

**TWENTY-SEVENTH REPORT
PUBLIC ACCOUNTS COMMITTEE
(1991-92)**

(TENTH LOK SABHA)

**PROCUREMENT OF DEFECTIVE
IMPORTED PARACHUTES**

MINISTRY OF DEFENCE



*Presented to Lok Sabha on 30.4.1992
Laid in Rajya Sabha on 30.4.1992*

**LOK SABHA SECRETARIAT
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CORRIGENDA TO THE 27TH REPORT OF PUBLIC
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(1991-92)

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INTRODUCTION

I, the Chairman of the Public Accounts Committee do present on their behalf this Twenty-Seventh Report on Paragraph 14 of the Report of the Comptroller and Auditor General of India for the year ended 31 March, 1990, No. 8 of 1991, Union Government — Defence Services (Army and Ordnance Factories) relating to Procurement of defective imported parachutes.

2. The Report of the Comptroller and Auditor General of India for the year ended 31 March, 1990, No. 8 of 1991, Union Government — Defence Services (Army and Ordnance Factories) was laid on the Table of the House on 6 August, 1991.

3. According to the Committee it is disquieting that the entire batch of 900 parachutes imported in January, 1986 at a cost of Rs. 89.97 lakhs for meeting the operational requirements of the Army in relaxation of the prescribed procedure have remained in a defective state since then and could not at all be utilised so far, defeating the very purpose of placing an import order on the plea of meeting immediate operational requirements. In the opinion of the Committee the entire lot of 900 parachutes has been allowed to remain dumped up unused for a period of more than 6 years which must have substantially reduced their normal useful life of ten years. The Committee have concluded that the entire expenditure of Rs. 89.97 lakhs has proved to be infructuous.

4. Another contract for the purchase of 2500 parachutes was concluded with M/s. Aerazur, France on 30 December, 1985 at a total cost of Rs. 7.16 crores. According to the contract, the French main parachutes were to be new with a shelf life of 120 descents or 15 years on shelf and the reserve were to be from the used lot but with a shelf life of 10 years. The Committee have noted with concern that though the main parachutes actually supplied were of 1983-84 manufacture, the reserve parachutes were of 1957-59 manufacture and had outlived their shelf life even at the time of receiving the supplies and thus were not fit for use. The Committee have found that based on the inspection carried out in March, 1986, DGQA had rejected the entire lot of the reserve parachutes as they were of 1957-59 vintage and below specification. The Committee have regretted the fact that instead of adhering to this stand the Government entered into a tacit understanding with the French Government in December, 1986 to get the damaged reserved parachutes as well as those found defective in dummy drop trials replaced and released the performance guarantee even before obtaining the replacement of heavily damaged parachutes or satisfying themselves as regards others by conducting the dummy drops. In the opinion of the Committee it is still worse that the

Government compromised further when they decided that the reserved parachutes would be kept as a general staff reserve to be fit for only one time use. The Committee have concluded that the entire expenditure of Rs. 7.16 crores incurred on the contract entered into with the French firm for man dropping parachutes for meeting the operational requirements of the Army has proved to be infructuous. The Committee desire that the matter should be fully investigated and responsibility fixed for having accepted reserve parachutes that had outlived their shelf life and were found to be below specifications as pointed out by the DGQA.

5. In the opinion of the Committee both these cases clearly are a sad commentary on the working of the Ministry of Defence in meeting the operational requirements of the Army. According to the Committee Parliament has been very generous in granting funds for defence needs but at the same time it expects that these funds are utilised most judiciously, a timely assessment of operational requirements are made and general staff reserves maintained as per the accepted norms. The Committee have felt that if these reserves had been maintained, the Government would not have found it essential to go in for foreign contracts at such short notice and receive parachutes of sub-standard quality and not as per specifications thereby jeopardising the safety factor of the Army had a real operational emergency occurred. The Committee have found that unfortunately, such prudence on the part of the concerned authorities is entirely conspicuous by its absence in the execution of both the contracts and the Committee have but deplore such a situation.

6. The Committee (1991-92) examined Audit Paragraph 14 at their sitting held on 19 February, 1992. The Committee considered and finalised the Report at their sitting held on 28 April, 1992. Minutes of the sittings form Part II* of the Report.

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

8. The Committee would also like to express their thanks to the Officers of the Ministry of Defence for the cooperation extended to them in giving information to the Committee.

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

NEW DELHI;

April 28, 1992

Vaisakha 8, 1914 (Saka)

ATAL BIHARI VAJPAYEE,

Chairman,

Public Accounts Committee.

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

REPORT

The Report is based on Paragraph 14 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1990—No. 8 of 1991—Union Government—Defence Services (Army and Ordnance Factories) relating to procurement of defective imported parachutes.

