that it would accept the D.G.S. & D's rate contract price of Rs. 139.97 and Rs. 199.50 for L.T. and H.T. poles respectively on f.o.r. destination basis and would give a bank guarantee for 10 per cent of the contract price as a safeguard for supplying 21,000 poles by 31st March 1970. The offer of the firm was discussed by the S.P.C. on 13th October 1969 when they recommended that if the non-existing units were considered for placement of orders by the Board, the firm could be given order for 21,000 poles for supply up to March 1970. The S.P.C. also recommended thats ince this was a non-existing firm, bank guarantee for 10 per cent value of contract price, as promised by the firm, should be obtained from it for ensuring supplies in accordance with the stipulated delivery schedule. The Whole Time Members approved on 23rd October 1969 the recommendations of the S.P.C. and a letter of intent for 10,500 L.T. and 10,500 H.T. poles was placed on the firm on 24th October 1969 at the negotiated rates of Rs. 138.52 per L.T. and Rs. 198 per H.T. pole f.o.r. destination on firm price basis which were the prices ruling at that time under the D.G.S. & D's rate contract with the Hindustan Housing Factory Ltd., and included central sales tax. The bank guarantee promised by the firm was not obtained. Government stated in December 1973 that the circumstances under which the bank guarantee was not obtained were being looked into for action against the persons at fault for not complying with the orders of the Board. The firm was given higher rates although the other firms, existing and non-existing, accepted orders at lower firm rates ranging from Rs. 129.70 to Rs. 137.50 per L.T. pole and from Rs. 182 to Rs.190 per H.T. pole. Government stated in December1973 that the firm should have been allowed its quoted rates but in the financial interest of the Board it was not given rates higher than the base rates of the D.G.S. & D's rate contract. It may, however, be mentioned that comparison with the D.G.S. & D's rate contract price could have been drawn only it they had ensured supply of poles of the same quality.

The firm supplied only 430 poles within the scheduled delivery period of March 1970 and thereafter 7,800 poles up to July 1970. Complaints about poor quality of its poles had also been received from the field. However, in July 1970 the firm was given another order for 16,000 L.T. and 10,000 H.T. poles against the tender enquiry of May 1970 at Rs. 143.65 per L.T. and Rs. 204.83 per H.T. pole ex-works, which were the prices ruling under D.G.S. & D's rate contract at that time. Again in May 1972 an order for 30,000 L.T. poles was placed on this firm at its tendered rate of Rs. 130, ex-works, per pole exclusive of transport charges of Rs. 17.17 per pole. It may be mentioned that the lowest f.o.r. destination rate of Rs. 140 per pole of Orissa Cement Ltd., was not considered on account of difference in the cross section dimensions and the number of H.T. wires although poles of almost the same cross sections and the same number of H.T. wires were accepted during October 1970 to January 1971, from Bharat Spun Pipe & Tiles Co. at Rs. 154.73 per pole f.o.r. destination.

While the supplies against the order of May 1972 were in progress, another order for ex-stock supply of 5,000 L.T. poles at Rs. 138.50 per pole ex-works, was placed in October 1972 against an enquiry issued in September 1972 to meet urgent requirements. The firm's design for the ex-stock supply of poles provided for use of only 8 wires (5 mm.) or 12 wires (4 mm.). 32 sample poles were inspected by the Board's officers who reported, *inter alia,* variations in the spacing of holes, length of the poles as well as cross section dimensions being in excess of the permissible tolerance limits. Nevertheless, the poles were considered suitable.

The firm did not adhere to the delivery schedules. In the case of the first order of December 1969 for 21,000 poles scheduled to be delivered by 31st March 1970, extensions were granted up to March 1971 but the supply was completed by August 1971. Against the second order of July 1970 for 26,000 poles, the firm completed supply by February 1973 although it was required to complete supplies by 31st December 1970. The firm also failed to supply poles within the stipulated delivery period against another order of November 1972. Damages for delayed supplies against these orders were not recovered.

The crushing strength of the poles and cover thickness of the tested poles were not indicated in the pre-despatch inspection reports. Tensile strength of H.T. steel wires used in the poles was also not checked though it was required to be done under the terms of the contract. There was no indication of concrete tests having been conducted during the course of manufacture of the poles. Thus the quality of the materials used and the manufacture of the poles in accordance with the standards laid down in IS : 1678—1960 were not checked before accepting the supplies against various orders. The firm was frequently advised by the inspecting officers not to despatch bent or damaged poles. Before placing the order for 30,000 L.T. poles in May 1972, the Whole Time Members had ordered that surprise inspection of the poles should be carried out during the course of manufacture. However, no such inspection was conducted. The poles supplied by the firm were manufactured with less steel reinforcements (*vide* sub-paragraph 2).

The reports received from the field offices indicated that the quality of the poles supplied by the firm was not up to the required standard. Manufacturing defects were reported from Hansi in June 1970. It was reported that cement, sand, bajri etc., came out of the poles even on slight pressure. The firm admitted in August 1970 that the quality of cement used was not very good and frequent breakdown of electricity supply adversely affected vibration of concrete mix. The Assistant Engineer, Sub-Store, Hissar, reported in June 1971 that at the time of taking delivery, the poles were found 'physically O.K. and straight', but after a month or so, nine poles developed bends and became unfit for use. As the poles were not properly cured, 38 poles developed cracks in Sub-Store, Charkhi Dadri, and more poles were reported to be developing cracks. The Assistant Engineer, Sub-Store, Sirsa, also attributed in May 1971 bending of poles to poor curing due to which some of the bent poles broke into two pieces at the time of loading. Similar defects were also noticed at Central Store, Hansi, in April/May 1971. The Assistant Engineer, Sub-Store, Karnal, reported in October 1972 that the finishing of the poles was extremely poor ; almost all the poles were bent, steel wires used in the poles were bulging out in some of the poles and holes were not visible from one side of the pole to the other. Damages to the poles within the warranty period were also reported in April 1972 from Rohtak. The action, if any, taken by the Board on the reports of the field officers has not been intimated to Audit (July 1974).

It was stated in evidence that having come to know that the Board had invited tenders for 90,000 P.C.C. poles from various manufacturers, Jai Hind Investment and Industries Pvt. Ltd., also submitted their quotation on 30th July, 1969. The firm in their tender, however, mentioned that they would supply the material strictly in accordance with the Board's tender specifications. In their subsequent letter dated 7th August, 1969, the firm indicated that they would set up their factory in Haryana for which they gave their address of Faridabad. In another letter dated 26th September, 1969, while giving reference to discussions, which they had with the S.P.C., they indicated their agreement to furnish performance bank guarantee of 10 % value for faithful execution of the contract. They had also mentioned that they expected to start production within two months from the date of the receipt of detailed purchase order and undertook to start supply after three months from the date of receipt of order at the rate of 7,000 poles per month. While tenders for the supply of 90,000 poles were opened in July, 1969, no single tenderer was able to fulfil the entire quantity in accordance with the specific delivery schedule. Therefore, orders had to be distributed on various firms including Jai Hind Investment and Industries Pvt. Ltd (keeping in view the quantity they could supply within the required period). Though the S.P.C. made no mention of the firm's letters dated 30th July, 1969 and 7th August, 1969 in their deliberations of 13th August, 1969 and 29th August, 1969 while considering the tenders, the Executive Engineer (P) in his note dated 11th August, 1969 had mentioned the receipt of the tender from this firm. The omission by S.P.C. seemed to be due to inadvertance.

Keeping in view the undertaking given by Jai Hind Investment and Industries Pvt. Ltd., S.P.C. decided to consider this firm at par with the non-existing eligible tenderers and recommended on 13th October, 1969, that the firm should be given order for 21,000 poles which they offered to supply within the delivery schedule stipulated by the Board. It was further stated that the firm had not set up their factory when they submitted their quotations on 30th July, 1969 and had indicated this fact in their letter dated 7th August, 1969 also. Therefore, the question of checking their works in Haryana at that time did not arise.

As per the order preference policy in vogue at that time, orders were to be afforded to Haryana firms on the equivalent rates of the lowest tenderer. In this case while the firm had quoted for poles against this enquiry at Rs. 141 per pole ex-works for 8.22 meters and Rs. 181 per pole ex-works for 9.75 meters (equivalent rate of Rs. 172.69 and Rs. 214.30 per pole f.o.r. destination respectively), they were given orders at the rate of Rs. 138.52 per pole f.o.r. destination and Rs. 198 per pole f.o.r. destination respectively on firm price basis. The rates allowed were the ceiling of base f.o.r. destination rate of D.G.S. & D. rate contract of Hindustan Housing Factory on firm price basis whereas the rate against the rate contract was variable without any ceiling. All the same, order was due to this firm on the basis of their own price and not on account of any order preference.

However, explanations of the officers/officials concerned for not obtaining the bank guarantee from the firm were being called for.

In reply to an enquiry of the Committee as to why it was considered necessary to negotiate with this firm and to allow it rates higher than those allowed to the other firms, it was explained that on receipt of tenders for 90,000 poles from the different firms, the Board felt that there was no single firm which could supply the entire requirements and the order had to be distributed amongst various firms beginning with the lowest tenderer and going upto almost the highest tenderer. The Board should have allowed their quoted rates but in order to safeguard the interest of the Board and to save money, the prices were negotiated with the various firms and the Board decided that no order should be placed on any firm at a rate higher than that of base rate of D.G.S. & D. rate contract. While the firms who had quoted for firm price lesser than the base rate of D.G.S & D., were allowed their own quoted rates, the other firms who had quoted variable prices without any ceiling were allowed their rates subject to base rate of D.G.S. & D. rate contract. In other words, they were allowed base rate of D.G.S. & D. rate contract on firm price basis. In this way, cheaper rates were offered to the various firms for the supply of poles in accordance with the Board's specifications.

As regards the delay for supply against order of December, 1969 and complaints about the quality of the poles supplied by this firm, it was stated that due to certain reasons beyond their control including acute shortage of H.T. steel wire during the year 1969-70, the firm could supply only 430 poles upto March, 1970. But despite this difficulty, they supplied 9,000 poles upto July, 1970, when the new tender enquiry for 1 lakh poles was opened. It was also stated that there had been no complaint about the quality of poles supplied by the firm, though there had been reports from some of the consignees regarding the receipt of damaged poles. Since most of the poles had been damaged during transit which was not unusual it could not be said that the quality of poles supplied by them was poor. For these reasons, the S.P.C. decided in July, 1970 to place another order on this firm for the supply of 26,000 poles on the basis of their competitive quotation and their offer to supply this quantity within the required period.

In regard to Orissa Cement and Bharat Spun Pipe and Tiles Co., it was explained that orders against tender enquiry QH 231, were placed on these and other firms on the basis of their competitive quotations on merit. Since none of the tenderers was in a position to supply the entire tendered quantity within the required delivery period, orders had to be distributed amongst the various acceptable tenders in order of merit.

In the case of tender enquiry QH 332, Jai Hind Investment and Industries Ltd. who were the lowest acceptable tenderer, were in a position to supply the entire tendered quantity within the delivery schedule stipulated by the Board and, therefore, order for the entire required quantity of 30,000 poles was placed on this firm in May, 1972. Since the offer of Orissa Cement was not competitive on the basis of the equivalent f.o.r. destination prices, their offer was not accepted. Order on Jai Hind Investment and Industries Ltd., was placed with provision of specific number of wires in accordance with the Board's tender specification where such a provision had been made in that solitary case.

In regard to the point relating to inspection of poles supplied by Jai Hindi Investment and Industries Ltd., it was stated that against the order of October, 1972, 2,638 poles were inspected on 23/24th October, 1972, out of which 25 poles were tested. Again 2,483 poles were inspected on 1st to 3rd November, 1972, and 25 poles out of these were subjected to various tests from where it would be seen that the proportionate quantity as per I.S.S. was tested by the inspecting officers. While inspection was conducted and in a few poles, the holes were not at specific distances, the firm promised not to despatch these poles. On visual inspection, the firm was instructed not to despatch bent or damaged poles. Only those poles which had been cleared by the Board's inspecting officer and were found to be acceptable as per the relevant I.S.S. and Board's tender specifications were despatched by the firm and accepted by the consignees, on the basis of which the payments were released by the C.A.O. (C.P.C.). No pole rejected by the inspecting officer was accepted by the Board.

As regards the delay in the supplies against the purchase order of December, 1969, July, 1970 and November, 1972, it was mentioned that during 1969-70 and 1970-71, there was general scarcity of H.T. steel wires required by the manufacturers of P.C.C. poles in the country. Despite the best efforts made by the various firms, they could not procure the required quantity of wires for supply of required quantity of poles within the stipulated period. For these reasons, though the firm was required to complete the order placed on them in December, 1969 upto 31st March, 1970, they could supply only 430 poles during the period stipulated in the order. Extension in delivery period was granted to the firm firstly upto December, 1970 and thereafter upto March, 1971. The firm supplied 17,725 poles upto December, 1970 when on 31st December, 1970 embargo was placed on supplies and on 10th February, 1971 also on manufacture. The firm completed the order in March, 1971.

Against the order placed for 26,000 poles in July, 1970, the supply was to be completed by December, 1970. But due to non-availability of H.T. steel wires, the firm supplied only 3,480 poles upto that period when the embargo was placed by the Board on further supplies on 31st December, 1970 and on manufacture after 10th February, 1971. Since certain supplies had already been manufactured by the firm upto 10th February, 1971, these had to be obtained from them being committed supplies, keeping in view the requirements of the material in the field. Further supplies of 4,543 L.T. and 450 H.T. poles were made by them upto 31st March, 1971. The remaining supplies were also made by the firm during different periods after the embargo was lifted in April, 1972. In fact, by obtaining supplies from the firm against the above two orders, the Board had made a saving of about Rs. 5.70 lakhs.

As regards the purchase order for supply of 2,400 poles placed on the firm on 21st November, 1972, the supply was to be completed by tne end of November, 1972. The Whole Time Members decided that against orders placed against emergency crash programme of rural electrification during 1972, only those poles for which the inspection calls had been received from the firm upto 30th November, 1972, should be accepted. Keeping that position in view, the firm supplied only 1,385 poles upto 30th November, 1972 and another 27 upto 3rd January, 1973, when the firm was asked not to despatch any pole without authorisation in the light of the above decision of the Whole Time Members.

In regard to the checking of tensile strength of H.T. steel wires and non-mentioning of the crushing strength of the poles and cover thickness of the tested poles in the pre-despatch inspection reports, it was stated that the inspections of poles in various lots offered by the firm against various purchase orders were conducted from time to time strictly in accordance with the relevant I.S.S./Board's specifications and when test results and other technical particulars were found to be satisfactory, only then the material was accepted. As per the relevant I.S.S., crushing strength of the poles was not required to be verified as the poles were required to be tested for transverse load test for specified working load upto the stipulated safety margin. Therefore, when the tests were conducted as per the relevant I.S.S. and transverse strength test with minimum ultimate transverse load was found to be satisfactory as per Board's requirements, testing of poles to the failure limit was not called for. It was also stated that the poles were tested as per I.S.S. and were found to be satisfactory. It implied that the cover thickness of the poles was within the permissible limits. The manufacturer's test certificates with regard to tensile strength of H.T. steel wires, received subsequently were found to be satisfactory. Though the cube concrete test reports were not attached with the inspection reports; it was mentioned therein that the cubes stood the tests satisfactorily. It was further stated that Whole Time Members while placing order for 30,000 poles on the firm in May, 1972, had ordered that surprise inspection of poles should be carried out during the course of manufacture. Manufacture of P.C.C. poles was a continuous process. While the inspecting officers of the Board had been conducting inspection of the various lots of the poles offered by the firm from time to time against this order as per the relevant standards, they had also been carrying out inspection/testing of the poles in various stages of process of manufacture as per the stipulations of the order in line with the Whole Time Members' decision of May, 1972.

It was also stated that the inspecting officers had already been instructed to mark each and every pole inspected by them on the premises of the various suppliers of P.C.C. poles to ensure despatch of only approved poles and to obviate possibility of despatch of any damaged/bent poles by the suppliers.

It was further mentioned that out of a total quantity of 84,400 poles ordered on Jai Hind Investment and Industries Ltd., only 239 poles were reported to be damaged/bent/broken/cracked which constituted only 0.28% of the total quantity ordered on them. This would amply prove not only the rigidity of the inspection of poles arranged by the Board but also the quality of poles supplied by the firm. In almost all cases, the firm had either replaced the poles or cost thereof had been deducted from their pending bills. The C.A.O. (C.P.C.) had been directed to deduct the cost of 22 poles reported damaged by S.D.O. Central Stores, Hansi from pending payments of the firm. Immediately on receipt of the report of S.D.O. Hansi, quality of poles being manufactured by the firm was inspected by the Executive Engineer Inspection at firm's work and was found to be satisfactory. 9 poles reported bent by S.D.O. Hissar in June, 1971 were replaced by the firm.

38 poles reported to be damaged by S.D.O. Charkhi Dadri had been replaced in December, 1971. So far as Sirsa and Hansi stores were concerned, all the poles which had been accepted, had already been issued to the work and there was no complaint with regard to their service and quality. However, recovery of 50 bent poles reported by S.D.O. Hansi had already been made from the firm's balance payments. 80 and 40 damaged/bent/broken poles in the case of Sub-Stores, Karnal and Central Stores, Rohtak, had also been replaced by the firm in October, 1972 and April, 1971 respectively.

Amplifying the position further during oral evidence, the Board stated that in the I.S.S. specifications, there was a separate criterion for conformity test by the purchaser before acceptance. There was also a provision for second test as mentioned in item 9.33 in the I.S.S. specifications. This second test did not mean that the poles should be tested to destruction. It could be tested upto safety margin only and not beyond that. What had to be done was that certain poles were to be taken from the lots and in that selected samples not a single pole should be below standard. If on this test, a pole was found alright, the entire lot was accepted. Thus, tests were to be done by the methods prescribed in the I.S.S. Then, there was a separate test provided for the manufacturer i.e. cube test etc. The purchaser could demand a test report. However, I.S.S. nowhere laid that the number of wires should be checked.

The Committee observe that in view of the position explained by the Board the offer of Jai Hind Investment and Industries Ltd. for supply of poles against

the tender enquiry of 90,000 P.C.C. poles was considered by the S.P.C. and the Board on the basis of undertaking given by the firm that they would set up their factory in Haryana and would also furnish performance bank guarantee equivalent to 10% value for faithful execution of the contract, although there might have been an inadvertant omission to make a mention about the offer of the firm in the minutes of the S.P.C.'s meeting held on 13th August, 1969 and 29th August, 1969. However, the Committee would like to know whether the explanations of the officers/officials for not obtaining the bank guarantee from the firm have since been obtained and if so, what decision has been taken thereon.

The Committee feel inclined to accept the weight of arguments advanced by the Board that no single firm was able to meet with the entire requirements of 90,000 poles and the Board had per force to distribute the order amongst the various firms beginning from the lowest tenderer upto the highest tenderer. However, this was done subject to the condition that no order should be placed on any firm at a rate higher than the base rate of D.G.S. & D rate contract price. The order on Jai Hind Investment and Industries (P) Ltd. was also placed on that basis. According to the contention of the Board, they were in fact able to secure cheaper rates vis-a-vis the rates as per the D.G.S. & D. rate contract. In the special circumstances which then existed and the fluctuating prices in the market, the Committee feel that the Board had to secure supplies of poles from all available sources within a limited time to achieve the targets. The offer of Orissa Cement Ltd. against tender enquiry of May, 1972, was not accepted as, according to the Board, it was not competitive on the basis of equivalent f.o.r. destination prices.

The Board has also stated that the inspections of the poles supplied by the firm were carried out in accordance with the relevant I.S.S. and the Board's specifications and the test results and other technical particulars of the poles were found to be satisfactory. The quality of the poles supplied by the firm was also stated to have been found satisfactory in accordance with the technical requirements. It has also been mentioned that the poles which were rejected during inspection were not supplied by the firm. Out of the total number of 84,400 poles ordered on this firm, only 239 poles were found damaged/bent/broken/cracked which comes to only 0.28% of the total ordered quantity on this firm. This undoubtedly shows that the quality of poles supplied by the firm was satisfactory. The Committee also note that the Board has taken adequate action for replacing/recovery of the cost of damaged poles.

In regard to the extensions in delivery periods, the Committee feel that in view of the magnitude of the transactions involved and the general scarcity of raw materials the grant of such extensions by the Board was unavoidable. The Board had also pointed out that by accepting supplies from this firm after the lifting of embargo placed in December, 1970, they had made a saving of about Rs. 5.70 lakhs.

In the light of above facts, the Committee do not consider that Jai Hind Investment and Industries (P) Ltd., were extended any special or undue treatment as compared to the other suppliers. The Committee feel that no further action is necessary in the matter.

Paragraph 8.10 (9)—Order for poles on a firm before setting up factory-Delayed and defective supplies

29. Between December 1969 and October 1972, the Board placed four purchase orders for 9,000 L.T. and 13,000 H.T. poles of the value of Rs. 39.20

lakhs on Haryana Structural Engineering Co. The first order for 7,000 poles was placed in December 1969 against the enquiry issued in May, 1969 and opened on 11th July, 1969. In the tender dated 9th July, 1969, the firm, *inter alia,* stated that it had set up its factory and would commence production from 15th August, 1969. The Executive Engineer (Inspection) visited the site on 18th July, 1969 and reported that the firm had no factory. The S.P.C. decided on 13th August, 1969 not to consider the firm's offer. The same day, the firm represented for reappraisal of its manufacturing capacity and the Executive Engineer (Inspection) was directed to arrange re-inspection. The Executive Engineer (Inspection) visited the site on the 16th August 1969, and stated in his report that for setting up of the factory, two casting beds were ready and three tension jacks and a pumping set had been received. The report further stated that the firm could go into production one month after receipt of purchase order and the first lot of poles could be ready for testing by October or early November, 1969, with monthly production of about 1,000 poles which could be increased to 1,500 poles by November/December, 1969.

On the basis of the above report, the Board decided in September 1969, to place order on the firm for 3,000 L.T. and 4,000 H.T. poles at its quoted rates of Rs. 137.50 and Rs. 190 per pole respectively f.o.r. destination, on firm price basis. The letter of intent was placed on 27th September, 1969. After negotiating the supply position with various firms against the tender enquiry, the purchase order was issued on 20th December, 1969. The rates at which orders were placed on R.N. Ghanekar & Co. and Cement Fabrics, (India), *i.e.* Rs. 129.70 per L.T. and Rs. 182 per H.T. pole f.o.r. destination, on firm price basis, were lower as compared to the rates allowed to Haryana Structural Engineering Co.

The firm delivered only 1,633 poles in the stipulated delivery period up to March, 1970 and 5,347 poles thereafter up to August, 1972. No penalty was levied for delayed supplies. The Board had ordered that a bank guarantee for 10 per cent value of the order should be obtained in addition to permanent security of Rs. 20,000 from "non-existing firms", who had offered to set up factories in Haryana, as a safeguard for supplying the material within the delivery period. However, no bank guarantee was obtained from Haryana Structural Engineering Co. Government stated in December, 1973 that the matter was being looked into by the Board.

Although supplies against the order of December, 1969 were not completed by the firm, yet on the basis of tenders invited in May, 1970, another order for 2,000 L.T. and 2,000 H.T. poles was placed on the firm on 31st July, 1970, at Rs. 143.65 and Rs. 204.83 per pole respectively, ex-works, on firm price basis. These rates were the then ruling prices under the D.G.S. & D's rate contract with the Hindustan Housing Factory Ltd., which were based on the use of 18 and 22 (4 mm.) wires in L.T. and H.T. poles respectively. Similar provision was made in the purchase order placed on Haryana Structural Engineering Co. The firm, however, supplied L.T. poles with less number of wires *i.e.,* 14 or 16 wires of 4 mm. diameter. The number of wires used by the firm in H.T. poles was not indicated in the inspection notes. As such the financial benefit derived by the firm on this account could not be assessed in Audit.

Against the order of July, 1970 the firm supplied only 840 L.T. poles within the stipulated delivery period up to December, 1970. Supply of the balance quantity of L.T. poles was completed by August, 1971. No supply of H.T. poles was effected during the scheduled delivery period. However, 1,000 H.T. poles were supplied from October, 1972 to February, 1973.

In spite of the failure of the firm to complete the supply against the order of July 1970, two further orders were placed on the firm in October, 1972 for supply of 4,000 L.T. and 7,000 H.T. poles at Rs. 145 and Rs. 210 per pole f.o.r. destination respectively on the basis of tender enquiries issued in September, 1972. The supply was to be completed by November, 1972. The firm, however, supplied only 979 poles by December, 1972. No further supplies were made till May, 1973 and information in regard to supplies, if any, made thereafter has not been intimated by the Board (July, 1974).

The reports from the field officers disclosed that the poles supplied by Haryana Structural Engineering Co., got badly broken even within the warranty period. The quality of the poles was not good. Dust was coming out from the broken poles instead of cement, and concrete used was of very poor quality. Steel reinforcement was exposed in broken poles and there was no proper cross binding. Instead, there was a spiral wire running from the bottom to the top of the pole. Recovery for 104 poles valued at Rs. 13,200, (i) 73 poles damaged at Yamunanagar within the warranty period and (ii) 31 poles damaged at Pipli during transport to work sites was not made up to July, 1973. Further development has not been intimated (July, 1974).

Out of the contracted quantity of 22,000 poles, the firm supplied only 10,959 poles ; 3,452 poles within the scheduled delivery periods, 4,018 poles in extended delivery periods and 3,489 poles thereafter. Supplies were accepted even one to two years after the stipulated delivery schedules without imposition of any penalty. Orders were placed on the firm without adequate verification of the capacity of the firm to adhere to the delivery schedules and without keeping in view their past performance in the manufacture and supply of poles. Government stated in December 1973 that delay in supplies against the orders of December, 1969 and July, 1970 was due to shortage of H.T. steel wires and in the case of orders of October, 1972 due to shortage of cement. It may, however, be stated that in terms of the purchase orders, procurement of raw materials was the responsibility of the firm.

The Board stated in evidence that the following other firms (non-existing) had also offered to supply poles from their proposed factories in Haryana. Their rates were lower than those of Haryana Structural Engineering Co. :

(a) Indian Stores Supplies Co., Calcutta.

(b) Orissa Cement Ltd.

(c) National Prestressed, Calcutta.

(d) Daya Concrete Works, Tohana.

(e) Ukay Builders.

(f) Cement Fabrics.

Out of the above firms, Orissa Cement Ltd. offered material on the specifications etc. different from the tender specification and as such their offer could not be considered. The site of proposed factory of Daya Concrete Works, Tohana was got inspected and the inspecting officer reported that the firm had neither any technical know-how nor any resources and had not so far undertaken work of this nature and it was doubtful that they would be able to start manufacturing of poles within the required period. None of the other firms had set up their factories by the time the S.P.C. considered their case and there was, therefore, no question of getting their works inspected.

As regards the Haryana Structural Engineering Co., the Executive Engineer (Inspection) visited their factory premises on 16th August, 1969 when he reported that the firm could go into production one month after the receipt of purchase order and the first lot of poles would be ready for testing by October or early November, 1969 and their monthly production would be about 1,000 poles which could be increased to 1,500 poles by November/December, 1969. On the basis of this inspection report the firm was treated as "existing unit" by the S.P.C. in their meeting held on 29th August, 1969 when they recommended placement of order for 3,000 L.T. and 4,000 H.T. poles at their quoted price of Rs. 137.50 and Rs. 190.00 per pole F.O.R. destination on firm price basis respectively. These recommendations were accepted by the Board in their meeting held on 5th September, 1969. While the firm had quoted for variable prices without any ceiling order was placed on them on firm price as per the decision of the S.P.C. which the firm did not accept. When the S.P.C. negotiated with various firms for the quantity of poles which they could supply by March, 1970 and the rates on which the orders had to be placed on them, they recommended order for 10,000 poles on this firm ; 7,000 poles as per their commitment on the basis of their existing factory and additional 3,000 poles subject to their furnishing bank guarantee. These recommendations were accepted by the Whole Time Members on 23rd October, 1969. However, the C.A.O.(C.P.C.) wanted certain clarification about the interpretation of the Whole Time Members' decision of 23rd October, 1969 and as a consequence discussions at various levels had to be conducted. As soon as the necessary clarification was given in December, 1969 purchase order was placed on the firm for only 7,000 poles against 10,000 poles recommended by the S.P.C.

In regard to the rates allowed to Haryana Structural Engineering Co. as compared to R.N. Ghanekar & Co. and Cement Fabrics (India), it was explained that against the tender enquiry for 90,000 poles the firms had quoted different rates. While some of the firms quoted firm prices most of the other firms quoted variable prices without any ceiling.. There was no single firm which could meet with the entire requirement of the Board. Per force the order had to be distributed amongst various firms beginning with the lowest tenderer and going up to almost the highest tenderer. The Board should have allowed their quoted rates but in order to safeguard the interests of the Board the price was negotiated with the various firms and the Board decided that no order should be placed on any firm at the rate higher than that of base rate of D.G.S. & D. rate contract. In this process R.N. Ghanekar & Co. and Cement Fabrics (India) who made offers at lower rates were afforded orders for maximum quantity which they could supply within the period of N.I.T. before order on Haryana Structural Engineering Co. was considered.

As for the question of obtaining bank guarantee it was stated that according to the recommendation of S.P.C. of 29th August, 1969 which was approved by the full Board on 5th September, 1969 they had treated this firm as existing unit and had recommended order on them for 7,000 poles. The bank guarantee was required to be obtained from the firm for 3,000 poles in respect of increased quantity which the S.P.C. recommended on 13th October, 1969 for purchase from this firm as per their commitment. As, however, the order was subsequently placed only for 7,000 poles the question of obtaining bank guarantee from them was not considered necessary, neither there was any provision to this effect in the purchase order for 7,000 poles.

The poles offered by the firm were stated to have been inspected strictly according to the relevant specification and when they were found to be in accordance therewith they were accepted and approved for despatch.

Asked as to why the firm could not adhere to the delivery schedule it was mentioned that a total order of 22,000 poles was placed on this firm out of which they had so far supplied about 11,000 poles. The first order was placed on this firm in December, 1969. Before placement of the order the Board had ordered inspection of their factory when the inspecting officer reported that the firm was in a position to supply 1,500 poles per month from November/December, 1969 keeping in view the machinery installed by them. They were capable of executing the order as per their commitment but due to acute shortage of H.T. steel wire throughout the country during 1969-70 and 1970-71 they were unable to supply the required material within the stipulated delivery period despite their best efforts to arrange for the required raw material. However, they fully executed the order within the extended delivery period. Even in the case of the second order placed in July, 1970 despite shortage of H.T. steel wire they did supply the material within delivery schedule and even completed the order for L.T. poles by August, 1971. But for the placing of embargo they could have supplied the material even earlier. In the case of the third order they supplied the material despite shortage of cement for which they pressed the Board for requisite recommendation/arrangement. But since the Board had put embargo on further supply from 30th November, 1972 no supplies thereafter could be made by the firm.

It would thus be wrong to conclude that the Board had placed the order on the firm without fully satisfying themselves about the capacity of the firm to adhere to the delivery schedule and without keeping in view their past performance in the manufacture and supply of poles.

It was further stated that since the firm did not supply the material within the scheduled delivery period on account of certain reasons beyond their control extension in delivery period was granted by the S.P.C. with reference to the documentary evidence/reasons advanced by them for the delay. Besides, shortage of H.T. steel wire an embargo was placed on 31st December, 1970 on supplies and on 10th February, 1971 on manufacture also. The embargo was subsequently lifted by the Board from time to time keeping in view the requirement intimated by the Chief Engineer and availability of material against this order at rates lower than the then prevalent market price.

It was further mentioned that out of 11,000 poles supplied by the firm so far only 166 poles had been reported to be damaged which constituted hardly 1.5% of the poles supplied and less than ¾% of the poles ordered on them which would amply prove that not only the quality of poles supplied by them had been satisfactory but the inspection conducted by the inspecting officers had been quite rigid as per the relevant specification. Recovery in respect of 104 poles damaged at Yamunanagar, Pipli and Rohtak had been made against which the firm had represented that since the poles had either been replaced or recovery therefor had already been effected from their payments, this recovery had not been correctly made and had asked for its refund.

The firm had supplied 410 poles after December, 1972 against order placed in October, 1972 and had declined to supply the balance quantity for which necessary action was being taken as per the legal advice.

As regards the point relating to the number of wires used by the firm in the manufacture of poles it was stated that orders were placed on Haryana Structural Engineering Co. in December, 1969 and July, 1970 against tender enquiry in which there was no mention of the number of wires. I.S.S. also did not specify the number of wires and the firm's tender also did not contain the number of wires. The S.P.C. in their recommendation to the Board did not lay down the number of wires and the Board had approved the placement of orders on this firm on the basis of its specification irrespective of the number of wires. The main technical factors taken into account were the working load etc. Any introduction of number of wires in the purchase order was, therefore, not in accordance with the decision of the competent authority. D.G.S. & D. rate contract with Hindustan Housing Factory stipulated use of 18 Nos. (4mm.) steel wire in L.T. poles and 22 Nos. (4mm.) steel wire in H.T. poles. However, while the D.G.S. & D. rate contract price was variable without any ceiling order was placed on Haryana Structural Engineering Co. in July, 1970 on the base rate of D.G.S. & D. rate contract on firm price basis which implied that while the D.G.S. & D. rate contract price of Hindustan Housing Factory with specific number of wires was variable, without any ceiling and the prices could never be less than the base price, only ceiling on this base rate was allowed to Haryana Structural Engineering Co. However, the firm had quoted variable price without ceiling and that too above base rate of D.G.S. & D. It was also added that D.G.S. & D while finalising the latest rate contract with Hindustan Prestressed Concrete for supply of P.C.C. poles had initially specified the number of wires but subsequently deleted the number of wires *vide* letter No. S.M.H./4/R.C.-3479/PCP/71/431/1013 dated 22nd August, 1972 issued with the concurrence of the Ministry of Finance.

The Committee find that before order for supply of poles was placed on Haryana Structural Engineering Co. in December, 1969 the Board had taken the elementary precaution of getting their factory premises inspected on 16th August, 1969. It was only on the basis of the report of the Executive Engineer (Inspection) to the effect that the firm would be able to carry out its commitment of manufacturing poles that the Board decided to place order for the supply of poles on this firm. The Board had also explained that it was not necessary to obtain bank guarantee from the firm in view of the fact that the order for increased quantity of 3,000 poles was not ultimately placed on the firm.

The matter in regard to allowing of higher rate against the tender enquiry for 90,000 poles invited in May, 1969 has been discussed in detail in the preceding paragraph. The Committee observe that Haryana Structural Engineering Co. was allowed higher rate as compared to R.N. Ghanekar & Co. and Cement Fabrics (India) as there was no single firm who could meet with the entire requirement of 90,000 poles required by the Board and the Board had to distribute the order amongst the various firms starting from the lowest tenderer to the highest tenderer. After discussion with the representatives of the various firms the price actually allowed by the Board was the ceiling of the base rate of D.G.S. & D. rate contract. Moreover R.N. Ghanekar & Co. and Cement Fabrics (India) were also given order for supply of poles for the maximum quantity which they could supply within the prescribed delivery schedule. The Committee do not, therefore, consider that Haryana Structural Engineering Co. were allowed a rate higher than what was necessitated by the circumstances which then prevailed.

In regard to the point relating to the number of wires, this aspect has also been separately discussed in other paragraphs. The Board had maintained that in the tender specification and the orders placed on the various firms the numbers of wires were not specified. Neither there was any provision for indicating the number of wires in the I.S.S. specification. The D.G.S.& D. who had initially indicated the number of wires in the rate contract with Hindustan Prestressed had later on deleted this requirement in August, 1972 with the approval of the Ministry of Finance. In the light of these facts the Committee do not feel that any special financial benefit was extended to the firm on this account.

It was also explained that poles offered by the firm were subjected to inspection as per the relevant specification and it was only after they were found to be in accordance with these specifications that they were accepted. The Committee note with satisfaction that out of 11,000 poles supplied by the firm only 166 poles had been reported to be damaged which was equivalent to only 1.5% of the poles supplied and less than ½% of the poles ordered on the firm. The Committee also note that the recovery in respect of 104 poles reported to be damaged at Yamunanagar, Pipli and Rohtak had also been made from the firm.

As regards the element of delay in supplies the Board have explained that there were certain reasons beyond the control of the firm due to which extensions were granted on the basis of documentary evidence etc. Apart from shortage of steel at that time the Board had also placed embargo on further supplies on 31st December, 1970 and on manufacture on 10th February, 1971. Consequently the supplies which had not been received by that time had to be postponed and it was only later on that keeping in view the requirement of poles the supplies against the pending orders were accepted. The Committee observe that in view of the magnitude of the transactions involved and the shortage of raw material etc. the grant of such extensions on the merits of individual cases could not be avoided. However, the Committee would like to know the final decision taken for obtaining balance supplies against the purchase order placed on the firm in October, 1972 in the light of the legal advice.

Paragraph 8.10 (10)—Purchase of defective poles at higher rates

30. Against a tender enquiry issued in May, 1970, tenders for the supply of poles were due by 6th June, 1970 and were opened on 9th June, 1970. Bharat Spun Pipe & Tiles Co., in its undated tender, received on 9th June, 1970, quoted Rs. 128.85 and Rs. 188.95 per L.T. pole of 8.22 metres' length and per H.T. pole of 9.75 metres length, respectively, ex-works, subject to price escalation on account of increase in the price of raw materials. The firm had neither indicated any price variation formula and base price of raw materials nor mentioned any ceiling of the prices. The firm also did not mention the specifications of the poles offered except the top and bottom cross sections and the safety margin of L.T. poles, nor were these enquired by the Board. After the opening of tenders, the firm offered on 25th June, 1970 ex-stock supply of 5,000 L.T. poles and stated that "the price as settled and negotiated in general for every body as per D.G.S. & D. or some other rate in due course", would be acceptable to it. The specification of the ex-stock supply offered was also not indicated. The Superintending Engineer, Chandigarh Circle, visited the factory of the firm on 6th July, 1970 and selected one pole for load test. This was stated to have withstood the test. On that basis the ex-stock supply of 5,000 poles was considered acceptable.

On 17th July, 1970 the firm wrote to the Board that the "price variation formula as well as base prices of cement and H.T. wires of Hindustan Housing Factory Ltd., for the purpose of determining price variation", would be acceptable to it. There was no reference of the firm's letter dated 17th July, 1970 in the minutes of the meeting of the Stores Purchase Committee held on 20th July, 1970 as well as that of the Board held on 21st July, 1970. Order on Bharat Spun Pipe & Tiles Co., was placed on 30th July, 1970 for 19,000 poles as per details given below :—

Number of poles	*Price per pole (ex-works)*	
5,000 L.T. (ex-stock)	Rs. 128.85	(firm price)
11,000 L.T.	Rs. 128.85	(variable with a maximum ceiling of Rs. 143.65)
3,000 H.T.	Rs. 188.95	(variable with a maximum ceiling of Rs. 204.83)

The price variation was allowed as per the variation formula given in the tender of Hindustan Housing Factory Ltd. According to that formula, an increase of 82 paise for every rise of Rs. 50 per tonne in price of H.T. steel wire over the base price of Rs. 2,950 per tonne, was to be allowed. Transport charges at an average rate of Rs. 11.08 per pole on the basis of Board's schedule of rates, were also allowed.

The supply of 5,000 L.T. poles was to be made ex-stock and delivery of 11,000 L.T. and 3,000 H.T. poles was to be completed by December, 1970. Pre-despatch inspection of the ex-stock supply of 5,000 L.T. poles was done between 23rd July, 1970 and 11th September, 1970 by officers other than those of the Inspection Cell; the supply was completed by 15th September, 1970. Inspection of 11,000 L.T. poles was arranged through the Board's Inspection Cell by March, 1971. Delivery of 6,275 poles was made by the firm within the scheduled delivery period of December, 1970 and that of 4,699 poles in the extended delivery period up to June, 1971. No supply of H.T. poles was made by the firm and decision with regard to imposition of penalty was not taken by the Board (June, 1973). Further progress of the case has not been intimated (July, 1974).

The pre-despatch inspection reports indicated that the L.T. Poles supplied by the firm had been manufactured with 14 wires (4mm.) in each pole. The Board stated in June, 1973 that the tender specifications did not specify the number of H.T. steel wires in the case of 8.22 metres long L.T. poles. Copies of the purchase orders placed on the firm available in the records of the Board, however, contained schedule 'A' specifying 18 H.T. wires for 8.22 metres long L.T. poles and 22 H.T. wires for 9.75 metres long H.T. poles. It was also noticed that schedule 'A' had been referred to in the contract signed by Bharat Spun Pipe and Tiles Co., but the schedule was not available with the contract. Before placing the order, the firm's drawings and design calculations of the poles were not obtained and technically examined by the Board with a view to assessing the suitablity of the poles and making proper price comparsion. By using 14 wires in each pole, instead of 18 wires specified in the schedule the firm effected a saving of about 40 tonnes H. T. steel wires valued at Rs. 1.55 lakhs, The market price of H.T. steel wires in March, 1970 was about Rs. 3,500 per tonne, ex-works Bombay. Including transport and other charges, the price would work out to about Rs. 3,700 per tonne f.o.r. destination. The Board, however, did not ascertain the price of H.T. steel wires and gave the firm the benefit of the lower base price of Rs. 2,950. On this basis payment of Rs. 1.62 lakhs was made towards price escalation for the supply of 10,974 poles whereas the firm was entitled to a maximum of Rs. 0.35 lakh with reference to the base price of H.T. steel wires at Rs. 3,700 per tonne.

As proof of payment of higher prices for wires, copies of seven *pro forma* invoices/bills indicating the average rate of Rs. 3,892.50 per tonne pertaining to the period from 8th July, 1970 to 5th October, 1970 in respect of 22.52 tonnes of H.T. steel wires were produced by the firm in October, 1970. This quantity of steel wires was sufficient for the manufacture of 1,762 poles. Payment on account of escalation for the remaining poles was thus made without obtaining any proof of purchase of wires at higher rates on the ground that there was no provision in the contract for the purchaser to examine the firm's books of accounts in this regard or to call for proof thereof.

The poles supplied by the firm were not subjected to all the tests stipulated in the purchase order. Concrete cube tests, measurement of cover thickness, weight and the crushing strength of the poles and tensile strength test certificates of H.T. steel wires used in their manufacture were not checked. Thus, the quality of the material used in manufacture of poles remained unverified.

No reports with regard to the service and suitability of the poles supplied by the firm were available in the records shown to Audit. The following reports with regard to defective poles despatched by the firm came to notice during the course of audit :—

(i) A lot of 500 poles was inspected on 2nd September, 1970 and was rejected as hair cracks appeared at less than 50 per cent of the minimum ultimate transverse load. On a representation from the firm, the Executive Engineer, Rural Electrification, who had inspected the poles, issued amendment to his report and approved the lot after re-inspection on 10th September, 1970.

(ii) In the Sub-Stores at Shahabad and Pipli, delivery of 56 poles was not accepted as the poles were defective. Government stated in December, 1973 that the poles were still lying there at the risk of the firm.

(iii) A lot of 500 poles cast between 10th September, 1970 and 22nd September, 1970 and inspected on 19th October, 1970 was rejected as one of the tested poles failed in transverse load test. The lot was again offered by the firm for inspection on the 12th November, 1970 but was not accepted. Out of the rejected poles, the firm, however, delivered 400 poles at Yamunanagar between the 12th November and the 19th November 1970.

(iv) Out of 391 poles delivered in March, 1971 at Hansi Central Store, 61 poles had small cracks due to manufacturing defects.

The cracks widened on lifiting the poles from the ground and loading into trucks.

Incidentally, it may be mentioned that at the time of making the offer to the Board in June, 1970, the firm was already suppling L.T. poles of the same specifications to the Punjab State Electricity Board under a contract entered into in June, 1969 for supply of 1.2 lakh L.T. poles within a period of 2 years at Rs. 116 per pole, on firm price basis, for delivery in the stores/ godowns of the Punjab State Electricity Board. Certain lots offered to that Board had been rejected by them during February and May, 1970 as these were found to be defective.