Introductory

2. In December 1985, Ministry of Defence had concluded a contract with firm 'A' (M/s. Golden Bell Trading Co. Ltd., South Korea, the authorised marketing organisation of M/s. Korean Security Parachutes Co. Ltd., the manufacturers) for procurement of 900 sets of man dropping parachutes at a cost of Rs. 89.97 lakhs. As a result of trade enquiries made through some of our Missions abroad, only two firms (firm 'A' and M/s. AERAZUR, France) had responded to meet the requirements. According to the Ministry, since the requirement of parachutes projected by Army Headquarters was for an immediate operational requirement of the Army, no global tenders were issued, and only limited enquiries were made from our Military attaches in 5 countries.

3. Such parachutes are manufactured in India only in the Ordnance Factory, Kanpur and the Department of Defence Production had confirmed that this factory could not make supplies of the parachutes required within the time frame indicated by the Army.

The 900 parachutes were imported in January 1986.

4. According to the Ministry of Defence, M/s. Aerazur, France are the manufacturers of the parachutes. M/s. Golden Bell, Korea, were the authorised marketing organisation of M/s. Korean Security Parachutes Co. Ltd., a manufacturer of Parachutes. A letter of Authorisation from the aforesaid manufacturer obtained before the commencement of negotiations.

5. In reply to the draft para the Ministry had intimated Audit in October 1990 that "in 1985 there was an immediate requirement of 3,400 parachutes for operational purposes." The Committee enquired as to how the balance requirement was met with. The Committee also enquired whether these parachutes were tried out in India and with what results.

6. The Ministry of Defence states as follows:—

“The Army projected a total requirement of 6100 sets of parachutes, indicating that there was stock of 2712 set of parachutes with them and that the balance of 3400 set were required to be procured immediately. Two Contracts for parachutes were concluded with the following firms:—

(a) M/s. Aerazur, France—2500 sets

(b) M/s. Golden Bell, South Korea—900 sets

The Contract with M/s. Golden Bell Co., South Korea, for 900 parachutes was concluded on 31.12.85 and the Contract for 2500 sets of parachutes with M/s. Aerazur France was concluded on 30.12.85. The Army HQrs had trial evaluated 12 sets of parachutes from each of the responding firms and had informed the Ministry of Defence that the equipment offered by the aforesaid two firms had been found suitable and accordingly recommended that the equipment be procured from these two sources. The Contracts for procurement of the parachutes were concluded only after the acceptability of the equipment was confirmed by the Army Headquarters consequent to trial in India.”

7. The audit paragraph, however, relates only to the contract for procurement of 900 sets of parachutes entered into with M/s. Golden Bell, South Korea.

Stock of Parachutes

8. The Committee were informed about the quantity of reserve to be maintained by the Army HQrs. Asked further about the availability of the stock with the Army for training purposes in 1985 the representative of the Army Headquarters stated:—

“In 1985, the stock available for training was 1500. All the remaining were under various stages of repair.”

9. To a query whether the general staff reserve stock was not required to be kept untouched, the witness stated:—

“The stocks which are under general staff reserves have to remain untouched and to be available at all times. And it does not include the lot which is under repair.”

10. The witness further elaborated as follows:—

“On 30 June, 1985, our total holding was 1539 as a reserve with us. This over and above, we have with us 3823 sets of parachutes, which were in various stages of repair. They were not immediately available should the occasion arise because the Ordnance Factory's capacity to repair was limited in a year. So with a balance of 1539 parachutes in stock, we required at least 3400 sets of parachutes more to build up our stock.”

11. Asked about the life of a parachute, the Defence Secretary stated that its normal life is ten years or 100 drops whichever is earlier.

Contract with M/s. Golden Bell Trading Co. Ltd.

12. A set of man-dropping parachutes consists of one main and one reserve. The reserve parachute fitted with the main parachute enables the paratrooper to switch over to the former in the event of failure of the latter.

13. The Ministry of Defence concluded a contract in December 1985 with firm 'A' for procurement of 900 sets of parachutes at Rs. 89.97 lakhs for immediate operational purpose.

14. The Committee enquired as to when the Army Headquarters had projected their requirements for 900 parachutes. The Ministry of Defence stated as follows:—

“The Army HQrs projected their requirements of parachutes through a statement of case dated 11 Dec. 85. The projection was for approximately 3000 parachutes.”

15. Open tender enquiry procedure was not adopted in concluding the contract with South Korean firm for procurement of 900 sets parachutes costing Rs. 89.97 lakhs. Only limited enquiries were made through our Missions abroad in 5 countries, the rule governing the selection method of tender enquiry procedure reads as follows:—

“Open tender enquiry procedure will be adopted ordinarily in all cases where the estimated value of the indents exceeds Rs. 5 lakhs. However, in case of urgency or where all the likely sources of supply are known or for any other special reasons in writing the open tender procedure may be waived by the officers upto a maximum limit of Rs. 50 lakhs.

16. The Committee enquired as to how the contract was concluded for Rs. 89.97 lakhs which is beyond the jurisdiction of the limited tender enquiry as the open tender procedure may be waived only upto a maximum limit of Rs. 50 lakhs. The Ministry of Defence states as follows:—

“The Army Headquarters through their statement of case of 11 December, 1985 projected their requirement of approximately 3000 parachutes. It was, therefore, not possible to follow the open tender enquiry procedure. Approval of the then RRM and FM were obtained to make an emergency procurement without following the open tender procedure, in view of the extreme operational urgency.”

17. The contract provided for a joint inspection of the parachutes by the purchaser and the supplier on arrival in India. Those found defective were to be replaced/repared free of cost including freight charges within a period of two months from such arrival. The warranty for the parachutes

was applicable for hundred descents or a shelf life of ten years, whichever was earlier.

18. A Board of Officers comprising representatives of the users and Inspection Directorate, convened in January 1986 to inspect the parachutes observed that log cards, technical manuals and inspection schedule were not received alongwith the consignment. In the absence of these particulars it was not possible to ascertain the date of manufacture or the state of serviceability. Further some of the reserve parachutes had been withdrawn from user units of the foreign country and the company's representative was not aware of any technical details of the parachutes.

19. The Board, recommended that one set of each parachute (main and reserve) be got tested in the Director General of Inspection (DGI) laboratory for ascertaining their serviceability. The laboratory test on sample basis conducted in March 1986 revealed failures in metal components and deficiencies in breaking strength of pack inner, harness material etc. The parachutes, both main and reserve, were recommended for rejection.

20. A joint inspection of the parachutes, carried out in June 1986 in the presence of the firm's representative indicated similar defects and the parachutes again failed in proof load test. They were again recommended for rejection.

21. The Committee enquired as to why the inspection was not carried out before despatch at the supplier's end rather than having it done on arrival in India. The Ministry of Defence stated as follows:—

“Since the requirements of the Army were immediate and operational and since 12 sets of parachutes had already been trial evaluated by the Army and found acceptable, it was decided that pre-despatch inspection at the supplier's end was not necessary as it would delay the despatch of the parachutes. Moreover, the deputation of a team of Inspectors from India to South Korea would have taken sometime.”

22. The Contract provided for a joint inspection of the parachutes by the purchaser and supplier on arrival in India. Those found defective were to be replaced/repared free of cost including freight charges within a period of two months from such arrivals. It is seen that only a visual verification was carried out on 18.1.1986 and a detailed joint inspection of 6 Main and 6 Reserve parachutes was carried out on 4-5 June, 1986.

23. The Committee desired to know the reasons for not initiating the defect reports within the stipulated period of 2 months envisaged in the contract. The Ministry of Defence stated as follows:—

“It is relevant to observe that as the requirement of the Army was of an immediate operational nature, the Korean firm had offered to supply 900 sets of parachutes out of the stocks held by the Korean Army. It was intimated by the Army HQ on 15th February, 1986, that

the Korean parachutes were not accompanied by proper log books/cards and that the reserve stock parachutes were of mixed population (some of the parachutes supplied were withdrawn from the User's Wings in Korea). The Army HQrs desired that the supplier of the parachutes may be asked to supply log cards in addition to other literature, as per provision of the Contract on 20th February 1986, the Korean supplier was informed that in the absence of inspection/testing of the basic materials certificate, which were not endorsed on the log books sent by it, the testing certificates of life would be carried out by the Indian Inspectors by tests followed by 100% physical inspection and that the purchaser reserve the right of rejection in respect of the remaining consignment if the above tests did not yield satisfactory results. The Korean firm was asked to supply by air, at their own cost, before 20.3.86 the log books in addition to other literature mentioned in the Contract and that if these were not sent before 20.3.86 the performance bond given by the supplier would be encashed by the Ministry of Defence.

The defect report was intimated to the supplier immediately after it was received from the DGI/Army HQ. Thus, there was no lapse."

24. The position has been further supplemented as follows through another note:—

"A joint inspection soon after the visual verification of Jan. 86 and within a period of two months as stipulated in the contract could not be conducted because the parachutes were without log books, without a technical manual and an inspection schedule. Besides, the Korean representative who had been sent had no technical know how to meaningfully participate in a joint inspection. The delay did not affect the contract as the Korean themselves agreed to the joint inspection in June 86 and accepted contractual liabilities."

Laboratory test conducted in March, 1986

25. The laboratory test conducted on sample basis in March 1986 revealed failures in metal components and deficiencies in breaking strength of pack inner, harness material etc. The parachutes both main and reserve were recommended for rejection. The Committee desired to know as to why the parachutes were not returned to the supplier for replacement immediately after the recommendation for rejection made by the DGI in March 1986? In response the Ministry of Defence stated as follows:—

"The parachutes were not returned to the suppliers for replacement as the User considered that since inspection was done by DGI, as per inspection standards laid down for parachutes manufactured by our Ordnance Factories, a fresh inspection should be done on the basis of the inspection criteria/standards laid down by the foreign manufacturer. It was also decided that confirmation should be obtained from

the Korean firm that the inspection of their parachutes had been done according to their Army specifications. They were requested to send copies of the Inspection Certificates of their Army Inspectors. It was also confirmed by the Army HQrs that so far as they were concerned, the parachutes supplied by the Korean firm would meet their requirements and were acceptable to them."