The Board stated in evidence that as per the tender opening register, it was evident that the offer of Bharat Spun Pipe and Tiles Co., was opened at the time of opening of the tenders in the presence of the representatives of other firms. It was as such, not a late offer. As per stipulation of the tender specification, the tenderers were required to furnish price variation formula, base price of raw materials and maximum ceiling and no change was permissible after the opening of the tenders. Since, however, most of the tenderers had quoted variable prices and also had not given the maximum percentage ceiling and price variation formula, it was not considered advisable by the SPC/Board to ignore all such firms including Bharat Spun Pipe and Tiles Co. For these reason, the firms who had quoted variable prices were allowed their own rates subject to ceiling of base price of D.G.S. and D. rate contract on firm price basis. Where the variable prices quoted were higher than the then prevalent D.G.S. and D. rate, these firms were allowed base rate of D.G.S. and D. rate contract on firm price basis. In case, these firms had been ignored, most of the firms who had quoted variable prices, would also have been ignored and it would not have been possible to procure the material.

The poles against ex-stock supply offered by the firm were got inspected by a senior officer of the rank of Superintending Engineer before their offer was considered by the S.P.C./Board. The said officer had certified about suitability of the poles. One pole was selected at random by the S.E. out of the supply available with the firm in order to check and test the suitability of design of the poles before the offer of the firm could be considered by the Board. When the said officer found their design of pole technically suitable on testing, their offer was considered acceptable and order placed on them. It was further mentioned that each and every pole supplied by the firm had been inspected as per the Board's specification/relevant ISS and passed as fit before their acceptance.

In their meeting held on 20-7-1970, the S.P.C. recommended that price variation formula as given by Hindustan Housing Factory would be applicable in cases where the prices being afforded were variable and their base price for cement and steel would also be taken into consideration for working out the price variation. They also indicated the then prevalent base price of cement and H.T. steel wire as had been indicated in the tender of Hindustan Housing Factory against rate contract. These recommendations were accepted by the Board in their meeting held on 21-7-1970 and purchase order for 16,000 8.22 metres poles (5000 poles offered ex-stock on firm price of Rs. 128.85 per pole and 11,000 poles on their quoted variable price of 128.85 per pole subject to the ceiling of base rate of D.G.S. and D. rate contract price of Rs. 143.65 per pole, despite the stipulation in the firm's tender for variable price for the entire tendered quantity without any ceiling) and 3.000 poles (9.75 metres long) on their quoted variable price of Rs. 188.95 per pole subject to ceiling of the then prevalent base price of D.G.S. and D. rate contract of Rs. 204.83 per pole.

In this context, a copy of the note dated 20-11-1970 recorded by the then Member, Finance and Accounts, wherein the pros and cons of the price variation clause allowed to the firms were discussed was also enclosed It was *inter alia* mentioned in that note that there should be a starting point or the base price on the date of the contract or purchase order which should form the basis for working out the price variation. Secondly, the method of calculating actual variations had also to be provided for in the purchase order indicating how much increase or decrease would arise in the price of goods being bought for every rupee increased or decreased in the price of raw materials, fluctuations in the prices of which could affect the final contract price of the finished item materially. The only thing that would remain was for the supplier to satisfy the buyer that on the date of actual supply,price of the raw material,fluctuations in the price of which would allow price variations to be given to the buyer as claimed by them, was in fact payable to them having been incurred. In the case of Hindustan Housing Factory's rate contract and quotations, they had stated that the price intimated by them for the concerned raw material would become applicable three weeks after the actual date of change in the procurement price of raw material. The contract did not require them to prove that the material had been actually bought and consumed at the higher rates. The assumption was thus clear that whatever the stocks were held on the date the new prices were intimated should be deemed to have been consumed within the three weeks span. The D.G.S. and D. rate contract did not require them to furnish any certificate regarding actual purchase and the consumption even. However, in the case of Bharat Spun Pipe and Tiles Co., they had also actually produced a Chartered Accountant's Certificate showing the dates of the purchase of the material, the parties from which the material had been bought, the rates and amount of the cash bills. It should not, therefore, be difficult to see from the dates of actual purchase whether the price increase fell within three weeks' period or not. If these supplies were made within three weeks' period after the purchase itself, their older rates would prevail. But for supplies made after three weeks', they would be entitled to the fluctuations as mentioned in the certificate of Chartered Accountant.

Asked as to why the prices of H.T. steel wires were not linked with the standard market price *i.e.* J.P.C. rates, while making provision for price variation in the contracts, it was explained that the SPC in their meeting held on 20-1-1970 recommended that price variation formula as given by Hindustan Housing Factory would be applicable in cases where the prices being afforded were variable and their base price for cement and steel would also be taken into account for working out the price variation. They had also indicated the then prevalent base price of cement and H.T. steel wire as had been indicated in the tender of Hindustan Housing Factory against the rate contract. When the firm claimed price variation on the basis of stipulation given in the order placed on them, it was allowed to them as discussed in the note of Member, Finance and Accounts referred to above. While submitting their quotaion, the firm had quoted for variable price without any ceiling. The Board, however, allowed them their own rates on firm price basis for 5,000 poles offered ex-stock and for remaining 11,000 poles their quoted-variable price subject to a ceiling of base price of D.G.S. & D. rate contract without any further variation. It was a counter offer made by the Board after they had asked for in their tender 98% payment against receipted challans while the Board allowed them only 90% payment. The firm was, therefore, well within their rights either to accept the counter offer or to reject it. The firm indicated that they would accept the counter offer made by the Board only if they were allowed price for 11,000 poles for which order was given to them on their quoted variable price to a ceiling of base rate of D.G.S. & D., if their price variation for these poles was agreed to be worked out as per the price variation formula of Hindustan Housing Factory after taking into account the base price of the cement and H.T. steel wires. Keeping all these facts in view, the Board accepted their offer. In regard to production of proof of payment of higher price of poles, it was explained that some invoices were furnished by the firm to indicate purchase price of steel used by them in the manufacture of poles, for the purpose of claiming price escalation. It was not required of them to furnish each and every invoice for every Kilogram of steel purchased by them and used in the poles supplied to the Board.

It was brought to the notice of the Committee by the Accountant General that the increased price had to be paid in relation to the enhanced price paid by the supplier and that the steel point was an important one and the D.G.S. & D. formula of Hindustan Housing Factory clearly indicated these steel contents and the increase in price was to be allowed on the basis of the contents of steel per pole. Although the Board had, thus paid increased price per pole, the steel content was not checked. The Board's representative explained that steel content was never in the picture because the number of wires in the pole was never considered relevant for payment. A certain portion of the price variation clause of the Hindustan Housing Factory with the D.G.S.&D. formed a part of the counter offer and in this portion, there was no reference to the steel content. During the course of negotiations, this settlement was reached. The Board wanted to fix a ceiling on the upper side and on the basis of that variation clause, the Board could get 5,000 extra poles on the quoted rate without any variation and the remaining 11,000 poles on the variable price subject to the ceiling of base rate of D.G.S.&D. rate contract. It was mentioned that this was a composite offer with a ceiling. The number of wires were not material from the point of view of load tolerance. So long as the produced poles were tested according to ISS specifications, the Board had to accept them and pay the escalation. It was also mentioned that under the price variation formula adopted by the Indian Electrical Manufacturers Association, for various items supplied to public and Private Undertakings, there was reference to the weight although the equipments were manufactured by a number of suppliers and neither the weight of the equipment nor the ratio of weight of various raw materials used in the equipment could be expected to be the same for all suppliers. Such price variation formula was accepted by both Private and Public Undertakings. It was also mentioned that the difference of price was paid on the basis of number of poles *i.e.* per pole irrespective of the steel content.

In view of differing opinions expressed about the working of the price variation clause, the Committee desired that information on the following points be furnished to them :—

(i) What was the gain or loss to the Board as a result of the counter offer made to the firm?

(ii) What was the extra expense borne by the firm ?

(iii) What were the reasons due to which the firm could not produce all the vouchers for claiming price escalation ?

In regard to late supply of poles by the firm, it was mentioned that against the order for the supply of 16,000 8.22 metres PCC poles had been placed on Bharat Spun Pipe and Tiles Co., the firm was required to supply the entire quantity by the end of December, 1970. On 31-12-70, the Board placed embargo on further supplies and on 10-2-1971, on manufacture of poles also. In their meeting held on 23-3-71, the SPC indicated that 14,778 poles had been supplied/manufactured by the firm upto 31-12-1970 and the remaining quantity of 1,222 poles stood manufactured upto 10-2-1971 and they recommended that since the balance supplies of poles stood manufactured upto 10-2-1971 and was a committed supply, the same should be accepted. The Whole Time Members agreed with their recommendations and supply was accepted within the extended delivery period. It was also mentioned that the poles supplied by the firm were usefully utilised during the year 1971-72 to the maximum financial advantage of the Board on important works undertaken during that year at rates lower than the prevalent market prices There were practically no poles in the departmental stores in January, 1972. In regard to 3,000 H.T. poles, it was explained that the firm was required to make their supply by abont the middle of January, 1971. The firm submitted the design calculations of their poles on 15-12-1970 and approval thereof was communicated by the Chief Engineer on 17-2-1971. Before, however, this was done, embargo on supplies had been placed on 31-12-70 and on manufacture on 10-2-1971. S.P.C. recommended on 23-3-1971 cancellation of the order for 3,000 poles. However, the Whole Time Members in their meeting held on 13-4-1972 decided that all pending orders where supplies had not been commenced, might be cancelled provided rates were not less than Rs. 204.83 per pole ex-works. Embargo had not so far been lifted and as such the firm had not supplied any pole. Since the firm had offered poles of different specifications from the one stipulated in the purchase order the case as to whether the same were to be accepted or not was still under examination of the S.P.C./Board.

In reply to an enquiry as to why poles with less wires were accepted without corresponding reduction in rate, it was stated that the purchase order was placed on the firm against tender enquiry wherein there was no mention of number of wires. The I.S.S also did not specify the number of wires. The S.P.C. in its recommendations to the Board also did not lay down the number of wires and the Board also approved the order on the basis of Board's specifications irrespective of the number of wires. The main technical factor taken into consideration was working load etc. Any introduction of number of wires in the purchase orders was, therefore, not in accordance with the decision of the competent authority. Therefore, when the poles on inspection were found to be in accordance with the working load with safety margin and other technical particulars of tender specification, they were accepted without insisting on specific number of wires in the poles offered by the firm. The Board had, thus, only paid correct agreed price for the product offered by the suppliers in their tender and accepted by the Board in its decision.

That the number of wires had no relevancy was borne out from the fact that D.G.S. & D. while finalising the latest rate contract with Hindustan Prestressed for the supply of P.C.C. poles, initially specified the number of wires, but later on deleted the numbers of wires vide letter No. SMH/4/RC-8479/PCP/71/71431/1013, dated 20-8-1972 with the concurrence of Ministry of Finance.

Asked as to why all the prescribed tests in respect of poles supplied by the firm were not conducted, it was explained that all the poles offered by the firm in various lots were tested in accordance with the relevant I.S.S. and Board's specifications and only such poles were accepted which were found to be satisfactory by the inspecting officers as would be evident from the details furnished in the various inspection reports.

There was no doubt that the firm did not furnish test certificate from the manufacturers regarding tensile strength of H.T. wires used in the manufacture of poles at the time of inspection but the fact that they subsequently did submit test certificates and which were found in order amply proved that H.T. steel used was of tested quality and of desired strength. This fact was also corroborated from the fact that when the poles were tested as per the relevant ISS and the working load, the strength of the poles and other technical particulars on inspection were found to be satisfactory as per the Board's requirements. All the poles offered by the firm were tested in accordance with the relevant ISS for the working load upto safety margin specified in the purchase order and they were accepted when the test results were satisfactory and the poles did not fail upto the minimum ultimate tensile strength (working load with the factor of safety). Testing of poles to their strength till failure was not required as per the I.S.S.

As regards the reports in respect of defective poles stated to have been despatched by the firm, the position was explained as under :—

1. When the lot of 500 poles was inspected on 2.9.70, sample Nos. 44 and 45 of this lot gathered very minor hair cracks on taking load at 175 Kgs. In subsequent memo dated 4.9.1970, the Executive Engineer, Construction, Rural Electrification Chandigarh, who had conducted the inspection reported that mention of hair crack in two samples was due to typographical mistake. In view of different reports, S.E. Purchase ordered on 10.9.1970, that the poles should be re-inspected. The lot was re-inspected on 10.9.1970 jointly by A.E. Purchase and Executive Engineer Construction, who had conducted the original inspection on 2.9.1970, and on the basis of test results of the three samples selected during re-inspection on 10.9.1970, the lot was approved.

2. 56 poles reported damaged at Shahabad and Pipli had never been taken on books nor any payment made to the firm. They were lying on their risk.

3. The lot of 500 poles cast between 10.9.1970 and 22.9.1970 and inspected on 19.10.1970, was rejected on the ground that one out of four tested poles failed in the test. The lot was stated to have been offered by the firm for inspection on 12.11.1970 but was not accepted for inspection. When it was reported that the firm had supplied 400 poles out of the rejected lot at Yamunanagar between 12.11.1970 and 19.11.1970 and the consignee had refused to receive the supply, the firm represented in their letter dated 18.11.1970 that the rejected

lot of 400 poles was sold to some private party in order to avoid any misunderstanding and confusion and had offered other lots during subsequent inspections. They further explained in their letter dated 23.11.70 that out of 930 poles, cast between 10.9.1970 and 22.9.1970, only lot of 400 poles was inspected on 19.10.1970 and supplies at Yamunanagar were made from rest of the poles manufactured during that period which had been inspected on 4.11.1970 and 10.11.1970. On the basis of this representation, Executive Engineer, Inspection in his letter dated 23-12-1970 advised the A.E. to accept the poles if they were physically in order in view of the subsequent inspection on 27.11.1970 where poles cast between 12.9.1970 and 27.10.1970 had been tested. It was, thus, clear that the poles supplied at Yamunanagar were not out of the rejected lot.

4. 61 poles reported defective at Hansi had already been replaced by the firm with other tested poles.

As for the arrangement made by the firm for supply of poles to the Punjab State Electricity Board, it was stated that the facts as mentioned in the audit paragraph were not susceptible of verification as no record was available with the Haryana State Electricity Board nor these facts had any relevance to the purchase orders placed by the Board. It was also added that there was no practice in any Board or Department or Controller of Stores in any State in the country to check up the prices quoted for identical orders to other organisations or other State Electricity Boards. It had never been done and if it was resorted to it would destroy the sanctity of tenders and open the flood gates of irregularities besides indefinitely delaying the finalisation of the enquiries. In fact, U.P. Electricity, Board, Rajasthan Electricity Board and Punjab State Electricity Board had placed orders on certain firms at rates higher than those allowed to them by the Haryana State Electricity Board.

The Committee observe that since on the basis of record maintained by the Board, the offer of Bharat Spun Pipe and Tiles Co. was opened at the time of opening of tenders in the presence of representatives of other firms, it could not be said that their offer had not been received before the tenders were opened and that it was a post-tender offer. Although the firm had not indicated any price variation formula and base price of raw materials in their tender quotation, as was the position in the case of other tenderers, the Board made counter offer to Bharat Spun Pipe and Tiles Co. and other tenderers according to which they were allowed base rate of D.G.S. & D. rate contract on firm price basis. However, the firm represented that they would be agreeable to accept the counter offer by the Board only if they were allowed price for 11,000 poles on their quoted variable prices to a ceiling of base rate of D.G.S. & D. rate contract. The Board put forth the plea that this was a composite offer with a ceiling which was settled and accepted by the Board. The Board had also explained that since the element of steel content was not material both in acccordance with the Board's specifications and the I.S.S., the firm was allowed the price escalation on the basis of price variation clause of the D.G.S. and D. rate contract without reference to the steel content and on the basis of number of poles *i.e.* per pole. It was also explained that the D.G.S. & D. who had initially indicated the number of wires in the rate contract entered into with Hindustan Prestressed had later on deleted the number of wires in August, 1972 with the approval of the Ministry of Finance. Since, however, there was a difference of opinion on the merits of this proposition and the basis adopted as proof for payment of higher price for wires, the Committee would

like to have more particulars in this behalf to enable them to consider whether it had worked to the advantage or disadvantage of the Board. In this context, the Committee would like that the information on the points desired during oral evidence be furnished to them as early as possible.

The Board had also explained that the poles offered by the firm were got inspected by a senior technical officer and were also tested as per the relevant I.S.S. and the work load strength of the poles and other technical particulars were found to be satisfactory as per the Board's requirements and that they were accepted only when the test results were found satisfactory and the poles did not fail upto the minimum ultimate tensile strength. In the light of these facts, the Committee are inclined to accept the plea of the Board made in this behalf.

In regard to the late supply of poles, the Committee find that the firm had supplied bulk of the poles (*i.e.* 14,778 out of 16,000, order for which was placed on them) upto the end of December, 1970, when the embargo was placed by the Board. The balance supplies of 1,222 poles were accepted on the recommendations of the S.P.C. on the ground that these had already been manufactured by the firm and it was a committed supply. The Committee would, however, like to know the final decision in regard to the supply of 3,000 H. T. poles, the case for which is stated to be still under examination of the Board.

In view of the position explained by the Board in regard to the reports relating to defective poles despatched by the firm, the Committee consider that no further action is necessary in the matter.

As for the point relating to the arrangement made by the firm for the supply of poles to the Punjab State Electricity Board at a lower price the Committee note that a supplier while making an offer in response to a certain tender enquiry has to take into consideration various factors *e.g.* availability, demand, previous commitments, delivery period and market conditions etc. It is not expected that a firm should quote the same price to two different customers when the supplies are to be made at different periods under different circumstances. Each Board has obviously to consider the tender quotations independent of the arrangements entered into by the suppliers with other buyers.

The Committee also find that there was no evidence to show that the lots rejected by the Punjab State Electricity Board were offered by the firm to the Haryana State Electricity Board.

Paragraph 8.10 (11)—Ex-stock purchase of poles

31. Punjab Prestressed Concrete Works Pvt. Ltd., Chandigarh, of its own accord, made an offer in June, 1970 to supply 2,000 H.T. poles of 9.75 metres' length from ready stock at Rs. 182 per pole exclusive of central sales tax, ex-works Mohali. The offer was increased to 5,000 poles in August, 1970. Although the top and bottom dimensions of the poles offered by the firm were at variance with the dimensions specified in the tender notices issued by the Board for purchase of such poles, the S.P.C. considered on 28th August, 1970 that the poles offered by the firm would meet the technical requirements of the Board. The Whole Time Members agreed with the recommendation of the S.P.C. The Superintending Engineer (Purchase) along with his Assistant Engineer

visited the factory on 8th September, 1970. Load test of 5 poles, out of a lot of 4,500 poles was conducted by the Assistant Engineer and his inspection report was approved by the Superintending Engineer (Purchase) on 10th September, 1970. The letter of intent was issued to the firm on 11th September, 1970, for purchase of 5,000 poles.

The Technical Member, however, considered the inspection incomplete as the poles had not been tested in accordance with the requirements of IS : 1678-1960 and the inspection had not been done by the Executive Engineer (Inspection). Accordingly, another Assistant Engineer from Inspection Cell was deputed to re-inspect the poles. He visited the factory on 24th September, 1970. The firm offered for inspection about 3,000 poles manufactured from March, 1970 onwards out of which only two poles were tested for transverse load, instead of the required number of 30 poles to be tested as specified in the IS : 1678-1960. Similarly, tests were also not conducted according to the provisions of the relevant ISS as none of the poles was tested by increasing the transverse load until failure occurred. The weight was not checked and the result of the tests of concrete required to be carried out during the course of manufacture, was not obtained. The firm had not provided hole for danger plates and kicking blocks and the edges of the poles required some touching. As the two tested poles were stated to have withstood the load tests satisfactorily, it was considered that the above deviations from the requirements of IS : 1678—1960 did not render the poles unsuitable. On the grounds of acute shortage of poles in the field, an order for ex-stock supply of 5,000 poles was placed on 23rd November, 1970, for delivery within 15 days. Despatch instructions were also issued on 25th November, 1970.

The firm asked, on 26th November 1970, for lifting of 5,000 poles on the ground that inspection had already been carried out on 8th September 1970. It intimated on 24th December 1970 that as the Board had failed to lift the poles, it would be necessary to extend the delivery period. The firm also represented that as the poles had already been inspected, there was no need to incorporate the inspection clause in the purchase order. As no arrangements were made by the Board to lift the poles the firm delivered 3,195 poles up to March 1971 through its own transport arrangement. In the absence of instructions to accept the poles without copies of the inspection reports, the consignees at Sirsa and Kaithal did not accept 1,970 poles received between December 1970 and February 1971. The Assistant Engineer, Sub-Store, Sirsa, was advised on the 17th June 1971 that the inspection conducted in September 1970 was to be taken as inspection of the poles for their acceptance. No such advice was issued to the consignee at Kaithal but the poles were taken on stock in April 1971.

An embargo on further supplies was imposed by the Board in December 1970. The position of partly executed purchase orders was, however, reviewed in May 1971 and it was decided to accept the remaining 1,805 poles from the firm. The poles were inspected by the Assistant Engineer (Inspection) on 1st June 1971. Eight poles were tested for transverse strength instead of 18 poles as per ISS and the lot was approved for despatch. The inspection report disclosed the same facts as in the report of inspection of 3,000 poles conducted on 24th September 1970. The firm delivered 1,550 poles from this lot up to July 1971, making the total supply of 4,745 poles for the transport of which Rs. 1.29 lakhs were also paid to the firm at the rate of Rs. 27.22 per pole. Thereafter, the firm offered ex-stock supply of 3,000 poles in July 1971 and increased the quantity to 5,000 poles in February 1972 The firm also offered supply of 1,000 poles per month in February 1972 which was increased in April 1972 to 2,500 poles per month at the same rate of Rs. 182 per pole, ex-factory. Although the Board was taking supplies of the poles of 9.75 metres' length at the higher rate of Rs. 204.83 per pole, ex-works, against orders placed in July 1970 on other firms; the offers so made by the firm were not considered. The firm also submitted tender in September 1972 at Rs. 192 per pole, ex-works, against a tender enquiry. This was not considered technically acceptable on the ground that the position of holes in the poles was not as per drawing of the Board.

At the time the offer for the supply of 2,000 H.T. poles of 9.75 metres' length from ready stock was made by the firm in June 1970, the firm had a contract with the Punjab State Electricity Board for supply of similar poles at a firm rate of Rs 148 per pole for delivery at the Board's go-downs and that Board had rejected 2,000 poles of the same specifications offered to them during February to May 1970.

The Board stated in evidence that Punjab Prestressed Concrete Works (P) Ltd., Chandigarh, in their letter dated 6-6-1970 offered to supply 2,000 H.T. poles of 9.75 metres' length from ready stock @ Rs. 182 per pole ex-factory, Mohali. In another communication dated 13-7-70 they indicated that they had 3,000 poles in ready stock which could be supply immediately subject to the condition that the order be placed within a week. They further indicated in the said letter that they could supply 20,000 poles till the end of December, 1970 at the rate of 2,000 poles per month. In still another letter dated 13-8-70 they offered to supply 5,000 poles conforming to I.S.S. from ready stock at their price of Rs. 182 per pole ex-factory. They offered that the poles available with them may be inspected if desired at their works as per the relevant I.S.S. specifications. Against specification QH-231 tenders for 1 lakh poles had been invited which were opened on 9-6-1970. While the case was considered by the S.P.C. on 20-7-70, they indicated that though the tenders had been opened only for 1,00,000 poles Controller of Stores had indicated his requirement for 2,50,000 poles to achieve the crash programme by 26th January, 1971 and electrification of 2,500 tubewells upto end of March, 1971 and therefore keeping in view the supplies of 50,000 poles against pending orders, 2,00,000 poles should be needed for the purpose. Since, however, from the tenders received on the basis of delivery schedule indicated by the acceptable tenderers, only 1,15,500 poles could only be arranged, they recommended this much quantity for procurement. The Board in their meeting held on 21-7-1970 accepted the recommendations of S.P.C. and decided that no order be placed on Dun Power Equipment before their factory was inspected. In this way, orders for 1,11,000 poles were placed against above enquiry.

While the offer for the supply of 5,000 poles from ready stock was made by the firm in August, 1970, there was acute shortage of poles and keeping the same in view for achieving the targets for completing 100% village electrification and tubewell energisation, their ex-stock offer was accepted by the S.P.C. since the rates of ex-stock offer were competitive and lower as compared to the ones on which the order had already been decided to be placed on various other firms against enquiry QH-231.

Pre-order inspection for 4,500 poles was carried out by Assistant Engineer (Purchase) accompanied by S.E. Purchase on 8-9-1970 as per the relevant ISS-1678/1960 and on the basis of the satisfactory inspection, letter of intent was placed on the firm. As the Technical Member of the Board considered this inspection to be incomplete another pre-order inspection was carried out by A.E. (Inspection) as per relevant ISS-1678/1960 on 25-9-1970 and when the same was approved by the Whole Time Members on 10-10-70 the formal purchase order was placed on the firm on 23-11-70 for 5,000 poles. This satisfactory pre-order inspection conducted for 3,000 poles as per ISS-1678/1960 was considered as regular inspection for this quantity after the placement of the order. The firm, however, supplied 3,195 poles *i.e.* an excess of 195 poles above 3,000 already inspected by A.E. (Inspection). While the excess quantity was not accepted by some of the consignees S.E. (Purchase) decided on 6-4-1971 that inspection of this quantity *i.e.* 195 poles, might be covered in the inspection of balance quantity of 1,805 poles. Inspection of balance quantity of 1,805 poles lying manufactured with the firm by 10-2-1971 was conducted by A.E. (Inspection) on 1-6-1971 and the inspection therefor was found to be satisfactory. Though the percentage of poles selected for tests was less than those provided in the ISS but when the poles had been selected at random out of supplies offered by the firm and all the tests as per ISS were conducted by the inspecting officer, it could be safely said that all the poles offered were satisfactory as per the relevant ISS. It was not correct to say that the deviations in the specifications of poles offered by the firm were ignored on the ground of urgency of requirement in connection with 100% rural electrification programme.

When the firm offered to supply these poles from ready stock in July, 1971 and again in February, 1972 at the same rate but with dimensions different from the ones given in the Board's tender specifications, keeping the requirement in view at that time, their offer was not considered advisable to be accepted since it was felt that the requirement being not so urgent, poles as per Board's tender specifications should only be purchased/obtained against other pending orders. It may, however, be mentioned that while the rate of certain firms against pending orders for such poles in line with Board's tender specifications was Rs. 204.87 per pole, the then prevalent market price of such poles of Board's specifications was much higher than this and even the D.G.S. & D.'s rate contract (which was also variable) prevailing at that time was Rs. 227 per pole ex-works. In September, 1972 while the firm made their offer against tender enquiry No. QH-374, keeping in view urgency of material the Whole Time Members in their meeting held on 22-10-1972 approved the purchase of 5,000 poles from this firm (offered ex-stock) at Rs. 192 per pole ex-works but when these poles on inspection were not considered technically acceptable, as the position of the holes was not as per drawing of the Board, no formal purchase order was placed on the firm.

When asked as to why the poles were not tested in accordance with ISS 1678/1960 by increasing the transverse load until failure occurred and why the weight of the poles was not checked, it was explained that in addition to pre-order inspection of poles offered by the firm conducted by A.E. (Purchase)/S.E. (Purchase) on 8-9-1970 and A.E. (Inspection) on 25-9-70 as per relevant ISS subsequent inspection of 1,805 poles was carried out by the inspecting officer on 1-6-70 strictly as per relevant ISS/provision of P.O. When the inspection/tests as per I.S.S. were found to be satisfactory poles were authorised for despatch. As per relevant ISS 1678/1960 the poles were required to be tested for transverse strength test for specified working load upto the specified factor of safety of 2.5. Naturally, therefore, when the tests were conducted as per relevant I.S.S. and the transverse strength test with the minmum ultimate transverse load was found to be satisfactory as per I.S.S., testing of poles to failure limit was not called for. The poles had been inspected as per the relevant ISS/provision of the P.O. and when they were found satisfactory in respect of test for working load with the safety margin and other provisions of ISS/P.O. it implied that the poles were acceptable in accordance with the specification in all respects. So far as serviceability and quality of poles are concerned, these are working satisfactorily and no complaint regarding their quality was received from any field offices.

In regard to payment of transportation charges of Rs. 1.29 lakhs paid to the firm, it was mentioned that the Board had been allowing the suppliers according to the schedule drawn up in 1959 and in this case all risks and insurance upto destination had to be borne by the suppliers. In cases where the Board had accepted risk ex-factory the Board had allowed 10.3% below 1959 rates. It was also stated that a sub-committee had been appointed to examine the various aspects of transport of material by road and it had decided in their meeting held on 23.5.1970 that it would be reasonable to make payment of transportation charges on the basis of common schedule of rates.

On the basis of the said decision revised instructions were issued to all concerned on 22.6.70 for arranging transport of material on common schedule of rates of composite Punjab State Electricity Board fixed in the year 1959 with premium. The reasons which guided the sub-committee in arriving at the above decision were as follows :—

1. The carriage work which was being done by the private contractors at a rebate of 3.5% and 10.3% in the Karnal, Rohtak and Hissar circles was for longer leads *i.e.* on an average of about 60 miles or 96 miles.

2. For shorter leads, open tenders were called for by the Controller of Stores and not a single quotation was, however, received against the above enquiry.

3. The Stores Purchase section also called tenders for shorter leads. The rates received were, however, much higher in comparison to the schedule of rates.

4. The Zonal Committee set up by the Haryana Government in a meeting held on 9th December, 1968, had after assessing the market rates of carriage charges fixed a premia for the same at various rate depending on the leads. For a small lead upto six miles rate of premia was fixed between 35% to 50% on the rates fixed in the year 1963.

5. Had the suppliers not been allowed to carry out the carriage themselves the only alternative would have been to entrust the same either to the carriage contractor or to get it done departmentally. In the former case in addition to the payment of higher charges which would have been involved in comparison to common schedule of rates the Board would also have been responsible

for breakages in transit. Had the carriage been done departmentally the responsibility of the suppliers would have ended at the stage when the poles were loaded in the departmental trucks and the whole responsibility for breakages in transit from that stage onwards would have fallen on the Board.

(6) The Board had also decided on 23rd July 1970 that orders be placed on F.O.R. destination basis at the fixed schedule rates for transport from the station of despatch/manufacturers' premises/godowns to various stations (store sites) without allowing any premium or without availing any rebate over the schedule of rates.

In regard to the point relating to the firm's contract with the Punjab State Electricity Board for supply of similar poles, it was stated that it was not in the knowledge of the Haryana State Electricity Board that the firm had at that time any contract with the Punjab State Electricity Board for supply of similar poles nor there was any practice to ascertain such facts before considering the offer of any firm for orders which in fact was considered on merits of each case keeping in view the suitability and urgency of material offered.

The Committee observe that the prime consideration for acceptance of the offer of Punjab Prestressed Concrete Works Private Ltd., Chandigarh for supply of H.T. poles from ready stock was the anticipated short-fall in the supply of poles against the pending orders and the increase in requirements in order to achieve the target of 100 per cent rural electrification by the scheduled time. The Committee do not feel inclined to question the decision of the Board that the poles offered by the firm met with its technical requirement despite slight variation in their dimension. The technical officers of the Board had also carried out the inspection of the poles offered by the firm at their premises in accordance with the I.S.S. specifications. According to the contention of the Board the poles inspected were found to fulfil the requirement of I.S.S. specifications although the number of poles selected was slightly less than the prescribed limit. The Board has also maintained that the transverse strength test with the minimum ultimate transverse load was found to be satisfactory as per the I.S.S. specification and the poles withstood the working load with the safety margin and other provisions of the I.S.S./purchase order. These poles are also stated to be working satisfactorily and no complaint regarding their quality is stated to have been received from the field officers. Considering the position in which the Board was placed at that time, the Committee feel that even if there had been some technical variations these were not important enough to affect the timely completion of the crash programme.

The Committee also note that after the target for 100 per cent rural electrification had been achieved, the Board had declined to accept the offer of the firm in July, 1971, February, 1972 and September, 1972 on technical considerations. This by itself would show that although the Board waived certain technical variations in the interest of timely completion of the crash programme, it subsequently did not agree to such variations despite the fact that the Board could have obtained supply of poles at comparatively lower rate from the same firm. The Committee also feel that the payment of Rs. 1.29 lakhs on account of transportation charges of poles made to the firm was in order as the firm became responsible for any loss or damages in transit.

The Committee further feel that the Board could not obviously know at that time whether the firm had also entered into a contract with the Punjab State

Electricity Board for the supply of poles and if so, at what rate. The Board *prima facie* floated its tender enquiry on the basis of its own requirement and placed orders with tendering firms on the basis of rates received in response thereto as also other terms and conditions specified in the N.I.T. It would not be practicable to ask the firms to reveal the extent of their commitment with other Electricity Boards or buyers nor the firms may be willing to furnish such information.

In view of the foregoing conclusions, the Committee consider that no further action is necessary in the matter.

Paragraph 8.10 (12)—Cancellation of order at the lower rate

32. Orissa Cement Ltd., Rajgangpur, Orissa, which was holding the D.G.S. and D's rate contract for P.C.C. poles, submitted tenders against various enquiries issued by the Board from August 1968 onwards. Its offers for L.T. poles were the lowest but these were ignored by the Board on account of difference in the cross section dimensions and the weight of the poles being lesser as compared to the Board's specifications. Only one order for 9,000 L.T. poles was placed on the firm in July 1970 at the lowest rate of Rs. 124 per pole, ex-works, on firm price basis as quoted by the firm for making supplies from its factory at Bhankarpur, Post Office-Mubarikpur (Punjab), against the tender enquiry issued in May 1970. The letter of intent dated 22nd July 1970 issued by the Board was unconditional. The order was, however, placed as per the Board's specifications and the supply was required to be completed at 1,800 poles per month by December 1970, commencing delivery immediately.

The firm requested the Board for an amendment of the purchase order so as to provide for the cross section dimensions and delivery schedule as per its tender. The order was, however , not amended. In the meantime, a lot of 500 poles was inspected on 21st October, 1970 and variations from the purchase order were pointed out by the Inspecting Officer. After imposition of embargo on supplies from January 1971, the firm was informed on 29th January 1971 that the inspected lot was rejected. The order was cancelled in April 1972. It may be mentioned that against the tender enquiry of May 1970 an order for 16,000 L.T. poles was placed on Bharat Spun Pipe and Tiles Co., Chandigarh, at a higher rate of Rs. 143.65 per pole., ex-works. The specifications of these poles were also different from those of the Board's specifications. The poles offered by Bharat Spun Pipe and Tiles Co., were of the same specifications as those of Orissa Cement Ltd., except for the slight difference in top and bottom dimensions and less weight. Thus, the Board did not avail of the lowest rate which would have resulted in a saving of Rs. 1.43 lakhs compared with the rates at which the poles were purchased from Bharat Spun Pipe and Tiles Co.

Government stated in December 1973 that the purchase from Orissa Cement Ltd., was approved on the basis of the technical particulars given in the tender notice and the Board accepted the recommendations of the Stores Purchase Committee for placement of orders as per the Board's specifications. It may, however, be mentioned that the technical particulars of the firm were enclosed with the agenda note submitted to the Board and it was also pointed out therein that the design of the pole was different. No action was taken to call for and examine the design of the poles offered by the firm.

The Board stated in evidence that when the case was considered by the S.P.C. they examined the various offers with reference to the technical deviations pointed out by the Executive Engineer who had mentioned that the design of the poles offered by this firm was slightly different from the Board's specification and that their length was 8.25 meters against the requirement of 8.22 meters. The offer of the firm was accepted by the S.P.C. and was also approved by the Board. The letter of intent issued to the firm was intended to convey the decision of the Board for placing order on them for 9,000 poles as per I.S.S. specification 1678 at their quoted price for firm delivery upto December, 1970. Nromally details were not required to be given in the telegraphic letter of intent which were provided in the detailed purchase order. In the detailed order placed with the firm the Board's technical particulars of tender specification except for length of 8.25 metres were incorporated. The order was decided to be placed on the firm for the quantity which they could supply by the end of December, 1970. Both Orissa Cement and Bharat Spun Pipe had submitted quotations against this tender enquiry. However, Orissa Cement did not have anything to offer from ex-stock. According to the delivery schedule quoted by them they were to supply material after 3 months of the placement of the order at the rate of 3,000 poles per month. The order was, however, placed on them as per the Board's specifications and design. On the other hand Bharat Spun Pipe offered 5,000 poles ex-stock and 11,000 poles within the delivery schedule stipulated by the Board. After testing of the material by a competent officer, the design of Bharat Spun Pipe was found suitable and order for 5,000 poles ex-stock and 11,000 poles to be supplied within the stipulated delivery schedule was placed on their design. The Board required the material within a definite period to complete the rural electrification programme. As such they could not wait for 3 months for manufacture of poles by Orissa Cement and then test their design etc. Since the firm had no poles in stock and had to manufacture them afresh it was felt that they should be asked to manufacture them according to Board's specification. The firm's request for amendment of the order as per their technical particulars was, therefore, not accepted and when the firm subsequently offered material as per their own design the same was not accepted.

It was further explained that there was no system in the Haryana State Electricity Board to effect their purchases on the basis of approval of design of a particular item of material by other Boards. There was as such no question of calling for or ascertaining the approval accorded by the Punjab State Electricity Board to the firm's design for purchasing material from them even when it was indicated by them that the Punjab State Electricity Board had already approved their design.

The Committee find that although the design of the pole with slight technical deviations offered by Orissa Cement was accepted and an order was also placed on the firm for 9,000 L.T. poles yet they were not able to fulfil the fundamental requirement of delivery schedule. At that time in view of the target fixed for the rural electrification programme, the Board had to keep pace with the time and ensure timely supply of material so that the proper implementation of the programme was not jeopardised. The Board could not obviously wait for three months to enable the firm to offer their poles for testing which would in the ultimate analysis have consumed more time before supplies were actually started by Orissa Cement. Compared with this, Bharat Spun Pipe and Tiles Company, Chandigarh, had offered to supply 5,000 poles immediately ex-stock and 11,000 poles within the stipulated delivery schedule. These poles were also found to be acceptable after technical test. The Committee do not feel convinced that instead of availing of the offer of immediate supply by Bharat Spun Pipe and Tiles Company the Board should have waited till Orissa Cement were able to produce poles for testing.

In view of this, the Committee consider that the question of any comparison between the rates of Orissa Cement and Bharat Spun Pipe and Tiles Company does not arise.

Paragraph 8.10 (13)—Extra expenditure in transport of poles

33. Against enquiries issued by the Board between May, 1970 and September, 1972, orders for poles were placed at ex-works rates. Orders on various firms, other than Hindustan Housing Factory Ltd., stipulatd delivery of the poles by road transport against payment at the schedule of rates for carriage work approved by the composite Punjab State Electricity Board in July, 1959, which prescribed the maximum limits up to which carriage charges could be allowed after inviting open tenders. No such tender enquiry was made by the Board for the long distance transport of a large number of poles from the suppliers' factories located in or around Faridabad and Chandigarh. The carriage charges for 1.03 lakh poles amounted to Rs. 16.4 lakhs (average—Rs. 16.27 per pole) out of which Rs. 9.25 lakhs were in respect of 0.54 lakh poles supplied by Jai Hind Investment and Industries (Pvt.) Ltd., and Rs. 1.29 lakhs (average—Rs. 27 per pole) for 4,745 poles supplied by Punjab Prestressed Concrete Works Pvt. Ltd.

Carriage of poles from Hindustan Housing Factory Ltd., was arranged by the field offices from 1969-70 onwards through carriage contractors at the schedule of rates referred to above, less 10.3 per cent. This fact was already in the knowledge of the Board before the orders at the ex-works rates were placed in July, 1970. No reduction was, however, made by the Board in the rates allowed to the suppliers. Compared with the rates at which the work was done by the contractors against the orders of the field offices, the Board incurred extra expenditure of Rs. 1.72 lakhs in transport of 1.03 lakh poles.

Government stated in December, 1973 that the rebate was availed of by the field offices as the carriage work was for longer leads of 60 or 90 miles. It may, however, be stated that the poles supplied by various firms against orders by Head Office were also transported to different places in the State at long distances. It may also be stated that in March, 1973, the Controller of Stores instructed Central Stores, Ballabgarh, to arrange transport of poles from the factory of Jai Hind Investment and Industries (Pvt.) Ltd., at the rates given in the schedule of rates, less 10.3 per cent for delivery to different stores.

The Board stated in evidence that for transport the Board had been allowing the suppliers according to the schedule drawn up in 1959 and all risks and insurance upto the destination had to be borne by the suppliers. In cases where the Board had accepted the risk ex-factory the Board had allowed 10.3 per cent below 1959 rates. A sub-committee had also been appointed to examine the various aspects for transport of material by road and they had decided in their meeting held on 23rd May, 1970 that it would be reasonable to make payments on the basis of common schedule of rates without premium which was also still current in Haryana State Electricity Board. On the basis of this decision revised instructions were issued to all concerned on 22nd June, 1970 for arranging transport of material on common schedule rates of 1959 without premium. The reasons which had guided the sub-committee in arriving at the above decision have already been detailed in respect of paragraph 8.10 (11).

The Committee find that the Board had allowed a reduction of 10.3 per cent from the common schedule of rates only in those cases where the supply of material was accepted with risk ex-factory. In that event, the Board accepted the responsibility for any breakages or damages in transit. However, on the basis of the recommendations of the sub-committee appointed by the Board it had been decided that common schedule rates would be payable in full without premium where the materials were delivered at the destination stations and the transporters accepted full responsibility for loss or damage to the material in transit.

In view of the foregoing observations and of the instructions issued by the Board on 22nd June, 1970 the Committee feel that payments of carriage charges were made correctly and no further action is necessary in this behalf.

Paragraph 8.10 (14)—Departmental manufacture of poles

34. For departmental manufacture of reinforced cement concrete (R.C.C.) poles, centres were set up at six places between May and November, 1968 and at three places during August, 1970, November, 1970 and February, 1971 at a capital cost at Rs. 5.30 lakhs. Two more centres were set up (dates not available), at Faridabad and Rewari at a capital cost of Rs. 0.49 lakh. The centre at Rewari could not function due to non-availability of sweet water. The centre set up in February, 1971 at Kaithal did not start manufacture as it was decided in February, 1971 to stop manufacture of R.C.C. poles.

During the years 1968-69 to 1970-71, 20,180 L.T. poles of 8.22 meters' length and 1,396 H.T. poles of 9.14/9.75 metres' length were manufactured at these centres. Only 3,055 poles were manufactured during 1969-70 against 6,487 poles in 1968-69. None of the nine centres where manufacturing work of R.C.C. poles was undertaken by the Board, could achieve the rated manufacturing capacity of 6 poles per day *i.e.* 1,800 poles per annum. The Board stated in July, 1973 that the shortfall in manufacture of poles was due to :—

(i) the reluctance of the field staff to use R.C.C. poles due to breakage and difficulty in transport and installation, and

(ii) stepping up of the manufacture of braced channel poles in the departmental workshops.

It may, however, be stated that departmental manufacture of braced channel poles at Dhulkote workshop had actually declined from 21,000 in 1968-69 to 11,000 in 1969-70 and to 3,800 in 1970-71. Purchase of P.C.C. poles was, however, made in excess of the requirements although the manufacturing cost of both the classes of R.C.C. poles was lower, ranging between Rs. 100 and Rs. 110.74 per pole at five centres and between Rs. 124.40 and Rs. 152.90 per pole at the remaining three centres. The estimated cost of manufacture at Faridabad centre was, however, Rs. 94 per L.T. pole of 8.22 metres' length and Rs. 114 per H.T. pole of 9.75 metres' length. The actual cost was, however, not known. The variation in the cost of manufacture at different centres was apparently due to the varied quantities manufactured at different centres.

The manufacture of R.C.C. poles was stopped from March, 1971 onwards. At that time there was a stock of 1,282 tonnes of mild steel nds of various sizes valued at Rs. 10.68 lakhs which had been procured for manufacture of the poles. Even after using the mild steel rounds for other works, the unused stock on 31st December, 1972 was 213 tonnes of the value of about Rs. 1.70 lakhs. In addition, 678 grills of the value of Rs. 0.58 lakh were also lying unutilised at various centres till November, 1971. As intimated by Government in December, 1973, the unused stock of mild steel was being utilised by the Board on other civil works while the grills were stated to have since been used in the manufacture of R.C.C. poles.