Joint Inspection conducted in June, 1986.

26. The Joint inspection conducted in June 1986 also revealed that the parachutes subjected to load test failed and were thereafter, recommended for rejection. The Committee enquired as to why the parachutes were not rejected for replacement by the firm even at this stage. The Committee also asked whether the matter at that stage was reported to Army Headquarters/Ministry. The Ministry of Defence stated:—

"It is correct that in the joint inspection carried out in June, 1986, the parachutes were recommended for rejection. When the question of inspection and quality of parachutes was discussed in the Ministry of Defence with the Army HQrs. on 16.5.1986, it was indicated by the Army HQrs. that in so far as they were concerned, the parachutes supplied by the Korean firm were according to specifications and were acceptable to the users. However, the rejection of the parachutes by the DGI was communicated to the supplier."

27. Asked as to why the parachutes were not rejected straightway rather than taking the onus of having them tested in DGI's laboratory for ascertaining their serviceability, the Ministry of Defence stated:—

"The parachutes were not rejected straightway as it was known at the time of import that these parachutes had been withdrawn from the Korean Army stocks by the Korean supplier in order to meet the urgent requirements of our Army. Moreover, the user had indicated that the sample equipment supplied by the Korean firm had met their requirements."

Alternatives offered in July 1986.

28. In July 1986, the firm offered two alternatives viz. to replace the defective components with new ones of US origine or to compensate an amount of US \$35108 for acceptance of the defects with repair/rectification "as a goodwill gesture." The DGI preferred in July 1986 the first alternative with the proviso that the parachutes rectified should withstand dummy drop trials.

29. The Committee desired to know the basis on which the first alternative offered by the firm was opted for. The Committee also enquired whether it was done after analysing the pros and cons of the two alternatives offered and if so details of the analysis be furnished. The Ministry stated as follows:—

"The Korean firm intimated on 22nd July, 86 that they were ready

to repair the defective parachutes by replacing the two defective components with new one. They also expressed their willingness to depute a technical team of 5 persons, consisting of one Manager and 4 workers, to complete the repair/replacement of the defective components. They however, contended that the two components found defective by the Indian Inspectors did not have any adverse effect on the functioning or safety aspects of the parachutes. Alternatively, as a gesture of goodwill, they offered to pay compensation of US \$35108. The Army HQs as well as the DGI were informed on 24.7.1986 about the aforesaid offer made by the Korean firm. On 30.7.1986, DGI recommended acceptance of the following suggestions made by the Korean firm:—

- (a) "The replacement of canopy Rigging Lines was acceptable on the ground that this would result in shortening of rigging lines only by 3" to 4" and this would not affect the serviceability of the parachutes.
- (b) The supplier should rectify 20 parachutes in regard to a snap hook with safety pin and send the rectified parachutes for dummy drop trails.
- (c) The Korean firm should be asked to send the entire quantity of Metal components for proof load test."

30. On 22 July, 1986, the Korean firm had *inter alia* contended that the components found defective by the Indian Inspectors did not have any adverse effect on the functioning or safety aspects of the parachutes. The Committee enquired whether the opinion of DGQA (Director General, Quality Assurance) on safety aspects of the parachutes particularly in the light of the contention made by the foreign firm was obtained at that time. The Ministry of Defence stated that the opinion of the DGQA was specifically obtained. The DGQA, vide their letter dated 30 July, 1986 opined that replacement of canopy rigging links will result in shortening of rigging lines by 3" to 4". This would not affect the serviceability of the Korean Main parachutes. However, replacement of the snap hook with safety pin may weaken the fabric while opening of stitches and restitching and may in turn affect safety/serviceability of the Korean reserve parachute. Dummy drop trails were therefore suggested on rectified parachutes.

31. The Ministry of Defence have further stated that the Korean firm intimated on 5.8.1986, that they would replace the Canopy Rigging lines and that their Repair Team would come to India for complete replacement of Canopy Rigging lines. For the balance, financial compensation of US \$26,576 was offered. The firm did not protest against the DGI requirement of conducting dummy drop trails.

32. During September 1986 to February 1989 the matter regarding

replacement and repair to the defective parachutes was under correspondence between Army Headquarters (HQ), DGI, Ministry and the firm. No action either to claim full compensation from the firm or to work out the cost of repairs to ensure whether the cash compensation offered towards repairs would be adequate was taken by the Army Hq. It is, however, seen from the correspondence exchanged with firm during this period that the firm did not positively respond to the Ministry of Defence/acceptance of the firm's suggestion for replacement of the defective components with new ones of US origin despite repeated reminders.