The question of restarting the centres was considered in February, 1972 but no decision was taken. It may be mentioned that, after stopping manufacture of R.C.C. poles, orders for 67,500 L.T. and H.T. P.CC. poles were placed during 1972. The Controller of Stores also informed the Chief Engineer in September, 1972, that there was no necessity of manufacturing R.C.C. poles departmentally as 90,000 P.C.C. poles were expected to be received from suppliers during 1972-73. The manufacturing capacity created by the Board was thus lying unutilised since March, 1971. Government stated in December, 1973 that final decision would be taken after examination of all the aspects of the matter.

The Board stated in evidence that the setting up of poles centre at Rewari was approved by the composite Punjab State Electricity Board. The water in the tubewell in the Board's' colony turned out to be blackish. Efforts were made to get sweet water from the Municipal Committee but the same could not mature before the Board decided to stop manufacture. The approximate capital investment for setting up the centre was of the order of Rs. 35,000. The Kaithal Centre was ordered to be set up vide Technical Member's tour notes for the period from 25.12.68 to 1.1.69. The lay-outs of the tanks were then prepared by the Executive Engineer, Civil works and approval obtained from the Design Directorate. The formalities for the purchase of T&P such as vibrators, form boxes, mixers, welding sets etc., were also started by the Executive Engineer, Civil Works. This pole centre was ready in January, 1971. In the meantime further continuation of pole centres was under examination of the Board and the actual manufacture of poles at Kaithal Centre could not take place as instructions were issued by the Board to stop manufacture.

The years 1968-69, 1969-70 and 1970-71 were the years when crash programme of tubewell energisation and village electrification was undertaken by the Board. The requirement of poles was huge whereas the maximum capacity of the pole centres numbering 9 (2 centres did not work) per shift was only about 16,000 per annum. To meet the requirement of the Board, the departmental manufacture of poles was not only started but also stepped up, apart from purchase of P.C.C. poles from outside sources. However, due to difficulty in transport, installation and breakage, there was reluctance on the part of the field staff to lift these poles. Instructions were issued to lift R.C.C. poles manufactured departmentally on priority basis but still reluctance to lift these poles continued. This reluctance ultimately resulted in short-fall in the manufacture of R.C.C. poles. The decline in production of R.C.C. poles during the year 1969-70 was due to fact that R.C.C. poles already manufactured were not being lifted by the field staff on account of their excessive weight and difficulty in transporting and erection, curing tanks were full and could not be utilised for further manufacture. However, when instructions were issued by the Board in 1970 to utilise these poles before going in for utilisation of other lines/structure, the field staff started using these poles and as soon as the tanks where the manufactured poles were lying were vacated, increased production during 1970-71 could be achieved. It was not correct to say that purchase of P.C.C. poles had led to delay in revival of manufacturing operations of R.C.C. poles. No excessive purchase of P.C.C. poles had been made, which were actually obtained on the basis of requirement assessed for different years in the light of targets fixed by the Board/State Government. It was also stated that the question of re-starting of centres was still engaging the attention of the Board and the final decision would be taken after examination of all aspects of the case.

During oral evidence the representative of the Board mentioned that these centres for manufacturing of R.C.C. poles had been started on an experimental basis. But this experiment had not proved successful as R.C.C. poles were not found technically feasible due to excessive weight and their breakage during transportation and erection.

The Committee observe that despite the genuine attempt of the Board to manufacture R.C.C poles departmentally this experiment did not ultimately prove successful as such types of poles were not found to be technically feasible and there was also reluctance on the part of the field staff to lift such poles. The Committee would, however, like to know the final decision on the question of re-starting the centres. The Committee would also suggest that the Board should urgently examine whether it will be possible to manufacture alternative types of poles which may be acceptable from the technical point of view.

Purchase of Meters

Paragraph 8.11 (2)—Extra expendirure due to failure to place proper purchase order in time

35. Tenders for supply of 78,000 single-phase meters required between September, 1968 and March, 1969 were opened in July 1968. The lowest acceptable offer was from Jaipur Metals & Electricals, Jaipur (J.M.E.), at the rate of Rs. 28.50 each with delivery commencing in three to four months at 2,000/3,000 meters per month. The firm, however, offered in its telegram of 9th October 1968 to negotiate delivery terms. The Board decided on 16th October 1968 to place order on J.M.E. for the maximum quantity which it could supply during 1968-69 and to divide the order for the balance quantity at the rate quoted by J.M.E., amongst the other four firms whose tenders were otherwise acceptable. Accordingly, a letter of intent for purchase of 6,000 meters was placed on 31st October 1968 on J.M.E. The firm, however, asked the Board on 5th November 1968 to increase the quantity of the intended order as the firm was planning to increase production and could step up supplies from 2,000/3,000 to 7,000/8,000 meters per month starting from the first month of the increased production from 40,000 to 50,000 meters per month.

The other four firms did not accept the order on the ground that the rate offered to them was less than their quoted rates. The Board decided on 21st November 1968 to place order for 78,000 meters on J.M.E. at its quoted rate stipulating delivery of 6,000 meters by 31st March 1969 and the balance during 1969-70. On the same day *i.e.*, 21st November 1968, a telegram dated 20th November 1968, was received from J.M.E. intimating its inability to step up supply until May/June 1969 when increased production was expected to commence. This telegram was not brought to the notice of the Board and a telegram of intent for 78,000 meters was issued on 26th November 1968 stipulating delivery of 6,000 meters before 31st March 1969 and the balance during 1969-70.

J.M.E. stated on 28th November 1968, that even though its offer had expired on 15th November, 1968, it could consider acceptance of the order if purchase order was placed strictly in accordance with the terms of its offer and was received by the firm by 15th December 1968. This letter was also not brought to the notice of the Board and a purchase order for 78,000 meters was placed on J. M. E. on 8th December 1968 stipulating delivery of 6,000 meters by 31st March 1969 and the balance during 1969-70 as decided earlier by the Board on 21st, November 1968. The firm asked on 24th December 1968 for amendment of the delivery terms in line with its earlier letter dated 28th November 1968. The Board decided on 7th February 1969 to to modify the delivery schedule in accordance with the firm's offer. Meanwhile, the firm, not having received any reply to its letter of 24th December 1968 from the Board, intimated on 4th February 1969 that its offer no longer held good.

The amendment issued by the Board on 3rd March 1969 was not accepted by the firm on 10th March 1969 on the ground that order was received 2½ months after expiry of the extended validity of the offer (15th December 1968) and in the meantime, it had made other commitments. The matter was, however, discussed by the firm's representatives with the Chairman on 24th March 1969 when, according to the firm, it agreed to supply 6,000 meters only within two months' time, againgt the purchase order. The Board asked the firm on 23rd May 1969 to intimate delivery schedule for the balance 72,000 meters. The firm maintained that its commitment was for 6,000 meters only.

A notice was issued on 1st August 1969 asking J.M.E. to deposit Rs. 13,83,400 assessed by the Board as the difference between the lowest price received against fresh tender enquiry and the firm's quoted price. On receipt of a representation from the firm, the matter was re-examined by the Whole Time Members who decided on 9th September 1969 to accept the firm's offer to supply 6,000 meters at its quoted rate and cancel the order for the balance 72,000 meters in view of the fact that there was no un-conditional acceptance of the purchase order for 78,000 meters. The amended purchase order for 6,000 meters was placed on 10th September 1969 and the firm completed the supply by October 1969. The decision of the Whole Time Members for the purchase of 6,000 meters instead of 78,000 meters approved earlier by the full Board and the financial implications of the curtailment of the order, were not brought to the notice of the full Board.

The failure to place purchase order on the delivery terms offered by J.M.E. within the validity period of its offer necessitated purchase of the cancelled quantity of 72,000 meters between May 1969 and February 1970 at higher rates ranging from Rs. 43.50 to Rs. 59.00 per meter as against the rate of Rs. 28.50 per meter offered by J.M.E. Purchase of 72,000 meters at higher rates resulted in extra expenditure of Rs. 12.06 lakhs including Rs. 5.02 lakhs in purchase of 31,500 meters from the same firm.

The explanation of the officers for lapses on their part resulting in extra expenditure to the Board was called in February 1970 by the Chairman who decided in June 1970 that fault was with the previous Board which was unable to take a decision on this case. Government stated in December 1973 that they found "that at no stage, any action of the Board or the Stores Purchase Committee was not based on *bona fide* considerations".

The Board stated in evidence that even if the telegram dated 20-11-1968 of the firm had been put up to the Board in time, it would not have changed their decision inasmuch as it had already been indicated in the decision of the S.P.C. taken on 17-11-1968, incorporated in the memorandum dated 19-11-68 sent to the Board that the firm's representatives during their discussions with the S.P.C. Members had informed them finally that they would not be in a position to improve their delivery schedule of supply of 7,000/8,000 meters per month and the original position of the tender would stand. The firm's representatives stated that they would consult their Chairman and would inform within a couple of days whether they could improve the existing delivery schedule. The above meeting was held at Delhi, on 13th/14th November, 1968, and as no response had been received upto the time the memorandum was sent to the Board, the position stated by their representatives was considered to be final which was in fact subsequently confirmed also by them in their telegram dated 20-11-1968. Obviously, therefore, it did not matter whether the telegram received from the firm was put up to the Board or not because the telegram had not changed the position as was reiterated by the firm's representatives to the SPC previously.

The Board in its meeting held on 21-11-1968 decided that in view of the inability of United Electrical Industries, Radio Electricals Manufacture Co., Bangalore, Dass Hitatchi and Electro Equipment Corporation, Bombay, to accept the order at the rate of the lowest tenderer order for 78,000 meters be placed on JME at their quoted rates subject to the stipulation that 6,000 meters were to be supplied by them by 31-3-1969 and the balance during the next financial year *i.e.* 1969-70. It was further decided that JME be impressed upon to increase the supplies during the year 1968-69 to the maximum possible extent. Evidently, in line with the Board's decision, letter of intent was issued to the firm on 26-11-1968 incorporating the delivery schedule approved by the Board on 21-11-1968, since any amendment to the delivery schedule already approved required their approval before it could be communicated to the firm. This had not been done on 26-11-1968. The firm would not have subsequently agreed to supply even 6,000 meters for which the letter of intent was issued on 26-11-1968 in line with their tender.

The firm in their letter dated 28-11-1968 wanted the order to be placed on them before 15-12-1968 in accordance with the delivery schedule quoted by them in their tender. Since, the delivery schedule different from the one quoted by the firm in their tender had been approved by the Board, in their meeting held on 21-11-1968, any amendment thereto required their approval. This was not possible before 15-12-1968. In order, therefore, to save the interest of the Board, purchase order incorporating the delivery schedule approved by the Board on 21-11-1968 was sent to the firm on 8th December, 1968. This was done solely to protect the interest of the Board, though chances of the firm accepting the order with the delivery schedule desired by the Board were dim. While on one hand, purchase order was sent to the firm on 8-12-1968, the case with the letter of the firm dated 28-11-1968, was also submitted to the S.P.C. which was considered by them in their meeting held on 17-12-1968 who recommended that the firm's quoted delivery schedule being unsuitable could not be accepted. While the order on the firm with delivery schedule already approved by the Board had been placed, the S.P.C. recommended cancellation thereof and to suspend business relations with the firm for their inconsistent stand. When the S.P.C. could not agree to accept the request of the firm for amendment to the delivery clause in line with their offer, merely bringing out the fact that the firm wanted order with their own delivery schedule by 15th December, 1968, would not have changed their recommendations. The explanations of the S.P.C. members and other officers of the Board were called for when all connected points covered in this paragraph were also examined and it was decided that since there had been no delay or lapse on their part no further action was called for.

It was further explained that a memorandum containing the recommendations of the S.P.C. made in their meeting held on 17-12-1968 was sent to the Board on 19-12-1968. The Board, however, could take a decision in the matter only on 7-2-1969 but by that time, the firm had already returned the purchase order on 4-2-1969 and managed to wriggle out of their commitments. Thus, there was no valid order on the firm on 7-2-1969.

The Committee observe that this is a peculiar case where the letter of intent for the purchase of 6,000 meters was placed on J.M.E. in accordance with the decision of the Board for placing order on this firm for the maximum quantity which it could supply during the year 1968-69 on the basis of its tender and to divide the order for the balance quantity at the rate quoted by it amongst the other four firms whose tenders were otherwise acceptable. However, the other firms did not accept the order and J.M.E. informed the Board that it was planning to increase production and could step up supplies if the quantity of intended order was increased. The Board decided to place order for the entire quantity of 78,000 meters on J.M.E., but the firm almost simultaneously informed the Board of its inability to step up supply until May/June, 1969 when increased production was expected to commence. The purchase order was accordingly placed on the firm but it desired amendment of the delivery schedule.

From the data furnished to the Committee, it was observed that even during personal discussions, the firm's representatives had informed the S.P.C. that they were not in a position to improve their delivery schedule. The Board made a genuine effort to obtain the entire quantity of 78,000 meters from J.M.E. at its quoted rates but the firm was not able to fulfil its promise of increasing production. Obviously, therefore, it was primarily the firm on whom the burden of failure to carry out its commitments lay. Even if the Board had taken a decision to amend the delivery schedule earlier than 7th February, 1969, it appears extremely doubtful that the firm would have been able to supply the requisite quantity of meters. The firm appears to have advanced the plea of expiry of its offer only to cover its attempt to wriggle out of earlier commitments. In the light of the foregoing facts, the Committee feel that the Board had made all out efforts to get the supplies of meters at the lowest price and with that purpose tried to persuade J.M.E., the lowest tenderer, to make the entire supply. J.M.E. tried to increase their production which later on they could not do and so they could not accept the Board's suggestion to supply the entire quantity of 78,000 meters. In view of this, the Committee is of the opinion that there was no fault of the Board in this matter.

Paragraph 8.11 (3)—Ex-stock purchase of single-phase meters at higher rates

36. A limited tender enquiry was issued in June 1969 and an order was placed on the 10th October 1969 on Jaipur Metals & Electricals Ltd.,

(J.M.E.) for 15,000 single-phase meters with reverse stop device at its tendered rate of Rs. 45.00 each. Certain terms stipulated in the purchase order were not in accordance with the firm's offer. On this being pointed out by the firm the terms were finally amended on 15th January 1970. The firm supplied 5,880 meters on the 13th February 1970 and the balance 9,120 meters by 25th March 1970.

Meanwhile, on the basis of a verbal report by the Superintending Engineer (Purchase) that only 12,000 meters were expected to be received during 1969-70 and that there was urgent requirement for a further 5,000 meters before the end of March 1970, the Whole Time Members constituted on 27th January 1970 a Special Committee consisting of two Superintending Engineers and an Accounts Officer to effect ex-stock purchase. The Committee was stated to have invited tenders on 3rd February 1970 in the Delhi market and received three tenders on 4th February 1970. Orders were placed for 3,000 meters on Sharda Electricals, Karnal, and for 1,500 meters on Agriculture and Tubewell Corporation of India, New Delhi, both at the rate of Rs. 59 per meter without reverse stop gear. The ex-stock supplies were completed by the firms by 17th and 18th February 1970.

The lowest rate received for meters without reverse stop device against the tender enquiry issued in June 1969 was Rs. 43.01 each. An order for meters with reverse stop device at the rate of Rs. 45 each was already in force at the time the ex-stock purchase of 4,500 meters without reverse stop device at Rs. 59 each was effected. On the basis of the lowest rate of Rs. 43.01 obtained against the tender enquiry of June 1969, the extra expenditure in the ex-stock purchase of 4,500 meters without reverse stop device at the higher rate of Rs. 59 each worked out to Rs. 71,955.

Had the purchase order for 15,000 meters been placed on J.M.E. expeditiously after the decision of the Whole Time Members taken on 9th September 1969 strictly in accordance with the terms of its offer, or the request of the firm for amendments received on 14th October 1969 been dealt with promptly, the supply of 15,000 meters by J.M.E. before February 1970 could have been enforced thereby avoiding the ex-stock purchase and the consequent extra expenditure.

The ex-stock purchase also disclosed the following :—

(i) Ex-stock purchase by the Special Committee was authorised by the Whole Time Members on the assumption that only 12,000 meters would be received in February and March 1970 against the two pending orders on J.M.E. whereas, actually, 16,680 meters were supplied by the firm during that period. The Board stated in July 1973 that as against 16,680 meters received up to March 1970, only 6,680 meters were received during February 1970 and the ex-stock purchase was effected to achieve the progress during the month of February 1970. This purpose was, however, not achieved as 3,000 meters supplied by Sharda Electricals to S.D.O., M & T, Karnal, were actually issued to the field offices between 18th March 1970 and 11th May 1970. As regards meters received by Maintenance and Testing Laboratory, Delhi, from the Agriculture Tubewell Corporation, 1,500 meters were issued to the field offices between 11th March and September 1970,

(ii) The particulars of suppliers who were requested to tender and the basis on which they were selected were not on record.

(iii) Formal tender enquiry did not appear to have been issued by the Special Committee to prospective suppliers. Order on Sharda Electricals was placed against telephonic enquiry and the order on the Agriculture Tubewell Corporation was placed against tender submitted by the firm of its own accord and received after the opening of the tenders. The Special Committee did not record any justification for considering it. The third tender, which was rejected, was received against an enquiry issued from 'Camp Delhi' but the office copy of the enquiry was not on record.

(iv) The ex-stock supply ordered on Sharda Electricals was actually received direct from the works of the manufacturers, Andhra Pradesh. Electrical & Equipment Corporation Ltd., Hyderabad. The manufacturers were not contacted for ex-stock requirements and the supplies were obtained from an intermediary firm.

(v) Test certificates of National Test House, Alipur, and routine test certificates from the Agriculture Tubewell Corporation were not obtained and examined by the Engineers as stipulated in the purchase order. Government stated in December 1973 that the circumstances under which full payment was made to the firm without the test certificates were being enquired into by the Board and that necessary action would be taken after the enquiry was completed.

The Board stated in evidence that tenders for purchase of 15,000 single phase meters were opened on 15-7-69, while the S.P.C. recommended on 19-7-69 placement of order on the third lowest offer of Andhra Pradesh Electrical Equipment Limited by ignoring the first two offers of Malik Electrical Works, Bombay on account of unsuitable delivery schedule and of Jaipur Metal Works on account of their refusal to execute an earlier order placed on them for 78,000 meters. The case was examined by the Whole Time Members on 23-7-69 and it was decided that the matter might be pursued with J.M.E. for supply of material against the earlier order before making purchases from others at higher rate. The case was accordingly discussed by Member, Finance and Accounts and the C. A. O. with the firm's representatives and on the basis of these discussions the case was considered by the Whole Time Members in their meeting held on 9-9-69 when they decided that since the dispute regarding supplies against the earlier order placed on J.M.E. was being dealt with and decided separately order for tendered quantity in this case be placed on them. It was not considered in the financial interest of the Board to ignore the offer of Jaipur Metal Works whom the S.P.C. had recommended to be ignored and negotiations were conducted with them to find out the feasibility of getting supplies against the earlier order placed on them.

It was a common tactics of many firms to stipulate terms and conditions different from the N. I. T. and also to seek amendment to purchase orders with the idea of avoiding commitments when it suited them to do so. The general proposition that the firm's terms should be accepted and amendments sought incorporated would not always be advantageous to the Board.

There could be circumstances, as in this case, under which the Board, after placing orders on its own terms, later accepted certain amendments because of urgency, price consideration, etc. without delay at any stage. Such a process could be lengthy due to delays on the part of the firms. After the detailed purchase order was placed in this case on 10-10-69 the firm asked for certain amendments to various clauses of the purchase order vide their letter dated 14-10-69 which was examined by the S.P.C. and approval thereto was accorded by them on 11-11-69,17-11-69 and 19-11-69 and thereafter the amendment letter was issued on 21-11-69. In response the firm asked for further amendments which were also agreed to subsequently. These amendments, however, were not relevant to the commencement of supplies. Even then the firm failed to commence the supplies.

In the meeting of the Whole Time Members held on 27-1-70 for arranging immediate requirement of material for the year 1969-70, S. E. (Purchase) verbally explained that there was an acute shortage of single phase meters in the field at that time. He further informed that 6,000 meters were being despatched by J. M. E. and 6,000 meters were to be despatched by 16-2-70 as per his telephonic talk with the firm and there was no other source from where the material could be received during that financial year. As per the delivery schedule J. M. E. was required to supply the material at the rate of 5,000 meters per month commencing from December, 1969. When the case was discussed by S. E. (Purchase) in the Whole Time Members meeting on 27-1-70 not a single meter had been supplied by the firm by that time. He further explained that he had visited the works of Meters and Instruments, Chandigarh but they had expressed their inability to supply any single phase meter as they were already heavily booked. He, therefore, suggested that in order to meet the immediate requirement 5,000 meters should be arranged immediately. The Technical Member of the Board had also contacted the adjoining State Electricity Boards but the position of supply of meters was reported to be precarious. Thereupon the Whole Time Members constituted a sub-committee to effect ex-stock purchase of 5,000 meters.

Asked as to what were the balances of the new and repaired meters lying in the stores/M and T Laboratories as on 31st January, 28th February and 31st March, 1970 it was stated that the requisite information was being collected.

It was also mentioned that mere fact that none of 4,500 meters purchased by the Special Purchase Committee was utilised during February, 1970 did not mean that there was no urgent requirement. Supplies against pending orders were not forthcoming from J.M.E. due to their delaying tactics. There was urgent requirement of material in the field. Therefore in order to arrange for the meters expenditiously ex-stock purchase by the Special Purchase Committee had to be resorted to. The normal procedure of calling tenders consumed a lot of time and could hardly be adopted in the circumstances. The purchase was effected as a sort of insurance for ensuring immediate supplies and if the supplies against the earlier orders were also received subsequently it could hardly justify dispensing with the ex-stock purchase. It was also contended that it would not be correct to make a comparision of the rates obtained against ex-stock material of February, 1970 with those of the orders placed in July, 1969 on long term basis.

The fact that the office copy of the enquiry was not available in record could not mean that no proper enquiry was issued by the

Special Purchase Committee to prospective suppliers or their dealers were not contacted for the purpose. In fact not only enquiries were stated to have been issued in writing to all manufactures of meters as well as their dealers and other parties dealing with such meters at Delhi but all such firms were also stated to have been contacted on telephone by the Special Purchase Committee to submit their quotations when the due date for receipt of tenders was indicated as 3.2.70 and tenders were opened on 4.2.70. While Sharda Electricals submitted their quotation against telephonic enquiry, Kaydee Electricals submitted their offer against enquiry made from them. Though the enquiries were made by the Special Committee from manufacturers also but since the material was required ex-stock, offers could be received for ready stock material from their agents only and on the basis of the offers received and keeping the urgency of the material in view orders were placed in the interest of work. It was also mentioned that explanation of Executive Engineer, Delhi for making 100% payment without receipt and approval of the test certificates had already been called for. It was also disclosed during oral evidence that during the year 1969-70 as against the target of about 17,000 tubewells the Board had given connections to about 23,000 tubewells and other connections were also given. The Board was, however, asked to examine whether risk purchase action could not be taken against the defaulting firm for delay in supplies and that the delay on this account was not deliberate. The Board promised to look into these aspects.

The Committee observe that because of uncertain supplies of meters against the order placed on J.M.E. for 15,000 single phase meters and in view of their urgent requirement for achieving the targets for tube-well connections and rural electrification the Board decided at the highest level to go in for ex-stock purchase of 5,000 meters. For this purpose a special committee consisting of two Superintending Engineers and an Accounts Officer was constituted. The Board had explined that this special committee had made enquiries from manufactures and other dealers and it was only after suitable offers were received that orders for ex-stock supply of meters were placed. The Committee consider that it would not be in order to make a comparison of the rate of Rs. 43.01 obtained against the tender enquiry of June, 1969 with the ex-stock purchase of 5,000 meters at the rate of Rs.59 each which was arranged in February, 1970 *i.e.* after about 8 months.

The Committee note the statement of the Board that they were able to give connections to about 23,000 tube-wells during 1969-70 against the target of about 17,000 tubewells.

However, the Committee would like that information on the following points be furnished to them as early as possible :—

(1) what were the balances of new and repaired meters lying in the stores/M&T Laboratories as on 31st January, 28th February and 31st March, 1970 ?

(2) whether the explanation of Executive Engineer, Delhi for making 100% payment of meters without receipt and approval of the test certificates had been received and if so, what decision was taken thereon ?

(3) reasons due to which the office copy of the enquiry made by the special purchase committee was not available.

(4) whether risk purchase action could not be taken against the defaulting firm for delay in supply of meters.

Paragraph 8.11 (4)—Ex-stock purchase of polyphase meters at higher rates

37. A short term enquiry was issued on 7th April, 1969 and an order was placed on 20th May, 1969 on the lowest tenderer, Andhra Pradesh Electrical & Equipment Corporation Ltd., Hyderabad (A.P.E.E.C.), for supply of 4,000 poly-phase meters each of 10 amps. and 25 amps. rating at their quoted rate of Rs. 112 and Rs. 115 each respectively. Delivery stipulated was at the rate of 1,500/2,000 meters of each rating per month from August/September, 1969. As certain terms in the purchase order were not in accordance with the firm's offer, amendments to the purchase order were asked for by the firm on 10th June 1969 and were agreed to by the Stores Purchase Committee on 29th August, 1969. The firm supplied 5,525 meters, 2,694 of 10 amps, and 2,831 of 25 amps., up to the end of October 1969.

Since supplies were not being received from the firm in accordance with the agreed schedule of delivery, a short term enquiry was issued to nine firms, including A.P.E.E.C., on 4th December, 1969 by Superintending Engineer (Purchase) for ex-stock supply of 15,000 meters, 10,000 of 10 amps. and 5,000 of 20/25 amps., in order to tide over the shortage for the next few months. The tenders received against the short term enquiry were opened on 20th December, 1969. On examination of the pending orders, Chief Engineer (Planning & Construction), however, observed on 24th December 1969 that the position of supply was satisfactory for the next two to three months and open tenders might be invited to meet further requirements, if any. But the Superintending Engineer (Purchase) estimated on 9th January, 1970 a shortage of 5,000/6,000 meters during 1969-70 and, to meet the shortage, the following orders were placed on 15th January, 1970 against the short term enquiry, with the approval of the Whole Time Members :—

(i) On Sharda Electricals, Karnal for 2,000 meters of 10 amps. at Rs. 186.85 each for delivery within 30 days. The firm was not invited to quote but quoted on its own for meters of ECE-EAW make manufactured by A.P.E.E.C.

(ii) On India Meters Madras for 2,000 meters of 10 amps. and 1,500 meters of 25 amps. at Rs. 175.00 and Rs. 180.00 f.o.r. Madras, equivalent rates—Rs. 187.25 and Rs. 192.60 respectively for delivery within two weeks.

While approving these purchases, the Whole Time Members also decided that a risk purchase notice should be issued against A.P.E.E.C.

India Meters offered on 14th January, 1970 further supply of 3,500 meters in February, 1970 and 3,500 meters in March, 1970 at the same rate. Another order for 2,000 meters of 10 amps. and 3,000 meters of 25 amps. was placed on it on 17th February, 1970 stipulating delivery of 3,500 meters in February, 1970 and 1,500 meters in March, 1970.

On 11th February, 1970, Sharda Electricals supplied 2,000 meters of ECE-EAW make manufactured by A.P.E.E.C. and despatched these direct from the works of A.P.E.E.C. at Hyderabad. The execution of the orders on India Meters has been commented upon separately in sub-paragraph 5.

Meanwhile, A.P.E.E.C., in its letter dated 17th December 1969, stated to have been received on 5th January 1970, asked for extension of delivery period up to March/April 1970, *inter alia*, due to delay of 3-1/2 months in issue of amendments and non-availability of raw materials *viz.* steel sheets. As per the decision of the Whole Time Members, a risk purchase notice calling upon A.P.E.E.C. to complete the balance supplies within twenty days was issued on 15th January 1970. In reply, the firm asked on 24th January 1970 for the extension of delivery period applied for by it and also sought approval for use of dynamo grade steel sheets in lieu of transformer grade steel sheets used in the core of the approved sample of meters on the ground that the production of the latter had been stopped by the manufacturers. The use of dynamo grade steel sheets in lieu of transformer grade steel sheets and the extension of delivery period up to 31st March 1970 were approved by the Stores Purchase Committee on 13th February, 1970. The use of dynamo grade sheets was approved on the consideration that the power losses noticed on testing the sample by Board's representative at the firm's works were found to be within permissible limits of I.S.S. and the deviation was technically acceptable. No price adjustment was asked for due to the use of dynamo grade steel sheets in lieu of transformer grade steel sheets; nor was any independent investigation made regarding availability of transformer grade steel sheets.

The supply, which was stopped by A.P.E.E.C. in October 1969, was resumed after approval of deviation and extension of delivery period and the balance quantity of 2,475 meters was supplied by the firm in March 1970.

The equivalent rates of Rs. 186.85 per 10 amps. meter paid to Sharda Electricals, Rs. 187.25 and Rs. 192.60 per 10 amps. and 25 amps. meter respectively paid to India Meters in the purchase orders placed on them in January 1970 and February 1970 were higher as compared to the rates of Rs. 112 for 10 amps. and Rs. 115 for 15 amps. meters at which order was placed on A.P.E.E.C. in May 1969.

A.P.E.E.C. supplied only 5,525 meters up to November 1969 against 8,000 meters which it should have supplied against the order placed on it in May 1969. No risk purchase action was taken before initiating the short term enquiry on 4th December 1969 for ex-stock supply. Meters numbering 2,000 supplied ex-stock by Sharda Electricals, who had not even been invited to quote against that enquiry, at a considerably higher rate involving extra expenditure of Rs. 1.5 lakhs, were found to have been despatched direct from the works of A.P.E.E.C. at Hyderabad. A.P.E.E.C. was given extension of delivery period against the order placed on it in May 1969 for which the firm applied only in December 1969 after expiry of the delivery period and after enqury for ex-stock supply had been issued.

The Board stated in evidence that short term tender enquiry for the purchase of 10,000 meters of various capacities was issued on 7th April, 1969 as per directions of the Technical Membr to meet with the acute shortage of polyphase meters in the field. When the tenders were scrutinised, it was found that the lowest tenderer, Andhra Pradesh Electricals, Hyderabad could supply only 4,000 metres within the period of N.I.T. Therefore, when the case was considered by the S.P.C. in their meeting held on 30th April, 1969, they recommended that order for 4,000 meters be placed on this firm for 10 amps. capacity meters and for 25 amps. rating, their offer should be passed over and order be placed on the next higher tenderer, Metres and Instrument, Chandigarh. While the case was considered by the Board on 9th May, 1969, they decided to place order for 8,000 meters on Andhra Pradesh Electricals both for 10 amps. and 25 amps. on the condition that in case they were unable to supply the meters according to the Board's delivery schedule, order should be placed on the next higher tenderer as recommended by the S.P.C. Accordingly, telegraphic letter of intent was issued to the firm on 10th May, 1969, in response to which the firm intimated on 15th May, 1969 that they were in a position to supply only 1,500/2,000 meters from August/September onwards in one or sorted sizes in line with their quotations.

On the basis of the discussions the firm had with the Board, orders were placed on them on 20th May, 1969 with delivery of commencement of supply from August/September, 1969 at the rate of 1,500/2,000 meters per month for each size of meter. Accordingly the firm was required to complete the supplies by October, 1969. However, the firm in their letter dated 20th June, 1969, informed the Board that though they had promised to complete the order by October, 1969, the completion of supply might be delayed on account of Telangana Agitation. In a subsequent letter dated 8th October, 1969, they promised to complete the supplies by 30th November, 1969. However, they supplied only 5,525 meters within the promised period and failed to supply the balance quantity within the committed delivery schedule.

As for the short term tenders called in December, 1969 for 15,000 meters, it was explained that this tender enquiry was issued in order to tide over the difficulty of shortage of polyphase meters. Against outstanding order of 34,475 meters, supplies to the extent of 12,475 were expected as per delivery schedule stipulated in the orders. Of these, only 4,475 meters were received in the month of March, 1970, and they were used in that month and thereafter after requisite testing. The issuance of regular Press enquiry which entailed a lot of time was not considered necessary in view of the urgency of material.

In pursuance of the Whole Time Members' decision in their meeting held on 14th January, 1970, risk purchase notice was served on the firm on 15th January, 1970. The firm in response thereto requested for extension in the delivery period on account of non-availability of hot rolled transformers grade electrical steel sheets, essential raw material for the manufacture of meters, consequent on stoppage of their manufacture by foreign suppliers and as such offered to use dynamo grade electrical steel sheets. Their request was agreed to by the S.P.C. in their metting held on 13th February, 1970 when they extended the delivery period upto 31st March, 1970, by which date the firm supplied the material. The purpose of the risk purchase notice was to obtain the balance supplies from the firm which were managed to be obtained by the S.P.C. within the period for which they gave extension at the rates of purchase order which were lower than the prevalent market prices.

As for the purchase of 2,000 meters from Sharda Electricals, it was stated that while the position with regard to giving of tubewell connections was reviewed in the meeting of the S.Es with the Whole Time Members on 4th December, 1969, it was indicated by them that there was acute shortage of polyphase meters and arrangements may be made immediately to tide over the shortage for the next few months to enable them to give maximum tubewell connections as per the targets fixed by the Board/State Government during 1969-70. The supplies against pending orders (including those from A.P.E.E.C.) were also not forthcoming as per the delivery schedule. It was on this account that short term enquiry for ex-stock supply was decided to be floated. While the Andhra Pradesh Electricals could not supply the material on account of shortage of raw materials, Sharda Electricals offered to supply 2,000 E.C.E.E.A.W. make meters manufactured by A.P.E.E.C. from ready stock and keeping in view the shortage of material their offer was accepted in the interest of the Board.

In regard to the question of reduction of price on account of use of dynamo grade steel core, it was stated that the matter was considered by the S.P.C. in their meeting held on 13th February, 1970 when it was decided that the meters with dynamo grade steel core should be accepted since the tests conducted by the Board's inspecting officers at the firm's works had been found satisfactory. When the power losses were found to be within the permissible limit of I.S.S., there was no question of price reduction when it was considered technically acceptable as pe relevant I.S.S.

As regards the order placed on India Meters for 2,000 meters of 10 amps. and 1,500 meters of 25 amps., similar reasons of acute shortage of polyphase meters and the urgency of their requirement were advanced. The information as to when these meters were received from India Meters and actually utilised was being collected by the Board.

The Committee note that despite the genuine efforts of the Board to obtain supplies of meters against the order placed on 20th May, 1969, Andhra Pradesh Electricals were not able to make the supply in accordance with the delivery schedule. The firm had apprehended the delay on account of Telangana Agitation and although they had promised to complete the supplies of meters initially by October, 1969 and then by November, 1969, they could supply only 5,525 meters against the order of 8,000 meters placed on them. The Board had even served a risk purchase notice on the firm on 15th January, 1970 when the firm asked for extension in the delivery period on account of non-availability of essential raw materials. In view of the acute supply position and the urgency of demand in the face of launching of crash programme for 100 per cent rural electrification and also tubewell energisation, the Board had no alternative except to explore other sources for getting supplies of the requisite quantity of meters.

Although order for 2,000 meters of E.C.E.-E.A.W. make manufactured by A.P.E.E.C. was placed on Sharda Electricals at a higher rate, yet they were able to make the supply within a period of 30 days. As Sharda Electricals had submitted their tenders independently and had also made the supply of meters within the committed time, the Committee do not find any objection to the placement of the order on the aforesaid firm merely on account of the fact that the meters offered by them were manufactured by A.P.E.E.C. In view of this, the Committee feel that the question of extra expenditure does not arise.

In so far as the order placed on India Meters is concerned, the case will be dealt with in the succeeding paragraph.

The Committee would, however, like to know as to when the meters were received from India Meters and when these were actually utilised.

Paragraph 8.11(5)—Delayed receipt of supplies

38. The following two orders were placed on India Meters Ltd. (vide sub-paragraph 4) :—

(i) Purchase order dated 21st January, 1970 for 3,500 meters of the value of Rs. 6.2 lakhs stipulating delivery within two weeks of the receipt of the order;

(ii) Purchase order dated 17th February, 1970 of the value of Rs. 8.90 lakhs for 5,000 meters stipulating delivery of 3,500 meters in February 1970 and 1,500 meters in March 1970.

A sum of Rs. 6.50 lakhs was released against the first order on 26th February 1970 and 5th March, 1970 against lorry receipts received through the firm's bankers for the full price of meters, transportation and insurance charges, against bank guarantee for Rs. 62,000 as per terms of the contract. Similarly, Rs. 9.92 lakhs were released against lorry receipts in respect of the second order of February 1970 on different dates in March 1970, against the bank guarantee for Rs. 89,900.

It was seen from the bills preferred by India Meters Ltd., and the stock measurement books of consignee Sub-Divisions that the meters were actually received after considerable delays, ranging from 15 days to 110 days; 780 meters stated to have been despatched in February 1970 and March 1970, were actually received by S.D.O., Rohtak on 16th June, 1970 from Bombay Okara Services, New Delhi. As per goods receipts produced by India Meters Ltd.,for payment, the goods were despatched through Vasundbara Lorry Services Ltd., Bangalore. A doubt arose in March, 1970 as to whether India Meters Ltd., had claimed payments by producing goods receipts without actually delivering the material to the carriers and whether interest could not be claimed from the firm for the payments from the dates of payment to the dates of receipts of the meters by the consignees. As per the decision of the Whole Time Members taken on 23rd January 1973 a sum of Rs. 1.68 lakhs on account of penalty for delay in receipt of the meters and interest charges till the dates of receipt, was recovered while releasing the payment on 15th February 1973 against another order placed on the firm in July 1972.

The object of making ex-stock purchase at higher rates was not achieved as receipt of material was considerably delayed. When the meters stated to have been despatched were not received in time and when the material stated to have been despatched through Vasundhara Lorry Services Ltd., Bangalore was actually delivered to the consignee in June, 1970 by Bombay Okara Services, New Delhi, no investigation was initiated to find out whether India Meters had claimed payment without actually delivering the material to the carriers. The procedure of making payments against lorry receipts of private transport agencies was also unusual. The firm has, however, been asked in July, 1973 to submit certificate from a Chartered Accountant as to the dates on which the meters were actually handed over to the Carrier(s). The Board stated in December, 1973 that the matter would be processed further on receipt of a reply from the firm. Government further stated in December, 1973 that "the Board has informed that according to the procedure now adopted by them, payment is released on proof of despatch against R.R., but in the case of road transport,payment is released only on the actual receipt of material."

The Board stated in its written reply that as the requirement of material was emergent its transport by road was authorised and the firm was also advised to despatch through cheaper road transport organisation. The firm despatched the entire lot of meters in February, 1970 to different stations duly insured and on the basis of goods receipts obtained payment for the meters supplied. Complaints were received from some of the consignees ,that the material had not been received at their end. The matter was immediately taken up with the firm. But in order to safeguard the interests of the Board, orders were issued to operate bank guarantees. It had also transpired that the material had been held up on transhipment point. The firm had furnished the details of missing consignments and the transport companies through which it had been sent.

In order to safeguard the interests of the Board it was decided that no payment should be made against goods receipts and in cases where material was transported through road transport payment should be made only on receipt of the material against receipted challans.

A doubt had arisen as to whether the goods were actually handed over to the transport company as claimed in the invoice by the supplying firm. The matter remained under examination for quite some time and the S.P.C. recommended on 21st November, 1972 that the firm be asked to furnish a certificate from the Chartered Accountant to the effect that the meters as per each consignment were available with the firm and were actually handed over to the transporters by the firm on the dates of G. Rs. and the dates on which these meters were withdrawn from the original transporters and the dates on which these were handed over to the new transporters for ultimate delivery to the consignees. The firm had already been asked to furnish the requisite certificate and on receipt of the reply the matter would be processed further and if it was found that there was some malpractice, then it would be a case for prosecution otherwise the firm would be black-listed. However, the interests of the Board had already been safeguarded by effecting recovery to the extent of Rs. 1.68 lakhs. In addition claim against bank guarantee of Rs. 1.51 lakhs had also been lodged with the guarantor bank.

In reply to an enquiry as to why the un-usual procedure of making payments against lorry receipts was followed in this case, it was explained that according to the purchase order the delivery in this case was f.o.r. Madras. As the requirement of the material was emergent, transportation of material was authorised and the firm was also advised to despatch through cheaper road transport organisation. In this context, the Board quoted the following provision contained in section 39 (sub-section 1) of the Sales of Goods Act :—

"*Delivery to carrier or wharfinger*

Where in pursuance of a contract of sale, the seller is authorised or required to send the goods to the buyer, delivery of the goods to a carrier, whether named by the buyer or not, or delivery of the goods to a wharfinger for safe custody, is *prima facie* deemed to be a delivery of the goods to the buyer."

It was further stated that after this incident it had been decided by the Board that no payment should be made against G.R. and necessary provisions to that effect were made in the purchase order.

The Committee find that in this case the interests of the Board have already been fully safeguarded by effecting the recovery of Rs. 1.68 lakhs on account of penalty for delay in receipt of meters and interest charges and in addition claim for Rs. 1.51 lakhs had also been lodged with the guarantor bank. The Committee would like to be apprised of the final outcome of the claim lodged with the guarantor bank, as also the action taken against the firm on receipt of certificate of Chartered Accountant called for by the Board.

Paragrnph 8.11 (6)—*Purchases in* 1971-72

39. (a) Limited tenders were invited in March 1971 for supply of 10,000 poly-phase meters at the rate of 1,200 per month. Amongst the tenders received were the following lowest offers :—

Firm	*Price per meter* (*Rs.*)	*Equivalent price* (*Rs.*)	Remarks
Sharda Electricals, Karnal (A)	137.00	137.00	ECE-EAW make
Andhra Pradesh Electrical & Equipment Corp. (B)	134.00	138.02	-do-
Universal Electrics (C)	134.90	138.95	
India Meters Ltd. (D)	135.00	139.05	Suitable discount for order for the entire quantity.

The lowest offers of firms 'A' and 'B' were ignored because the make of the meters offered was found defective after testing in April, 1971. On 20th May, 1971 the Committee of Whole Time Members of the Board decided to purchase 6,500 meters of the value of Rs. 9.00 lakhs from firm 'C' but directed that before orders were placed, Superintending Engineer (M & T) should report in detail about the suitability and working of meters offered by firm 'C' as also the next higher tenderer, *viz.*, firm 'D'.

On the same day, *viz.*, 20th May, 1971, firm 'D' specified its discount of Rs. 2 per meter for order for the entire quantity and extended the validity of offer up to 25th June, 1971. On a request by the Board, firm 'D' again extended the validity up to 25th July, 1971 and also offered to absorb the new impost of excise duty at the rate of 10 per cent in its quoted price.

In the meantime, before getting the sample test report, telegraphic acceptance for the purchase decided by the Whole Time Members was issued to firm 'C' on 25th May, 1971. While acknowledging the order firm 'C' asked for confirmation regarding payment of additional excise duty.

The test report of the Superintending Engineer (M & T) on the meters of firm 'C' and 'D', indicated that there was not much to choose between the suppliers. Hence the Whole Time Members decided on 9th July, 1971 to purchase the entire quantity from firm 'D' at the rate of Rs. 133 f.o.r. destination. An order for 10,000 meters of the value of Rs. 13.17 lakhs was placed on 16th July, 1971. The purchase was approved by the Board *ex post facto* on 27th July, 1971. The acceptance issued to firm 'C' was cancelled telegraphically on 9th July, 1971.

The Board stated in its written reply that limited tender enquiry for the actual minimum requirement of meters was issued in March, 1971 to check unhealthy practice of frequent revision of prices indulged in by some of the firms after opening of the tenders received against earlier tender enquiry Nos. QH-281 and QH-308. In this way, an opportunity was afforded to all the firms who had quoted earlier against regular tender enquires, to revise their rates once for all. On receipt of tenders, Chief Engineer (Operation) decided to get reports regarding performance of the meters of the following firms as there were reports from the field about defects in the meters supplied by some of the firms :—

1. Andhra Pradesh Electricals.
2. Malik Meters.
3. Baroda Electric Co.

After going through these reports and the reports of the field officers, the S.P.C. recommended placing of the order on Sharda Electricals for the Andhra Pradesh make at the revised reduced price of Rs. 137 each despite the fact that defects had been pointed out by the Superintending Engineer Maintenance. The case was discussed by the Whole Time Members in their meeting held on 20th May, 1971 when the Technical Member was present. In the light of the technical opinion expressed by the Technical Member during the meeting and on the basis of the test results already available, the recommendations of the S.P.C. for Andhra Pradesh make meters were not accepted and the Whole Time Members decided to place order on Universal Electrics to the tune of Rs. 9 lakhs subject to the testing of their meters. The Whole Time Members also took the precaution of getting tested the meters of the next higher tenderer i.e. India Meters even though that firm had already made satisfactory supplies and no comlaints had been received from the field about their meters. In the meanwhile the firms were asked to extend their validity by the Store Purchase Section. While extending the validity India Meters offered to absorb the incidence of excise duty and also offered rebate of Rs. 2 per meter. But the Universal Electrics extended their validity with their prices unchanged. Superintending Engineer Maintenance also gave his report on the meters supplied by both the parties and the Technical Member gave his categorical views that there was not much to choose between the two suppliers in regard to the technical aspect mentioned in the test reports. Hence on 9th July, 1971 the Whole Time Members including the Technical Member decided to place orders for 10,000 meters on India Meters being the lowest suitable offer. The full Board approved the action of the Whole Time Members in their meeting held on 27th July, 1971. The order on India Meters was placed not on the basis of price consideration alone but also on the basis of suitability of their offer on technical consideration. It was not considered advisable by the Board to ask all the firms to quote for their revision in prices since the order was not to be placed strictly on price consideration alone especially when the first three lowest offers had already been ignored on technical consideration.

The Committee feel that since India Meters had offered a price lower than the lowest price received in the tenders, it would have been better if the Board instead of placing the order on this firm straightaway, had negotiated the price with all the tenderers to see if they could also make the supply at this price. However, action of the Board has resulted in some saving.

(b) Further purchase by negotiation

On 20th July, 1971, the Whole Time Members decided to purchase 10,000 more meters from firms 'C' and 'D' at the price at which orders were placed on firm 'D' on 16th July, 1971. During negotiations on 6th August, 1971 both the firms agreed to the rates, terms and conditions. On 30th August, 1971, the Board approved the purchase of 5,000 meters from each of the two firms. Accordingly, purchase orders were placed on each of the firms on 27th September 1971 for 5,000 meters valued at Rs. 6.58 lakhs.

Though there was a downward trend in the market price, the Board did not consider it necessary to invite fiesh tenders before deciding further purchase of 10,000 meters. On 11th August, 1971, fiim 'B' offered to supply meters at Rs. 130 per meter f.o.r. destination and submitted an improved sample for testing. Neither the sample was tested nor was the offer brought to the Board's notice on 30th August, 1971 when it approved the negotiated purchase. Within a few months thereafter, purchases at considerably cheaper rates were arranged fiom these firms after open tender enquiries as shown below :—

Date of		*Firm*	*Number and rates of purchase*
Opening tenders	*Placing order*		
November 1971	April 1972	'C'	10,000 @ Rs. 112 per meter
May 1972	July 1972	'D'	15,000 @ Rs. 85 per meter

The Board stated in July, 1973, that additional orders were placed in August, 1971 without inviting tenders in view of the urgency for achieving the targets for energisation of tubewells and industrial service connections and to save excise duty and other charges.

The Board stated in its written reply that as per the tentative targets fixed by the Board 15,000 tubewells and 3,000 industrial service connections were required to be given during the year 1971-72 for which Controller of Stores indicated the requirement of 18,400 Polyphase meters (both 10 amps. and 25 amps.). To achieve the above targets, 10,000 meters were initially ordered on India Meters on 16th July, 1971. While the case regarding progress of tubewell energisation was reviewed in the meeting of the Whole Time Members with Chief Engineer Operation, Chief Engineer (P & C) and other officers of the Board on 20th July, 1971, it was considered that in order to achieve the said targets, the balance requirement of meters to the extent of 10,000 would have to be arranged immediately for which it was decided by the Whole Time Members that a further order for 10,000 meters be placed on India Meters/Universal Electrics after negotiations with both the parties whether they were agreeable to supply material at the prices at which previous order for 10,000 meters had been placed on India Meters. This was also done to save excise duty and other charges. On 30th August, 1971 the Board approved the purchase of 5,000 meters from each of the two firms and orders were accordingly placed on these two firms on 27th September, 1971. It was added that the Controller of Stores had indicated in his letter dated 6th August, 1971 the requirement of three phase meters of the order of 30,634 for the period from 1st September, 1971 to 31st March, 1972 which would indicate that even the orders placed above were not enough to meet with the requirements. It was felt that in case tenders had been re-invited it would not only have delayed the procurement of material after finalisation of enquiry which normally took about two to three months but would also have correspondingly given a set back to the work of giving tube-well connections for Grow More Food Campaign for which the State Government had laid special stress at that time. It was further stated that in case of meters also there had been certain amount of uncertainties in prices and in the case of tenders opened during the year 1969-70 and 1970-71 the prices actually showed upward trend.

Andhra Pradesh Electrical Equipment Corporation offered on 11th August, 1971 to supply meters of 10 amps. and 25 amps. @ Rs. 130 each f.o.r. destination and submitted on 20th August, 1971 an improved sample of the meters proposed to be supplied by them. Since the S.P.C. conducted negotiations on 6th August, 1971 as per the decision of the Whole Time Members on 20th July, 1971 there was no question of bringing the contents of the A.P.E.E.C's letters dated 11th August, 1971 and 20th August, 1971 to the notice of the Whole Time Members before such negotiations were conducted. While the purchase from India Meters and Universal Electrics had been approved by the full Board on 30th August, 1971, Andhra Pradesh Electricals in their letter dated 9th September, 1971, again represented for acceptance of their revised offer of Rs. 130 per meter. When this representation was considered by the Chief Engineer on 21st October, 1971 he observed that since two orders had already been placed for 10,000 meters in accordance with the decision of the Board and for further requirements fresh tenders had already been invited, this firm would also get opportunity to offer their lowest rates. When the case was considered by the Member Finance and Accounts he remarked that the firm's offer against Q.S.T-56 had already been ignored in the light of the comments of the Superintending Engineer (Maintenance) who had tested the samples of this firm and had clearly and categorically stated that the meters of this firm were below specification. The Bcard, therefore, ignored this firm. For the same reasons the Board also ignored the firm subsequently when they increased the order for another 10,000. Unless, therefore, the firm was in a position to supply meters according to the specification the question of considering them for any order did not arise even though they participated in the tender. He, therefore, suggested that when the tenders were issued afresh the specifications should be clearly brought out and tenders received thereagainst scrutinised carefully where this firm could also participate.

The Committee observe that order for 10,000 more meters from Universal Electrics and India Meters was placed at the same price at which orders had been earlier placed on India Meters on 16th July, 1971 in accordance with the decision of the Whole Time Members of the Board. Since the decision of the Whole Time Members was taken only 4 days after the order of 16th July, 1971 and both India Meters and Universal Electrics had agreed to the rates, terms and conditions as contained in that order it would have been a futile exercise to call for fresh tenders within such a short time. Although Andhra Pradesh Electricals had offered to supply meters at the lower rate of Rs. 130 per meter yet the meters previously supplied by them were not found to be technically feasible and there were also reports about their defective functioning from the field. The Board had, therefore, valid ground to ignore the firm's offer on the basis of past experience.

The Committee also feel that the consideration of the tenders has to be done with reference to the particular tender enquiry and it cannot be possible to anticipate as to whether the rates against future tenders would be lower or higher, which has necessarily to depend on the availability of materials and other factors in the market. In fact, the Board had contended that there was uncertainty in prices during the years 1969-70 and 1970-71 and the prices had actually shown an upward trend. The Committee are, therefore, of the view that the Board's action in placing order for 10,000 more meters on Universal Electrics and India Meters was in order.

(c) Defective supplies

Firms 'C' and 'D' completed the supplies and 100 per cent payments, including sales tax, were released against bank guarantees as shown below :—

Date of supply order	*Firm*	*Supply completed on*	*Payment*	
			Amount	*Date*
			(Rupees in lakhs)	
16th July 1971	'D'	8th September 1971	13.56	14th September 1971
27th September 1971	'D'	7th October 1971	6.78	25th November 1971
27th September 1971	'C'	29th December 1971	6.78	10th January 1972

Out of the supplies made by firm 'D' against the first order for 10,000 meters, 653 meters were found defective and of this 634 were repaired by the firm. The balance of 19 meters were awaiting repairs in May, 1973. On being tested in Board's laboratory 711 meters valued at Rs. 0.95 lakh were found to be electrically defective. Out of the supplies made by firm 'D' against the second order for 5,000 meters, 691 meters were received with broken glasses/fixing clamps ; 215 of these meters were repaired by the firm. Besides 413 meters valued at Rs. 0.59 lakh, including some meters with broken glasses, were found electrically defective. Government reply received in December 1973 indicated that electrically defective meters had been sent back to the firm's works for repairs at the firm's cost.

The Board stated in its written reply that out of 495 defective meters received against two orders placed on India Meters, 230 meters were awaiting repairs. However all pending payments of the firm had already been withheld and recoveries would be effected before these were released in case the firm did not agree to repair/replace the defective meters.

Out of 1,124 electrically defective meters sent to the firm against two orders, 478 meters were awaiting repairs/ replacement. The cost thereof would be recovered from the pending payments of the firm, in case it did not agree to repair/replace the balance defective meters.

The Committee observe that although more than three years had elapsed, defective meters received in the year 1971 had neither been got repaired replaced nor had any recovery been made so far. The Committee would like to be informed of the final position of the repair/replacement of the defective meters received from India Meters and about the recovery of the amounts thereof from the pending dues of the firm in the event of their failure to repair/replace such meters.

Paragraph 8.11 (7)—Damaged/defective meters awaiting repairs

40. The Board had set up three Maintenance and Testing laboratories at Faridabad, Rohtak and Hissar between April and August, 1969 in addition

to the three laboratories at Dhulkote, Karnal and Delhi which were already in existence at the time of formation of the Board. The six laboratories have the capacity of repairing 10,000 damaged/defective meters per month approximately. During 1972-73, on the average, about 8,000 meters per month were received for repairs. As on 31st March, 1973, 61,152 damaged/defective meters valued at Rs. 35.34 lakhs were awaiting repairs in these laboratories; out of these 5,030 meters valued at Rs. 2.86 lakhs were beyond repairs. Particulars as to the periods when these meters were received for repair were not available but these included meters received before 1969-70.

Government stated in December 1973 that the accumulation of repairable meters was due to delay in obtaining necessary spare parts for which the average procurement period ranged from 1 to 1½ years. It was further stated that the Board had now started stocking certain common spares and also purchasing the more commonly needed parts alongwith the meters themselves.

The Board stated in its written reply that 6 meter testing laboratories had been set up where defective meters were repaired. The total capacity of these laboratories for repairing was 10,000 meters per month approximately. This capacity was assessed considering the fact that there were about 8 lakh meters in the field and it was reasonably expected that about 10,000 meters per month would be received for repairs. As a matter of fact, the present inflow of damaged meters was 8,000 per month. The full life of a meter may be considered to be about 15 years but this life could be ensured by periodical repairs of the meters. There were several types of meters in the field ranging from 20 years old meters purchased by the composite Punjab State Electricity Board. It was only after the meters were received that the assessment could be made of the damage and the parts necessary to set them right. The average procurement for spare parts ranged from 1 to 1½ years. It might, therefore, be reasonably expected that meters received over a period of 1 and 1½ years would be lying in laboratories awaiting repairs. At the present rate one may expect 80,000 meters to be awaiting repairs. Against this the number of defective meters awaiting repairs was 60,000. This had been possible because the Board had now started stocking certain common spare parts and a large number of repairs could be immediately done by using spares available in the stock. It was, therefore, not correct to say that any capital was being blocked by keeping the damaged meters in the laboratories. It was further mentioned that in almost all the cases the cost of the damaged meters was recovered from the consumers. Therefore, the Board had not been put to any loss. There were reasons to believe that the performance of the laboratories of the Haryana State Electricity Board was superior to those of the neighbouring State Electricity Boards.

It was also intimated by the Board that 5,178 meters were obsolete unrepairable and 17,806 meters were lying for more than 3 months.

During oral examination, the Board was asked to ensure that the meters received in the laboratories were not kept un-necessarily for long periods without actual repairs and that action was taken for obtaining suitable spare parts for putting the defective meters in order as quickly as possible. The Board promised to take stock of the position in this behalf and to inform the Committee in due course of time.

The Committee observe that a number of meters had accumulated in the Board's laboratories and were awaiting repairs. While the Committee appreciate

the arrangements made by the Board for carrying out the repairs to the damaged/defective meters they would like that the Board should take steps to ensure that :—

(1) reasonable stock of common spare parts is maintained so that there is no un-usual delay in repairing the damaged/defective meters ; and

(2) the damaged/defective meters are not kept in the laboratories for un-usually long periods without carrying out repairs.

Paragrvph 8.12—Purchase of transformers

41. The Board dispensed wuth open enquiries for the purchase of distribution transformers from March, 1969 onwards and decided to make purchases on the basis of limited tender enquiries issued to firms of "repute and standing" empanelled for the purpose. Small scale industrial units were excluded on the ground that they could not supply transformers of the required quality. As a result, the lower offers of four firms received in December, 1968 against open enquiry, including those of two small scale industrial units, otherwise acceptable, were ignored in March, 1969. The Board thereby incurred an extra expenditure of Rs. 3.38 lakhs in purchase of 1,275 transformers of 40 KVA. The number of firms empanelled was 13 in March, 1969, 15 in December, 1969 and 17 in March, 1970. Orders for transformers worth Rs. 7.83 crores were placed from April, 1969 to September, 1970 by inviting tenders only from these firms. Bulk of the orders valued at Rs. 2.88 crores and Rs. 1.66 crores were placed on Electric Construction & Equipment Company Ltd., Sonepat (E.C.E.C.) and Government Electric Factory, Bangalore respectively. Before drawing up the panel, no survey of available manufacturing units was undertaken ; nor were applications for empanelment invited from firms through the press. There were 26 manufacturing units in the transformer industry in the large scale sector alone in April, 1969. Thus, large scale purchases were made under conditions of restricted competition and small scale industrial units were excluded during the period of maximum demand. Government stated in December, 1973 that the Board had been advised to streamline the procedure for empanelment of firms and to ensure that the panel so prepared was updated regularly.

The trend of prices (capitalised equivalent) of distribution transformers was as under :—

	40 KVA	*63 KVA*	*100 KVA*
	Rs.	*Rs.*	*Rs.*
April 1969	4,999.58	6,235.35	
June 1969		6,500.28	
October 1969			11,981.71
December 1969	6,214.00		
	6,748.25		
January 1970	6,483.46		
	6,750.00	8,244.08	
March 1970			13,963.15
April 1970			12,125.73
			12,337.83
			12,072.70
September 1970			12,690.57

A review of the purchases revealed the following :—

(a) Order for power transformers of the value of Rs. 31.76 lakhs was placed without specific requirements (sub-paragraph 2).

(b) Lacuna in procedure in issuing letter of intent, instead of issuing a letter of acceptance, enabled the firms to back out of their offers when there was rise in market prices, resulting in extra expenditure of Rs. 31.54 lakhs on account of subsequent purchases at higher rates, inclusive of Rs. 13.01 lakhs in respect of purchase from the same firm in one case (sub-paragraphs 3 and 4).

(c) Order was placed after expiry of validity period and as the firm refused to accept the order, transformers had to be purchased at higher rate (sub-paragraph 4).

(d) In cases where the lower offer of a firm on long delivery terms was ignored and its higher offer accepted for earlier delivery, no provision was made in the contract for payment at the lower rate if delivery was delayed. The firm got undue benefit of higher rates in respect of delayed supplies also (sub-paragraphs 5 and 6).

(e) Purchases, including an ex-stock purchase, were made at higher rates, to make up the shortage caused by delay in supplies against pending orders at an extra cost of Rs. 8.59 lakhs (sub-paragraphs 6 and 7).

(f) While the Board was considering cancellation of an order placed at a high rate, their officers continued to make commitments against the order (sub-paragraph 6).

(g) Decisions regarding recovery of damages for delayed supplies were delayed (sub-paragraphs 3 and 4).

(h) Purchase proposals for Rs. 21.37 lakhs were finalised without being examined by the Stores Purchase Committee (sub-paragraph 5).

(i) Some transformers supplied by a firm with lesser weight than that specified in its offer were accepted without any price reduction (sub-paragraphs 4 and 5).

(j) 20 to 35 per cent of the transformers purchased from some of the firms got damaged within about 4 years of their receipt, the expected life of distribution transformers being about 30 years (sub-paragraph 8).

(k) 140 distribution transformers of various capacities valued at Rs. 2.98 lakhs were awaiting repair in the workshops for over four years (sub-paragraph 9).

Details of the cases have been discussed in the succeeding sub-paragraphs.

The Board stated in evidence that purchase of power distribution transformers in the Punjab State Electricity Board as well in Haryana State Electricity Board had been effected upto March, 1969 against open tenders where practically all the manufacturing units in the country had been sending quotations. On that basis a number of mushroom firms having no technical competence or financial standing had been obtaining orders but both the quality of material and their supply performance was not found satisfactory. For this reason it was considered advisable in February, 1969 to evolve a panel of standard firms keeping in view their financial stability, capacity to manufacture the required quality of transformers within the stipulated period and technical competence to supply quality material. For this purpose a committee of technical officers headed by the Technical Member of the Board was set up and a panel of 13 firms was evolved for procurement of this material in future. During oral evidence the Board was asked to clarify as to why 13 firms were placed in panel although there were 26 manufacturing units in the transformer industry in the large scale sector in April, 1969. It was stated that the special committee recommended 13 standard firms for panel after looking into the capability of their manufacture, whether they were financially good enough to manufacture quality transformers, whether they were capable of manufacturing the number required within specified period and whether arrangements for testing in the laboratory existed to see that the manufactured items were of quality material. It was after going through this process that the special committee recommended these 13 firms. In case the Board had continued to place order on the mushroom firms at somewhat lower rates against open enquiries the actual loss to the Board for sub-standard material and burning of transformers would have been enormous. By excluding such firms from the approved list the Board had ensured supply of quality material.

The recommendations of the special committee were later on approved by the Whole Time Members and only thereafter limited tenders to the firms brought on the approved list of the Board were issued for supply of distribution transformers. Subsequent to February, 1969 some more firms including small scale industrial units had also been taken on the panel of the Board with the approval to the Whole Time Members when it was found on inspection of their works with respect to their technical competence and financial standing that they could also supply quality material.

As desired by the Committee the Board also submitted a note in regard to technicalities in the manufacture of distribution transformers wherein it was *inter alia* explained that distribution transformers used in the Board's distribution system are generally for use on pole mounted substations for the purpose of stepping down the voltage from 11KV to 400 volts for feeding the L.T. distribution mains feeding consumer premises. The design and manufacture of this equipment within pre-determined constraints of highest possible efficiency and minimum cost involves considerable experience in design practices as well as sophisticated techniques of manufacture. The choice of materials used in transformer manufacture is highly important. Use of low grade steel for the core will not only increase the transformer size and involve heavy voltage drop within the transformer but will also contribute to high iron losses. Similarly use of correct size of copper/aluminium for the electrical windings as well as the type of winding will ensure low copper losses, low temperature rise and minimum of product cost. The number of defects which could develop in the distribution transformers through faulty manufacturing process were also listed. It was added that the distribution transformers provide the all important link through which the ultimate consumers are able to draw power from the H.T. distribution system. Failure of a distribution transformer in service is not only loss of the particular equipment but it also results in dislocation of supplies to all the consumers served by it. This in turn involves loss of Board's revenue and the indirect losses to the community through loss of production due to stoppage of power supplies to tubewells or industry. It would thus not be prudent to entrust supply of this equipment to manufacturers who have neither the requisite skill nor the specialised machinery and technical processes to ensure the desired quality of manufacture. The newly established small scale manufacturers can hardly be trusted to start turning out quality products from the very beginning.

The Committee observe that the Board decided to empanel 13 firms of repute for the purchase of distribution transformers on the recommendation of a special committee headed by the Technical Member in order to secure supply of transformers of the required quality. As explained by the Board the transformers provide important link through which the power is supplied to the consumers. The failure or damage to a transformer can result in dislocation of power supply to the consumers. The Board had also stated that the procedure for purchase of transformers from various firms on the basis of open tenders had not been found satisfactory. The Committee agree that the revised procedure adopted by the Board was motivated by the consideration of quality material and practical experience of working of open tender system. The Committee would, however, like that the panel should be reviewed periodically so that other manufacturers of good quality transformers also get a chance to compete.

Paragrayh 8.12(2)—Purchase without specific requirements

42 The requirements of 66/11 KV transformers were assessed by the Chief Engineer (P & C) in January 1971 as under:—

	7.5 MVA	12.5 MVA
Spare transformers authorised against Beas Project	3	..
For sub-station at Barara against sanctioned project	..	1
For sub-stations expected to come up	3	6
	6	7

On the basis of open tenders invited in January 1971 for six 7.5 MVA and seven 12.5 MVA power transformers, order for Rs. 21.33 lakhs for six 7.5 MVA transformers including spares was placed in August 1971 on the lowest tenderer, Siemens India Ltd., at the rate of Rs. 3.5 lakhs each.

Siemens India Ltd., did not quote for 12.5/16 MVA transformers for which the rate of Rs. 6.97 lakhs each quoted by Easun Engineering Co. Ltd., was the lowest. The Board authorised the Whole Time Members to take the final decision on purchase of 12.5/16 MVA transformers after obtaining the Technical Member's recommendation. The Technical Member stated that there was no project provision for 12.5/16 MVA transformers. The proposal for their purchase was, therefore, dropped on 26th August, 1971. However, in lieu of these 12.5 MVA power transformers, the Whole Time Members decided on 7th September 1971 to purchase seven more 7.5 MVA transformers, against suitable offers already received, in order to overcome the anticipated shortage of these transformers during 1971-72 and 1972-73, even though there was no project provision for the purchase of these transformers. An order for additional seven 7.5 MVA transformers was placed in September 1971 on Siemens India Ltd., with the approval of the Board at the same rate of Rs. 3.5 lakhs each. The total amount of the order and spares was thus increased from Rs. 21.38 lakhs to Rs. 46 lakhs. Out of the total number of thirteen transformers of 7.5 MVA nine transformers and spares costing Rs. 31.76 lakhs were ordered without specific requirements. Delivery against the order commenced in July 1972 and, as per schedule, eight transformers were supplied up to March, 1973. Government stated in December 1973 that purchases were made by the Board pending project sanction in view of the urgency of the works in the context of growth of load in Haryana.

The Technical Member had instructed in November 1970 that onload tap changing gear should be provided in all 33 KV and higher voltage substations as a measure to bring down high transmission losses in the distribution system. Provision of on-load taps with power transformers was meant to bring down voltage fluctuations which result in the following disadvantages:—

(a) Deviation of distribution voltage from the prescribed statutory limits.

(b) Adverse effects on industrial operations in the connected industries.

The tender specifications issued in January 1971, however, made no mention of this type of gear and all the thirteen transformers, the expected life of which is 35 years, were ordered without on-load tap changing gears. The Board stated in March 1973 that it would not be feasible to provide on-load taps in the transformers already ordered, as it involved change of design and these transformers without on-load taps, received/to be received, were being utilised or were proposed to be utilised in the Faridabad-Gurgaon belt where the voltage conditions were steady. It may be stated that for Faridabad complex, orders for four transformers of 10 MVA each and 6 transformers of 6 MVA each had separately been placed in July and August 1972 respectively.

No reasons were on record for not inviting fresh tenders before placing the order for the additional seven transformers at a cost of Rs. 24.63 lakhs on Siemens India Ltd., or for not asking the firm to give price reduction in view of increase in quantity. Government stated in December 1973 that fresh tenders were not invited as the validity of Siemen's offer had not expired and the market was showing an upward trend. However, Siemen's offer for six transformers was valid only upto 15th August, 1971 and the firm was asked on 30th July, 1971 to extend validity of its offer upto 15th September, 1971. The other seven tenderers who had quoted for 7.5 MVA transformers were not asked to extend the validity of their offers. One of them, Transformers & Switchgear Ltd., Madras, had reduced the price to that of Siemens India Ltd., and had kept the offer open up to 30th September, 1971, but this was ignored as being a post-tender offer.

The Board stated in evidence that the assessment of the requirements before floating tender enquiries was made on the basis of provision in the approved projects, projects under preparation/under approval and the sub-stations otherwise envisaged under the open capital and to be incorporated in the regular project. In this particular case, the requirement of transformers of rating 12.5 MVA capacity and 7.5 MVA capacity was worked out by the Chief Engineer, P&C, on the above-mentioned basis. However, after the receipt of the tenders, Technical Member of the Board thought that there was no necessity of purchasing transformers of 12.5 MVA which were of a very high capacity and in the event of failure or damage the whole area served by them would be deprived of the electricity power. It was thought that it was better to go in for additional transformers of 7.5 MVA capacity which would be more beneficial as compared to the transformers of 12.5 MVA capacity. It was argued that although transformers of 12.5 MVA capacity were initially included in the tender enquiry on the basis of assessment of the Chief Engineer, P&C, but subsequently the Technical Member did not agree to their purchase on technical grounds. It was also stated that order for the additional quantity of 7.5 MVA tranformers was placed on Siemens India Ltd., as the validity of their tender invited in January, 1971, was available and keeping in view the fact that the market was showing an upward trend. Further fresh tenders would have also delayed the supply of transformers and consequently the execution of the works urgently needed for supply of power to vital industries in the State. The firm on whom the order was placed was the lowest tenderer against that enquiry and there was no question of asking them for price reduction for the increased quantity since it was only an extension order on the firm on their lowest quotation on which earlier order had been placed.

On 7th September, 1971, the Whole-Time Members in their informal meeting with the Chief Engineer, P&C, Chief Engineer (Operation) and S.E., Designs decided that due to shortage of 66 KV transformers in the wake of anticipated 66 KV Sub-stations during the year 1971-72 and 1972-73, the purchase of additional transformers might be effected from the lowest tenderer against their tender enquiry already opened. Since the order was decided by the Whole-Time Members to be placed on the lowest tenderer, there was no idea of asking the other firms to extend the validity of their offers. The Transformers and Switchgear Ltd., Madras though reduced their prices to the level of Siemens (and not below the Siemen's price) but were ignored because their reduction was a post-tender offer. The reduction made by them did not reflect the true reduction in prices but to grab the order as in the subsequent enquiries floated and opened by the Board for 66 KV transformers, the prices of transformers showed upward trend. In reply to an enquiry of the Committee, it was mentioned that the data regarding the dates on which these transformers were received and the dates and places of their utilization was being collected.

Asked as to why the instructions of the Technical Member of November, 1970 to provide on load tap changing gear had not been observed, it was explained that most of these transformers were envisaged to be utilised in Faridabad, Ballabgarh and Gurgaon complex where the voltage conditions were excellent and most of the loads were concentrated ones. The specifications were also issued at the time of invitation of tenders for 7.5 MVA transformers with off-load tap changing gear keeping these factors in view and the purchase order was approved accordingly. The transformers which had been earlier ordered for Faridabad were meant for the Ring-main sub-stations A-2, A-3 and A-4 and not for the industrial sub-stations falling in the Faridabad-Ballabgarh complex and Gurgaon area. The 7.5 MVA transformers were being used for sub-stations other than Ring-main sub-stations.

The Committee observe that although the requirement of 12.5 MVA transformers was initially assessed by the Chief Engineer, P&C, the Technical Member did not agree with their purchase on technical grounds when the tenders received from the firms were submitted for approval. There must have been a valid justification for a senior technical officer to over-rule the initial assessment of another technical officer and it would not be correct to say that once tenders had been called for on the basis of initial assessment, purchase must have been effected on that basis even if it was not considered desirable from the technical point of view. The Committee also find that when the decision to place orders for additional 7.5 MVA transformers was taken, the validity of the offer of Siemens India Ltd. was still available and they had also quoted the lowest rates. The Committee do not consider that the action of the Board to place the order for the additional transformers of 7.5 MVA capacity on Siemens India Ltd., was in any way detrimental to the financial interests of the Board. Rather the Board was able to procure these transformers at a competitive rate from a standard firm. Even if the Board had decided to go in for fresh tenders, there is every possibility of the higher rates being quoted and in the meanwhile the validity of the offer of Siemens India Ltd. might have also expired.

The Committee also feel that since the Transformers and Switchgear Ltd. Madras had reduced their prices to that of Siemens India Ltd. after the tenders had been opened, the Board was justified in ignoring their offer. Even if the order had been placed on Transformers and Switchgear Ltd. Madras, it would not have brought about any financial benefit to the Board. This apart, the supply of transformers might in this process have been delayed.

The Committee also find that these transformers were procured for industrial sub-stations in the Faridabad-Ballabgarh complex and Gurgaon area where the voltage conditions were stated to be excellent. Moreover, the Board had explained that the transformers with off-load tap changing gear were suitable for these areas and the specifications issued at the time of inviting tenders also provided for off-load tap changing gear. In view of this, the Committee feel that no further action is necessary in this behalf.

However, the Committee would like that the dates on which the transformers in question were received from Siemens India Ltd. and the dates on which they were actually installed be furnished to them as early as possible.

Paragraph 8.12 (3)—Extra expenditure due to non-issue of letter of acceptance

43. In response to an open tender enquiry for 1,550 distribution transformers of 40 KVA each required upto September, 1969, 18 firms quoted in December 1968. The Board decided in February 1969, to effect the purchase from standard firms only and accordingly, a panel of 13 firms was drawn up in March, 1969. Five empanelled firms had tendered in December 1968. General Electric Company of India (G.E.C.), whose quoted rate Rs. 3,245, capitalised equivalent rate Rs. 4,717.38, was the lowest among the empanelled firms, had offered to supply 1,550 transformers before September 1969. A telegraphic letter of intent was issued to G.E.C. on 26th March, 1969, within the validity period of its offer. G.E.C. did not accept the telegraphic letter of intent stating that due to strike in the factory of its suppliers of laminations and its own booking to capacity since submission of the tender, it could not commence supplies till October, 1969.

The second lowest tender of Rs. 3,148.00, capitalised equivalent rate of Rs. 4,930.79 was from Crompton Greaves Ltd., who had not offered to supply any transformer before the end of September 1969. The third lowest rate of Rs. 3,375.00, capitalised equivalent rate of Rs. 4,999.58, was from EMCO Transformers, Bombay. The fourth lowest rate of Rs. 3,350.00, capitalised equivalent rate of Rs. 5,136.00, was from Electric Construction & Equipment Co. (E.C.E.C.) who had offered to supply 1,150 transformers before September 1969. This firm, being a unit situated in Haryana, gained precedence over EMCO Transformers, Bombay, in accordance with the order preference policy of the Board. The order for 1,150 transformers was placed on E.C.E.C. in April 1969 at the rate of Rs. 3,284.37, which was worked out on the basis of the capitalised equivalent rate of Rs. 4,999.58 of EMCO.

As the Board felt that the trend of prices was going upward and there would be delay in receipt of material if fresh tenders were invited, order for 1,200 transformers, inclusive of additional requirement of 800 transformers on account of enhanced target of rural electrification during 1969-70, was placed in May 1969 on the second lowest tenderer, Crompton Greaves Ltd., who had, meanwhile, in April 1969, offered to supply this quantity by October 1969.

Consequent upon G.E.C. not accepting the letter of intent, the Board incurred extra expenditure of Rs. 4.1 lakhs on purchase of 1,550 transformers. The Chairman and the Technical Member decided in April 1969 to suspend business dealings with G.E.C. for a period of two years. In May 1969, however, G.E.C. offered to supply 400 transformers at its quoted price, if the order of suspension of business dealings was withdrawn. The firm was asked, in July 1969, to deposit a sum of Rs. 2.46 lakhs, being five per cent of the value of the letter of intent placed on it before business relations could be restored. The firm declined to deposit the amount. The Whole-Time Members decided in October 1969 not to revoke the suspension order. In taking this decision, the saving of Rs. 1.2 lakhs which would have accrued to the Board had the firm's offer been accepted was not taken into account. The business relations were, however, restored by the Board in December 1969 in view of the extremely limited number of firms on the opproved list and because those on the approved list had also defaulted.

E.C.E.C. supplied 570 transformers within the revised delivery period of October 1969 and the balance 580 transformers by April 1970; Rs. 58,509 were recoverable from the firm on account of delayed supplies. Crompton Greaves Ltd. supplied 490 transformers by October 1969 and the balance 781 transformers by April 1970; Rs. 85,766 were recoverable from the firm on account of delayed supplies. Requests of both the firms for extension of delivery period due to shortage or raw materials were under consideration of the Board (June 1973). Further developments in this regard have not been intimated (July 1974).

As only a letter of intent was placed on G.E.C., instead of a clear letter of acceptance, no legally binding contract came into force. The firm backed out of its offer and no action could be taken by the Board with the result that the Board had to incur extra expenditure of Rs. 4.1 lakhs. Government stated in December 1973 that the Board had since discontinued the practice of issuing the letters of intent and had introduced the system of issuing telegraphic acceptances of the offers of the firms which would avoid difficulties of the type encountered in this case.

The Board stated in its written reply that the practice of issuance of letter of intent against accepted offers received against various tender enquiries, was being followed in the Punjab Government prior to the formation of composite Punjab State Electricity Board and thereafter in that Board. The same procedure was inherited and followed in the Haryana State Electricity Board after its inception. This was done in this case also. In fact, the issuance of letter of intent was meant to convey to the firm the intention of the Board to place order on them in order to avail of their offer within the validity period given by them and in almost all cases (there may be only a few exceptions, where the firms managed to wriggle out of their commitment of their tender on the plea of receipt of letter of intent and not order), the firms accepted the letters of intent placed within the validity of their offers. When, however, in this case, it came to the notice of the Board that some firms were managing to back out from their commitments on account of receipt of letter of intent, the practice of issuance of letter of intent against the accepted offers, was abandoned and telegraphic acceptance of firms' offers was introduced.

When G.E.C. made their offer in May 1969, to supply 400 transformers by the end of December 1969 if the order of suspension of business dealings with them was revoked, the Board was not sure of the genuineness of their offer specially when the firm had declined earlier to accept letter of intent placed on them within the validity of their offer. The S.P.C. in its meeting held on 26-5-69 recommended rejection of the representation submitted by the firm. The case was discussed by the Whole-Time Members with the Chief Engineer (P & C), Chief Accounts Officer, S.E. Purchase, S.E. Design and other officers of the Board on 25-7-69 where it was decided that a registered notice be served on G.E.C. to deposit 5% of the contract price for 1,550 nos. 40 KVA transformers, for which the letter of intent was placed on them and in case they deposited the amount business relations with them should be restored. This was done in order to adjudge their bonafide and a notice was served on them on 1-8-69 asking them to deposit a sum of Rs. 2,46,458 representing 5% of the contract price. The firm did not agree to deposit the same amount. Therefore, their offer of 400 transformers at the old rates of their earlier offer was not accepted on the ground that the firm could not be relied upon to honour their commitment to supply the material as it was felt that they were only manoeuvring for the suspension order to be revoked. The case was further examined by the S.P.C. in its meeting held on 6-10-69 who recommended that since the firm was not prepared to make good the loss suffered by the Board, the decision already taken by the Board to suspend business relations with it may stand. This was agreed to by the Whole-Time Members. While agreeing with other members, the Chairman made the following observations in 1969 :—

> "I am not happy with the decision but I agree in view of Board's previous resolution. My objection is that the fault is not entirely

that of the firm. Our procedure has also some serious shortcomings, which need to be rectified. We are in a seller's market and we have to adjust our thinking accordingly. We cannot enforce discipline when every article is scarce and it is difficult to procure material required for the implementation of our programme. The prime consideration is to achieve our targets and every thing else has to be bent to achieve this object. I would like C.E. (P&C) to review the procedure in the light of discussions at the meeting of the Whole-Time Members."

It was also stated that at that time the Board had two or three hundred transformers only and it had to give connections in every village. Every firm was refusing and trying to back out. The Board had also taken legal opinion to see if the firms could be penalised but the legal advice was that this could not be done.

In its meetings held on 16-12-1969, the Board while considering the proposal for the purchase of 63 KVA transformers, decided to restore business relations with G.E.C. While their case was considered for lifting of embargo in December, 1969, an order for the supply of 6 nos. 12.5/16 MVA, 66/11 KV transformers against order No. RMF 1 dated 14.8.68, at much lower rates was outstanding and the firm was not supplying the material thereagainst. The firm showed their willingness to supply the material against that order and it was felt that apart from the extreme shortage of transformers in the market and limited number of standard firms on whom purchase orders could be placed by the Board, the above order would have also been suspended in case the business relations with the firm continued to be suspended. The Board would thus not have been able to obtain transformers which were urgently required and would have paid Rs. 18 lakhs extra to obtain these transformers from other sources. It was further mentioned that after the embargo was lifted, the firm supplied full ordered quantity against this old order of 1968. It was further stated that in another case of meters, where Jaipur Metals and Electricals, Jaipur had also not accepted the letter of intent within the validity of their offer, similar notice was served on them.

So far as E.C.E.C. and Crompton Greaves were concerned, the Board's claim towards recovery of damages for delayed supplies had already been lodged against the bank guarantee. While the penalty had beed levied against the order on E.C.E.C. and no extension of delivery period was presently contemplated, in the case of Crompton Greaves, their request for extension of delivery period could not be considered earlier as documentary evidence asked for from them for justifying the said extension had not been submitted by them. The same had now been supplied and the case was under consideration.

In this case, the Committee observe that the telegraphic letter of intent accepting the offer of G.E.C. was issued by the Board within the validity period of its offer, but the G.E.C. did not accept the telegraphic letter of intent on the ground that due to strike in the factory of its suppliers of laminations and its own booking since the submission of tender, it could not commence the supplies till October, 1969. It appears that the firm wanted to wriggle out of its offer as perhaps the prices of transformers had started rising after the submission of its tender. Subsequently, when the firm offered in May, 1969 to supply 400 transformers at its quoted price, the Board

took the precaution by asking the firm to give a bank guarantee of 5% of the contract price. This is a matter of judgement in a particular set of circumstances and the Committe feel that it would not be correct to interfere with the judgement of the Board when their endeavour was to secure the financial interests of the Board and to ensure timely receipt of material in order to achieve the targets of rural electrification. While agreeing with the other Whole Time Members regarding non-acceptance of the offer of G.E.C. in May, 1969, the Chairman had himself observed that they were in a seller's market and could not enforce discipline when every article was scarce and it was difficult to procure material required for the implementation of the programme for rural electrification. From the facts placed before them the Committee find that there was undoubtedly a climate of uncertainty and a number of other firms such as E.C.E.C. and Crompton Greaves Ltd., had also not been able to supply the transformers within the prescribed delivery schedule. However, the Board had subsequently lifted the embargo even on G.E.C. in December 1969 and were able to secure the supply of transformers against the old order of August, 1968., involving a substantial saving of Rs. 18 lakhs.

The Committee would, however, like that the final position about the recovery of damages for delayed supplies against the bank guarantees in the case of E.C.E.C. and Crompton Greaves Ltd. be intimated to them as early as possible.

The Committee further note that the previous practice of issuing telegraphic letters of intent on the basis of procedure which was inherited from the composite Punjab State Electricity Board has since been discontinued.

Paragraph 8.12 (4)—Extra expenditure due to non-issue of letter of acceptance

44. (a) Twenty five firms quoted against tender enquiry of January 1969 for supply of 1,650 distribution transformers of 63 KVA each by September 1969. Eight of these offers were from firms which were subsequently empanelled in March 1969 and offers of only these empanelled firms were considered by the Board in April 1969. The lowest offer of General Electric Company at Rs. 4,234.80, capitalised equivalent Rs. 6,140.77 for more than 825 transformers and Rs. 42,77.01, capitalised equivalent Rs. 6,182.98, for less than 825 transformers was ignored as the firm (GEC) had not accepted the letter of intent placed on it earlier in March, 1969 for 1,550 distribution transformers of 40 KVA each. In accordance with the policy of the Board, a Haryana firm, *viz*, Electric Construction & Equipment Co., whose quotation was Rs. 4,360, capitalised equivalent Rs. 6,412.51 for 1,000 transformers gained precedence over the second lowest offer of NGEF Ltd., Bangalore, at Rs. 3,985, capitalised equivalent Rs. 6,235.35, for 400 transformers and the third lowest offer of Associated Electrical Manufacturing Company, Rs. 4,200, capitalised equivalent Rs. 6,254.60. As against 1,000 transformers offered in the tender, the Haryana firm (E.C.E.C.) offered, on 3rd April, 1969 to supply 400 transformers at the capitalised equivalent rate of NGEF Ltd., Bangalore and 950 transformers at the capitalised equivalent rate of Associated Electrical Manufacturing Co. Accordingly, telegraphic letters of intent were issued on 15th April, 1969 to E.C.E.C. for supply of 1,350 transformers and to NGEF for the balance 300 transformers.

As the validity of NGEF's tender had expired on 9th April, 1969, it did not accept the order. No acceptance was received from E.C.E.C. as well and the Whole Time Members decided on 24th April, 1969 that in case E.C.E.C. refused to accept the order, the matter should be referred to the Board for suitable action. E.C.E.C., which was asked to convey its acceptance, declined on 30th April, 1969 to accept the order on the ground of difficult position of availability of copper. The validity of other offers had, in the meantime, expired and on the basis of a limited tender enquiry issued to empanelled firms, an order for 1,350 transformers for supply before March, 1970 was placed in July, 1969 on Easun Engineering Co., whose rate of Rs. 4,350, capitalised equivalent Rs. 6,500.28, was lhe lowest.

Action to be taken against E.C.E.C. for its refusal to accept the letter of intent was considered by the S.P.C. and the Chairman. As three orders for transformers of 40 KVA, 250 KVA and 400 KVA were pending with E.C.E.C. at that time, it was apprehended that, in the event of suspension of business relations, supplies of these transformers would be affected and the Board might have to procure these from other sources at higher rates. The S.P.C. recommended that action against E.C.E.C. might be deferred till it completed the supplies. The Legal Adviser gave the opinion that, as the letter of intent issued calling for acceptance by the firm was only a counter-offer and there was no concluded and legally binding agreement, risk purchase could not be effected against E.C.E.C. In view of this, no further action was considered necessary by the Chairman in March, 1970. The refusal of E.C.E.C. to accept the order was not, however, referred to the Whole Time Members or to the Board.

Easun Engineering Co., did not effect any supply against the order placed on it in July, 1969. Against another limited tender enquiry issued to empanelled firms in August, 1969 for supply of 1,900 transformers during February 1970 to December 1970, orders were placed in January 1970 for 1,500 transformers on E.C.E.C. at the rate of Rs. 5,900. capitalised equivalent Rs. 8,244.08, and for 400 transformers on Government Electric Factory, Bangalore (G.E.F.) at the rate of Rs. 5,400, capitalised equivalent Rs. 8,586.82. The lowest offer of Easun Engineering Co. of Rs. 4,988, capitalised equivalent Rs. 7,876.54, was ignored on the ground that the firm had not supplied any transformer against pending orders of 400 transformers of 50 KVA and 1,350 transformers of 63 KVA placed in July 1969 and the rate quoted by it was subject to variation without ceiling. In respect of the order of January 1970, E.C.E.C. supplied 645 transformers against 1,050 due up to 31st December, 1970, when the firm was asked to suspend further supplies due to financial stringency. The order for the remaining transformers was revived in August 1971 and supply was completed in February, 1972. G.E.F. completed the supply of 400 transformers in June 1973. Decision on extension of delivery period and the amount of penalty leviable has not been intimated so far (July, 1974).