Repairing the Defective Parachutes

33. In March 1989 the firm expressed its inability to replace the defective components as their sub-contractor had become bankrupt. The firm also sought exemption from the warranty obligation by suggesting payment of compensation of US \$ 35,108 proposed earlier. The Ministry stated in October, 1990, that the main parachutes have been found acceptable subject to replacement of canopy Rigging Lines to be done at Ordnance Parachute Factory, Kanpur. The Committee desired to know the latest position about the replacement of the CRLS, the time by which the defective parachutes will be repaired and the appropriate cost of repairs. The Ministry of Defence stated as follows:

"4 Korean parachutes sent to OPF Kanpur have been repaired and sent for trials in January, 1991. OPF would require about 3 months to replace the CRLs after placement of indent and receipt of serviceable CRLs from Air Force Station Agra. The approximate cost of replacement of CRLs will be Rs. 270/- per parachute at current costs as stated by Ordnance Equipment Factory Group HQrs. Kanpur."

34. Asked about the latest position for the recovery of compensation of US \$ 35,108 from the firm, the Ministry of Defence stated:

"Korean firm has confirmed its commitment to pay the compensation, and is collecting necessary document. MOD is actively pursuing the matter."

35. Asked as to how far the aforesaid repair process would remove the defects the Ministry of Defence stated that after replacing the original canopy rigging links with indigenous serviceable ones, defects in this regard would stand removed from the Korean parachute main.

36 The Committee enquired whether it was not a fact that the entire expenditure of Rs. 89.97 lakhs incurred in the procurement of 900 sets parachutes in January, 1986 had remained absolutely infructuous. As the parachutes have remained in unserviceable condition since January, 1986 the Committee further enquired as to how far this had further affected the shelf life of these parachutes. The Ministry of Defence stated:

"In regard to the use and serviceability of the parachutes, it would be opposite to state that they were procured for an urgent operational requirement. They were approved for one time operational use, and

still remain so. An operational use involves one time use only, as parachutes are never retrieved after the operation. In this background, it would be inappropriate to term the expenditure as absolutely infructuous."

Contract For Purchase of Parachutes from a French Firm

37. A contract for the purchase of 2500 parachutes was concluded with M/s. Aerazur, France on 30 Dec. 1985. According to the contract, the French Main parachutes were to be new with a life of 120 descents or 15 years on shelf and the reserve would be from the used lot but with a shelf life of 10 years. The dates of manufacture of the main parachutes actually supplied were 1983-84 and that of reserve 1957-59. The total cost in FEE was FRE 44,605,000 (Rs. 7.16 crores).

38. Prior to the signing of the Contract, 12 sets of parachutes were trial evaluated through live jumps and were recommended for induction by the Army Hqrs.

39. In March, 1986, DGQA inspected 5% of French parachutes (125 Nos.) and rejected the reserve on the ground that the reserve parachutes had outlived their shelf life being 1957-59 vintage. Besides, the material was found below specification as per specification applicable to parachutes of Indian manufacture.

40. The French MOD was asked to confirm the following:

- (a) All reserve parachutes supplied were from operational reserve stock.
- (b) Parachutes supplied had not been used in any emergency earlier.
- (c) That these parachutes would have been used by the French Army for the next 10 years.

41. The French MOD replied in the affirmative to the above queries on 23 July, 86 and forwarded a certificate of fitness by the SIAR (French quality control agency). The DGQA on receipt of the replies above recommended that in terms of the contract, the acceptance of the reserve appears inescapable. The DGQA submitted its report on 5 Sept. 86. Besides, the Para Brigade during trial evaluation in Dec. 85 had also declared it acceptable.

42. The French firm representative had stated in a conference on 1st Dec. 86 that the reserve parachutes had been withdrawn from Army reserve stock and stored in vacuum containers in order to disrupt the ageing process and therefore, this period should be deducted from the total life. In view of our lack of experience and knowledge of preservation and storage in vacuum conditions, the DGQA recommended that a certificate indicating the status of the parachutes at the time of supply be obtained. The French Military Attachee in India forwarded a copy of the French Govt. letter which stated that these parachutes had been stored for possible future use with no a priori/storage duration limit.

43. Based on the above appraisal the French Govt. was informed of our acceptance.

44. The performance guarantee for FER 4,460,500 was released by the Ministry of Defence on 15 Dec. 86 with a tacit understanding from the firm that they will:—

- (a) Supply free of charge components for repairs of the reserve parachutes for 10 years.
- (b) Replace free of charge all blood stained (later found discolouration was due to aging of cloth) canopies and 50 reserve parachutes chosen by DGQA from amongst the heavily damaged ones.
- (c) Replace all parachutes found defective in dummy drops.