As regards the order for 1,350 transformers of 63 KVA each placed on Easun Engineering in July 1969, the delivery period was extended up to June 1970 on the ground of scarcity of raw materials. A risk purchase notice was issued on 30th June, 1970. As no supply was received, a short term tender enquiry was issued in December 1971 for 1,350 transformers, against which East India Electricals, Calcutta, quoted the lowest rate of Rs. 5,800, capitalised equivalent rate Rs. 8,124 each. No order was, however, placed against the enquiry, in view of the legal opinion received in May, 1972, that the claim for risk purchase against Easun Engineering Co. was weak because of two years' delay in taking action. In September, 1972 the Whole Time Members asked the firm to compensate the Board for extra expenditure incurred by it or to make the supplies. As the firm did not make any supplies, the Whole Time Members decided, in March 1973 to file a civil suit for damages. Information whether a suit has since been filed was awaited (July 1974).

G.E.C's offer made in January 1969 assuring supply of 700 transformers within the stipulated delivery schedule was cheaper by Rs. 42,434 as compared to the next higher offers. But, despite the offer being the lowest, it was ignored on the ground of G.E.C. having declined an earlier order. E.C.E.C., who had also refused to accept the order in April 1969 was, however, later given the order in January 1970. Seven hundred transformers which G.E.C. had offered to supply within the stipulated delivery schedule had to be purchased from E.C.E.C. in January 1970 at an extra cost of Rs. 14.43 lakhs.

The final decision on the tenders opened in January 1969 was taken in April 1969 when the validity of the offer of NGEF had expird. Failure to avail of the firm's offer within its period of validity resulted in extra expenditure of Rs. 6.54 lakhs as a result of higher rates allowed to E.C.E.C. as well as G. E. F. in January, 1970.

Had an acceptance of the offer of E.C.E.C. of the balance requirements of 650 transformers been issued in April, 1969, instead of a letter of intent, a legally binding contract would have come into force and risk purchase could have been effected when E.C.E.C. failed to effect supply. Due to failure to issue a letter of acceptance, the Board incurred extra expenditure of Rs. 13.01 lakhs in respect of 650 transformers purchased from E.C.E.C. itself in January, 1970. Government stated in December, 1973 that it was previously the practice to issue only letters of intent against accepted offers and that this practice had since been discontinued and issuance of telegraphic acceptance of offers had been introduced.

The Board stated in evidence that in the tender specification it was stipulated that the tenderers must quote for validity period of three months. N.G.E.F, however. gave validity of only two months up to 8th March, 1969. When the case was considered by the S.P.C on 26.3.1969, they recommended order for 140 transformers on Marsons and 1,510 transformers on ECEC, on the capitalised rate of NGEF, minus the capitalised loss of E.C.E.C. However, N.G.E.F *vide* their letter dated 24.3.69 had extended the validity of their offer upto 9th April, 1969. While the memorandum sent to the Board on 28.3.1969 was considered by the Technical Member, he desired that the case might be discussed by S.P.C with him. This was done by them on 9.4.1969 when the Technical Member directed that the recommennations of the SPC might be reviewed and firms like Marsons and other small scale industrial concerns who could not supply quality material, might be passed over and fresh recommendations might be submitted on the basis of purchase from firms of repute. In the light of the directions of the Technical Member, the case was reconsidered by the S.P.C on 10.4.1969 when they recommended order for 300 transformers on N.G.E.F and balance quantity of 1,350 transformers on ECEC. These recommendations of the SPC were accepted by the full Board in its meeting held on 15.4.1969 when telegraphic letters of intent were placed on the above firms on the same day. N.G.E.F, however, declined to accept the order since validity of their offer had expired on 9.4.1969. It was further explained during oral evidence that after the receipt of tenders against enquiry in January 1969, the matter in regard to the empanelment of firms of repute was also under consideration and the final decision in this regard was taken by the Board in their meeting held on 20th March, 1969 which was conveyed on 25th March, 1969. It was in the light of this decision that Technical Member had asked the SPC on 28.3.69 to discuss and review the case. In case such review had not been done, the order would normally have gone to Marsons and NGEF would not have been in the picture at all.

The matter in regard to the refusal of ECEC to accept the letter of intent was considered by the Whole-Time Members in a meeting held on 25-7-69 and it was decided that further action in the matter may be taken after obtaining legal advice. The Legal Adviser expressed the opinion that as there was no legally binding contract, risk purchase could not be effected and no other action could be taken against the firm. The practice of issuance of letter of intent was inherited from the Punjab State Electricity Board and was followed both in the case of GEC and ECEC. While GEC declined to accept the letter of intent within the validity period of their offer, business relations with them were suspended. In the case of ECEC, however, when they declined to accept the letter of intent for 63 KVA transformers placed on them, there were a few other orders outstanding on them which they were supplying or agreeable to supply. For these reasons, though business could also be suspended on the lines adopted in the case of GEC, it was not done, since the SPC/Board felt that in case this was resorted to, the other orders placed on ECEC would also automatically become suspended and the Board would have to procure such material from elsewhere at higher rates.

As regards the purchase of 1,900 transformers, it was mentioned that the tenders received for their supply were opened on 10th October, 1969 and on the basis of offers received, SPC in their meeting held on 26.11.1969 recommended placing of order for the tendered quantity on ECEC, the lowest acceptable tenderer. While the case was considered by the full Board in their meeting held on 16.12.1969, the case with regard to non-supply of material against earlier letter of intent placed on this firm was also brought to their notice and they noted that though ECEC on account of their default in earlier tender enquiry should not ordinarily be considered for orders against this enquiry, they observed—

(a) ECEC was the lowest acceptable tenderer in this enquiry. In case their offer had been ignored, the alternative course left with the Board was to go in for the purchase of the tendered quantity from the next higher tenderer GEF and in so doing, the Board would have to spend Rs. 5.14 lakhs extra for the purchase of 1,500 transformers for which order was later on decided to be placed on the firm.

(b) Business relations with the GEC had already been suspended and it was felt that in view of shortage of transformers and extremely limited number of firms on Board's approved list and further default by the firms on approved list, it would not be advisable to suspend the relations with ECEC and ignore their offer against this enquiry. For the same reason, they also decided to lift the embargo placed on GEC.

(c) It was reported by the S.E. Purchase that E.C.E.C. was one of the very few firms, who were supplying most of the distribution transformers against orders already placed on them and other firms were defaulting in supply. In order, therefore, to ensure supply of material in sufficient quantity to achieve 100% village electrification during the year 1970-71, it was felt by the Board that ignoring the firm would not only involve enormous loss to the Board but would also deprive it from the receipt of sufficient number of transformers to achieve the said target.

In regard to Easun Engineering Co., it was stated that the firm did not make supplies due to scarcity in supply position of raw material viz, mild steel and copper and cold rolled grain oriented steel laminations. Extension was granted to them initially upto 5th December, 1969. Another extension in delivery period was granted on 6th February, 1970, for the aforesaid reasons.

In reply to an enquiry as to why the risk purchase action was not taken against Easun Engineering Co., it was disclosed that rish purchase notice was issued to them on 30th June, 1970, after obtaining the legal advice. How ever, the firm did not make any supplies and efforts were made continuously to force the firm to supply the material but in the meantime, the Government of India, had banned the use of copper for manufacture of transformers upto 100 K.V.A. Since the firm supplied no material and noting that the Board had given adequate opportunity to the firm for making up the Board's loss, but no fruitful results had come out, it was decided by the Whole-Time Members on 14th March, 1973 to file a civil suit in the court of law. Damages to the extent of Rs. 3,92,185 equivalent to 5% value of the purchase order, had been claimed. The case had been decided by the court in favour of the Board for full amount with cost.

As regards the practice of issuance of letters of intent against accepted offers, it was explained that this practice had been inherited from the composite Punjab State Electricity Board. The issuance of letters of intent was meant to convey to the firm intention of the Board to place order in order to avail of their offer within the validity period given by them and in almost all cases (there may be only a very few exceptions where the firms managed to wriggle out of their commitments on the plea of receipt of letters of intent only) the firms accepted the letters of intent placed within the validity period of their offers. However, when it came to the notice of the Board that some firms were managing to back out of their commitments on account of the letter of intent, the previous practice of issuance of letter of intent against accepted offers was abandoned and telegraphic acceptance of offers was introduced.

The Committee notice that after the tenders against the enquiry of January, 1969 were received, the question of empanelment of certain firms of repute was under consideration of the Board. Under the normal procedure prevailing at that time, order could be placed only on Marsons and E.C.E.C. who were the lowest tenderers and who were also originally recommended by the S.P.C. At that time, the validity of offer of N.G.E.F. had also expired. It was only subsequently that N.G.E.F. extanded the validity of their offer *vide* their letter dated 24th March, 1969 upto 9th April, 1969. By that time, the Board had also decided to empanel certain firms of repute and it was in the light of this decision that the Technical Member asked the S.P C. to review the position when the offer of N.G.E.F. was considered and recommended by the S.P.C. on 10th April, 1969. Unfortunately, however, by that time, the offer of N.G.E.F. had expired a day earlier *i.e.* on 9th April 1969.

The Committee observe that the time taken for the consideration of offer of N.G.E.F. after the receipt of their letter dated 24th March, 1969, extending the validity period upto 9th April, 1969, in the light of the decision of the Board empanelling certain firms of repute was not unusual. The Committee feel that the time allowed by the firm was too short, and although the Board had taken the earliest opportunity of availing of their offer, they declined to execute their order even a few days after the expiry of extended date.

The Committee also find that the considerations of the Board for not suspending business relations with E.C.E.C. on the lines of action taken against G.E.C. were quite justifiable particularly as extra expenditure of Rs. 5.14 lakhs would have been involved by cancelling the order of 1,500 transformers, and such action would also have affected the timely completion of 100% rural electrification programme. Even the position of G.E.C., the next lowest tenderer, was also doubtful. In fact, while considering the case of E.C.E.C., the Board had decided to lift the embargo on G.E.C. also keeping in view the scarcity of transformers and extremely limited number of firms of repute on the Board's approved panel.

In so far as Easun Engineering Co., Madras is concerned, the Committee observe that the Board had taken adequate action against this firm and the court has also decided the case in favour of the Board, for recovery of liquidated damages to the extent of Rs. 3,92,185.

(b) The weight of raw materials used in the transformers supplied by E.C.E.C. against the enquiry issued in August, 1969 was 65 Kgs. of copper and 155 Kgs. of lamination which was less than what was provided for in the firm's earlier offer of January, 1969, *viz.,* 88 Kgs. of copper and 190 Kgs. of lamination. By withdrawing from the earlier offer and getting an order subsequently in January 1970, the firm effected a saving of Rs. 8.03 lakhs on account of lesser weight of raw materials used.

Government stated in December 1973 that :—

> "The Board has pointed out that the weight of the transformer has no relevance to the electrical characteristics of the same and if the latter are not different from the original specification, there is no objection in accepting a transformer of lesser weight, which in fact, is preferable because of comparatively lower handling charges."

It has, however, not been clarified as to why no price reduction was sought when the material content was less than that specified in the purchase order.

Out of 1,500 transformers supplied by E.C.E.C. 250 were without cooling tubes provided for in the approved drawing. Recovery on this account assessed in February, 1972 at Rs. 19,830 was not made. The Board stated in July, 1974 that recovery of this amount was being made from the pending payments/bank guarantees of the firm.

The Board stated in evidence that the transformers of 65 kgs. of copper and 155 kgs. of lamination supplied by E.C.E.C. were against the separate tender enquiry issued in August, 1969 on the basis of the specifications issued at that time. However, the transformers of 88 kgs. of copper and 190 kg. of lamination were to be supplied against the earlier offer of January, 1969 on the basis of specifications prescribed then. The two enquiries were independent of each other and the supplies were also made in accordance with the specifications separately provided for each of the two enquiries. It was perhaps on account of improvement of technology that the firm later used lesser weight of copper and lamination but otherwise the transformers were found to conform to technical requirements and involved lower handling charges and could be easily installed. It was, however, mentioned that claim for Rs. 1,21,700 had been lodged with the firm's banker against the bank guarantee for supplying the transformers without cooling tubes.

The Committee observe that the transformers were supplied by E.C.E.C. against two independent tender enquiries in accordance with the prescribed specifications and were found to meet with the technical requirements. It was also contended that the transformers of lesser weight were considered better as they involved lower handling charges and could be easily installed.

The Committee urge that immediate steps be taken by the Board for the recovery of the amount of Rs. 1,21,700 through all possible means including revokation of the bank guarantees of this firm and the Committee informed about the latest position.

Paragraph 8.12(5)—Delayed supplies against order for ex-stock supply

45. In response to a limited tender enquiry issued in December, 1969 for 1,200 transformers, Electric Construction & Equipment Co., (E.C. E.C.) quoted Rs. 4,750 each, capitalised equivalent rate Rs. 6,483.46. for delivery from March, 1970 to September, 1970, and also for 450 transformers at the same rate, but with higher transformer losses with equivalent rate of Rs. 6,750.01, for delivery between January—April, 1970, if the order was placed by 20th January, 1970. These rates were the lowest. An order for 540 transformers was placed on E.C.E.C. in January, 1970 against the ex-stock offer of Rs. 6,750.01 per transformer which was higher. This order was stated to have been placed for ex-stock supplies to meet the immediate requirements of transformers for 1969-70. The proposal for the ex-stock purchase was not routed through the Stores Purchase Committee. The order for the remaining 750 transformers was also placed in February, 1970 on E.C.E.C. at the quoted rate of Rs. 4,750 each, for delivery from March, 1970 at 112/124 transformers per month.

Against the order for 450 transformers, E.C.E.C. supplied 269 transformers within the scheduled delivery period of April, 1970 and the supply of the balance was completed in May—June, 1970. A penalty of Rs. 5,034.75 was recovered from the firm for delayed supplies. All the 181 transformers supplied in May-June, 1970 was accepted with lesser weight varying from 450 kgs. to 460 kgs. each compared to the weight of 480 Kgs. each approximately specified in the firm's offer. No price reduction was made on this account on the consideration that wheight had no bearing on the performance of transformers and that no tolerance for the weight was specified. It was not examined whether the transformers of less weight actually conformed to the approved specification to which the supplier was contractually committed. Saving in raw materials to the supplier in respect of the supply of 181 transformers was about 4.6 tonnes. The actual weight of transformers supplied earlier by this firm could not be ascertained in audit.

On the basis of the rate of E.C.E.C. for effecting supplies between March and September, 1970, the extra cost in respect of 181 transformers supplied late against the order for ex-stock deliveries placed on it in January, 1970, worked out to Rs. 48,245, as against the penalty of Rs. 5,034.75 recovered. There was no provision in the contract for payment to the firm in respect of the delayed supplies at lower rate offered by the firm for long term delivery and the provision in the contract for penalty for delay was also inadequate. Government stated in December, 1973 that the difference of Rs. 43,210.25 was being recovered by the Board.

The Board stated in its written reply that tenders for 1,200 Nos. 40 KVA transformers were opened on 6th January, 1970. These were duly processed and submitted to the S.P.C. for consideration on 16th January, 1970. While the case was to be discussed by the S.P.C., the shortage of distribution transformers was reviewed by the Whole-Time Members with the Chief Engineer (Operation) and other officers of the Board, when it was directed that the position of tubewell energisation *vis-a-vis* requirements of transformers should be reviewed by S.E. Purchase, S.E. Designs and S.E. Chandigarh Circle to ensure that the shortfall in material was arranged immediately for achieving the target fixed for the year 1969-70. The said Committee of the three officers recommended for the purchase of 1,000 transformers during the year 1969-70 and these recommendations were submitted to the full Board for their consideration in their meeting held on 20th January, 1970. In that meeting the S.E. (Purchase) informed that against tender enquiry opened on 6th January, 1970 there was an offer of E.C.E.C. who had offered 450 nos. 40 KVA transformers to be supplied during January, 1970 to March, 1970, provided the order was placed on them before 20th January, 1970. It was, therefore, decided by the Board that order for 40 KVA transformers be placed with the lowest tenderer E.C.E.C. for the supplies offered ex-stock (earlier delivery offer). Though no memorandum was put up due to shortage of time, the detailed note containing the recommendations of the Committee was considered by the Members of the full Board in the above meeting and purchase approved. As this case was examined by the Board in the presence of C.E. (O), Chairman of S.P.C. and S.E. (P), the question of routing the case any further through S.P.C. did not arise. It was further mentioned that there was so much shortage of this material in the field that the Whole-Time Members in their meeting held on 27th January, 1970 decided that the material against the above order should be inspected by Executive Engineer, Sonepat at the premises of the firm and the Controller of Stores would immediately advise regarding the quantity to be despatched to various destinations.

As regards the point relating to acceptance of transformers of lesser weight it was stated that the tender enquiry was issued strictly as per I.S.S. specifications. Since the weight of complete transformer was not mentioned in the I.S.S. it was not mentioned in the limited enquiry. It was also added that while tenders were called for through press, no weight of transformer was stipulated in the N.I.T. and tenderers were required to indicate in their tenders the weight of complete transformer. In no specification weight was specified and it was open to the firm to indicate weight of the transformer keeping in view the design of their transformer offered. The E.C.E.C. in their tender had indicated weight of complete transformer with oil as 480 Kgs. approximately and the same was accordingly incorporated in the purchase order placed on the firm. The actual weight of transformers offered for inspection was, however, found to be ranging from 450 Kgs. to 460 Kgs. Since the weight mentioned in the order was approximate and no tolerance in this regard had been specified by the Board, the transformers with actual weight were accepted by the Chief Engineer as the weight had no bearing on the actual performance of the transformers, when the heat run test, impluse test and other electrical characteristics of the transformers were found to be satisfactory as per relevant I.S.S./provisions of the purchase order. In reply to an enquiry whether the weight of the 269 transformers supplied by the firm earlier against this very purchase order had been checked at the time of inspections by the inspecting officers, it was stated that the correct position in this regard was being ascertained from the concerned inspecting officers. The information as to when 450 transformers were actually utilised was also being collected.

It was also stated that the difference of Rs. 43,210.25 had also been deducted from the balance payment of the firm.

The Committee observe that faced with shortage of transformers the Board had no alternative but to go in for the purchase of 450 transformers against the ex-stock offer of E.C.E.C. As explained by the Board this purchase was effected after taking into consideration the position of tube-well energisation *vis-a-vis* requirement of transformers as also of the scarcity of material. The Committee are inclined to accept the view-point of the Board that the acceptance of the transformers received from the firm depended more on its technical performance rather than on the weight by itself. If the transformers were found to meet with the requisite technical performance the element of weight becomes only a minor issue particularly when the specifications given at the time of inviting tenders were in accordance with the I.S.S. standards.

In view of the fact that the difference of Rs. 43,210.25 on account of penalty for delayed supplies has already been deducted from the balance payment of the firm, the Committee feel that no further action is necessary in this behalf.

However, the Committee would like to have information in regard to the position about the checking up of the weight of 269 transformers by the inspecting officers and also as to when 450 transformers were actually used.

Paragraph. 8.12(6)—Ex-stock purchases at high rates.

46. Government Electric Factory, Bangalore, was required to supply 2,250 transformers of 100 KVA at the rate of 120 transformers per month as per order placed in October, 1969. However, on the basis of the expected supply of 100 transformers per month, a shortage of 700 transformers during 1970-71 was anticipated and a limited tender enquiry for 700 transformers for supply at 100 per month commencing within 10 weeks was issued in December, 1969 to 15 firms on the panel. The tenders were opened on 12th February, 1970. Eleven firms on the panel and four others had quoted. Rates of all empanelled firms were higher than the rates quoted by the other four.

To meet the requirement of the first few months of 1970-71, a purchase order was placed on 19th March, 1970 on Electric Construction & Equipment CO. (E.C.E.C) for 300 transformers, offered ex-stock, at the rate of Rs. 8,520 each, capitalised equivalent Rs. 13,963.15. E.C.E.C. had quoted a lower rate of Rs. 8,420 capitalised equivalent Rs. 13,040.69, for delivery commencing in 4 to 5 months from the date of receipt of detailed purchase order and approval of drawings, at 10 to 15 per cent of order per month.

East India Electricals Ltd., (E.I.E.), whose tender was the lowest acceptable, was not on the approved panel. After inspection of the firm's works, a purchase order for the balance 400 transformers was placed on it on 17th April, 1970 at the following rates :—

(i) 300 at Rs. 7,350, capitalised equivalent Rs. 12,072.70 for delivery from July, 1970 at 30/50 transformers per month ;

(ii) 50 at Rs. 7,400, capitalised equivalent Rs. 12,125.73, for delivery in June 1970 ; and

(iii) 50 at Rs. 7,600 capitalised equivalent Rs. 12,337.83 for delivery in May, 1970.

E.I.E. had also offered to supply 200 transformers within 30 days at the capitalised equivalent rate of Rs. 12,762.03 each.

The Board decided on 27th March, 1970 that supplies received within the delivery period against the order for 300 transformers placed on E.C. E.C. earlier at higher rate might only be accepted and the order for the balance cancelled. The Board further decided on 23rd April, 1970, that orders for the cancelled quantity might be placed on the lowest tenderers. These decisions were not implemented.

The order dated 19th March, 1970 on E.C.E.C. for 300 transformers stipulated delivery within one month of receipt of the order, and the date for offering the material for inspection was to be reckoned as the date of delivery. Meanwhile, the firm submitted drawing on 30th March, 1970, which was approved by the Superintending Engineer (Purchase) on 31st March, 1970. The first lot of 125 transformers was inspected on 7/8th April, 1970 when certain deviations from the specifications prescribed in the purchase order were noticed, but as these supplies were found to be in accordance with the approved drawing as well as the firm's offer, amendments to the purchase order were issued on 16th April, 1970. The Superintending Engineer (Purchase) agreed to the firm's request for counting delivery period from that date. The remaining 70 transformers were offered for inspection on 27/28th April, 1970 and 105 transformers on 15th May, 1970. Inspection was completed on 29th May, 1970. The firm despatched 197 transformers in April, 1970, 21 transformers in May, 1970 and 82 in June, 1970. Six transformers supplied by the firm got damaged after installation withing the warranty period and four were repaired at the Board's workshop. An amount of Rs. 4,259.40 recoverable from the firm on this account had not been recovered (June 1973). The position of ex-stock offer of E.C.E.C. was 15th lowest in the comparative statement of tenders. There was nothin on record to show how the rate accepted was considered reasonable. Actual dates of installation of these transformers were not intimated. The urgency of ex-stock purchase could not, therefore, be verified.

Compared to the rates quoted by E.I.E. for supply of 200 transformers within 30 days, and 100 transformers between April and May, 1970, the extra cost in the purchase of 300 transformers from E.C.E.C. worked out to Rs. 3.82 lakhs; and on the basis of the lower offer of E.C.E.C. for long term delivery, the extra cost worked out to Rs. 2.77 lakhs.

Had the purchase order on E.C.E.C. been placed in March, 1970 in accordance with its offer, leaving no grounds for seeking amendments, the firm would have been liable to pay damages of Rs. 9,000 approximately for 105 transformers offered for inspection in May, 1970 after the expiry of one month counted from the date of approval of drawing. Compared to this, however, the extra expenditure incurred by the Board for obtaining 105 transformers from this firm at higher rates worked out to Rs. 1.26 lakhs on the basis of the lower ex-stock offer of E.I.E. Thus, the provision for damages for delay in supply in the contract was not adequate to safeguard the Board's interest. There was also no provision regarding payment for delayed supplies at the lower rate of the other firm passed over in order to secure earlier delivery of material. Government stated in December, 1973 that the extra cost was being recovered from the pending payments/ bank guarantee available with the Board.

The Board stated in its written reply, that the matter in regard to the delay in the supplies of transformers by G.E.F. was discussed by the Whole Time Members on 11th September, 1971 when they directed that risk purchase notice be issued to the firm and tenders invited after notice period. Before this was done the case was sent to the Board's Legal Adviser for advice as to whether risk purchase could be effected successfully against the order. The Legal Adviser, however, expressed the opinion on 12th October, 1971 that in view of the fact that execution of contract agreement had been waived off and negligence clause on the basis of which the risk purchase could be effected had also been deleted, it was a weak case for the Board to effect risk purchase successfully. Keeping in view the legal advice no risk purchase action was called for against the firm. It was, however, stated that the execution of contract agreement was waived off in the case of this firm being a Government undertaking.

A panel of 13 firms had been evolved in March, 1969 from out of the manufacturing units existing in the country on the basis of their technical competence and financial standing to supply quality material within the required period. The panel of standard firms had been drawn up only after the Board had bitter experience about the bad quality material supplied by the firms. In case the Board had continued to place orders on these very firms at somewhat lesser rates the actual loss for supply of sub-standard material and burning of transformers on that account would have been enormous. In regard to the order against ex-stock offer of 300 transformers from E.C.E.C. it was mentioned that when the case was considered by the Whole Time Members on 7th March, 1970 immediate need of transformers for a few months of 1970-71 was stressed by the S.E., Purchase, apart from the supplies expected from G.E.F. at the rate of 100 transformers per month. The fact that the rate offered for ex-stock supplies was higher than their two other offers was well known to them. However, keeping in view the urgency of the material, arrangement for ex-stock supply had to be made. While supply of 300 transformers was to be made by E.C.E.C. upto 30th June, 1970 within the required period, supplies against other orders were made subsequently.

In the case of East India Electricals, supplies were commenced in July, 1970 while G.E.F. who were expected to supply 1,200 transformers during 1970-71 supplied only 500 pieces during that period and that too only from April, 1970 onwards. It was also pointed out that they had supplied only 6 transformers in April, 1970, 8 in May, 1970 and 50 transformers in June,

1970. This would amply justify the action of the Board in placing order on E.C.E.C. for ex-stock supplies which were completed by the end of June, 1970. E.C.E.C. supplied 197 transformers during April, 1970, 82 transformers during May and remaining 21 in June, 1970. It was, however, mentioned that information with regard to actual dates and stations where these transformers were installed and commissioned was being collected.

As regards non-implementation of the decision of the Board of 27th March, 1970, it was stated that the firm had supplied 197 transformers up to 30th April, 1970 *i.e.* within the stipulated delivery period and the balance of 103 transformers thereafter upto 30th June, 1970. There was thus hardly any occasion for cancelling the order for 197 pieces. The decision for cancelling the order could be applied only in respect of 103 pieces which they failed to supply within the stipulated delivery period. It was further stated that for the quantity supplied by the firm beyond the delivery schedule, recovery on account of the extra expenditure incurred by the Board of Rs. 1.1 lakhs had already been effected from the pending payments and security of the firm. Explanations for non-compliance of the order of the Board for cancellation of 103 transformers were being called for. As for the recovery of the amount of Rs. 4,259.40 on account of damage to six transformers it was stated that necessary instructions for deducting this amount from the firm's dues had already been issued.

The Committee feel convinced with the weight of argument for resorting to purchase of 300 transformers against ex-stock offer of E.C.E.C. in view of the delay in supplies by G.E.F. on whom order for 2,250 transformers of 100 KVA had been placed in October, 1969. According to the legal opinion no risk purchase notice could be issued to G.E.F. E.C.E.C. had offered the lowest rate for ex-stock supplies of 300 transformers and they had also supplied the bulk of these transformers by the end of April, 1970 *i.e.* within the validity period. The prime consideration at that time was to ensure regular supply of materials in order to achieve 100% rural electrification programme by the target date. Evidently the Board had to explore all the sources from where they could get the supplies of materials in order to make up for the delay in supplies from firms on whom orders had been placed. Although E.I.E. had offered to supply 200 transformers within 30 days at the capitalised equivalent rate of Rs. 12,762.03 each, the supply of transformers against the purchase order placed on it on 17th April, 1970 was commenced in July, 1970, while they had to supply at least 100 transformers in the months of May and June, 1970. The Committee do not, therefore, feel convinced that E.I.E. would have been able to execute their offer of 200 transformers within the promised time.

The Committee note with satisfaction that the Board has recovered a sum of Rs. 1.1 lakhs on account of delay in supplies from the pending payments/ security of E.C.E.C. They would, however, like that they be informed as soon as the amount of Rs. 4,259.40 on account of damage to six transformers is recovered from the firm's dues. The Committee would also like to know whether the explanations of the officers for non-compliance of the orders of the Board for cancellation of order for 103 transformers have been obtained and if so, what decision has been taken thereon.

Paragraph 8.12(7)—Failure to cancel order placed at higher rate

47. An order for 700 transformers of 100 KVA each was placed on 9th November 1970 on Electric Construction & Equipment Co. (E.C.E.C.) at the lowest quoted rate of Rs. 8,150, capitalised equivalent rate of

Rs. 12,690.57, against the requirements for January 1971 and thereafter. The Whole Time Members decided on 5th May 1971 to cancel the order in view of the reduced requirement for 1971-72, and the rate of E.C.E.C. being higher than the capitalised equivalent cost of Rs. 11,381.77, in respect of the transformers manufactured at Dhulkote Workshop. Cancellation was, however, withheld on the ground that, in view of the rise in prices, the desirability of retaining the existing orders to meet the requirements of subsequent year had to be examined. The firm offered 30 transformers for inspection on 12th June 1971 and 21st June 1971. The S.P.C. observed on 22nd July 1971 that a shortage of 600 transformers was expected upto 31st March 1972 because of less supply from Dhulkote Workshop and uncertainty of supply by G.E.F. against the order for 2,250 transformers placed on it in October 1969 as the latter firm had asked for price increase and decision thereon was not taken. It was, therefore, recommended that the order placed on E.C.E.C. might be retained for 300 transformers. This was approved by the Whole Time Members in July 1971. Accordingly, E.C.E.C. were asked to supply 300 transformers from October 1971 onwards. The firm agreed in November 1971 to complete the supply of 300 transformers by January 1972.

A settlement was made in December 1971 with G.E.F. to increase the price by Rs. 600 per transformer on account of statutory rise in duties, thereby raising its original capitalised rate from Rs. 11,381.77 to Rs. 11,981.77. The Whole Time Members decided on 5th January 1972 that the possibility of cancellation of the order on E.C.E.C. might be examined as its transformers were costlier as compared to those of G.E.F. The Legal Adviser stated on 28th January 1972 that, as the contract agreement had been executed and some transformers had been inspected cancellation at that stage was likely to give rise to complications. In view of the legal advice and prior commitment made, the Whole Time Members decided on 17th February, 1972 to accept supply of 300 transformers and to cancel the order for the balance 400 transformers. The firm was informed of this decision on 6th March 1972.

As regards the prior commitment stated to have been made in respect of 300 transformers, it may be stated that only 100 transformers were offered by the firm in November, 1971 but the balance 200 transformers were offered for inspection on 7th March, 1972 after the agreed delivery period of January 1972.

Retention of the order on E.C.E.C. for 300 transformers was decided in July 1971 due, *inter alia*, to delay in supply by G.E.F. G.E.F. had asked for price increase in January 1971 and a settlement was reached in December, 1971. Had the matter been dealt with expeditiously, the purchase of 300 transformers from E.C.E.C. at extra cost of Rs. 2.13 lakhs compared to the equivalent capitalised rate of G.E.F. could have been avoided.

It may also be stated that six transformers valued at Rs. 0.75 lakh supplied by E.C.E.C. were damaged during the warranty period after installation. Three of them were repaired by the firm. Information in respect of the other three was awaited (July 1974).

The Board stated in evidence that after the order for supply of 700 100 KVA transformers was placed on E.C.E.C. on 9th November 1970 they asked for certain amendments *vide* their letter dated 26th November, 1970. Before the same could be considered the firm was asked to suspend supply and even to suspend the manufacture on 10th February 1971. When the case was considered by the S.P.C. in their meeting held on 16th April, 1971 they recommended cancellation of the order which was approved by the Whole Time Members on 5th May 1971. Before the cancellation could be effected the representatives of Government Electric Factory Bangalore, met the Chairman on 18th May 1971 regarding their problems with the Purchase Section. During discussion they mentioned that the prices of transformers were rising very rapidly and the transformers which used to cost Rs. 6,500 were then costing Rs. 8,500 per transformer. In the light of this position the Chairman requested the Technical Member and Member Finance and Accounts for further examination of the case as to whether it would be in the financial interest of the Board to cancel the order for distribution transformers or to get the supplies on staggered delivery basis to avail of the lower price of the orders and also to discuss the issue in the Whole Time Members' meeting. The Chairman further directed that the cancellation of the various orders be withheld till the decision of the Whole Time Members. The firm also represented against the suspension of manufacture vide their letter dated 25th May 1971. The case was considered by the S.P.C. in their meeting held on 22nd July, 1971 and they recommended that in view of the requirement of 600 transformers in the field upto 31st March, 1972, 300 transformers against this order should be obtained under I.D.B.I. re-discounting scheme for the period October, 1971 onwards. This was approved by the Whole Time Members in circulation on 22nd July, 1971, 26th July, 1971 and 28th July, 1971. It was further stated that when the recommendations of the S.P.C. were considered by the Whole Time Members on 5th January, 1972 regarding proposal for supply of 700 transformers they decided that the S.P.C. should consult the Legal Adviser and examine the feasibility of cancellation of the order and the resulting complications, if any, and requirement for transformers should be worked out again. The Legal Adviser expressed the opinion that "As the contract (agreement) already stands executed and some of the transformers actually inspected for execution of the agreement, unilateral cancellation of the agreement is likely to bring in legal complications." The Whole Time Members decided on 17th February, 1972 that in view of the legal advice and Board's prior commitment, supply of 300 transformers should be obtained under the I.D.B.I. re-discounting scheme and order for balance quantity of 400 transformers should be cancelled. It was further mentioned that when the legal opinion was given on 28th January, 1972 inspection of 100 transformers had been conducted but the legal opinion covered non-cancellation of agreement for the entire 300 transformers for which the Board, according to the legal adviser, was committed and in the light of this opinion the entire quantity of 300 transformers had to be accepted from the firm.

Asked as to why settlement with G.E.F. could not be arrived at earlier than December, 1971 it was explained that when the firm asked for price increase in January, 1971 it was not agreed to since as per the legal opinion the firm was committed to supply the material at the firm price of the purchase order. However, when the firm declined to execute the order for the balance quantity and no action for risk purchase could be taken against them the only alternative left was to agree to the request of the firm for price increase which was accepted in December, 1971. It was initially thought in March, 1971 that when the firm had accepted the order on firm price basis they would execute the same on that basis. No earlier decision in the matter could be possible since it was only after the Board was convinced that there was no way out except to accept the request of the firm that price increase asked for by the firm was agreed to after obtaining legal advice.

As regards damage to six transformers, it was mentioned that the firm had supplied hundreds of transformers and the mere fact that six transformers had been damaged during the warranty period could not testify to the bad quality of material supplied by the firm. The transformers supplied by this firm were working quite satisfactorily in the field without any comlaint. The remaining 3 transformers had already been repaired by the firm.

The Committee observe that although the Board had initially decided to cancel the order for 700 transformers placed on E.C.E.C. because of certain amendments in the purchase order asked for by them, the cancellation of the order was subsequently withheld as it had transpired during discussions with representatives of G.E.F., Bangalore (a Government Undertaking) that the prices of transformers were rising very rapidly. The action of the Board in withholding the cancellation of the order placed on E.C.E.C. was, therefore, motivated solely by the consideration of the anticipated rise in the prices of transformers. Besides, the Committee observe that 300 transformers were to be obtained from E.C.E.C. under I.D.B.I. re-discounting scheme for the period from October, 1971 onwards. The Legal Adviser had also expressed the opinion that the cancellation of the agreement was likely to bring in legal complications. In view of this, the Committee consider that the action taken by the Board was in good faith and in the financial interests of the Board particularly as the Board has explained that it was not possible to reach a settlement with G.E.F., Bangalore about the increase in their prices before December, 1971. However, the Board had taken action to cancel the order for the balance 400 transformers on E.C.E.C.

The Committee further observe that the remaining 3 transformers damaged during warranty period have since been repaired by the firm.

Paragraph 8.12(8)—Premature damage to distribution transformers

48. Out of 4,021 distribution transformers of various capacities of the value of Rs. 1,82.45 lakhs purchased from General Electric Company of India Ltd., Calcutta (G.E.C.), East India Electricals, Calcutta (E.I.E.) and Crompton Greaves Ltd., Bombay, from 1967-68 onwards, 1,274 transformers of the value of Rs. 53.96 lakhs got damaged after installation up to 31st March 1973. The firm-wise break-up of these damaged transformers was as follows:—

Name of the supplying firm	*Transformers purchased*		*Transformers damaged up to 31-3-1973*		*Percentage of no. damaged-col. (3) to no. purchased-col. (1)*
	Nos.	*Cost*	*Nos.*	*Cost of purchase*	
	(1)	(2)	(3)	(4)	
		(*Rs. in lakhs*)		(*Rs. in lakhs*)	
G.E.C.	1,000	38.80	355	13.88	35.50
E.I.E.	400	31.73	79	6.27	19.75
Crompton Greaves Ltd.	2,621	1,11.92	840	33.81	32.05
	4,021	1,82.45	1,274	53.96	

Three transformers of the value of Rs. 11,857 purchased from G.E.C. and 2 transformers of the value of Rs. 10,598 purchased from Crompton Greaves Ltd. were beyond repair and were being considered for write off in June 1973. Further progress has not been intimated (July 1974).

The expected life of a distribution transformer is 30 years. It would, however, be noticed that 20 to 35 per cent of the transformers purchased from the above firms got damaged within about four years of their receipt. About the expected life of a transformer, the Board stated in July 1973 that :-

> "The expected life of distribution transformers is no doubt about 30 years but it is under ideal conditions. This life of the transformer can only be expected in urban areas when the transformer can be attended frequently. In case of transformers installed at remote places in villages, which are not even accessible in rainy season ; this life cannot be expected. However, the life also depends upon the type of load, number of short circuit faults experienced by the transformer while on operation and upon the preventive maintenance.......... The large number of failure of transformers in rural areas can only be avoided by making the consumers technically intelligent ...."

The Board spent Rs. 13.14 lakhs on repair of 1,136 transformers purchased for Rs. 48.36 lakhs as detailed below :—

Name of the supplying firm	*Number of transformers repaired*	*Cost of purchase*	*Cost of repairs*	*Percentage of cost of repairs to cost of purchase*
		(*Rs. in lakhs*)		
G.E.C.	311	12.16	3.67	30.18
E.I.E.	69	5.47	0.87	15.90
Crompton Greaves Ltd.	756	30.73	8.60	27.99
Total	1,136	48.36	13.14	

History sheets of transformers were not maintained. As such, it was not possible to ascertain the number of the transformers that got damaged within the warranty periods. It was, however, noticed from the remarks of the concerned officers of the sub-division on the challans under which the transformers were sent to the workshops, as well as from the files of the centralised payment cell, that 183 transformers had got damaged during the warranty periods as follows :—

Name of firm	*Number burnt within warranty periods*	*Number repaired by firms*	*Number repaired at Board's workshops*	*Cost of purchase of those repaired at workshops*	*Cost of repairs*	*Number lying unrepaired at sub-divisions*	*Number lying unrepaired at workshop*
				(*Rs. in lakhs*)			
G.E.C.	39	8	28	1.10	0.32	1	2
E.I.E.	28	3	10	0.79	0.12	..	15
Crompton Greaves Ltd.	116	15	71	3.00	0.64	6	24
Total	183	26	109	4.89	1.08	7	41

On 31st March 1973, 138 transformers costing Rs. 5.60 lakhs, including 48 transformers costing Rs. 2.57 lakhs which got burnt within the warranty periods, were awaiting repairs at the Board's workshops. Information regarding recovery of the cost of repairs incurred by the Board together with transportation and departmental charges, had not been intimated by the Board (July 1974).

Damage to transformers caused generally by burning of windings, was stated to be due to a variety of reasons, *viz.*, over-heating of coils, failure of insulation, sustained higher loads, poor maintenance, severe short circuits, etc. The extent to which damage in the above cases was due to manufacturing or other defects was not investigated. The Board stated in July 1973 that when transformers had operated for 3 to 4 years. damage could not be attributed to manufacturing defect alone and damage could result from any one of the reasons mentioned above.

The extent of damage in respect of purchases from other firms would need review by the Board.

The Board stated that it had approved surveying off 5 damaged transformers, the repair of which was found un-economical. The investigation report in respect of each and every transformer was received from the field and final action was taken by the competent authority. Normally the damage to the transformers was due to the following reasons :—

(a) Theft of coils by the outside agencies.

(b) Tampering of the Board's protective equipments by the un-authorised persons *i.e.* consumers themselves.

(c) Faults on the L. T. Feeders.

(d) Manufacturing defects.

(e) Voltage fluctuations due to power cut.

Studies had been conducted by the Board's Research Cell on 200 damaged transformers which showed percentage of damages defect-wise as under :—

Sr. No.	Name of defect	Percentage of damage
1.	H. T. winding	81
2.	L. T. winding	5
3.	Tap switch	2
4.	Core	3
5.	Bushings	5
6.	Leads	4

The Board had decided to get the top covers of the transformers welded at various places located near the inter-State borders where thefts were frequent. The Board had also alerted the police authorities. Besides, experiments had been carried out for improving the protective system on L.T. lines and the same was also under examination by R. E. C. Capacitors had also been installed on 11 KV/LT for voltage stabilisation. Comprehensive maintenance schedule had been drawn up by the Board and circulated to field staff for proper maintenance. No manufacturing defects were stated to have been noticed in the damaged transformers. However, 183 transformers were damaged within the warranty period and these had either been repaired by the firms or those had been repaired or were being repaired in the Board's workshop at the firm's cost. The orders had been placed on the firms of repute as per the ISS and Board's specification. Type tests and routine tests were also carried out at the firm's premises.

History sheets of transformers were maintained in the shape of maintenance register where in addition to periodical maintenance other vital information with regard to make, capacity, date of installation of the transformers etc. were also mentioned from which relevant information regarding warranty period was gathered.

The amount to be recovered from G. E. C. on account of transformers damaged within the warranty period was Rs. 0.32 lakh. Against this a sum of Rs. 1.91 lakhs was due to the firm on account of balance payments against various purchase orders. In addition to this the firm had also furnished bank guarantee of the value of Rs. 93,800. Necessary recovery would be made before the finalisation of the firm's claims.

In regard to E.I.E. it was mentioned that Rs. 0.12 lakh was due from them on account of cost of repair of transformers damaged within the warranty period. Against this a bank guarantee of the value of Rs. 1,47,750 was pending with the Board against this purchase order alone and necessary recovery would be effected at the time of finalisation of their claims.

A sum of Rs. 0.64 lakh was due from Crompton Greaves. Against this bank guarantee of Rs. 7.76 lakhs was pending with the Board against various purchase orders. In addition to this Rs. 3.76 lakhs were also due to the firm on account of the balance payments. Necessary recovery would be effected at the time of finalisation of their claims.

As regards 138 transformers valuing Rs. 5.60 lakhs burnt within the warranty period it was contended that it was not true that these transformers were damaged within the warranty period. 134 transformers were damaged beyond the warranty period while 4 transformers were damaged within the warranty period against one as per the records of S.E. Workshop, Dhulkote. This transformer was repaired at a cost of Rs. 1,979. Out of the balance 137 transformers, 83 transformers had been repaired at a cost of Rs. 1,25,029.78, transformers had been got surveyed off with the approval of the Board. Core of 2 transformers had been found burnt and as such these could not be repaired and their survey report was being considered. The balance 50 transformers were under repair. These required large amount of material as their healthy parts had been utilised by process of inter-changing for repairs of the other transformers and these would be repaired on receipt of adequate quantity of material.

In reply to an enquiry of the Committee whether the Board reviewed the performance of transformers supplied by other firms, it was stated that efforts were made at the time of procurement to purchase the most technically suitable equipment. The transformers were also subjected to vigorous inspection/test so as to ensure their technical performance as provided in the relevant ISS/tender specification. Necessary tests were conducted at the works of the suppliers before despatch and some of the tests were conducted at Board's transformers manufacturing workshop at Dhulkote. Having ensured the quality of transformers purchased at the time of placing of order no specific review of the performance of transformers supplied by the various manufacturers had been made.

It was also mentioned during oral evidence that during the last five years the power supply problem was passing through a very difficult situation. Sometimes when the load of power went up *i.e.* when the voltage went up, it caused breakage in the insulations. Sometimes when all the load was put together *i.e.* so much load was put on the transformer for which it was not meant, it became over-loaded and this also caused failure. The Board was trying to put a protective gear for avoiding damage to the transformers. It was also disclosed that similar information in regard to damage to transformers had been obtained from Andhra Pradesh which showed that there also the percentage of damage was almost the same. Similar information could not, however, be obtained from Punjab and U. P. However, it was presumed that it would not be less than that in the case of Haryana State Electricity Board.

The Board also furnished information in regard to total number of distribution transformers installed during the period from 1970-71(8/70 to 3/71) to 1974-75 (4/74 to 12/74), number of transformers damaged during each year and the percentage of damaged transformers to total as per the details given below :—

Sr. No.	Year	Total No. of distribution transformers installed	No. of distribution transformers damaged during the year.	%age of damaged transformers to total
1.	1970-71 (8/70 to 3/71)	15,236	819	5.38
2.	1971-72	17,872	1,875	10.49
3.	1972-73	19,797	1,763	8.91
4.	1973-74	20,865	1,984	9.51
5.	1974-75 (4/74 to 12/74)	21,417	1,732	8.09

Although the Committee observe that the transformers were purchased by the Board from firms of repute and these had also been tested as per the ISS and other technical requirements, the percentage of damage to transformers is on the high side. The Committee feel that in the light of the various factors explained by the Board damages are likely to be caused to the transformers, particularly because of frequent power cuts. The Committee would, however, urge the Board to take suitable remedial measures in order to avoid these damages as far as possible.

The Committee would also like to be apprised of the final position in regard to the recovery of amounts from G.E.C,E.I.E and Crompton Greaves.

The Committee would further like to know whether the balance 50 transformers have since been repaired and if so, at what cost.

Paragraph 8.12 (9)—Delay in repairs to transformers

49. At the end of March 1973, 912 distribution transformers of various capacities, the estimated cost of which was Rs. 16.20 lakhs, were awaiting repairs for over three months in the three workshops at Hissar, Faridabad and Dhulkote. The approximate loss on account of interest up to 31st March 1973 on the capital locked up on these damaged/defective transformers at 7½ per cent was Rs. 2.44 lakhs.

Of these, 140 transformers valued at Rs. 2.98 lakhs were lying in the workshops for over four years. The exact dates of receipt of 94 transformers out of these 140 were not known as history sheets were not maintained.

While transformers were awaiting repairs, the Board placed orders in March 1973 for the purchase of 575 new distribution transformers of the value of Rs. 30.54 lakhs, out of which 100 transformers of the value of Rs. 5.23 lakhs were received in May 1973. The Board stated in July 1973 that condemnation of about 300 transformers due to repairs being uneconomical or non-availability of material was under consideration and that the existing repairs capacity of the workshops of 200 transformers per month was being fully utilised and that purchase of new transformers was ordered to meet the immediate requirements as it was not possible to get the damaged transformers lying in workshops repaired within the required time.

The Board stated in evidence that the repairs of damaged transformers involved a long operational cycle. The whole procedure of opening of the transformer, taking out of core and coils, noting the design of the transformer, size of wire needed and then indenting the quantity on purchase section, floating of quotations, issue of purchase order and delivery period and after receipt of the material, making the coils, took not less than six months in any case. The normal repairing capacity of all the departmental workshops was about 200 transformers. It was, therefore, natural that about 1,000 transformers would always be lying there. The quantity of 912 transformers mentioned in the audit paragraph as left over constituted hardly 5 months capacity. It could not be considered as accumulation of large quantity of unrepaired transformers. In the year 1973-74 alone, the Board had repaired 2,271 transformers of various capacities. It was the endeavour of the Board to repair the maximum number of transformers with the available material. Out of 140 transformers stated to be lying in the workshops for over four years, it was stated that 61 transformers were such that repairs thereof were considered uneconomical by the Board and the same had since been surveyed off. 26 transformers had already been repaired by utilising the healthy parts available from other transformers. The remaining 53 transformers were still under repair as they required large quantity of materials. Action for purchase of the required material had already been initiated.

It was further stated that history sheets of the various transformers were being kept in the shape of maintenance registers available with the different field offices where in addition to the periodical maintenance carried out by the field staff from time to time, other vital particulars like make and serial no. of transformers and date of installation were indicated.

It was also stated that while the purchase of distribution transformers was effected in March, 1973, to meet with the urgent requirement of giving new connections in the field, the repaired transformers were generally used as replacements. Besides, transformers purchased in March, 1973 were all of rating of 63 KVA except for 5 transformers of 800 KVA capacity. At that time, only 41 transformers of 63 KVA were awaiting repairs in Boards, workshops.

As regards the condemnation of about 300 transformers, it was stated that 111 transformers had already been surveyed off since their repairs were considered uneconomical. Regarding the balance quantity, efforts were being made to salvage as many transformers as possible by inter-changing healthy parts of the similar make damaged transformers being received from the field. At the same time, the remaining transformers were also being checked up at various levels for preparing the case for surveying off those transformers where the repairs were found to be uneconomical.

It was also disclosed during oral evidence that the capacity for repair at the departmental workshops was 1,600 transformers. Against this, the number of transformers repaired by the workshops in various years was as under :—

1969-70 1,910 transformers.

1970-71 1,958 transformers.

1971-72 2,648 transformers.

1972-73 2,642 transformers.

The Board was asked to intimate to the Committee the number of transformers which were lying in the workshops for more than six months.

While the Committee observe that the Board has taken adequate action for the repairs of distribution transformers at the departmental workshops, they would like that the Board should ensure that there is no unusual delay in the repairs of the transformers and that suitable action to procure the required quantity of material is taken expeditiously. The Committee would also like to have information about the number of transformers lying in the workshops unrepaired for more than six months at an early date.

Paragraph 8.12 (10)—Concellation of order at lower rate

50. Against limited tender enquiry issued in September 1969 for supply of 2,350 distribution transformers of 40 KVA each from February 1970 to December 1970, telegraphic acceptance of offer was issued on 26th November 1969 to Crompton Greaves Ltd., for 1,200 transformers at the rate of Rs. 4,217 each, equivalent rate Rs. 6,263.18 each. On the same day, Crompton Greaves Ltd., sent a telegram offering revised delivery schedule of "11 to 16" months from date of order *i.e.* delivery during November 1970 to April 1971, against "9 to 11" months in the original offer, in view of the difficult position of raw materials. As this delivery schedule did not meet the requirements of the Board, the order placed on the firm was cancelled on 19th December 1969. A fresh limited tender enquiry for 1,200 transformers was issued in December 1969 stipulating delivery from March to August 1970.

Meanwhile, on 22nd December 1969, Crompton Greaves Ltd., asked for re-instatement of the cancelled order and offered revised delivery schedule from October 1970 to March 1971. On receipt of this offer the order for 1,200 transformers was re-instated by the Board on 20th January 1970, as the lowest tender of Electric Construction and Equipment Company Ltd., against the limited tender enquiry issued in December 1970 was higher by Rs. 220.28 each as compared to the capitalised equivalent rate of Crompton Greaves Ltd. On the same day, a letter dated 16th January 1970, was received from Crompton Greaves Ltd., withdrawing its request for re-instatement of the order as the firm had tendered for the same number of transformers against the enquiry issued in December 1969, which was opened on 6th January 1970. The firm was, however, asked on 21st April 1970 to accept the order for 1,200 transformers already placed, but the firm agreed in May 1970 to make a token supply of 120 transformers only as a gesture of goodwill. An order for 120 transformers of the value of Rs. 5.06 lakhs at the firm's quoted rate was accordingly placed in August 1970, for delivery commencing in August 1971 to be completed in September 1971. The firm did not make any supply against this order.

The Board had sent a telegram on 26th November 1969 to Crompton Greaves Ltd., accepting the firm's offer of 1,200 transformers within the validity period of the offer which was upto 29th November 1969. However, the Board cancelled the order on Crompton Greaves Ltd, without obtaining the opinion of their legal adviser regarding the stand of the firm on the withdrawal of its offer. Due to cancellation of the order placed on Crompton Greaves Ltd., the Board incurred extra expenditure of Rs. 3.84 lakhs in the purchase of 1,200 transformers from Electric Construction and Equipment Co. Ltd., at higher rates (*vide* sub-paragraph 5).

The Board stated in December 1973 that it could not be said with certainty that the revised delivery schedule had been communicated by the firm after the receipt of telegraphic acceptance given by the Board and that no legally valid contract had apparently come into force.

The Board stated that against tender enquiry due in September, 1969, Crompton Greaves submitted their quotation with delivery schedule of supply of material in 9 to 12 months. On that basis, telegraphic acceptance of their offer was issued on 26-11-1969. On the same date, Crompton Greaves telegraphically revised their delivery schedule to 11 to 16 months from the date of order. As the delivery schedule did not meet with the requirements of the Board, the order placed on the firm was cancelled on 19-12-1969. The Board could not possibly know at that time that the price trend of transformers was upward. It was only on 6-1-1970 when tenders against fresh enquiry were opened that this fact came to notice. Since the firm had also telegraphically conveyed their revised delivery schedule on the same date *i.e.* 26-11-1969 on which telegraphic acceptance was issued by the Board. it could not be said with certainty that revised delivery schedule was communicated by the firm after the receipt of telegraphic acceptance and that the legally valid contract had apparently come into force as per their original offer. Moreover, under clause "General" of their tender they had mentioned that all clauses of the contract agreement/performance purchase order (detailed purchase order had not been issued to the firm by 26-11-69) were not deemed to have been accepted by them unless specifically agreed to by them in writing. There was no question of any enforceable contract coming into force at that time and it was, therefore, not feasible to procure the material at the risk and expense of the firm.

Against the limited tender enquiry for 1,200 transformers issued on 19-12-1969, the firm requested on 22-12-69 for reinstatement of the order.

This was dealt with by the Store Purchase Section and a memorandum on that basis was sent to the Board on 17.1.1970 recommending reinstatement of the order. This was before the letter of the firm withdrawing their request for reinstatement was received on 20.1.70.

It was further explained that when the firm was asked to honour their commitment on 6.5.70 for the supply of 1,200 transformers, they informed the Board on 14.5.70 that though they were not legally bound to execute the order, as a gesture of goodwill, they would be willing to supply token quantity of 120 transformers. The Board accepted the offer of the firm on 29.6.1970 to supply 10% of the transformers at the old price. They, however, decided that efforts should be made to get the percentage of 10% raised to a higher figure. The firm declined to go beyond 10% already agreed to by them. Purchase order for 120 transformers was accordingly issued on 19.8.1970. In response to the purchase order, the firm furnished drawing for approval on 5.10.1970. Since the technical particulars and weight shown in the drawing were not in line with their tender as incorporated in the purchase order, the same was not approved. It was only on 25.7.1973 that the revised drawing with weight of the transformer was approved. The firm had since supplied the material.

The Committee observe that simultaneously with the issue of telegraphic acceptance for the supply of 2,350 transformers, Crompton Greaves informed the Board telegraphically about their revised delivery schedule which was not accepted by the Board and the order was cancelled. The Board had contended that no legal contract had come into force as the firm had not accepted the offer. Although, the firm subsequently asked for reinstatement of the cancelled order and offered revised delivery schedule, and the Board also accepted their offer, the firm again withdrew their offer. Subsequently they offered to supply only 120 transformers at the old rate and the Board apparently accepted this offer to make the best of the bad bargain. The Committee notice that in this case, the behaviour of the firm of repute of Crompton Greaves Ltd. was not at all desirable. Although the Board had made genuine efforts to persuade the firm to make the supply against the original telegraphic acceptance, it did not succeed in its efforts. Since the firm had even *ab initio* refused to accept the telegraphic acceptance of offer and had also withdrawn their subsequent offer for reinstatement of the cancelled order, the Committee consider that no extra expenditure has been incurred.

Purchase of wires and cables

Paragraph 8.13 (2)—Extra expenditure due to failure in issuing proper acceptance

51. Tenders for the purchase of 2,100 tonnes G.I. wire 8 SWG were opened in January 1969. The offer of Modi Industries Ltd., Modinagar at Rs. 1,565 per tonne was considered by the Board in April 1969 to be the lowest technically acceptable one. In the meantime, the firm had of its own accord, submitted on 27th March, 1969 another offer valid up to 15th April 1969 to supply the same material at Rs. 1,519 per tonne. Instead of issuing acceptance of the firm's offer, telegraphic letter of intent was placed on 15th April, 1969 at Rs. 1,519 per tonne for G.I. wire 113.4 Kg/Km whereas the specification of the material in the notice inviting tenders as well as the firm's offer was G.I. wire 8 SWG. The firm declined on 21st April, 1969 to accept this counter-offer. In order to meet urgent requirements, 1,000 tonnes G.I. wire 8 SWG were purchased on 11th August, 1969 at Rs. 1,670 per tonne from the same firm, Modi Industries Ltd., after inviting tenders in May, 1969. The supply was completed by the firm in February 1970. Further purchase of 2,500 tonnes was made from the same firm at Rs. 2,090 per tonne against another order placed on 30th July, 1970.

As a result of placing of a letter of intent instead of an unconditional acceptance of the firm's offer of 27th March, for the material of the specification mentioned in the tender notice as well as in tender submitted by the firm, 2,100 tonnes of G.I. wire 8 SWG had to be purchased subsequently from the same firm at an extra cost of Rs. 7.79 lakhs.

The Board stated in evidence that tenders were invited for the purchase of 2,100 M.T. of G.I. Wire 113.4 K.G. per K.M. or 8 SWG as per ISS 280/1962. The idea was that if the material of (113.4 Kg/KM) was not not available the other would be accepted. The diameter of 113.4 Kg/KM would come to 4.3 mm whereas that of the 8 SWG would be 4.00 mm. Modi Industries in their tender quoted for G.I. wire of 8 S.W.G. as per I.S.S. 280/1962. When their offer valid upto 15th April, 1969 was accepted by the Board, telegraphic letter of intent was issued to the firm on 15th April 1969 for G.I. wire 113.4 Kg/KM in line with the tender specification. The firm, however, accepted the letter of intent conditionally for supply of material as per specification given in the letter of intent subject to the condition that the quoted rate should be dependent on J.P.C. rate of wire rods. Since the prices originally quoted by Modi Industries were firm, there was no question of entering into negotiations with the firm for settling the prices. The firm declined to accept the letter of intent since the same was placed on them after their validity period and the matter with regard to fixing responsibility for delay in finalisation of the tender enquiry was already being looked into by the Board.

The Committee would like to know the results of the investigation being conducted into the case and the final decision taken in regard to the fixation of responsibility for delay in the finalisation of the tender enquiry.

Paragraph 8.13(3)—Extra expenditure due to non-availing of lower offer and use of costlier material

52. To meet the requirements of 1,230 tonnes G.S.S. wire 7/10 S.W.G. and 125 tonnes G.S.S. wire 7/14 S.W.G. for the year 1969-70, tenders were invited on 26th November, 1968 and opened on 17th January 1969. The lowest acceptable offer of Asiatic Wires, Calcutta, for G.S.S. wire 7/10 S.W.G. at the equivalent rate of Rs. 1,668.60 per tonne was ignored by the Stores Purchase Committee (S.P.C.) on 14th April, 1969 on the ground that the tendering firm was a firm of galvanisers only and not a manufacturer and that it normally got the drawing and stranding of wire done at its sister concern, Hindustan Wires Ltd., Calcutta. It was, however, recommended that the order for 1,430 tonnes of G.S.S. wire 7/10 S.W.G. be placed on the next higher tenderer, Hindustan Wires Ltd., Calcutta, at the equivalent rate of Rs. 1,716.50 per tonne. The S.P.C. recommended that order for 125 tonnes of G.S.S. wire 7/14 S.W.G. also be placed on the same firm at the equivalent rate of Rs. 1,893.35 per tonne. The recommendations of the S.P.C. were approved by the Board on 9th May, 1969. But the telegraphic letter of intent issued on 10th May 1969 was not accepted by the firm on the ground that the validity of its offer had already expired on 15th April 1969.

To meet urgent requirements a short term enquiry was issued for 500 tonnes G.S.S. wire 7/10 S.W.G. and 100 tonnes GSS wire 7/14 SWG and tenders were opened on 6th June, 1969. The Board decided on 30th July 1969 to place order on the lowest tenderer, Hind Wire Industries Ltd., at the equivalent rates of Rs. 1,893.14 per tonne for GSS wire 7/10 SWG and Rs. 2,057.94 per tonne for GSS wire 7/14 SWG on the terms and conditions quoted by the firm, But the telegraphic letter of intent issued on 31st July 1969 was not in accordance with the terms and conditions offered by Hind Wire Industries Ltd., with the result that on 11th August 1969 the firm declined to accept the letter of intent. Orders were placed in September, 1969 on the next higher tenderer, Hindustan Wires Ltd., Calcutta, for 500 tonnes GSS wire 7/10 SWG at the equivalent rate of Rs. 1,967.30 per tonne and Special Steels Ltd., Bombay, for 100 tonnes GSS wire 7/14 SWG at the equivalent rate of Rs. 2,169.02 per tonne.

Hindustan Wires Ltd., Calcutta despatched 50 tonnes GSS wire 7/10 SWG between 8th and 10th April 1970, which were accepted by the Board. The firm further offered 100 tonnes for inspection on 10th April 1970, but the Board did not accept this lot and insisted on its being tested for the weight of zinc coating in accordance with specifications different from those provided in the purchase order. On the advice received on 14th August 1970 from the Indian Standards Institution that the Board could not insist on the weight of zinc coating not given in ISI specifications (IS-2141) which had been mentioned in the purchase order, the Board asked the firm on 24th September 1970 and 16th October 1970 to commence supplies. Hindustan Wires Ltd., requested on 28th October, 1970 for extension in delivery period as there was a lock-out in its factory from 4th May 1970 to 15th September 1970 and the Board had not accepted the material offered in April 1970. The firm further stated that delivery would commence four weeks after the date of amendment of the delivery period. No decision was taken on the firm's request for revision in delivery period but, due to financial stringency, the Board asked the firm on 31st December 1970 to suspend deliveries. This embargo was not lifted and no further supplies were received. Requirements were , however, met by utilising GSS wire 7/8 SWG which was available in stock and had been purchased by the Board from Hind Wire Industries Ltd., at equivalent rate of Rs. 2,335.47 per tonne in March 1970

Special Steels Ltd., Bombay, did not accept the purchase order an, *inter alia,* asked on 16th September 1969 that delivery should be made dependent on availability of raw materials and also requested that the Board should undertake to make available low carbon wire rods under Joint Plant Committee (JPC) status II. Though the Board did not agree to amend the purchase order, an indent for 106 tonnes of low carbon wire rods was placed on 20th November 1969 on the JPC. The JPC issued a planning note on 15th December 1969 indicating allocation of 106 tonnes of low carbon wire rods in favour of the firm which was forwarded by the Board on 16th January 1970. The firm, however, did not supply any material to the Board. The requirement of 100 tonnes GSS wire 7/14 SWG was met by utilising the material procured on 20th May 1970, against another tender enquiry from Arkay Wires, Kanpur, at an equivalent rate of Rs. 2,636.94 per tonne. As per records of Hindustan Steel Ltd., Special Steels Ltd., actually procured 98.750 tonnes of wire rods in August 1970 against the said indent. The legal opinion received by the Board in March 1971 was that risk purchase could be effected in case the firm had received the material against the indent.

It was pointed out in Audit that Special Steels Ltd., had obtained supplies from Hindustan Steel Ltd., against the indent. Government stated in December 1973 that confirmation was being obtained by the Board from Hindustan Steel Ltd., on receipt of which the matter would be proceeded with further.

Government also stated in December 1973 that delay in finalisation of the tender enquiry and failure to communicate acceptance of the offer of Hindustan Wires Ltd., within the validity period were being looked into by the Board. It was further stated that the offer of Asiatic Wires, Calcutta, was ignored as the Board was not sure of the firm's technical competence to supply quality material within the required delivery schedule and as its performance against previous orders had not been satisfactory. It may, however, be mentioned that the firm was registered with the D.G.S. & D. as a supplier of G.I. wire with manufacturing capacity of 500 tonnes per month and National Small Scale Industries Corporation with manufacturing capacity of 375 tonnes per month and previous orders had been placed on it on that basis. As regards its past performance, supply of 350 tonnes GSS wire 7/8 SWG against order of November 1966 was completed by the firm within the extended delivery period of October, 1968. Against another offer of the firm for 880 tonnes GSS wire 7/8 SWG, the Board had placed an order in March 1969 for 1,180 tonnes which was subsequently amended in April 1969 to 880 tonnes to conform to the firm's offer. The firm had commenced supplies against this order in April 1969 when the decision in the present case was taken.

By ignoring the lowest offer of Asiatic Wires for GSS wire 7/10 SWG and owing to delay in accepting the offer of Hindustan Wires Ltd., for GSS wire 7/14 SWG, the Board incurred an extra expenditure of Rs. 3.93 lakhs on the purchase of 100 tonnes of GSS wire 7/14 SWG and 50 tonnes of GSS wire 7/10 SWG at higher rates and use of 450 tonnes of GSS wire 7/8 SWG, purchased at higher rates, in place of GSS wire 7/10 SWG. Besides, undue benefit was obtained by Special Steels Ltd., Bombay by availing of the indent for wire rods on JPC although this firm had not accepted the Board's purchase order.

The Board stated in evidence that when the case was considered by the technical members of S.P.C. on 14-4-1969, they found that as per the report of inspecting officer of the Board, the firm Asiatic Wires, Calcutta were not the manufacturer of G.I. wire and G.S.S. wire, and that they were only galvanisers. The earlier reports received in this connection from the D.G.S. & D and Director of Inspection that the firm were manufacturers of G.I. wire, were, therefore, found by them as incorrect. They felt that apart from action, which was required to be taken against the reporting officer of D.G.S.&D etc. for submitting incorrect report, they also observed that there was a difference of assessment of their capacity of manufacturing material between the D.G.S.& D and Small Scale Industrial Corporation, New Delhi. They, therefore, felt that it would be risky to place order on them specially when supplies against order for 1,180 M.T. of 7/8 S.W.G. wires placed on them was not forthcoming. Asiatic Wires were required to supply 100 M.T. in March, 1969 and were to complete the order of 880 M.T. by February, 1970, against the purchase order dated the 5th March, 1969. They could supply only 464 M.T. upto 12/69 and did not supply the balance material for which arbitration proceedings against the delinquent firm for recovery of damages had already been instituted. The performance of the firm against that order could not, therefore, be termed as satisfactory. The Technical Member of the S.P.C. recommended that the offer of the firm on above account should be ignored and these recommendations were accepted by the Whole Time Members.

It was admitted that there had been delay in the finalisation of tender enquiry opened on 17.1.1969 and communicating acceptance of firm's offer within validity period for which the matter was being looked into for action against the persons at fault.

As regards Hind Wire Industries Ltd., it was explained that in pursuance of the decision of the Whole Time Members on 30-7-1969 the letter of intent was issued to this firm for 100 M.T. G.S.S. Wire 7/10 S.W.G. and 500 M.T. of G.S.S. Wire 7/10 S.W.G. on 31-7-1969. The firm informed the Board on 11-8-1969 that the Board's letter of intent was at variance with their offer as their quoted rate did not include excise duty and insurance. They, however, indicated that they would even then be willing to supply the material provided the Board could procure 'wire rods' on priority basis from J.P.C. Since the firm had stated in their tender that no excise duty was leviable on these wire rods and as their offer was silent about transit insurance, letter of intent was correctly placed on their rates inclusive of excise duty and transit insurance and it could not obviously be considered to be at variance with firm's offer.

When 100 M.T. of material was offered by Hindustan Wires Limited Calcutta to A.E. Inspection in April, 1970 he asked for clarification from the Chief Engineer P&C with regard to ISS under which weight of zinc coating was to be carried out by him. In the purchase order it had been stipulated that the material would conform to ISS 2141/1968 and galvanisation test as per ISS 2633/1964. Since the weight of zinc coating was not covered in the ISS 2633/1964 mentioned in the purchase order and was available in the ISS 4826, reference was made to I.S.I. asking for their opinion as to whether the Board could insist for galvanisation as per ISS 4826 and what would be the difference in the amount of zinc coating in case the Board would go by firm's assertion that galvanisation test should be conducted as per ISS provided in the purchase order.

In reply to an enquiry of the Committee as to why the request of Hindustan Wires Limited for revising the delivery schedule in the light of the advice of ISS was not accepted, it was explained that according to the purchase order placed on them on 5th September 1969, they were required to commence supply within four weeks from receipt of purchase order and complete the same at the rate of 70 M.T. per month *i.e.* by 14th May 1970. The firm requested for extension in delivery schedule to commence supply after 4 weeks of opening of letter of credit. It was agreed to and amendment was issued. Letter of credit was opened on 20th January 1970 but the firm pointed out certain discrepancies in letter of credit and these were removed on 21st February 1970. The firm requested for more amendments on 14th February 1970, which were issued on 19th March 1970. The firm supplied 50 M.T. in April, 1970. As per the amendment to delivery clause, the supplies were to be completed by 22nd September 1970. The firm came out with the plea to recommend their case for allotment of raw material to JPC. They were requested by the Board on 21st November, 1969 to release 530 M.T. of wire rods but the JPC informed on 1st December 1969 that 16,550 M.T. of rods had already been released to the firm against their requirement. This quantity was quite sufficient if the firm had cared to supply the material. Accordingly, further request of the firm on 14th June, 1971 for issuing letter of recommendation for allotment of wire rods on priority basis to GWPC was not justified and was rejected.

It would, therefore, be seen that the intention of the firm was to delay the supply of material by asking for amendments to the purchase order for one reason or the other. There was no certainty that had their request for extension in delivery period been accepted, as was done earlier, they would have supplied the material. It was also pointed out that this firm had also not complied with the orders for G.I. wire 800 lbs/mile placed on them in 1967 despite the fact that the amendments asked for by them from time to time were issued. Action against this firm for non-compliance of these orders had already been initiated.

As regards the use of costlier 7/8 SWG wire in place of 7/10 SWG wire, it was stated that this course was resorted to by the field staff in order to tide over the difficulty of shortage of GSS wire 7/10 SWG and to achieve the targets of village electrification and tubewell energisation fixed by the Board/State Government for the year 1969-70. The GSS wire 7/8 SWG is heavier, stronger and more durable than that of size 7/10 SWG.

As regards Special Steels Limited, Bombay, it was mentioned that from the correspondence available in record, it could be safely said that though sale order was issued on Hindustan Steels against the material indented by the Board, no supply thereagainst was actually received by the firm and this was the reason, why it subsequently refused to execute the order. The fact that the firm actually got 98.75 M.T. of wire rods in August, 1970 against Board's indent was being confirmed from Hindustan Steels and on receipt of their reply the matter would be proceeded further.

During oral evidence, it was brought to the notice of the Committee by the Accountant General that according to the information available with him the firm had actually drawn steel on this account from Hindustan Steels. The departmental representative desired that the Accountant General may pass on that information to the Board so that they could examine the matter on that basis also.

The Committee would like to know the results of the arbitration proceedings pending against Asiatic Wires Calcutta. They would also like to know the final action taken against the officials at fault for the delay in finalisation of the tender enquiry and communicating acceptance of firm's offer within the validity period.

In view of the position explained by the Board, the Committee observe that the letter of intent issued to Hind Wire Industries was not accepted by the firm and it put forth certain conditions regarding payment of excise duty and insurance which were not accepted.

As regards Hindustan Wires Limited Calcutta, the Committee find that this firm had asked for amendments of the delivery schedule frequently on one pretext or the other despite the fact that adequate quantity of wire rods had been released in its favour by the JPC. The Committee would like to be apprised of the final action taken against the firm for non-compliance of the orders.

In regard to the Special Steels Limited Bombay, the Committee observe that according to the information made available by the Accountant General the firm had drawn steel from Hindustan Steels on the basis of allocation of low carbon wire rods by the JPC in its favour. The Committee would like that suitable action against the firm be taken as early as possible.

Paragraph 8.13 (4)—Purchase at higher rates and acceptance of defective materials

53. The lowest offer of Hindustan Wires Ltd., Calcutta at equivalent rate of Rs. 2,080.60 per tonne for unpacked wire, received in February, 1970, against tender enquiry for 500 tonnes of G.S.S. wire 7/4 mm. diameter was rejected on the grounds that the rate was variable depending upon Joint Plant Committee (J.P.C.) rate for wire rods 6 mm. diameter and that the past performance of the firm had not been satisfactory. Order was placed on 18th March, 1970 on the next higher tenderer, Hind Wire Industries Ltd., for 500 tonnes at the equivalent rate of Rs. 2,335.47 per tonne for unpacked wire. *Ex post facto* approval was accorded by the Board on 27th March, 1970.

The tender of Hind Wire Industries Ltd., was 12½ per cent higher than that of Hindustan Wires Ltd. The Board stated in May 1973, that all variable offers without ceiling were rejected irrespective of the difference between the variable offer and the firm offer accepted. However, it may be stated that the variable rate quoted by the latter firm was dependent upon the rate for wire rods fixed by the J.P.C. The Board had, in the past, accepted similar variable offer of Hindustan Wires Ltd., Calcutta, in September, 1969. Incidentally, it may be mentioned that no increase in price of wire rods was announced by the J.P.C. till December, 1971 and by placing order for 500 tonnes of G.S.S. wire on Hind Wire Industries, the Board incurred an extra expenditure of Rs. 1.27 lakhs.

Two orders were placed on Hindustan Wires Ltd., in January, 1968 and September 1969. Against both the orders the firm offered material as per specifications in the purchase orders, but the Board insisted on tests being carried out for weight of zinc coating even though the weight was not specified in the I.S.S. mentioned in those purchase orders. In one of the cases where opinion of I.S.I. was obtained, the Board was advised not to insist upon testing of wire for weight of zinc coating (*vide* sub-paragraph 3 ante). In the circumstances, it is a moot question whether the firm could be blamed for non-supply of materials. The past performance of Hind Wire Industries, on whom order was placed was not considered satisfactory by the S.P.C. while considering another tender for G.S.S. wire on 28th July, 1969 on the ground that the firm had not effected supplies against three orders placed in November, 1964 and January, 1965 by the composite Punjab State Electricity Board.

The submission of test certificates from Government agency required under the purchase order placed on Hind Wire Industries was waived by the Chief Engineer in May, 1970 on the ground that the firm had a full-fledged testing laboratory at its works. Tests conducted in the presence of the Board's representatives, however, showed that the material did not conform to the specifications. Sub-standard material supplied by Hind Wire Industries was accepted in May and August, 1970 by the Inspecting Officer of the Board and no deduction on that account was made from the firm's bills. Government stated in December, 1973 that samples were being selected and would be got tested from Government testing agency and that suitable deductions would be made from the balance 10 per cent payments amounting to Rs. 1.06 lakhs, withheld by the Board.

The Board stated in evidence that it was stipulated in the tender specification that the quoted price should be firm so far as raw material, labour and statutory levies were concerned. If the quoted prices were variable in respect of basic rate of raw material, and labour etc. price variation formula alongwith maximum percentage ceiling was required to be furnished clearly in the tender. In accordance with this provision the offers of the firms with variable prices where maximum percentage ceiling was not indicated, were not required to be considered. The rates of Hindustan Wires were variable dependent on variation in the price of J.P.C. when the order was placed in March, 1970 but the extent to which the J.P.C. price would vary could not be anticipated at that time. It was particularly so when the J.P.C. prices not only varied at the time of annual budget but even in the intervening periods also. There was, therefore, no question of considering the offer of Hindustan Wires. It was also mentioned that the offer of Hindustan Wires Calcutta, with variable prices was accepted in the case of earlier purchase order of September, 1969 for the supply of 500 M.T. of stay wire 7/10 S.W.G. but it was found that the firm could supply only 50 M.T. thereagainst and the balance supplies were not forthcoming from them. Had their performance against the earlier order been satisfactory, the Board would have accepted their offer with variable prices against the fresh tender enquiry also though at the time of placement of the order, it could not have been anticipated as to what extent their prices would vary. There was no deviation by the Board from the set policy of procurement of material and whatever was done was in fact in keeping with the interest of the Board's works for timely procurement and utilisation of material. It was further explained that although the amendments asked for by the firm in the purchase order of September, 1969 had been issued to them in October, 1969 there was no valid ground for the firm for not commencing supplies thereafter. Even when they offered the material for inspection in April, 1970, the supply could not be accepted till clarification from I.S.I. with regard to weight of zinc coating could be obtained. The firm, however, failed to supply the balance material against that order. The order of January, 1968 was placed on the firm in accordance with the Board's tender specification which was also generally in line with the firm's tender. The firm in their letter dated 31st January, 1968 asked for certain modifications in the specification mentioned in the order as relaxation of resistance quoted by them had been omitted in the order. The purchase order was accordingly amended in May, 1968. The firm again stated in their letter dated 29th May, 1968 that I.S.S. 279 (according to which they had earlier quoted for the material) had been superceded by I.S.S. 279/61 and requested that purchase order be further amended. They further mentioned that G.I. wire 800 lbs. per mile was neither covered by I.S.S.-279/61 or 279/51 and Alipur Test House would not test the samples as per these specifications. They, therefore, requested that the clause requiring test certificates from the Government Test House be omitted. Keeping in view the request of the firm, they were asked to supply material as per B.S.S.-182/1938 and B.S.S. 443 and even then the firm failed to supply the material.

So far as Hind Wire Industries were concerned, it was mentioned that all the three orders referred to in the audit paragraph were placed by the composite Punjab State Electricity Board. However, against one valid order placed by the Haryana State Electricity Board against tender enquiry QH-210, the firm had supplied the entire material ordered on them within the required stipulated period which enabled the Board in completing 100% village electrification targets.

In regard to the letter of intent placed in July, 1969 it was stated that the firm informed the Board on 11th August, 1969 that the Board's letter of intent was at variance with their offer as their quoted rates did not include excise duty and insurance. They, however, indicated that they were even then willing to supply the material provided the Board could procure 'wire rods' on priority basis from J.P.C.

The Legal Adviser of the Board had also expressed the opinion on 4th July, 1970 that as the Board had not communicated unconditional acceptance to Hind Wires in their letter of intent hardly any agreement had come into existence and no risk purchase was, therefore, possible.

As regards the submission of test certificates from Government Agency, it was stated that Hind Wire Industries Ltd. requested in their letter dated 7th April. 1970 that they had a well developed and fully equipped laboratory for carrying out different tests and Board's inspecting officer could carry out the inspection at their works and they requested the waiving off of test certificates from Government Testing Agency. This request of the firm was considered and agreed to by the S.P.C.

In regard to acceptance of wires offered by the firm in May, 1970, and August, 1970 it was mentioned that 150.504 M.T. G.S.S. wire was jointly inspected by Executive Engineer Inspection and A.E. (Inspection) stationed at Calcutta on 26th June, 1970 who reported that :—

(i) Diameter of wires was within toleration limit.

(ii) Tensile strength was in accordance with the I.S.S.

(iii) Elongation value was within permissible limits.

(iv) Lay length was in order.

(v) The samples had also stood the dip test as per I.S.S. 4826/68. There was minor variation in weight of zinc coating.

The Executive Engineer also reported that keeping in view the overall performance of various tests according to I.S.S. the material was acceptable and he approved the same for despatch due to acute shortage of this material in the field, required urgently for completing the targets for 100% village electrification. While doing so, he suggested that suitable deduction on account of variation in zinc coating might be made, if considered necessary.

Subsequently when the Executive Engineer (Inspection) inspected 350 M.T. of G.S.S. wire on 18th August, 1970, he reported that the material was generally according to the technical specifications and was acceptable.

It was further added that the balance payments of the firm to the tune of Rs. 1,06,000 had already been withheld and would be liquidated only after making necessary deduction in respect of variation in weight of zinc coating pointed out by the inspecting officer. Most of the material had already been used in the field but about 1.4 M. T. of G.S.S. wire was lying with one of the consignees due to the minor deviations as indicated by the Controller of Stores . The firm, however, invoked arbitration against withholding of their balance dues. The Board in order to safeguard its interest had lodged counter-claim for 100% value of the material and the arbitration proceedings in the case were still in progress.

The Committee find that the lowest offer of Hindustan Wires Calcutta was not accepted firstly because the rate quoted by them was variable dependent

upon J.P.C. rates for wire rods and secondly because the past performance of the firm had not been satisfactory. The Board had, therefore, to place order on Hind Wire Industries Limited.

The Committee would, however, like to be apprised of the outcome of the arbitration proceedings initiated against Hind Wire Industries.

Paragraph 8.13 (5)—Purchase at higher rates

54. Tenders for 250 Kms. of 6 sq. mm. size and 75 Kms. of 10 Sq. mm. size, 4 core low tension Bazar cables were opened on 28th July, 1967. The specifications issued to the prospective tenderers were incomplete as these did not indicate whether armoured or unarmoured cable was required. Amendment to the specifications indicating the requirement for armoured cables was stated to have been sent on 11th July, 1967 to firms which had already purchased tender forms. However, after the opening of the tenders, two firms, *viz.*, Traco Cables and Victor Cables, stated that they had not received the amendment and were, therefore, unable to quote for armoured cables.

After opening of tenders, Indian Cable Co., and Power Cables reduced their rates on 16th August, 1967 by 15 to 26 per cent which made Indian Cable Co., the lowest tenderer, its equivalent rates being Rs. 3,579.77 per Km. for 6 Sq. mm. and Rs. 4,105.59 per Km. for 10 sq. mm. cable. On 28th September, 1967 Premier Cables also reduced its rates by 4 per cent and made these inclusive of excise duty of 5 per cent.

It was considered that acceptance of the post-tender offer of Indian Cable Co., would be against the sanctity of tenders. It was, therefore, decided on 25th October, 1967 to place orders for 250 Kms. and 75 Kms. cables of sizes 6 sq. mm. and 10 sq. mm. on Industrial Cables at the firm's equivalent rates of Rs. 3,939.25 and Rs. 4,517.58 per Km respectively. Order was accordingly placed on this firm on 15th November, 1967 for supply of armoured cables of the two sizes by 15th November, 1968 and 31st December, 1968 respectively.

Although some of the tenderers had complained of incomplete specifications, a sufficient quantity to meet six and three months' requirements of cable of the sizes of 6 sq. mm. and 10 sq. mm. respectively was in stock or on order, and there was a clear indication of market rates having come down as three leading firms had reduced their rates considerably, the Board neither examined the desirability of re-inviting tenders to avail of the benefit of declining rates, nor did it consider it desirable to negotiate with Industrial Cables by offering the revised lower rates of Indian Cable Co. Purchase from Industrial Cables resulted in extra cost of Rs. 1.21 lakhs as compared to the revised rates of Indian Cable Co.

Government stated in December, 1973 that the reduction offered by some of the tenderers could not be a reflection of true market trend and re-invitation of tenders would have taken time.

The Board stated in evidence that the amendment in the specification was issued about more than a fortnight before the opening of tenders and all the firms who had purchased the specification were supplied with the necessary amendment. In addition the revised specification was issued to Victor Cables on 20th July, 1967 and also amendment to the specification was issued to Larsen & Toubro who were the agents of Traco Cables. It was also pointed out that 17 firms had quoted against the tender enquiry and correct specifications were supplied to all of them. The purchases were effected on the basis of the competitive quotations received and maximum competition available.

It was not uncommon for suppliers to reduce their rates after tenders were opened and such reduction could not be taken as reflecting true market trend but could only be assumed to be due to reasons peculiar to that particular firm, such as idle capacity of the firm which they might want to reduce, their financial position compelling them to get an order somehow or the other or even at times to harm their competitors and to prevent them from getting the order. If the Board were to take notice of such reduction and re-tender every time it would not be possible for it to discharge its responsibility. Depending upon the availability of time and other factors the Board in some cases re-tender or ask tenderers to quote rates afresh but this could be done if the Board was satisfied that the reduction was a true reflection of market conditions and even so the Board would have to accept the risk of such short term trends getting reversed in the meantime and the prices going up.

In accordance with the notice inviting tenders supply of cables was required to be commenced from October, 1967 onwards. While the case was considered by the S.P.C. in their meeting held on 16th October, 1967 they observed that though the stock in hand and supplies to be received against pending orders were sufficient to meet the requirement of six and three months, the re-invitation of tenders involved a considerable exercise which would have taken at least 3 months. In order, therefore, to avoid the delay they recommended that the Whole Time Members might consider placing the order on the lowest technically suitable tenderer, Industrial Cables at the reduced price received from Indian Cable Company. However, when the case was considered by the Whole Time Members in their meeting held on 25th October, 1967 they decided that the reduced rates offered by Indian Cable Company received after the opening of tenders should be ignored as it was against the sanctity of the tenders to consider the offer after opening of the tenders. They, therefore, decided that order for both the sizes should be placed on Industrial Cables at their quoted rates which were found to be lowest amongst the technically suitable and acceptable offers at the time of opening of tenders.

The Committee find that since amendment to the specification indicating the requirement for armoured cables had been supplied to the various firms including Victor Cables and the agents of Traco Cables, their subsequent plea that they had not received the amendment was not tenable. The Committee is inclined to agree with the contention of the Board that it would not be correct to encourage acceptance of post-tender offers which might lead to unhealthy practices. In this context they feel that the decision of the Whole Time Members of the Board to ignore the post tender offer of Indian Cable Company to reduce their prices was correct. The Committee, therefore, do not consider that any further action is necessary in the matter.

Paragraph 8.13 (6)—Delay in taking action against a defaulting supplier

55. Tenders for supply of L.T. Bazar Cable were opened in July, 1968. An order for 50 Kms. cable was placed in September, 1968 with Power Cables at the lowest equivalent rate of Rs. 3,491 per Km. Certain clarifications asked for by the firm on 21st October, 1968 were given on 3rd January, 1969. Delivery was to commence at the rate of 10 Kms per month from the date of receipt of clarifications. Power Cables did not commence supplies within the scheduled delivery period of January-May, 1969. No action was, however, taken against the firm in terms of the purchase order.

In January, 1969, another tender was invited for the same size of cable and orders were placed in April, 1969 for 240 Kms. and 200 Kms. at the equivalent rates of Rs. 4,567.09 and Rs. 4,466.08 per Km. on Indian Cable Co. and Fort Gloster Industries respectively. The Board stated in July, 1973 that these purchases were made to meet the requirements for 1969-70 in view of the doubtful supplies against previous orders. Thus the requirement of 50 Kms. cable not received from Power Cables against the order of September, 1968 was met by purchasing cable at higher rate in April, 1969, involving extra expenditure of Rs. 0.54 lakh.

On 31st December, 1970, the Board placed a general embargo on all supplies due to financial stringency. When the embargo was lifted in January, 1972, Power Cables declined to effect supplies. Legal advice received in March, 1973 was that no damages could be recovered as there had been delay in taking action and that embargo had been placed on supplies. The order was cancelled in May, 1973. Responsibility for delay in taking action was, however, not fixed.

The Board stated in evidence that after the order was placed on Power Cables on 16th September, 1968, they asked for certain amendments which were conveyed to them on 3rd January, 1969. For certain reasons the firm requested the Board to accept some material in short lengths to the extent of 70%. This was not agreed to by the Board and the firm was informed accordingly on 6th February, 1969. The firm again offered short lengths to the extent of 10% on 19th May, 1969 (length between 250 metres and 450 metres) which were also not according to the purchase order. The firm was asked to give details for short lengths for calculating rebate, but they did not furnish the details till December, 1970, when embargo on supplies was imposed by the Board on 31st December, 1970 due to the financial stringency. After the embargo was lifted on 18th January, 1972 the firm declined to execute the order on the grounds that :—

(a) they had accepted the order subject to the Board's acceptance of the short lengths.

(b) There was rise in the raw material prices during the last 4 years.

(c) Due to non-acceptance of short lengths they did not agree to execute the order and for that reason contract agreement had not been signed by them.

In their letter dated 9th February, 1973 the firm offered that they would be prepared to execute order No. HH-374 and HH-375 without claiming increase in excise duty, if orders Nos. HH-28 and HH-80 were cancelled because supplies against the former order HH-28 stood practically completed and in the latter case HH-80, they had not signed the contract agreement. In view of the legal opinion as well as for getting material against purchase orders HH-374 and HH-375 at cheaper rates as compared to the prevalent market price, the Whole Time Members decided to cancel the old order HH-80. The orders were accordingly cancelled on 2nd May, 1973.

It was further mentioned during oral evidence that in this way the Board got material cheaper by about Rs. 24 lakhs. Delay in supply thus occurred due to the delaying tactics of the firm. According to the legal opinion it was also not a fit case for filing a civil suit for recovery of the loss.