45. The firm replaced 50 reserve parachutes whereas the entire quantity of 2500 reserve needed to be replaced due to expiry of life in 1967 (1957 year of manufacture + 10 years shelf life). The firm instead of honouring their commitment, questioned the validity of our testing parameters whereby we had found all reserve parachutes unserviceable.

46. DGQA recommended dummy drop trials of a percentage of reserve parachutes based on random selection. During trials at Agra in Sept. 87, 25 reserve were dropped of which 17 suffered extensive damage. Consequent to these trials the entire lot of 2500 reserves were declared unserviceable. The MOD wrote to the French firm for replacement of the entire lot of reserve parachutes or refund of entire value of money.

47. The French firm in a letter dated 17 Nov. 87 implied that as per contractual obligations they would provide free of charge necessary spares to repair the used parachutes whenever they are damaged. They also requested for retrun of 50 damaged paras in exchange for the ones replaced by them as also those with canopies damaged during trial.

48. Instructions were issued in Feb. 88 for trial of 290 reserve parachutes to Para Holding Wing during Mar-Apr 88. These were conducted; however, when 80 reserve parachutes got damaged the trials were stopped.

49. A decision was thereafter taken in Sep. 88 to resort to modification of PTR-R with French main. Trials were carried out in Sep/Oct. 88, but the modification, though initially accepted as feasible was later turned down and a decision taken subsequently to modify the French reserve parachutes using its harness with the PTR-R canopy.

50. In the interim the international Marketing Manager who was on visit to India was called for discussions. His attention was drawn to the clause regarding performance guarantees in the contract and was apprised of the difficulties due to non-adherence of the French to this clause.

51. The French representative explained that it was not possible to replace all the 2500 reserve parachutes when the contract accepted import of used reserve parachutes. He expressed his willingness to resolve the problem by having an accepted parameter for testing the reserve in the presence of DGQA and WE representative. He suggested that if descent

rate of parachute was within acceptable limits, the parachute should be cleared. He also accepted to replace all stained parachutes if tested and found as such.

52. A demonstration jump was arranged at Agra in Oct. 89 in the presence of the representatives of the French firm, the Army HQrs. and the DGQA. 4 reserve parachutes of 1956 vintage were selected along with one new parachute. It was found that no parachutes held blood stains. The descent rate of all parachutes varied between 21 feet per second to 22 feet per second. This was within acceptable limit. As reserve parachutes are used in emergency, it was agreed that the parachute will be able to sustain one emergency drop. Stained sections of the canopy were to be changed.

53. The French representative agreed to provide textile for replacement of stained sections of canopy. He also agreed to consider replacing some more reserve parachutes after discussion with Principals of the firm but gave no firm commitment in this regard.

54. The DGQA was asked to inspect all reserve parachutes to enable replacement of damaged items, as agreed to by the representative of the French firm. An inspection team was detailed in March 91 as requested by the DGQA and inspection of 397 reserve parachutes was carried out between 25 June 91 to 18 Aug. 91. Of these only 12 parachutes were declared repairable; the rest were declared unserviceable giving a serviceability state of 3% only. DGQA recommended discontinuing further inspection as it was apparent that the entire lot of parachutes was unserviceable. DGQA was once again requested to complete inspection of the complete lot of reserve parachutes by 07 Oct 91. The Air Force was also requested to provide all necessary assistance.

55. The present status in regard to the French parachutes reserve is that only 73 are presently serviceable. The DGQA based on their inspection of 397 parachutes have now declared the entire reserve stock as unserviceable. The trials of modified French reserve harness using the PTR-R (indigenous) have been successfully completed. However in the absence of paper particulars, the DGQA and the Ordnance Parachute Factory were not agreeable initially to take up modification. Subsequently, they have asked the Army HQrs, in view of the urgency of the matter, to despatch the modified parachutes. They would draw up limited paper particulars in the matter by March-April 92. The parachutes were despatched to them in Sep. 91.

56. To a query as to why the reserve parachutes which had already outlived their useful life were accepted, the representative of the Army Headquarters stated during evidence as follows:—

“We pointed out that they had outlived their life the main parachutes were manufactured in 1983-84. The reserve parachutes were of 1950s. The reserves were not fit for use. They had already outlived their useful life.

To a query whether the main parachute could be used without a reserve, the witness stated—"Normally not".

57. The Defence Secretary further elucidated the position as follows:—

"Because of the overall time factor and the date by which the army wanted the parachutes to be in their hands, I must submit that a thorough comprehensive inspection, as is normally done between the User Services and the Directorate General of Quality Assurance including chemical laboratory tests and other tests were not done within the laid down parameters. I must confess that it has not been done in the manner it should have been done in the normal course.

In due course, the defects in the supplies were discovered, and efforts were made to find whatever solutions were possible. But those solutions by themselves, as time has shown, did not prove to be adequate for the purposes, for the money that we had spent. Therefore, we are here before this Committee because the answers given are not satisfactory and the situation is not well explained".

58. The Committee desired to know as to why no action was taken against the firm for supply of sub-standard material under the penalty clause in the contract. The Defence Secretary stated during evidence as follows:—

"Definitely, such a clause is there. I may submit to this Committee that no firm in the world will be able to supply the material within a few days in the normal course. They asked for a time of three months. Since we insisted on immediate supply, they did us a favour by sending the materials out of their operational stocks which were with the units and formations of their services. Then, naturally the question of very strict and rigid and hundred per cent adherence to our won criteria to the material supplied was not there."

59. The Committee desired to know as to how the Army had fulfilled their requirements for all the 2500 parachutes which had already outlived its useful life span. The representative of the Army Headquarters stated during evidence, as follows:—

"Since the stocks arrived and as they were with us, while the correspondence with the companies was going on to get them replaced or to claim the compensation, the Chief of the Army Staff took a decision that this would be kept as a general staff reserve to be fit for one time use. Before we accepted these parachutes, 12 each of the French and the Korean parachutes were actually tried out in the month of December, at Agra. They were found to be all right and in order to be able to meet the continued operational requirement, they were accepted fit for one time use."

Remedial Action

60. Learning from the bad experience in the execution of the contracts with Korean and French firms; the Committee desired to know the details of the remedial steps which have already been taken or are proposed to be taken to obviate such recurrence in future, the Defence Secretary stated during evidence as follows:—

“I would submit that in our inventory management, in our logistical management, some of our principal procedure were established several years ago. These procedures were not specially tuned when they were established and approved by the chain of command in the services to kind of an operational situations which we have faced in the recent years. I was having an informal discussion before appearing before this Committee with Lt. Gen. and I was saying that we need to honestly look at each set of procedures and philosophies systematically to identify the gap in the physical requirements of any kind of item whether lethal or non-lethal—in this case, it is not a weapon and it is only a military software—and then to discuss our requirements within the time parameters of requirement with the Departments of Defence Production, Ordnance Factories, Defence PSUs etc. to ensure that the requirements are provided for in financial terms.

One of the problem with which we are faced is that we are not very consistent in the placement of orders and even if we are reasonably consistent in the placement of orders, the orders are not backed up with the funds required to be paid to the production units.”

61. In a Post-evidence note provided by the Ministry of Defence, the Ministry have stated:

“In the light of this experience, it is planned to have a close look at all the inventories of the Army with special reference to the operational preparedness related inventories and to take timely measures to remove gaps. It is also planned with this end in view to examine the principal procedure regarding inventory and logistical management established several years ago and to tune them to such operational situations.”

Working of the Kanpur Ordnance Factory

62. Man dropping parachutes are manufactured in India only in the Ordnance Factory, Kanpur. The Department of Defence Production had then confirmed that this Factory could not make supplies of 3400 parachutes within the time frame indicated by the Army.

63. According to the Ministry of Defence the total capacity of OPF Kanpur for Man Dropping parachutes was 1000 (new and repaired) till October, 1989. This was enhanced to 3000 thereafter. No specific capacity

is earmarked for other parachutes. Their capacity in inter-changeable both among the various types of parachutes as well as with other clothing equipment.

64. Following is the yearwise production of Man Dropping Parachutes (new and repaired) and other parachutes including airborne items at this Factory for the last five year:

year	Man Dropping Parachutes (New and Repaired)	Parachutes & Airborne Items other than Man Dropping Parachutes
1986-87	605	2,06,498
1987-88	886	3,83,401
1988-89	833	5,96,090
1989-90	418	5,20,194
1990-91	485	5,59,609

65. The audit paragraph reveals that out of the demands for the manufacture of 1520 parachutes placed on the Ordnance Factory, Kanpur in June 1979, 250 parachutes were still outstanding in October 1985. The Committee enquired as to why the Ordnance Factory with an annual capacity of 1000 parachutes could not execute the entire order of 1520 parachutes within a period of six years. The Ministry of Defence stated:

“After the demands for the manufacture of 1520 Man Dropping Parachutes were placed on the Ordnance Factory, Kanpur, annual targets for these parachutes were fixed in consultation with the Indentor. The table below gives the details of targets and achievements:—

Year	Balance as on 1 April	Target	Achievement
1981-82	1520	500	400
1982-83	1120	500	500
1983-84	620	400	400
1984-85	220	—	—

The manufacture began in 1981-82 because the lead time of 18 months required for such manufacture as the basic nylon fabric had to be imported. In 1984-85 PTR-M could not be manufactured as Fabric nylon 37 grams. O.G. in 94 cm. width was not available indigenously or ex-import. Fabric in 122 Cm. width was available which required change in design and needed approval of the AHSP Users. Samples of PTRM made out of 122 Cm. width Fabric Nylon were sent to AHSF for user trials. After approval was received, the order was completed in 1988-89.”