The Committee observe that Power Cables on whom order for 50 kms. cable was placed in September, 1968 had adopted delaying tactics right from the beginning. Initially they asked for certain amendments to the purchase order and thereafter they asked the Board to accept material in short-lengths. They did not supply any material by the time embargo was placed by the Board in December, 1970 and even after the embargo was lifted they declined to execute the order by putting forth new grounds. Later on, the Board accepted the offer of the firm to execute supplies against earlier orders if the order of September, 1968 was cancelled. This was agreed to by the Board as by this it was able to secure material against the earlier orders. Had the Board purchased the material at the prices prevailing after the lifting of the embargo it would have had to incur extra expenditure of Rs. 24 lakhs.

Paragraph 8.13 (7)—Purchase of cables at higher rates

56. Tenders for purchase of 4 core cable of various sizes, 440 Kms. of 6 sq. mm., 50 Kms. of 10 sq. mm, 50 Kms. of 25 sq. mm. and 45 Kms. of 50 sq. mm, were opened in January, 1969. The lowest technically acceptable offer for cables of sizes 6 sq. mm, 25 sq. mm. and 50 sq. mm. was of Fort Gloster Industries at equivalent rates of Rs. 4,466.08, Rs. 8,547 and Rs. 11,672 per Km. respectively.

Though the lowest tenderer had offered to supply the entire quantity as per delivery schedule, the Board decided in April, 1969 to place order on Fort Gloster Industries for 200 Kms. of cable size 6 sq. mm, 25 Kms. of cable size 25 sq. mm. and 22.5 Kms. of cable size 50 sq. mm. and for the balance requirement on the next higher tenderers, Indian Cable Co., at equivalent rate of Rs. 4,567.09 per Km. for cable size 6 sq. mm. and on Industrial Cables, Rajpura, at equivalent rates of Rs. 9,027.40 and Rs. 11,740.90 per Km. for cable sizes 25 and 50 sq. mm. respectively. Purchase of cables from the latter two firms at higher rates resulted in extra expenditure of Rs. 35,218.

Government stated in December, 1973 that order for the entire quantity was not placed on Fort Gloster Industries because the firm had failed to execute an earlier order. It may be stated that the firm had declined the order in the earlier case on account of the fact that an agent of the firm had quoted a rate lower than that authorised by the firm and even though the Board knew this fact they placed a letter of intent on 21st March, 1968 at the lower rate.

The Board stated in evidence that against the earlier tender enquiry the selling agents for Fort Gloster submitted tender on behalf of their principals at the rate of Rs. 1,20,970 per K.M. In their quotation they also incorporated a telegram from their principals wherein the principals had directed them to quote the rate of Rs. 1,26,970 per K.M. The fact that the rate directed to be quoted by the principals was higher than that quoted by the selling agents in their tender was in the knowledge of S.P.C. when they decided on 16th March, 1968 that telegraphic letter of intent should be placed on Fort Gloster and purchase order be placed on receipt of the confirmation from the firm that they would be prepared to accept the order at the rate quoted by their selling agents. Telegraphic letter of intent was issued to Fort Gloster on 21st March, 1968 but they declined to accept the order at the rate quoted by their selling agents. S.P.C., therefore, recommended on 18th April, 1968 to place order on the next higher tenderer Industrial Cables, Rajpura. When the case was considered by the Whole Time Members in April, 1968 they felt that action of Fort Gloster in not honouring the commitment made by their selling agents was unbusiness like and decided not to consider the offer of Fort Gloster in future and also to forfeit their security.

When the purchase against tender enquiry for 440 kms. of cable size 6 sq. mm. was considered by the S.P.C. in their meeting held on 11th April, 1969 they recommended that the first technically suitable offer of Fort Gloster be passed over as they had not in the past honoured the commitment of their selling agents and order be placed on Indian Cable Company who were the next lowest technically acceptable tenderer. When the case was considered by the Board on 15th April, 1969 though they were not inclined to accept the offer of Fort Gloster on account of their earlier default but in order to safeguard the interest of the Board financially they decided to split up the order between Fort Gloster (200 K.M.) and Indian Cable Company (240 K.M.). They also decided that order should be placed only after inspection of their works in Calcutta and furnishing of suitable bank guarantee. In view of the past failure of the firm, the Board did not consider it advisable to place the entire order on them.

The Committee notice that the offer of Fort Gloster Industries against the tenders opened in January, 1969 was not accepted in its entirety because of their attitude in the case of earlier tender enquiry when they did not agree to honour the commitment of their selling agents. While placing order for materials on various firms, the Board has to take into account various other factors also and if on the basis of the connected facts the offer of a firm is not accepted it cannot be said that the action of the Board was not in order. Even though the Board considered the earlier action of Fort Gloster Industries to be unbusiness like, they still decided to place order on them against the tender enquiry opened in January, 1969. In the light of these facts, the Committee do not consider that any further action is necessary in the matter.

Paragraph 8.13 (8)—*Extra expenditure on purchase of costlier cable*

57. In a meeting of the Superintending Engineers of the Board held on 19th and 20th, May, 1969, it was decided that, in future, low tension unarmoured cables up to size 50 sq. mm. should be used wherever the rate contract with D.G.S. & D. for unarmoured cables was cheaper than the market rate for armoured cables. It was also decided to examine the feasibility of cancelling the existing orders for armoured cables. The Chief Engineer (Operation) recommended on 30th May, 1969 cancellation of the orders for armoured cables placed on 12th May, 1969 in case unarmoured cables available on rate contract were cheaper.

The following orders placed for 4 core armoured low tension cables in April and May, 1969 provided for certain terms at variance with or in addition to those quoted by the firms and were in the nature of counter offers :—

Name of the firm	*Date of the purchase order*	*Description of cable*	*Quantity in Kms.*	*Rate per Km.* (Rupees)
Fort Gloster Industries	12-5-1967	4 core L.T. cable armoured 6 sq. mm.	200	4,466.08
Industrial Cables Ltd., Chandigarh	29-4-1969	4 core L.T. cable armoured 10 sq. mm.	50	5,801.50

The firms, instead of giving unqualified acceptance, had asked for certain amendments. The contracts had thus not been concluded at the time the above decision was taken.

D.G.S. & D's rate contracts with Asian Cables and other firms from March, 1968 to February, 1970, for unarmoured cables of the same sizes were at much lower rates, *i.e.*, Rs. 2,820 per Km. equivalent rate Rs. 3,020.78 per Km. for 6 sq. mm. and Rs. 3,656.10 per Km. equivalent rate Rs. 3,801.35 per Km. for 10 sq. mm. Legal opinion received in June, 1969 was that the orders could be cancelled as unconditional acceptance had not been given by the firms. The orders were, however, not cancelled with the result that extra expenditure of Rs. 3.89 lakhs was incurred on the purchase of costlier cables.

The Board stated in July, 1973 as follows :—

> "........morally and ethically the orders could not be cancelled, especially when there was no cancellation clause in the purchase order. Subsequently cancellation clause was added in our purchase orders and only unarmoured cables are being purchased upto 50 sq. mm."

The State Government agreed in December, 1973, with the comments of the Board.

The Board stated in evidence that the decision taken in the meeting of the Superintending Engineers held on 19th and 20th May, 1969, for use of P.V.C. unarmoured cables was for giving tubewell connections. Moreover, it was a discussion held in the meeting of the Superintending Engineers and it was not a decision of the Board. Besides, armoured cables ordered on Fort Gloster and Industries and Industrial Cables, Rajpura were as per I.S.S. 1554 while those against rate contracts (these were only for unarmoured cables) were as per I.S.S. 694. These two types of cables were not comparable. These had different use and utility and cables of rate contract was no substitute for armoured cables which was invariably used for underground purposes, while the unarmoured cables was used only for overhead purposes. The S.P.C. in its meeting held on 11th April, 1969 recommended purchase of armoured cables. The Board in its meeting held on 15th April, 1969 where Technical Member was also present approved the purchase of armoured cables on the recommendation of the S.P.C. Subsequently after discussion with the Superintending Engineers in the meeting held on 19th May, 1969 it was felt that "In future Store Purchase Section would purchase unarmoured cables upto the size of 50 mm." It was also decided to examine the feasibility of cancelling the earlier purchase orders. This was done after taking legal advice and it was felt that morally and ethically the orders could not be cancelled, especially when there was no cancellation clause in the purchase order.

It was also mentioned during oral evidence that the Board had been obtaining armoured cables previously for all purposes and the Punjab State Electricity Board was also using the same cable. The point raised in the meeting of the Superintending Engineers was a valuable point and the Board accepted the suggestion. For future the Board thus saved expenditure on the tube-well connections. It was also explained that the legal opinion referred to in the audit paragraph had not been quoted in full. In support of the viewpoint of the Board the following portions of the legal opinion were quoted :—

"The purchase order could be cancelled easily without any legal complications before the receipt of the acceptance letter from the firm....."

This was one point. Then it said —

".....With the receipt of the above said acceptance letter at 'F-M' many legal complications have crept in this case; and the agreement is nearly complete and concluded, leaving only a little scope to wriggle out of the agreement in this case....."

The words used by the Deputy Secretary Legal were 'to wriggle out....' Then at the end he had said that in case it was decided to cancel the order by the competent authority cancellation may be issued for this reason coupled with other reasons. It was further mentioned that similar decision on moral and ethical grounds was taken in another case also.

The Committee observe that the decision taken in the meeting of the Superintending Engineers held on 19th and 20th May, 1969 for the use of un-armoured cables was primarily in respect of tubewell connections. The Board had also stated that armoured cables and un-armoured cables were meant for different use and that while the armoured cables was invariably used for underground purposes the unarmoured cables was meant for overhead purposes. Besides, the legal opinion obtained by the Board in regard to the cancellation of the earlier orders did not say conclusively that the earlier orders could be cancelled without legal complications. The Board also thought that in the absence of the cancellation clause in the purchase order it would not be correct to cancel these orders. The Committee also observe that the Board has adopted the suggestion of the Superintending Engineers for use of unarmoured cables for future tube-well connections. The Committee do not consider that any extra expenditure was thereby involved.

Paragraph 8.13 (9)—*Non-recovery of damages for delays in effecting supplies*

58. Industrial Cables, Rajpura, delayed supplies against various purchase orders for cables placed in November, 1967; June, 1969; September, 1969 and November, 1969. The purchase orders provided for recovery of damages for delay in delivery at ½ per cent of the contract price for each week or part thereof, subject to a maximum of 5 to 10 per cent of the contract price. The damages recoverable in respect of these orders worked out to Rs. 1.30 lakhs, which were not recovered from the firm. The Board stated in July, 1973 that all pending payments due to the firm had been withheld and would be released only after effecting requisite recovery and finalising other issues and consideration of the requests of the firm for cancellation of pending orders and extension of delivery periods. Government agreed in December, 1973 with the above comments of the Board. It may, however, be stated that payments due to this firm in July, 1973 totalled Rs. 42,653, besides a bank guarantee for Rs. 34,020 being available, but recovery of Rs. 83,000 was also due from the firm in another case. The latest position of recoveries has not been intimated by the Board (July, 1974).

The Board stated in evidence that all balance payments of the firm in respect of orders for conductors and cables had already been withheld. The total payments due to the firm against various orders amounted to Rs. 51,731.25 besides bank guarantees for Rs. 2,61,658.00. In certain cases claims. against the bank guarantees had already been lodged. The payment due to the firm was sufficient to cover the amount of damages recoverable from them. Notices had already been served on the firm for completing balance supplies in respect of two purchase orders against which supplies had not so far been completed. Suitable action would be considered against the firm in case of non-supply of material.

The Committee would like to be informed of the final decision about the recovery of the damages in the event of non-supply of material by the firm against the two purchase orders for which supplies had not as yet been completed by the firm.

Paragraph 8.13(10)—Purchase of cables at D.G.S. & D's rate contracts

59. In February 1970, Superintending Engineer (Purchase) was authorised to place orders on firms on rate contract with the D.G.S. & D. for items earmarked fc purchase by Head Office, including PVC cables. He was, however, required to satisfy the pre-audit section that variations, if any, from the terms and conditions of the rate contract were to the advantage of the Board.

During the period February to November 1970, the Superintending Engineer (Purchase) placed orders for PVC cables aggregating Rs. 56.42 lakhs on 7 different firms, including Skytone Electricals for Rs. 26.63 lakhs and Premier Cables for Rs. 14.83 lakhs. These included orders for Rs. 16.88 lakhs placed after the expiry of the rate contracts on 31st May 1970, which were later extended in January 1971, upto 31st December 1971. In contravention of the orders of the Board, purchase orders for cables valuing Rs. 37.63 lakhs were placed without pre-audit although the terms and conditions of these purchases were at variance with the terms and conditions of the D.G.S. & D's rate contracts. Government stated in December 1973, that there had been omission on the part cf the Superintending Engineer (Purchase) and that the matter was being looked into by the Board.

The D.G.S.& D's rate contracts were primarily intended to cover requirements not exceeding Rs. 5 lakhs for direct demanding officers in each case. For demands exceeding Rs. 5 lakhs, the indents were required to be placed with the D.G.S. & D. who was to decide whether to call competitive tenders or to place order against rate contract. Between February and June 1970, the Superintending Engineer (Purchase) placed five orders, each order exceeding Rs. 5 lakhs, for cables valuing Rs. 29.89 lakhs without calling tenders, with the result that the advantage of bulk purchase could not be availed of. Government stated in December 1973 that the condition of calling tenders for purchases in excess of Rs. 5 lakhs, was not placed by the Board while delegating powers to the Superintending Engineer (Purchase).

Orders for various sizes of cables of the value of Rs. 56.42 lakhs placed by Superintending Engineer (Purchase) on D.G.S.& D's rate contracts during February 1970 to November 1970 resulted in heavy accumulation of stocks of three sizes of cables valued at Rs. 28.51 lakhs at the end of March 1971, and of Rs. 21.60 lakhs at the end of March 1972.

The Board stated in evidence that S.E. Purchase was authorised to place orders for cables on D.G.S.& D's rates with terms and conditions advantageous to the Board. The purchase orders on different firms were, however, placed by the S.E. Purchase without pre-audit. The matter as to how this was done would be looked into by the Board.

After the decision of February, 1970, S.E. Purchase was stated to have placed a total no. of 16 purchase orders. All the purchase orders were placed containing the first paragraph saying—

"With reference to your rate contract No........dated........".

and paragraph 2 contained the following provision—

"Please supply the goods detailed in clause 6 hereunder at the rates and prices shown therein forwarding the same per goods train, freight paid at supplier's risk and consign to officers as per despatch instructions to be issued by the Controller of Stores.".

The orders were, therefore, placed in accordance with the price of the firms, against rate contract but certain other terms and conditions which were advantageous to the Board were included therein as shown below—

(a) Inspection was to be carried out by the Board's inspecting officers.

(b) Payment was to be made by the Board and not through D.G.S.&D.

(c) While D.G.S.&.D. stipulated payment terms of 98% and 2% Board placed order in certain cases for 90% payment against R.R. and balance 10% within 30 days of receipt of entire material.

(d) While D.G.S.&D. rate contract stipulated price exclusive of sales tax, the orders were placed inclusive of sales tax.

(e) The Board's order provided for security, whereas it was not mentioned in D.G.S.&D. rate contract.

(f) A penalty clause was also provided to secure the Board against delay in supplies of material.

It was further disclosed that S.E. Purchase had placed 5 orders exceeding Rs. 5 lakhs each. In 2 of these orders the total of exceeding Rs. 5 lakhs was made up of orders for more than one size cables. As such it did not exceed Rs. 5 lakhs in accordance with the D.G.S.&.D. terms which clearly referred to "each case". The S.E. Purchase had thus exceeded the limit of Rs. 5 lakhs in the remaining three cases.

It was, however, argued that even where orders were placed beyond the limit of Rs. 5 lakhs, no financial implication was involved. Since the Board had authorised S.E. Purchase to place orders for cables on D.G.S.&.D. rates without calling for tenders, the question of calling the quotations by him beyond Rs. 5 lakhs did not arise.

It was further explained that the prices against the D.G.S.&.D. rate contract for cables were arrived at by the D.G.S.&D. on the basis of bulk requirements indented by the various Government agencies and these rates were evidently cheaper and unnecessary process of inviting tenders etc. could be avoided while purchasing this material by various Government agencies. It was also pointed out that in case of cables most of the firms (including the standard firms of repute and quality) were on rate contract and under terms and conditions of the rate contract, they could not supply material at rates lower than the rates of contract. For this reason, calling of quotations for making purchases by the Board was not considered necessary.

In regard to the point regarding heavy accumulation of stocks of cables, it was mentioned that after completion of 100% village electrification on 29th November, 1970, about 7,472 tubewell connections had also been given by the Board with the material available in different departmental stores upto 31st March, 1971. For this reason, it was always desirable in the interest of work to have stock of material at least to the extent of 20% of the annual consumption of each item in departmental stores at any time. This not only enabled the Board to have continuous flow of material for timely execution of various schemes in the field but also at times avoided frequent purchases against short term tenders during the year to meet with urgent requirements. It was stated that the stock for these cables had practically been exhausted during the months of April/May, 1971. Similarly, the stock of cables as at the end of March, 1972 had also been practically exhausted.

It was stated during oral evidence that the Board had requirements of over Rs. 50 lakhs of these cables of various sizes in a year. During the year 1969-70 and upto November-December 1970, the purchases were being made not only for rural electrification but also for tubewell connections. These purchases had been made in that process and if some stocks were there, it could not be said that they were excessive for the needs of the Board as they arose from time to time.

The Committee observe that the Board had authorised the S.E. Purchase to place orders for cables on different firms on D.G.S. & D. rates with terms and conditions advantageous to the Board. From the data adduced before the Committee, they find that while the prices offered to the firms were those which were laid down in the rate contract, certain terms and conditions secured were better as compared to those stipulated in the D.G.S. & D. rate contract. The Board had also contended that it was not necessary to call for fresh quotations in cases where the purchase orders exceeded the limit of Rs. 5 lakhs as the prices mentioned in the D.G.S. & D. rate contract were arrived at on the basis of bulk requirements and were comparatively cheaper. The Committee are, therefore, of the view that since the Board had specifically authorised the S.E.Purchase to place orders on D.G.S. & D. rates on better terms and conditions, no further action is necessary so far as this aspect of the matter is concerned. However, they would like to know as to how the condition regarding pre-audit of such purchase orders was not complied with.

In regard to the accumulation of stocks, the Board have contended that even after completion of 100% village electrification, they had given about 7,472 tubewell connections and the cables purchased against the orders placed by S.E. Purchase were procured to meet with urgent requirements. The Board have also stated that the stocks had been practically exhausted. The Committee are inclined to agree with the viewpoint of the Board that it is necessary to maintain some stocks to meet with urgent requirements.

Paragraph 8.13(11)—Purchases in excess of requirements

60. Upto 1968-69, the field Superintending Engineers, and thereafter the Controller of Stores had been sending the annual indents for materials to the Superintending Engineer (Purchase). Action for purchase of consolidated quantities was taken by the Superintending Engineer (Purchase) and orders were placed with the approval of the competent authority.

Purchase of cables of 12 different sizes, other than on D.G.S. & D's rate contracts, valued at Rs. 29.62 lakhs were effected in excess of the requirements intimated by the field Superintending Engineers/Controller of Stores during the period May 1967 to March 1971. This resulted in heavy accumulation of stock of these cables. The Board stated in July 1973 that purchases of the cables were not in excess of the requirements and the accumulated stock did not last long and further, the stock balance of crucial items was negligible. Indents in support of the excessive purchases were, however, not shown to Audit. Stocks of 6 items of the value of Rs. 13.78 lakhs, out of 12 items mentioned above, were utilised in over two years and of 4 items of the value of Rs. 10.85 lakhs in more than one year after the year of purchase.

The Board stated in evidence that at the time of its formation on 2nd May, 1967, there was no proper procedure for assessing the requirements by the field officers. Requirement of material for the various items during the years 1967-68 and 1968-69 was, therefore, assessed by the Store Purchase Section in the light of the targets fixed by the Board/State Government for village electrification, tubewell energisation and giving industrial general service connections. Purchases of cables were, therefore, made during these two years on the basis of requirement so assessed keeping in view the supplies to be received/doubtful supplies against pending orders. After the formation of the Controller of Stores Organisation the requirements were re-assessed by the Controller of Stores from time to time and necessary purchase action taken accordingly.

Asked as to why the purchases worth Rs. 29.62 lakhs were effected in excess of the requirements intimated by the field Superintending Engineers and Controller of Stores the Board furnished a statement in respect of the quantities of cables required during each year as assessed by the concerned authorities and orders thereagainst placed by the Board showing that orders were not placed in excess of requirements. It was also mentioned that it would not be correct to refer to carrying excess stocks or blocking up of capital over a short period. A fair assessment could only be made of average excess over what may be regarded as minimum stock levels for various items. A study of all items purchased by the Board would indicate that for appreciable length of periods the actual stock level was close to nil for most of the crucial items and the Board was actually using the material in its works as and when they came. The overall stock level of the Board was Rs. 4.20 crores on 31-3-1970 and Rs. 3.00 crores on 30-6-1973.

It was also stated that due to fast development of power system during 1968-1971 when the Board had embarked on the crash programme of tubewell energisation and village electrification it was always imperative to have minimum stock levels of these items for 33 and 11 KV Sub-Stations and L.T. mains and sub-mains.

The Committee feel satisfied with the reasons advanced by the Board for the purchase of cables of different sizes to meet with the urgent requirements and consider that no further action is necessary.

Purchase of Insulators

Paragraph 8.14 (2)—Extra expenditure due to non-supply of materials

61. An order for 4,405 insulator string sets, consistiug of 37,040 insulators, of 132 KV/66 KV capacity oomplete with hardware fittings of the total value of Rs. 5.60 lakhs was placed on the lowest tenderer, Bengal Potteries Ltd., Calcutta, in September 1968. The insulators were to be delivered by the end of December 1968. These were required for erection of Jind-Narwana, Rohtak-Dadri and Dadri and Dadri-Mohindergarh, 132 KV transmission lines and Ballabgarh-Sohna, Ballabgarh-Palwal and Dhulkote-Jagadhri, 66 KV transmission lines. The firm did not effect any supply and no action was taken against it. The firm stated on 31st July 1969 that it was manufacturing only porcelain part of insulators but was purchasing hardware fittings from other factories which were facing labour troubles. However, on 19th December 1969 it agreed to supply insulators without hardware fittings at its quoted rate of Rs. 11 per 11 KV disc insulators. The Stores Purchase Committee stated on 23rd January 1970 that the requirements for construction of the transmission lines had been met by placing separate orders, but considering that the rate of this firm was low and the material could be used on other lines, the order for hardware portion was cancelled on 5th February 1970 and the firm was asked to supply 11 KV porcelain disc insulators at Rs. 11 each, equivalent rate Rs. 11.77. The delivery period was also extended upto 31st March 1971. The firm, however, failed to supply even the porcelain insulators. Despite this no action was taken to recover damages from the firm.

Information as to the sources and the prices at which complete insulator strings with hardware fittings required for erection of the transmission lines were procured, was not made available to Audit. It was noticed that the Board had purchased 30,500 disc insulators of 11 KV without hardware fittings from Kay Dee Electric Co., and Shishu Electrical Industries at Rs. 15 each in November 1961 and 25,000 insulators from Seshasayee Industries at Rs. 13.98 each in January 1969. The purchase of 37,040 insulators at higher rates involved extra expenditure of Rs. 1.13 lakhs as compared to the rate of Bengal Potteries Ltd.

The Board stated in evidence that the position of energisation of lines for which the insulator strings were ordered on Bengal Potteries Ltd. Calcutta was as follows :—

Sr. No.	*Name of Line*	*Date of energisation*
1.	132 KV Jind-Narwana Line.	9/70
2.	132 KV Dadri-Mohindergarh Line.	8/69
3.	132 KV Rohtak-Dadri Line.	24-12-68
4.	66 KV Dhulkote-Jagadhri Line.	22-2-70
5.	66 KV Ballabgarh-Palwal Line.	6-10-70
6.	66 KV Ballabgarh-Sohna Line.	6/72

Information in respect of sources and the rates of insulators and hardware which had been procured by the field officers to complete the above lines was being collected.

It was also stated that efforts were continuously being made to persuade the firm to supply the material against purchase order but there was no particular response from them. The S.P.C., therefore, considered the case in the meeting held on 23-1-70 and were of the view that it would be in the financial interest of the Board to retain the order for disc insulators on account of low rates and extension in delivery period be given to the firm up to 31st March, 1971 and the order for hardware fittings for the sizes for which the lines had already been completed be cancelled. These recommendations were approved by the whole time members on 30-1-70. No supplies were, however, made by the firm despite efforts made by the Board to force them to supply the material. The firm subsequently asked for extension in delivery period and the same was granted to them under which they were required to supply the material by 27th May, 1974. However, even then the firm failed to commence the supplies for insulators. The risk purchase order was served on them on 18-11-74 but it was returned by the Postal Department with the remarks that "the company was under lock-out". The risk purchase notice was, however, served on the firm on 10-1-75. No further order of similar material had been placed on the firm. It was also mentioned during oral evidence that sufficient dues of the firm and bank guarantee were pending with the Board and in case it became necessary to make risk purchase against the pending order the Board would be able to cover the risk purchase against such dues.

It was also explained during oral evidence that the firm had intimated in their letter dated the 31st July, 1969 that it was manufacturing only porcelain part of the insulators and was purchasing hardware fittings from other factories which were facing labour trouble and had also offered that if the Board desired they could cancel the order. Subsequently the firm accepted in August, 1973 to make the supply against the pending order. The Board had kept the order alive as the rates for the insulators on which the order had been placed with the firm were lower as compared to the prevailing market rates.

The Committee feel that the Board should have made earnest and timely efforts to effect risk purchase. Although the delivery period was last extended upto 27-5-1974, yet risk purchase notices were served only on 18-11-1974 and 10-1-1975. The Committee would like to know the final outcome of the efforts being made by the Board to obtain supplies from the firm against the pending order and of the risk purchase notice stated to have been served on the firm on 10-1-75.

The Committee would also like that the information in respect of the sources and rates of insulators and hardware which had been procured by the field officers to complete 132 and 66 KV transmission lines be collected and furnished to the Committee as early as possible.

Paragraph 8.14(3)—Acceptance of cheaper material without reduction in rate.

62. Against tenders opened on 15th November 1968, an order for purchase of 22,000 pin insulators of 11 KV of 800 lb. working load, of the total value of Rs. 1.66 lakhs, was placed on 24th January, 1969 on Bengal Potteries Ltd., Calcutta at the equivalent rate of Rs. 7.54 each. The lower equivalent rate of Rs. 6.87 each of Seshasayee Industries Ltd., Vadalur, was ignored on the ground that the firm had quoted for small head type pins whereas the Board required large head type pins. In this connection, it may be mentioned that small head type pin insulators were also in use with the Board and a purchase order for 62,000 small head type pin insulators manufactured by Seshasayee Industries was earlier placed on 18th November 1968 on Kay Dee Electric Co., at Rs. 6.90 each.

Against the order for large head type pins, Bengal Potteries Ltd., were also allowed in September 1970 to supply 18,000 small head pin insulators without any reduction in price. Thus, the Board incurred extra expenditure of Rs. 12,060 on the purchase of 18,000 pin insulators from Bengal Potteries Ltd.. compared to the rates of Seshasayee Industries ignored in January 1969. Government stated in December 1973 that a reasonable amount would be recovered from Bengal Potteries.

The Board stated in evidence that keeping in view the urgency of material for completing 100% village electrification during the year 1970-71 the various pending orders on Bengal Potteries were discussed by the firm's representatives with the members and other officers of the Board on 4-8-70 and as a result thereof the whole time members agreed in September, 1970 to accept the balance quantity of 18,000 pin insulators with small head as against large head type provided in the purchase order without any reduction since the firm was agreeable to supply the material at old rates which were lower than the then prevailing market price of such material.

It was also explained that both small and large head type pin insulators were suitable. The offer of Seshashyee Industries Vadalur who had quoted for small head type pin insulators was ignored as the same was not according to the Board's specification. Moreover, according to the delivery schedule offered by them the supply was to commence after six months and completed 4 months thereafter, whereas delivery of material offered by Bengal Potteries was more attractive viz ex-stock offer of 5,000 sets and the balance to be supplied at the rate of 15,000 sets per month commencing after 10/12 weeks.

It was further mentioned that for the supply of balance quantity of 18,000 pin insulators with small head an amount of Rs. 9,000 at the rate of 50 paise per piece had been decided to be recovered from the firm's balance payments. All payments of this firm had already been held up and the recovery would be effected before these were considered for release.

The Committee would like to be informed as and when the recovery is effected from the pending dues of the firm.

Paragraph 8.14(4)—Non-supply of insulators

63. The following firms did not complete supplies of 11 KV pin insulators against orders placed on them in April and July 1969:—

(i) *Bengal Potteries Ltd.*: An order dated 30th April 1969 for supply of 26,000 insulators with pins at Rs. 6.50 each, equivalent rate Rs. 7.45, was due to be completed by 16th September 1969, Despite the urgency of the Board's requirements, the delivery period was extended in September 1970 upto 30th January 1971. However, no supply was received from the firm. Another order for 50,000 insulators without pins at higher price was placed on Bengal Potteries in November 1970 for immediate supply.

(ii) *Jaya Shree Textile and Industries Rishra:* An order dated 30th April 1969 for supply of 74,000 insulators with pins at Rs. 5.70 each, equivalent rate Rs. 6.97, was due for completion by 31st January 1970. The firm supplied only 10,000 insulators with pins by that date and 40,000 Insulators and 57,000 pins subsequently up to December 1970. The remaining 24,000 insulators and 7,000 pins were not supplied.

(iii) *High Tension Insulator Factory, Ranchi:*—An order dated 6th July 1969 for supply of 1,70,000 insulators with pins at Rs. 5.40 each equivalent rate Rs. 6.40, was due to be effected by 20th April 1970. Extension of delivery period was allowed on 8th December 1970 up to 15th November 1970. The firm supplied 1,54,220 insulators during the extended period of delivery but did not supply the remaining 15,780 insulators with pins.

Against the orders placed on the three firms mentioned above the Board did not receive supplies of the balance 48,780 insulators with pins and 17,000 insulators without pins. In case of Jaya Shree Textile and Industries and High Tension Insulator Factory supplies were long overdue; yet action for effecting risk purchases was not taken. In order to meet urgent requirements orders for pins were placed in October and November 1970 on various firms, including Bengal Potteries Ltd., at higher rates, varying from Rs. 3.86 to Rs. 4.89 each, and for insulators from Rs. 5.73 to Rs. 5.75 each. These purchases resulted in extra expenditure of Rs. 1.85 lakhs. Purchases from Bengal Potteries Ltd., at higher rates were made without enforcing deliveries against the previous orders at lower rates.

Government stated in December 1973 that action was being taken against the defaulting firms for recovery of damages by withholding payments due against other orders or through arbitration.

The Board explained the position as under :—

(*i*) *Bengal Potteries Ltd.*

The supplies were not forthcoming from the firm against order of November, 1970. The case was discussed by the firm's representatives with the members and other officers of the Board on 4-8-70 and as a result thereof the case was considered by the S.P.C. in their meeting on 18-9-70 when they decided that in view of the fact that the price trend was high and delivery of material as quoted against new tender enquiry was very long and by giving the extension in delivery period the Board was binding the firm to supply the material which was urgently required to meet with the crash programme, extension in delivery period upto 30-6-71 be allowed. It was also mentioned that the firm had supplied 17,000 insulators upto 31-12-70 and these insulators were usefully utilised for achieving 100% village electrification target upto 11/70 and tube-well energisation by 31-3-71.

The supply against purchase order of April, 1969 was required to be completed upto 31st January, 1971. The firm had successfully completed the supplies against purchase order HH 411 well within the stipulated delivery period. Therefore, keeping this in view another order to meet the Board's needs was placed on the firm in November, 1970 for ex-stock delivery when other suppliers like Jaya Shree were not supplying the material on account of lock-out etc. At that time when delivery against purchase order of April, 1969 had not expired the question of enforcing that order before placing another order on them for ex-stock supplies in November, 1970 (which they completed on 29-12-70) could hardly arise.

It was also stated that the whole time members in their meeting held on 6-11-70 decided to place order on Bengal Potteries and Mysore Porcelain for ex-stock supply of 50,000 pin insulators to meet with urgent requirement for completing 100% village electrification targets on account of the following reasons :—

(1) Rates at which orders were placed on Government factory Ranchi viz. Rs. 5/- ex-Ranchi were higher than the ones on which the orders were placed on these firms.

(2) Jaya Shree Calcutta on whom order for 70,000 insulators without pins had been placed was under lock-out.

(3) Requirements of pin insulators were urgent on account of rural electrification programme and energisation of tube-wells for which there was a very large demand and urgent requirement on account of sowing of Rabi crop.

As regards the supplies against purchase order of 30th April, 1969, a notice had been served on the firm on 4-11-74 for immediate payment of Rs. 55,900 on account of cost of risk purchase in terms of the agreement executed by the firm. However, the firm had not sent any reply so far. The feasibility of invoking the arbitration proceedings for recovery of damages was being legally examined.

(*ii*) *Jaya Shree Textile and Industries, Rishra*

Arbitration proceedings for recovery of damages had already been started which were still in progress.

(*iii*) *High Tension Insulator Factory Ranchi*

As per the legal opinion the firm was liable for damages on account of non-supply of material within the stipulated period. The firm had failed to supply 15,780 insulators with pins. The balance payment of the firm had already been withheld by the Board which would not be released till the supplies were completed or damages for non-supply recovered. The balance payments to the extent of Rs, 19,836 and bank guarantee to the extent of Rs. 4,000 were stated to be available with the Board.

The Committee would like to be informed of the final decision in regard to item (i), outcome of the arbitration proceedings in item (ii) and about the completion of supplies or recovery of damages in the case of item (iii) above.

Paragraph 8.14 (5)—Non-imposition of damages

64. In the following cases, though supplies were delayed and the purchase orders provided for recovery of damages for delay at the rate of 1/2 per cent of the contract price per week or part thereof subject to a maximum of 5 to 10 per cent of the contract price, no action was taken to recover damages amounting to Rs. 48,902.

Name of the firm	*Date of purchase order*	*Item*	*Delay*	*Damages recoverable (Rs.)*
(i) Bengal Potteries Ltd.	30-10-1969	L.T. Telephone transposition type insulators	More than 10 weeks	5,775
(ii) Jaya Shree Textiles & Industries, Rishra	30-4-1969	11 KV pin insulators	More than 20 weeks	42,180
(iii) Bengal Potteries Ltd.	23-2-1967	-do-	4 to 22 weeks	947
			Total	48,902

Government stated in December, 1973 that pending payments of these firms had been withheld for recovery of damages for delayed supplies. However, the amounts of pending payments have not been indicated.

The Board stated in evidence that all the pending payments of the firms had already been withheld and would be released only after settlement of all claims of the Board. The pending payments due to each of the firms against various orders which had been withheld by the Board were as under:—

(a) Bengal Potteries Ltd., Culcutta

(i) Balance payments— Rs. 90,626.25

(ii) Bank guarantee— Rs. 33,336.00

(b) Jaya Shree Textiles, Rishra

(i) Balance payments— Rs. 4,289.00

(ii) Bank guarantee— Rs. 20,625.00

It was further stated that the Board had gone in for arbitration against this firm.

The Committee recommend that the claim with the firms be settled expeditiously

The Committee would like to be informed of the final position about the settlement of the claims of the Board against the above firms and the outcome of the arbitration proceedings against the latter.

Parag raph 8.14 (6)—Puchase of insulators at higher rates

65. On the basis of tenders opened on 9th June, 1970. orders on various firms, including Jaya Shree Textile & Industries, were placed in August and September, 1970 for 1,80,000 pin insulators (without pins) at rates ranging from Rs. 4.04 to Rs. 5.99 each f.o.r. destination inclusive of excise duty and sales tax.

Jaya Shree Textile & Industries who had originally quoted for 1 lakh insulators had offered 10,000 insulators from ready stock and the balance at the rate of 10,000 per month after receipt of the order. On 17th June, 1970, the firm amended the offer to the effect that 10,000 insulators would be supplied from ready stock, subject to prior sale, and the balance at 5,000 to 7,000 per month after receipt of clear order. However, the Board placed an order in August, 1970 for 70,000 insulators without pins at Rs. 4.04 each for delivery in accordance with the original offer. On 2nd September, 1970, the firm refused to accept the order on the ground that it was not in accordance with its revised delivery schedule. The firm made a revised offer on 2nd September, 1970 to commence supplies 10 to 12 weeks after receipt of order at the rate of 5,000 pin insulators per month. This offer was not accepted; nor was the sample submitted by the firm on 2nd October, 1970 approved by the Board.

Another tender enquiry for 1,50,000 insulators with pins was issued on 17th September, 1970 and tenders were open on 29th September 1970. Mysore Porcelains Ltd. offered 1,00,000 insulators without pins at Rs. 4 each, equivalent rate Rs. 5.11. On 6th October, 1970, an order was placed on Mysore Porcelains Ltd. for 50,000 insulators without pins to be supplied within 2 weeks. Though Jaya Shree Textile & Industries had by that time not accepted the order for 70,000 insulators and the counter offer of the firm was for delayed supplies, the Board did not accept the offer of Mysore Porcelains Ltd. for the balance 50,000 insulators offered to be supplied at 25,000 insulators per month from 2 weeks after receipt of order. However, in order to meet urgent requirements another order for 50,000 insulators without pins was placed on 7th November, 1970, after negotiations with Mysore Porcelains Ltd. at higher rate of Rs. 4.25 each equivalent rate Rs. 5.63 each involving extra expenditure of Rs. 26,000 compared to the rate of Rs. 5.11 offered ealier in September 1970.

The Board stated in July 1973 that on 30th September, 1970 when the decision on tenders received on 29th September, 1970 was taken, it was premature to presume that Jaya Shree Textile & Industries would back out and that only ex-stock supplies were accepted against the tenders of September, 1970. It may be mentioned that on 2nd September, 1970 Jaya Shree Textile & Industries had declined to accept delivery schedule provided in the purchase order placed and according to the revised delivery schedule, the firm had offered to supply only 10,000 insulators up to December, 1970 against 70,000 on order. Supplies offered by Mysore Porcelains Ltd. were quicker compared to the stipulated delivery schedule of 60,000 insulators in the order on Jaya Shree Textile and Industries.

The Board stated in evidence that Jaya Shree Textiles in their original quotation offered 10,000 insulators from ready stock and the balance at the rate of 10,000 pieces per month after receipt of order. On 17th June, 1970 (after opening the tenders) the firm amended the offer to the effect that 10,000 pieces would be supplied from ready stock subject to prior sale and the balance at the rate of 5,000 to 7,000 pieces per month. Though the revised delivery schedule had not been brought to the notice of the S.P.C/Board while they considered the purchase, even on the basis of revised delivery schedule, the firm was in a position to offer 10,000 pieces from ready stock and the balance quantity at the rate of 5,000 to 7,000 pieces per month thereafter. When the order was placed for 70,000 pieces in line with their earlier offer they declined to execute the order even for the ex-stock quantity.

Asked as to why the offer of Mysore Porcelains was ignored on 30th September, 1970, it was stated that the purchase order for the supply of 70,000 insulators was placed on Jaya Shree Textile and Industries on 19.8.70 and the firm was asked telegraphically on 8-9-70 to supply the material. It was, therefore, pre-mature on 30th September, 1970 to presume that the firm would back out specially when the rate in that order was lower than the rate at which the order on Mysore Porcelains was placed for 50,000 insulators. Had the order been placed on Mysore Porcelains at higher rate and the supplies from both the parties had been received, it would have been very objectionable because the Board would have paid about Rs. 53,000 more than it had to pay to Jaya Shree Textiles. It was further explained that the supplies against tender enquiry issued on 17th September, 1970 were considered only on ex-stock basis in order to meet urgent requirement in the field for completion of target in time. With this end in view, all insulators which were offered on ex-stock basis were purchased by the Board. Accordingly order for 50,000 insulators was placed on Mysore Porcelains, Bangalore on 6.10.70 who quoted ex-stock delivery of this much quantity and the balance 20,000 insulators were purchased from Associated Consultants who had also offered ex-stock delivery for that quantity.

An additional order for 50,000 insulators at the equivalent rate of Rs. 5.63 was placed on Mysore Porcelains on 7-11-70 after negotiations. In order to achieve the target by the due date the position in respect of the material was reviewed very frequently and it was assessed that Associated Consultants were not supplying the insulators in time which was very clear from the fact that they supplied only 6,000 insulators as against the ordered quantity of 20,000. The order on Associated Consultants was placed at the rate of Rs. 6.21. The additional order of 50,000 sets on Mysore Porcelains as a result of the assessment of requirement on 7th November, 1970 was at a lower rate than that at which the order was placed on Associated Consultants.

It was also disclosed during oral evidence that the case relating to Jaya Shree Textile and Industries was now pending in arbitration proceedings.

The Committee observe that since telegraphic reminder had been sent to Jaya Shree Textiles on 8th September, 1970 for supply of material against the order placed in August 1970, the Board could not presume on 30th September. 1970 that the firm would ultimately back out. Since, however, these supplies did not subsequently come and the Board was in urgent need of the insulators to achieve the target of 100% rural electrification by the scheduled date it had to go in for purchase of this material on ex-stock basis.

However, the Committee would like to be informed of the outcome of the arbitration proceedings pending against Jaya Shree Textile and Industries.

Paragraph 8.14 (7)—Purchase of insulator pins at higher rates

66. On the basis of tenders opened on 18th August 1970, an order for 70,000 insulator pins of large head type at Rs. 3.62 each and 60,000 insulator pins of small head type at Rs. 3.50 each was placed on 12th October, 1970 on Precision Metal Works, Gurgaon. The capacity of the firm to supply the materials within the stipulated period was not verified before placement of the order. After discussion with the firm, Superintending Engineer (Purchase) had, however, reported on 12th October 1970, the date on which the order was placed, that the firm would not be able to supply the materials. The firm did not supply any material and risk purchase was not effected in view of the legal opinion that although the contract was nearly concluded, it was re-opened by negotiating the procurement of raw materials through the JPC. Security deposit of Rs. 3,000 was, however, forfeited. Had the capacity of the firm been verified in the first instance, the offers from four other firms including Associated Consultants Engineering Corporation, Patna, and T. Kolay & Co., Calcutta, for 1,05,000 pins at rates ranging from Rs. 3.50 to Rs. 3.60 each, equivalent rates Rs. 3.81 to Rs. 3.86, could have been availed of.

Tenders in response to another enquiry were opened on 29th September 1970 and decision thereon was taken by the Stores Purchase Committee on 30th September 1970 and 1st October 1970 when the lower rates of the four firms mentioned above were valid for acceptance, their date of validity being up to 16th November 1970. Orders were, however, placed on 6th October 1970 on (i) Associated Consultants Engineering Corporation, Patna, for 60,000 insulator pins at Rs. 4.50 each, equivalent rate Rs. 4.92, although its lower rate of Rs. 3.50 each, equivalent rate Rs. 3.81 against previous tender was still available for acceptance and on (ii) Bee Gee Corporation for 10,000 insulators only at Rs. 3.50 each, equivalent rate Rs. 3.60, though it had offered another 10,000 insulators by 31st December 1970.

In order to meet urgent requirements orders for 40,000 pins of the value of Rs. 1.78 lakhs were placed on 23rd October 1970 on Trade Linkers, Delhi, and Biayani & Sons, New Delhi, at Rs. 4.45 each, equivalent rate Rs. 4.89, after negotiations without calling tenders. Even at that stage, the earlier lower offers received in August 1970 were open for acceptance but were not availed of. The orders on the above mentioned two firms were further increased to 60,000 pins, 30,000 on each firm, on 17th November, 1970 and 3rd December, 1970 raising the total value of the orders to Rs. 2.67 lakhs.

The Board stated in July 1973 that the offers received in September 1970 were accepted for ex-stock delivery to meet urgent requirements as supplies against the previous orders were not forthcoming. It was further stated that offers of Trade Linkers, Delhi, and Biayani & Sons, New Delhi, were also accepted on ex-stock basis even though they supplied pins manufactured by T. Kolay & Co., whose earlier lower offer was not accepted as no ex-stock supplies were offered by them. It may, however, be stated that the order for 60,000 pins on Associated Consultants Engineering Corporation was for delivery of 15,000 pins ex-stock and the remaining 45,000 pins at the rate of 15,000 pins per month.

The Board made purchase of 1,15,000 pins subsequently during October to December 1970 at higher rates involving extra expenditure of Rs. 1.25 lakhs compared to the earlier offers of Bee Gee Corporation and other four firms which had not been accepted.

The Board stated in evidence that it had no dealings with Precision Metal Works, Gurgaon earlier than August, 1970. The orders were placed on this firm because it happened to be the first lowest firm and had offered to supply the ordered quantity within the required period. It was also stated that the assessment of the S. E., Purchase, on 12.10.70 regarding Precision Metal Works could not be considered at the time when decision for the purchase of material against tender enquiry opened on 29th September, 1970 was taken on 30th September and 1st October, 1970.

Asked as to whether it was necessary for the Board to arrange for the raw material, it was explained that according to the terms of contract clause 21 of the purchase order, the suppliers would be solely responsible for procurement of raw material required for the purpose. However, the purchaser would render necessary assistance if required in the form of recommendation to the authority for the procurement of raw material required for the manufacture of material on order. A letter of recommendation was, therefore, issued to the firm in the name of J.P.C. for the allocation of raw material.

Tender enquiry opened on 18th August, 1970 for the purchase of 1,30,000 pins was considered by the Board independent of any other enquiry and orders on technically lowest acceptable offers were placed. There was no question of retaining the old enquiry for consideration against the new enquiry. Moreover, all the purchases against the new enquiry were effected on ex-stock basis because the orders already placed on different firms were not meeting the urgent requirement of the field. None of the offers against the earlier enquiry opened on 18th August, 1970 were for ex-stock material.

Order for ex-stock supplies was placed on Bee Gee Corporation and the supplies which the firm had quoted to commence after 45 days were not considered because these could not have been received before completion of target for 100% village electrification *i. e.* 27th November, 1970. The offer of T. Kolay and Co. was also to commence supply after 45 days at the rate of 20,000 pieces per month whereas the offer of Trade Linkers and Biayani & Co. was for ex-stock supply. Even though the material by these two firms *i.e.* Trade Linkers and Biayani & Co. was supplied from the works of T. Kolay & Co. yet there was no ex-stock offer from T. Kolay and Co. with the Board to consider. The offers made by Trade Linkers Delhi and Biayani & Co. New Delhi were considered by the whole time members on 20.10.70 when the supply position of various previous orders was reviewed and the inspection report of S.E. (Purchase) dated 12.10.70. was put up to them. Keeping all facts in view and the urgency of material to achieve the target by the end of November, 1970 they decided to accept these offers. It was also stated that the rates of these firms were lower than the rates of Associated Gaziabad on whom orders had earlier been placed by the Board. Although the offers of four firms were valid up to 16.11.70 yet the delivery quoted by them was on long term basis and not on ex-stock basis. As such these were not considered as hardly a month was left for completion of village electrification target.

The Committee observe that in view of the position explained by the Board, no further action is necessary so far as Precision Metal Works is concerned. The purchase of insulators from alternative sources had to be resorted to by the Board in view of their urgent requirement to achieve the target fixed

for 100% rural electrification which was due to be completed by the end of November, 1970 and the time left with the Board was short. The Committee are, therefore, inclined to accept the plea of the Board that the purchase of insulators on ex-stock basis was necessary in the interest of the rural electrification programme.

Paragraph 8.15—Purchases and disposals of other items

(1) Order perference to a non-manufacturer

67. Under delegation of powers, field Superintending Engineers were authorised to purchase nuts and bolts to meet their requirements. However, on the basis of tender enquiry issued in October 1970, an order for 259 tonnes nuts and bolts of the value of Rs. 7 lakhs was placed in March 1971 by the Head Office of the Board on Bharat Udyog Co., Rohtak, at the firm's own lowest quoted rates for 2 sizes and the equivalent rates of three other lowest tenders for 8 different sizes, on the basis of the order preference policy of the Board. The firm had stated that it was registered as a small scale industry in Haryana and that it would supply the material manufactured in its factory at Faridabad. Order for 3 other sizes of nuts and bolts of the value of Rs. 0.54 lakh was placed on Sajjan Industrial Corporation, Calcutta at its lowest quoted rates.

The order on Bharat Udyog Co., stipulated inspection of the nuts and bolts in the factory of the firm in accordance with the standards laid down in BSS : 916, before despatch to the consignee. For this purpose, the firm was required to give 15 days' advance notice to the Board. The firm, however, delivered 245 tonnes nuts and bolts of the value of Rs. 6.55 lakhs at the Board's Central Stores, Dhulkote, between April 1971 and February 1972, without prior intimation to the Head Office and without pre-despatch inspection. The material delivered was inspected at Dhulkote. The firm failed to supply the remaining 14 tonnes nuts and bolts of the value of Rs. 0.51 lakh even though the delivery period was extended from January 1972 to May 1972. Full payment for the supplies received was made to the firm against bank guarantee of Rs. 0.71 lakh valid up to 20th February 1973. In order to cover extra expenditure, if any, involved in the risk purchase of 14 tonnes of nuts and bolts not supplied by the firm, the bank guarantee was invoked on 14th February 1973. The Chief Accounts Officer stated in July 1974 that the bank guarantee was released on receipt of Rs. 15,000 from the firm in October 1973 to cover extra expenditure, if any, involved as a result of risk purchase.

The firm claimed 10 per cent price increase to cover levy of excise duty on nuts and bolts from 1st June 1971. In support of the claim it produced excise gate passes issued by Amin Chand Piyare Lal, Jullundur, to Decor Steel Pvt. Ltd., Chandigarh, from whom the material was purchased and supplied by the firm to the Board. On enquiry from the District Industries Officer, Faridabad, it came to notice in August 1971 that Bharat Udyog Co., had no factory at Faridabad or anywhere else in Haryana for the manufacture of nuts and bolts and that it had only been allotted a plot of land in Faridabad where it had not started any industrial activity. The firm was thus given order preference to which it was not entitled. Payment of Rs. 0.43 lakh in reimbursement of the excise duty was also made to it between July 1971 and July 1972 although the rates given in the purchase order were firm in all respects and excise duty was leviable on manufacturers whose annual production was over Rs. 5 lakhs.

The purchase of nuts and bolts was made without ascertaining the actual requirements of the Dhulkote Workshop as well as the other units of the Board; 46.04 tonnes nuts and bolts of the value of Rs. 1.40 lakhs, supplied by the firm, were lying in the Central Stores on 31st December 1971. The balance still in stock in March 1973 was 26.52 tonnes of the value of Rs. 0.79 lakh.

Government stated in December 1973 that even without order preference, the order was due to the firm at its quoted rates which were the lowest from out of the four tecnically acceptable tenders who submitted samples. It may, however, be stated that there was no mention of samples in the firm's tender and in fact order on the other firm, Sajjan Industrial Corporation, Calcutta, was placed without obtaining samples. Further, the order was placed on Bharat Udyog Co., specifically on the basis of order preference allowed to small industrial units located in Haryana.

The Board stated in evidence that the field S. Es were authorised to purchase nuts and bolts to meet their requirement. In October, 1970, the Controller of Stores assessed the requirement of this item for the year 1971-72 as a whole. Since the quantity was huge it was considered advisable to go in for the purchase of this item centrally to have competitive price and quality material. It was, however, added that neither in the H.S.E.B. nor in the composite Punjab State Electricity Board, nuts and bolts supplied by any firm had been tested and inspected before they were accepted. This was, however, done while accepting the material against this order.

It was further stated that there had been no general practice with the Board to inspect the works of the new units before placing orders on them. Order was placed on Bharat Udyog on the basis of their competitive rates for the quantity which they could supply within the stipulated delivery mentioned in the NIT. When the firm had submitted quotation to the Board and got the order, they had all the intention to set up their factory but could not start production for certain reasons. It was not unusual for any party, may be firm of repute, to procure the material from elsewhere and supply the same to the purchaser to honour their commitment of the contract. As per the prevalent policy of the Board, order preference was admissible to small scale/large scale industries located in Haryana without imposing any condition regarding their registration with the Director of Industries or Haryana Small Scale Industries Corporation. When the tenders were called for Bharat Udyog had indicated in their tender that they were registered as a small scale industrial unit in Haryana and they also enclosed with their tender a certificate to this effect issued by the Assistant Industries Officer, Faridabad. Accordingly when the case was considered by the SPC on 25-12-1970 they recommended placement of the order on them on order preference basis for 8 items on equivalent rates of the lowest tenderer and for 2 items on their own quoted prices. At that time only 4 firms including Bharat Udyog had submitted their samples in accordance with stipulation in the tender specification. For all 8 items for which orders were placed on Bharat Udyog their offer was the lowest acceptable tender since the other firms with lower offers had not furnished the samples without which their technical suitability could not be adjudged. Order for all these 8 items was, therefore, also due to this firm without any order preference and they were in fact entitled for it at their own quoted prices. The order was, therefore, placed on this firm keeping in view the financial interest of the Board.

As regards the requirement to give 15 days' notice before despatch of material, it was explained that the firm while acknowledging the purchase order on 15-2-1971 stated that samples of each size as per BSS-916 would be furnished before despatch of material and the material would be supplied according to the samples. They further stated that inspection may be conducted in their depot at Ambala or at destination as convenient. In another letter dated 4-3-1971, the firm stated that they would send their approved sample to SDO Stores, Dhulkote, where the material was to be delivered and would be inspected according to the approved sample. In a subsequent letter dated 7-4-1971 the firm requested the Board to accept their material subject to inspection. In that letter they indicated that they had delivered 245 bags of 5/8" × 5" and 30 bags of 5/8" × 6½" which may be inspected and that they were also delivering 10 M.T. on 14-4-1971 and requested for inspection thereof. Before any reply to the amendments asked for in the above communication could be sent (this was stated to have been sent on 14-4-1971 wherein it was mentioned that the goods would be inspected by the representative of the Board before despatch of material at their works) the firm delivered the material to SDO Stores Dhulkote and requested for inspection thereof at the place. The Executive Engineer (Inspection) was instructed accordingly to inspect the material on 9-4-1971 which was done by him subsequently. The inspection carried out on 13-4-1971 was with regard to verification of dimensions and finish as per the approved sample. Subsequently the sample was tested at Shri Ram Test House Delhi on 13-5-1971 for the remaining tests *viz.* tensile strength and elongation tests as per BSS 916 and the sample duly withstood the tests. It was further stated that the risk purchase case had since been processed by placing order on Pensulla Industries, Jullundur for 14.26 metric tonnes nuts and bolts not supplied by Bharat Udyog. On the basis of this risk purchase, a sum of Rs. 3,969.66 had been spent by the Board as difference of cost of material not supplied by the firm. While releasing the firm's bank guarantee, a cash deposit of Rs. 15,000 in addition to the amount of damages for delay (Rs. 2,540.21) was got deposited from the firm. However, the firm invoked the arbitration proceedings and the case was still under arbitration.

In regard to the payment of excise duty, it was explained that when the firm quoted for the material, excise duty was not leviable. It was levied in the budget for the year 1971-72 and the firm put forth their claim for its re-imbursement. Their claim was admitted since the same was admissible to them under Section 64 A of the Sales of Goods Act, 1930. This was done on the basis of legal advice.

It was not correct to say that the purchase of nuts and bolts was made without ascertaining the actual requirements. Assessment of requirement of nuts and bolts for erection of L.T. and H.T. lines in the field and for various items to be manufactured by the Departmental Workshops was made by the Controller of Stores for the year 1971-72 and it was on the basis of this assessment that the purchase of nuts and bolts was made.

The Committee would like to be apprised of the outcome of the arbitration proceedings as soon as the award is announced.

Paragraph 8.15 (2)—Costlier substitute for manila ropes

68. The Superintending Engineer (Purchase) communicated on 1st December 1969, to the Superintending Engineers, Rohtak and Hissar circles, the directive of the Chairman to the effect that Polyfill Haryana, Bhiwani,

was manufacturing nylon ropes which were stronger and more suitable as compared to manila ropes and asked them to place trial orders within their purchasing powers, on the firm at the rates given in its price list. Superintending Engineers, Rohtak and Hissar purchased in January, 1970, 1,150 Kgs. nylon ropes of the value of Rs. 31,640 from the firm at Rs. 24 per Kg. of $\frac{1}{2}''$ diameter and Rs. 28 per Kg. of $\frac{3}{4}''$ diameter and 1″ diameter ropes without inviting tenders, although under the rules, open tenders should have been invited for all purchases exceeding Rs. 2,000. The supplies were made by the firm in February and March, 1970.

The Executive Engineer, Operation Division. Charkhi, Dadri reported in June, 1970 that the nylon rope was found unsuitable for use. This was based on a report given by Sub-Divisional Officer, Construction Sub-Division, Charkhi Dadri in May, 1970 to the effect that the rope was absolutely useless as it slipped from the hands and became hot in no time and that knots and joints got untied with the slightest application of load. Superintending Engineer, Rohtak, reported in July, 1970 that the rope had much higher strength than normal manila rope and was much better for lifting purposes, but suffered disadvantages also as it was slippery and extendable and if used for tying purposes on angular surfaces, it developed cuts and a little cut expanded more quickly than in the case of manila rope.

However, without making any assessment with regard to the suitability *vis-a-vis* higher cost of nylon rope, further purchases aggregating, 1,488 Kgs. of the value of Rs. 41,131, were made by Superintending Engineers Rohtak, Hissar and Karnal between September and December, 1970 and Superintending Engineer, Transmission Construction Circle, Rohtak in July 1971. These purchases were also made without calling tenders.

Reports regarding suitability on nylon rope received in January and February, 1972 from Executive Engineers, Charkhi Dadri, Rohtak, Narnaul and Jind indicated that the rope was found useful for lifting purposes only but these reports were silent about its use for pulling purposes. The Executive Engineer, Jhajjar, however, stated in March, 1972 that manila rope was generally better than nylon rope.

The purchase of 2,638 Kgs. of nylon rope of the value of Rs. 72,771 involved an extra expenditure of Rs. 49,637 as compared to the market price of manila rope of the corresponding length.

The Board stated in July, 1973 that no policy decision about the use of nylon ropes had been taken as performance reports were awaited from the field offices. The Board further stated that some quantity of nylon ropes was purchased on experimental basis as good quality manila rope was not available and in certain cases suppliers on whom orders had been placed for manila rope, had instead supplied sisal rope. Government, while agreeing with the comments of the Board, however, stated in December, 1973 that a few aspects of the matter were being looked into.

The Board stated in evidence that in 1969 and prior to that, manila rope was being procured by the S. Es. Good quality of manila rope was not available and it was noticed in certain cases that the suppliers on whom order had been placed for manila rope supplied instead sisal rope. For this reason, when one Haryana industry offered to supply the nylon rope manufactured in Haryana, the Chairman asked S.E. Purchase to write to S.E.

Operation, Rohtak and S.E. Hissar, to place trial order on experimental basis within their monetary powers to check its suitability and to determine whether nylon rope could prove a good substitute for manila rope. Accordingly, some quantity of nylon rope was purchased from this firm on trial basis by the two S. Es. within their purchasing power. It was also mentioned that S. Es. were authorised to purchase material including equipment for stock including T&P upto a monetary limit of Rs. 20,000 against each item at one time. S.E. Hissar purchased nylon rope to the tune of Rs. 11,200 on 30.1.70 and S.E. Rohtak to the tune of Rs. 19,880 on 8.1.70.

It was further stated that Xen. Operation, Charkhi Dadri and S.E. Rohtak had pointed out that while for lifting purposes, nylon rope was very good, it may not be useful for pulling purposes. Xen. Rohtak had also stated on 11.1.1972 that this rope had been found to be very suitable for lifting purposes and was quite strong. However, in the initial stages, it gave some difficulty for pulling purposes *i.e.* when it was new it was somewhat slippery and its elasticity was less, it got permanent elongation while in tension, but after some use its surface became rough and further elongation also stopped which meant that thereafter it could be usefully utilised for pulling purposes. It was also stated that the Chief Engineer (P&C.) had examined the case in the light of the reports of various Xens/S. Es. and he had also recommended its use by the Board.

It was further mentioned that Government had also asked the Board to inform them regarding the decision that the Board took in the matter on receipt of the report of the Superintending Engineer Purchase on the performance of the nylon rope. The Board had now apprised them about the recommendation of the Chief Engineer (P&C.) regarding suitability and utility of the nylon rope.

The Committee observe that the purchase of nylon rope had been resorted to on an experimental basis in view of the fact that good quality manila rope was not available and in certain cases the firms had supplied sisal rope instead of manila rope. The Committee, however, feel that the quantity of nylon rope purchased for this experiment was somewhat excessive. The Board should look into this aspect under advice to the Committee.

Paragraph 8.15 (3)—Acceptance of material without proper inspection and approval of sample

69. On the basis of tenders opened on 2nd February 1970, order for 3,000 G.O. 11 KV switches was placed on the third lowest tenderer, Khosla Sales Corporation, Chandigarh, at Rs. 325 per piece, equivalent rate of Rs. 328.25. The lowest offer, equivalent rate Rs. 317.21 of Trade Linkers, Delhi was passed over as the material offered was not considered technically suitable and the tenderer had not supplied any sample. The second lowest offer, equivalent rate Rs. 323.63 of Minhas Corporation, Jullundur, was also passed over as the tenderer did not submit any sample. The sample submitted by Khosla Sales Corporation was only of one limb without operating accessories, though as per tender specifications, the tenderers were required to submit complete sample of the equipment alongwith manufacturer's test report for insulators.

In terms of the purchase order dated 13th May 1970, Khosla Sales Corporation was required to submit a complete sample with accessories for approval before commencement of supplies. However, no sample was submitted. The firm was also to provide facilities for inspection and testing and no material was to be despatched without prior inspection and approval. Inspection of works in August 1970 revealed that the firm had installed machinery to fabricate various parts of G.O. switches and the galvanising plant was under construction but it had no foundry unit and had also not installed any testing equipment.

Two hundred switches offered by the firm were stated to have been accepted and approved by the Executive Engineer, Dhulkote Workshop in October 1970. The inspection report was, however, not on record. The consignee, Sub-Divisional Officer, Karnal, stated that switches were taken on stock without inspection notes and test certificates, under telephonic instructions from the Controller of Stores. Payment of Rs. 58,500 representing 90 per cent of price for 200 switches, was made in November 1970 without the receipt of the inspection notes and without making any deduction for 66 switches supplied incomplete.

Out of 200 switches supplied, 66 were without handles and pipes and 19 of these were taken on stock in January 1972, after carrying out repairs at the cost of Rs. 2,640 and the balance 47 of the value of Rs. 15,275, had not been repaired and taken on stock. It was stated by the Board in June 1973 that the balance 10 per cent payment amounting to Rs. 6,500 had not been released.

The Board issued a demand notice in December 1972 for Rs. 1.04 lakhs representing the cost of repairs as well as the difference in the cost of 2,800 switches on the basis of rates available in November 1970 when delivery was scheduled to be completed and the rate at which order was placed with the firm in May 1970. The firm neither replied nor acknowledged the demand notice. Government stated in December 1973 that the circumstances under which the inspection report in respect of 200 switches accepted was not made available were being looked into and that arbitration proceedings for the recovery of the amount of the demand notice had been initiated.

The firm did not effect supplies against two other orders for 30 insulators of 33 KV of the value of Rs. 62,700 and 20,000 pins for 11 KV pin insulators of the value of Rs. 0.78 lakh placed in October 1970. Government stated in December 1973 that action was being initiated in these cases also.

The Board stated in evidence that in the tender specification there was no provision nor there had been any general practice with the Board for carrying out the inspection of the works of the new units before considering their offers or placing orders on them to know their capability and capacity. Order was placed on Khosla Sales Corporation since their offer was the lowest acceptable and sample submitted by them had been considered suitable to Board's requirements.

Khosla Sales Corporation had specifically mentioned in their tender that the material would be supplied in accordance with the Board's specification. The firm also submitted sample of one limb with two insulators with their tender which was examined and keeping its workmanship and technical suitability in view the same was approved by the S.E. Purchase and on that basis the SPC/Whole Time Members approved the purchase of material from the firm. When the firm supplied specimen sample of one limb, operating accessories were not required to be furnished therewith.

It was also stated that there was a provision in the purchase order asking the firm to submit a complete sample as required. Inspection and approval of sample was carried out before placing the purchase order. However pre-despatch inspection was provided therein. Thus the quality and suitabilty of the material was fully ensured under the provisions of the purchase order.

200 G.O. switches offered by the firm for inspection were inspected by the Executive Engineer, Inspection at the works of the firm on 29th Sept., 1970 but since all the facilities of testing were not available with them, the switch was taken to Dhulkote Workshop for requisite testing which was conducted by the Executive Engineer, Workshop. He had intimated to S.E, Purchase on 5th October 1970 that he had inspected and passed the material and handed over the inspection note personally to X.E.N. Inspection. The inspection report was, however, not on record. The circumstances under which the inspection report had not been made available were being looked into.

While the material was supplied by the firm in October, 1970, 100% village electrification work was in its final stages of completion and this material was very urgently required for issuing to the field staff for completing the work. No supply from other pending purchase orders for G.O switches was then forthcoming. These switches were also being manufactured in the Departmental Workshop at Dhulkote but the output there was not enough to cope with the construction work. Keeping the urgency in view and in the interest of the Board, the Controller of Stores imparted telephonic instructions to S.D.O. Karnal for taking the material on books without waiting for inspection notes and test certificates so that the same could be issued to the works immediately for installation for completing 100% village electrification targets. However, 134 G.O. switches supplied by the firm which were installed at works were giving satisfactory service.

Balance payments in respect of 200 G.O. switches supplied by the firm, amounted to Rs. 6, 500 which were considered sufficient to cover the cost of repairs of 47 G.O. switches and would be released only after requisite deduction and finalisation of other issues.

It was further mentioned that the Board issued a demand notice in December, 1972 for Rs. 1,03,846 representing the cost of repair as well as difference in cost of 2,800 switches due to non-compliance of demand notice by the firm. Arbitration proceedings for the recovery of the damages had already been started as per terms and conditions of the contract agreement executed by the firm, which were still in progress.

The Committee would like to be informed of the results of the arbitration proceedings as soon as the award is announced. The Committee would also like to know the reasons for the non-availability of the inspection report stated to have been handed over to the X.E.N. Inspection.

Paragraph 8.15 (4)—Sale of copper conductor and copper scrap

70. The Board decided on 8th August 1969 to dispose of surplus copper scrap by auction. Accordingly 428.638 tonnes of copper scrap including

251.141 tonnes of dismantled copper conductor was sold for a total amount of Rs. 66.26 lakhs by auctions held between November 1969 and July 1971.

Tenders invited for appointment of auctioneers for disposal of surplus and unserviceable materials lying in the various stores of the Board, were opened on 14th May, 1968. The tenders were to be valid for the year 1968-69. The lowest tenderer, Mehtab Nath & Co., Delhi, whose quotation was 8 paise per Rs. 100 did not deposit the security and did not sign the contract agreement. The third lowest tender of Naidar Mal Jai Kishan, Delhi, who had on 18th November, 1968, reduced their quoted rate of 40 paise to 39 paise per Rs. 100, equivalent to the rate of the second lowest tender of Aggarwal and Sons, Lucknow, was accepted by the Board on 24th May, 1969. No contract was, however, signed with the firm. Before the post-tender offer of Naidar Mal Jai Kishan was accepted, the Board, had received another lower offer on 13th September, 1968 of 8 paise per Rs. 100, but this was not considered. Two other firms offered to quote in July and August 1968 but no action on their requests was taken. The tender of Naidar Mal Jai Kishan, which was valid up to 31st March, 1969, was accepted in May 1969, and the rate allowed to the firm was also higher than the rate of 0.25 per cent for monthly auctions of over Rs. 3 lakhs allowed to the various auctioneers by the D.G.S. & D. during 1967 to 1969.

Niadar Mal Jai Kishan were required to prepare lot catalogues and give wide publicity for auctions through hand bills and the press. Compliance of this requirement was not ensured by the Board. The information collected by the Board, at the instance of Audit, from the auctioneers in May 1973 did not indicate if any publicity through press was given by the auctioneers in respect of the materials put to auction in April, July and August 1970 and January, June and July, 1971, which, on the basis of reserve price, were worth Rs. 60.93 lakhs. Auctions held on 8th, 15th and 22nd June 1970 and 23rd and 26th November, 1970 were advertised only in "Daily Pratap, New Delhi" on 5th June, 1970 and 19th November, 1970 respectively. Auction held on 11th November, 1970, at Hissar was advertised only one day ahead, i.e. on 10th November, 1970. Auctions held on 14th and 18th January, 1971 were advertised only in the Hindustan Times on 8th January 1971. The Board stated in July 1973 that due publicity of auctions was done through advertisements in newspapers by the Public Relations Officer of the Board. It may, however, be mentioned that the commission allowed to the auctioneers was inclusive of advertisement expenses and the expenditure incurred by the Board on this account was not recovered from the auctioneers.

The Board decided on 12th June 1969 that for auction of scrap, reserve price be fixed at 3 per cent below the average market rates of the previous week. In the reports of the disposal committee, on each of the auctions conducted during November 1969 and July 1971, it was mentioned that reserve prices were fixed after examining the quality of the material and the current prices reported in the Economic Times, the Financial Express and The Tribune. Neither details about the quality of materials auctioned nor documentary evidence as to the rates reported in these papers from November 1969 to July 1971, when the auctions were held, was on record except in respect of auctions held on 12th November, 1969 to 25th November 1969. In respect of the auctions held on 9th, 10th and 21st April, 1970 and 5th January 1971, the basis on which the reserve prices were fixed were not indicated, in the reports of the committee. The market prices reported in Eastern Metals Review, however, indicated that the reserve prices fixed, were much below the market rates. The sales effected were also at lower rates as indicated below :—

Type of scrap	*Market rates per Kg. November 1969 to July 1971 (Eastern Metals Review)*	*Reserve prices fixed per Kg. (November 1969 of July 1971)*	*Bids accepted (per Kg.)*
	Rs.	*Rs.*	*Rs.*
(1) Copper conductor (hard drawn wire)	15.75 to 20.25	13.50 to 17.40	14.00 to 18.08
(2) Copper wire scrap	13.65 to 17.40	13.00 to 15.00	13.00 to 16.77

The value of 428.638 tonnes of copper scrap sold during November 1969 to July 1971 calculated at market price, as reported in the Eastern Metals Review less 3 per cent, worked out to Rs. 72.49 lakhs, whereas the reserve price fixed by the Board was Rs. 65.75 lakhs against which a sum of Rs. 66.26 lakhs was realised on auction thereof. The Board stated in July 1973 that Delhi market rates for copper scrap as quoted in The Tribune, Chandigarh, were much less than the Calcutta market rates as reported in the Eastern Metals Review, Calcutta, referred to by Audit, and that dismantled conductor could be treated as scrap and not equated with new hard drawn wire. It may, however, be mentioned that dismantled copper conductor is reused and the rates received on auction of dismantled copper conductor have been higher than the rates for copper wire scrap.

In a number of cases, the auctions were held at non-market places like Dhulkote, Jind, Hissar, Hansi, Karnal and Bhiwani. It was stated by the Board in July 1973 that the scrap was auctioned at these places in order to save transportation expenses, pilferage in transit as well as octroi duty.

Against the reserve price of Rs. 6.97 lakhs for 42.5 tonnes copper scrap put to auction at Dhulkote on 28th November, 1969, the highest bid received was Rs. 6.27 lakhs which worked out to Rs. 14.75 per Kg. The rate received was much lower than that accepted in the auction held on 20th November, 1969 at Faridabad, where the rate was Rs. 16.90 per Kg. The bid was, however, accepted on 12th January, 1970 on the ground that the rate was not comparable with that received at Faridabad as it depended on the quality of the scrap as well as the place of auction. It may be mentioned that the description of scrap auctioned at both these places was not on record and the market rate had also gone up on 12th January, 1970 to Rs. 18.25 per Kg. for wire scrap as compared to the rate of Rs. 16.30 per Kg. prevalent on the date of auction. The difference between the market price on 12th January, 1970 less 3 per cent and the value realised worked out to Rs. 1.25 lakhs. The Board stated in July, 1973 that the quantity of scrap auctioned at Faridabad was small and within the reach of a small party, whereas the quanity auctioned at Dhulkote was large and only big parties could compete and that the rates received at the two places could not be compared. It may be stated that although the bids received were lower than the reserve price and the market rates had gone up when the highest bid was accepted, the question of re-auctioning the scrap was not considered.

It was also noticed that 72.489 tonnes of the value of Rs. 11.46 lakhs cadmium copper scrap was sold during July, 1970 to June, 1971. Reserve prices thereof were fixed as ordinary copper scrap. According to the Telegraphs Wires (Unlawful Possessions) Act, 1950, certain sizes of cadmium copper conductor cannot be sold without prior approval of the Divisional Engineer (Telegraphs). On 25th November, 1970, a reference was made to the Superintendent of Police, Ambala, who stated on 11th December, 1970 that it was unlawful to possess and sell cadmium copper conductor of size 300 lb./mile, under the Telegraphs Wires (Unlawful Possessions) Act, 1950. Government stated in December, 1973 that the sizes of cadmium copper lying in stock were being checked by the Board and the requisite approval of the Divisional Engineer (Telegraphs) would be taken, where required.

The Board stated in evidence that it was aware that the DGS & D also undertook auction of material but no reference to them was considered necessary because open tenders had been invited for the appointment of auctioneers. In a similar manner Railways, Defence and other departments/ Boards sold material by auction by appointing their own auctioneers.

Rangi Lalls, Delhi had quoted 48 paise per hundred in their original tender and their subsequent offer for reduced rates was after the opening of tenders and could not be considered. The Board did not consider it desirable to reinvite tenders because it was a common practice with the tenderers that after the opening of the tenders when they found that they were not the lowest, they offered even lower rates than the lowest tenders to get business themselves or to spoil the business of others.

The appointment of the auctioneers at the rate of 39 paise per hundred was quite regular and in accordance with the rules and Board's financial interests were duly kept in view. The original tender of Rangi Lalls, Delhi at 48 paise per hundred was their genuine tender as the rates compared favourbly with the rates of other tenderers but their subsequent lowering of offer from 48 paise to 8 paise was only to spoil the business.

It was also disclosed during oral evidence that a letter of appointment was issued to the lowest tenderer Mehtab Nath & Co. on 3rd May, 1969 and the party was asked repeatedly to attend the office and to execute the agreement and deposit security etc. The representative of the firm did come on 22nd May, 1969 but slipped away without depositing the security or executing the agreement. The next firm in order of merit was who had demanded a rate of 39 paise per Rs. 100. However, this firm was headquartered at Lucknow and as the difference in rate claimed by them and the next lowest tenderer Niadar Mal Jai Kishan Delhi was only one paise per Rs. 100, the SPC recommended that their offer may be passed over. Subsequently, Niadar Mal Jai Kishan, Delhi had reduced their rate to 39 paise per hundred which was equivalent to the rate of second lowest tenderer. The SPC decided that they may be appointed as auctioneers.

It was also explained that the rate of 39 paise per hundred payable to the auctioneers did not cover the cost of advertisements to be made by the Board and, as such, no recovery on account of such advertisements was to be made from the auctioneers.

The draft contract agreement was sent to the auctioneers for execution and in response thereto the auctioneers requested for deletion of several clauses.

In the meantime it was decided that the auctioneers would not handle the cash and the sale proceeds would be handled by the Board's Cashier. Under the circumstances execution of agreement was not considered essential in view of the auctioneer's security deposit with the Board.

The disposal committee of the Board ensured that due publicity was done by the auctioneers. The bills of the auctioneers for commission charges were paid only after verifying that due publicity had been done.

It was also mentioned that although in the draft agreement it had been provided that the sales tax would be collected and deposited by the auctioneers but in actual practice no cash was handled by them and the sale proceeds in the auction were received by the Board's cashier and sales tax, if any, was credited by the Board into the treasury.

The Board had authorised the disposal committee which was headed by a member of the Board to fix reserve price on the spot after examining the current market rates appearing in different newspapers and quality of material put to auction.

It was mentioned that the dismantled copper conductor was not accepted by the buyers as identical with new copper conductor because the conductor due to use became brittle and got oxidized. Moreover, while dismantling it was removed in different lengths and at places got damaged also. This dismantled copper conductor was sold as such, but it fetched more price than the copper scrap and less than the new copper.

It was further mentioned that auctions were held in different stores and the material was offered on "As is where is" basis. By holding auction at non-market places offers received were mostly higher than the prevailing market rates at Delhi. Moreover, most of the dealers in the main market centres attended the auction even at non-market places.

The decision on the case referred by the disposal committee regarding acceptance of bid below reserve price for 42.5 M.T. of copper put to auction in November, 1969 was stated to have been taken by the Board in their meeting held on 16th December 1969 and not in January 1970 as mentioned in the audit paragraph. However, the Committee were informed by the Accountant General that the final orders to accept the bid were passed by the Chairman in January 1970.

As regards the Telegraphs Wires (Unlawful Possessions) Act, 1950, it was stated that the doubt regarding legality of sale of copper scrap arose on 18th November 1970 and accordingly the case was referred to S.P. Ambala during November, 1970 and to P.M.G. during January 1971. Some sale was done pending receipt of clarification. The clarification received from PMG revealed that sale of certain sizes of cadmium copper was not allowed without prior approval of Divisional Engineer, Telegraphs, Chandigarh. The sizes of cadmium copper conductor lying in stores had been checked up and the case regarding approval by Divisional Engineer, Telegraphs was under correspondence with him.

As per letter of appointment issued to Niadar Mal Jai Kishan Delhi, the period of contract was not specified. However, they continued conducting auctions till 3/73 after which fresh tenders were invited and new auctioneers appointed.

During oral evidence the Board was asked to inform the Committee about the reasons due to which the auctioneers were appointed one year after the tenders were opened in May, 1968, the amount of security deposit asked for from Mehtab Nath & Co. and circumstances in which Niadar Mal Jai Kishan, Delhi were allowed to continue upto March, 1973 as also the amount of security actually deposited by them.

The Committee observe that in view of the failure of the lowest tenderer Mehtab Nath and Company, Delhi to deposit security and to sign the agreement, the Board had to consider the next lowest tenderer. Since the second and third lowest tenders became equal when Niadar Mal Jai Kishan, Delhi reduced their quoted rate from 40 paise to 39 paise per hundred and Aggarwal & Sons were located at Lucknow the contract was awarded to Niadar Mal Jai Kishan Delhi. The Board had also explained that the subsequent offer of Rangi Lalls, Delhi reducing their rate from 48 paise to 8 paise per hundred was not a genuine offer and was, therefore, not accepted. The Board further stated that the rate of 39 paise per hundred payable to the auctioneers did not cover the cost of advertisements and that the disposal committee had ensured that due publicity was done by the auctioneers.

The Committee also note that auctions were held in different stores on 'as is where is' basis. In case materials had been transported to one place it would obviously have involved additional expenses on account of transportation etc. apart from risk of loss in transit. The Committee, therefore, consider that the procedure adopted by the Board was in order. The Committee would, however, like that the final position in regard to the sale of cadmium copper in the light of the provisions of the Telegraphs Wires (Unlawful Possessions) Act, 1950 be intimated to them. The Committee would also like that the information desired during oral evidence be furnished to them as early as possible.

Paragraph 8.15(5)—Disposal of old thermal plant

71. The space occupied by an old thermal plant, rendered surplus in 1965 at Faridabad, was required for erection of a 55/60 M.W. thermal generating set. The maximum amount offered against the tender enquiry made in August 1969 for disposal of the plant was Rs. 6.67 lakhs which was considered low and as such another tender notice was issued in October 1969. The highest offer was for Rs. 13.26 lakhs from Great Steel Corporation, Bombay. After the opening of tenders another firm, Chauvan Brothers, Bombay increased their offer from Rs. 11.55 lakhs to Rs. 14.25 lakhs .In December 1969, the Board decided to fix Rs. 14.25 lakhs as the reserve price and to ask all the tenderers to submit revised tenders. Only three firms submitted revised offers in December 1969, the highest being Rs. 14.53 lakhs from Taher Ali Tyab Ali, Bombay, for payment in three instalments, with an alternative offer of Rs. 13.53 lakhs for payment within a month and removal of the plant in 4 months. These offers were considered unacceptable as the terms of payment and removal of the plant in parts were not in conformity with the tender notice which stipulated full payment within a week and removal of the plant within 5 weeks of issue of an acceptance letter. The next highest offer of Rs. 13.62 lakhs from another firm of Bombay, was not considered as the firm wanted to negotiate the terms of payment and time for removal of the plant. The Whole Time Members recommended acceptance of the fourth highest offer of Tyab Bhai Mohmed Bhai & Co. Bombay, for Rs. 12.01 lakhs to be paid on demand and the plant to be removed in two month's time. The Board accepted this recommendation on 20th January, 1970 and acceptance letter was issued on the same day.

Tyab Bhai Mohmed Bhai & Co., paid the amount by two cheques dated 21st January 1970 after encashment of which they were authorised on 3rd February, 1970 to lift the plant within 2 months' time. The premises were, in fact, vacated on 11th November, 1971. In December 1972 the Board claimed an amount of Rs. 0.39 lakh as ground rent for the period from 21st March 1970 to 11th November, 1971 during which the premises remained in occupation of the firm. In March 1973 the Board filed a civil suit for recovery of the amount. Decision thereon is awaited (July 1974). Security deposit of Rs. 0.20 lakh had already been refunded to the firm in February 1970 under instructions of the Superintending Engineer (Purchase) although the deposit was to be retained till the site was cleared.

The Board stated in June 1973 that the offer of Rs. 12.01 lakhs was the only valid offer. It may, however, be stated that this was below the reserve price fixed by the Board in December 1969. The purpose of early clearance of the site was also not achieved as the time taken by the firm was much longer than the time required by Taher Ali Tyab Ali.

The Board stated in evidence that in its meeting held on 16th Dec. 1969, it was informed that tenders for the disposal of old Power House at Faridabad had been twice invited and one of the tenderers Chauvan Brothers, Bombay had given a revised offer of Rs. 14.25 lakhs and keeping this position in view the Board decided that this price should be fixed as the minimum reserve price for the plant and all the tenderers should be given an opportunity to submit their revised offers. As such the question of considering post tender offer of Chauvan Brothers, Bombay did not arise. Out of the three revised offers received in December 1969, the highest offer of Tahar Ali Tyab Ali Bombay stipulated payment in three instalments alongwith removal of equipment in parts over a period of four months. The second highest offer of Abid and Company, Bombay was vague in that they had stipulated that the time of removal of machinery and payment should be decided mutually on the acceptance of the bid and that the Board should allow them to remove any item against payment, the price of each being settled on acceptance of the offer.

The third highest bid of Tahar Ali Tyab Ali Bombay also provided for payment within a month's time and not within a week as indicated in the tender and removal in four months after site was handed over.

In the tender specification it was stipulated that it would be binding on the successful tenderer to deposit full amount of the tender within a week from the issue of acceptance of the tender and that the generating sets would be removed within four weeks of the issue of the acceptance letter. When the Whole Time Members considered the case in their meeting held on 6-1-70 they noticed that all these tenders were not in accordance with the payment terms and nor these provided for removal of the equipment within the period indicated in the NIT. The Whole Time Members felt that while the period of removal could possibly be extended beyond four weeks, the payment conditions could not be relaxed. The only tender left which was strictly in accordance with the payment conditions was that of Tyab Bhai Mohamed Bhai and Company Bombay. This party had agreed to make payment on demand and required two months for removal of the machinery. The Whole Time Members, therefore, considered that this was the only valid tender in accordance with the tender conditions and requirements and accepted the same. The firm deposited the full amount by cheques on 21st Jan. 1970, the day on which their offer was accepted by the Board and the Board's interests were thus fully protected. However, the firm failed to vacate the premises of the Board by lifting the material in the stipulated period. Accordingly a demand notice was issued to the firm on 21st Dec. 1972 for depositing a sum of Rs. 39,443 on account of rent of the premises for the excess period for which the premises remained under their occupation. Since there was no response an application under section 20 of the Indian Arbitration Act, 1940 was filed in the court of Sub-Judge First Class Ballabgarh. The case was still pending in the court.

It was further stated that the matter as to how and why security deposit amounting to Rs. 20,000 was refunded to the firm before completion of the works in contravention of the terms of the contract, was referred to the Vigilance Department of the Board for investigation. On the basis of their findings, the then S.E. Purchase and the XEN Purchase had already been warned by the Board to be more careful in future.

The Committee would like to know the decision of the court as soon as it is announced. However, the Committee observe that the Board has warned the S.E. Purchase and Xen Purchase to be more careful in future for the refund of the security deposit of Rs. 20,000 to the firm before completion of the works.

APPENDIX

Copy of the Sections 28 and 29 of the Electricity (Supply) Act, 1948.

(*Referred to in paragraph 5 of the Report*)

28. *Preparation of schemes* :—With a view to rationalising the production and supply of electricity in any area the Board may from time to time prepare a scheme, not inconsistent with this Act, for that area, in which provision may be made for all or any of the following matters, namely :—

(a) the establishment of the Board's own generating stations ;

(b) the designation of generating stations, whether existing station or new stations, as controlled stations at which electricity shall be generated foi the purposes of the Board;

(c) the inter-connection, by means of main transmission lines to be constructed or acquired by the Board, of any generating stations with any cthers and with any systems of licensees;

(d) where a scheme relates to specified area, the inter-connection of the system of the Board in that area with the system of the Board in any other area with respect to which a scheme is being or may subsequently be made;

(e) the construction or acquisition of such other main transmission lines as the scheme may require;

(f) the use by the Board of any transmission lines or main transmission lines of any lincensee; and

(g) such supplemental, incidental and consequential provision as may appear necessary or expedient for any of the purposes aforesaid .

[1](Provided that no scheme or a part of a scheme which is estimated to result in a capital expenditure exceeding fifteen lakhs of rupees shall be prepared by the Board without prior consultation with the State Government).

Provided (further) that a scheme shall not, without the consent of the owner —

(i) designate as a controlled station any generating station belonging to a person other than a licensee,

(ii) authorise the use of acquisition of a transmission line or a main transmission line belonging to a person other than a licensee.

[2]29. *Publication and sanctioning of scheme* :—(1) A scheme prepared for any area under section 28 may, subject to the provision of this section, be sanctioned by the Board either generally or in respect of any part of the area and where a scheme has been sanctioned in respect of part of the area, it may subsequently be sanctioned in respect of other parts of the area.

(2) Every scheme sanctioned under this section shall be published in the Official Gazette and in such local newspapers as the Board may consider necessary;

Provided, that it shall not be necessary to so publish any scheme which is estimated to result in a capital expenditure not exceeding twenty-five lakhs of rupees.

(3) Before sanctioning any scheme which is estimated to result in a capital expenditure exceeding one crore of rupees, the following procedure shall be adopted namely :—

(i) The Board shall send a copy of the scheme to the State Government and to the Authority and cause such scheme to be published in the Official Gazette and in such local newspapers as the Board may consider necessary and the

1. Ins. by Act 101 of 1956 S, .11. 2. Subs. by Act 30 of 1966, S.6.

Board shall give public notice of the date, not being less than two months, after the date of the notice, by which licensees and other persons interested may make representations thereon and when publishing such a scheme the Board shall show estimates of the capital expenditure involved and of the initial and ultimate revenues anticipated from the sale of energy, meter rentals and other services ;

(ii) the Board, after considering any such representations and after making such inquiries, if any, as it thinks fit, may sanction the scheme either without modification or subject to such modifications as it thinks fit, and either generally or in respect of any part of the area specified in the published scheme.

Provided that no such scheme shall be sanctioned by the Board without prior consultation with the Authority and until any recommendations which the Authority may, in accordance with the provision of this Act, make upon such consultation have received due consideration by the Board.

Provided further that where the recommendations of the Authority in regard to any scheme are not accepted by the Board, the Board shall not sanction the scheme without the previous consent of the State Government.

(4) In respect of any scheme to which the provisions of sub-station (3) apply the Board shall, within one month after being requested by the Authority so to do, supply the Authority with all such information incidental or supplementary to the scheme as may be specified in the request.

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