66. A set of man-dropping parachutes consists of one main and one reserve. The reserve parachute fitted with the main parachute enables the para cooper to switch over to the former in the event of failure of the latter. The normal life of a parachute is ten years or 100 drops whichever is earlier. On 11 December 1985, the Army projected a total requirement of 3100 sets of parachutes, indicating that there was a stock of 2712 sets of parachutes with them and that the balance of 3400 sets were required to be procured immediately.

Man-dropping parachutes are manufactured in India only in the Ordnance Factory, Kanpur. The Department of Defence Production had then confirmed that this Factory could not supply 3400 parachutes within the time frame indicated by the Army. According to the prescribed procedure, open tender enquiry procedure is required to be adopted ordinarily in all cases where the estimated value of the indents exceeds Rs. 5 lakhs and in cases of urgency where all the likely sources of supply are known or for any other special reason, this procedure may be waived upto a maximum of Rs. 50 lakhs. But in view of the extreme operational urgency, approval of the then Rajya Raksha Mantri and Finance Minister were obtained to make an emergency procurement without following the open tender procedure. The Committee are surprised to find that no action was taken by the Ministry to initiate action well in time to procure parachutes needed for operational requirement and the stock was allowed to be depleted to such an extent as to create a situation of going for emergency procurement of parachutes from abroad in relaxation of the prescribed procedure. Evidently proper planning for even meeting ordinary requirements did not seem to exist and this requires to be seriously looked into and set right. In view of the operational requirement only limited enquiries were made from our Military Missions in five countries. As a result of these enquiries only two firms viz., (i) M/s. Golden Bell, South Korea and (ii) M/s. Aerazur, France had responded to meet the requirements. The Army Headquarters had trial evaluated 12 sets of parachutes from each of the responding firms and had informed the Ministry of Defence that the equipment offered by the two firms had been found suitable and accordingly recommended that the equipment be procured from these two firms. In December, 1985, the following two contracts for procurement of parachutes were concluded—

- (a) M/s. Golden Bell, South Korea — For 900 sets of parachutes
- (b) M/s. Aerazur, France — For 2500 sets of parachutes

M/s. Aerazur, France are the manufacturers of the parachutes. However, M/s. Golden Bell, Korea, were the authorised marketing organisation of M/s. Korean Security Parachute Co. Ltd. a manufacturer of parachutes. A letter of authorisation was obtained from M/s. Korean Security Parachute Co. Ltd. before the commencement of negotiations. As the facts narrated in the succeeding paragraphs would reveal the execution of both these contracts has been very dismal.

67. In December, 1985, the Ministry of Defence concluded a contract with M/s. Golden Bell, South Korea for procurement of 900 sets of parachutes at Rs. 89.97 lakhs. The contract provided for a joint inspection of the parachutes by the purchaser and the supplier on arrival in India. Those found defective were to be replaced/repaired free of cost including freight charges within a period of two months from such arrival. The warranty for the parachutes was applicable for hundred descents or a shelf-life of ten years, whichever is earlier. The 900 parachutes were imported in January 1986. The Committee are concerned to note that a joint inspection within a period of two months as stipulated in the contract could not be conducted because the log books, technical manuals and inspection schedule were not received alongwith the consignment. In the absence of these particulars it was not found possible to ascertain the date of manufacture or the state of serviceability. Further, some of the reserve parachutes had been withdrawn from user units of the foreign country and the company's representative was not aware of any technical detail of the parachutes. The Committee are unhappy over the fact that keeping in view the operational requirements of the Army for the parachutes, the concerned authorities in the Ministry failed to take timely steps to ensure that all the necessary documents accompanied the consignment so that the equipment could be subjected to joint inspection within the prescribed period of two months of its arrival in India.

68. The Committee note that the laboratory test on sample basis conducted on the Korean parachutes by Director General of Inspection (DGI) in March 1986 revealed failures in metal components and deficiencies in breaking strength of pack inner, harness material etc. The parachutes both main and reserve were recommended for rejection. The parachutes were however not returned to the suppliers for replacement as the users considered that since inspection was done by DGI, as per inspection standards laid down for parachutes manufactured by our Ordnance Factory, a fresh inspection should be done on the basis of the inspection criteria/standards laid down by the foreign manufacturer. The joint inspection conducted in June, 1986, in the presence of the firm's representatives indicated similar defects in the parachutes and these again failed in proof-load test and were therefore again recommended for rejection. Unfortunately, the parachutes were not rejected even at this stage in spite of the fact that the parachutes had failed in both the test and inspection conducted in March and June, 1986 respectively.

69. As regards the reasons for it the Ministry pleaded that when the question of inspection and quality of parachute was discussed in the Ministry of Defence on 16th May, 1986, the Army Headquarters stated that in so far as they were concerned, the parachutes supplied by the Korean firm were according to specifications and were acceptable to the users. However, the rejection of the parachute, by the DGI was communicated to the supplier. The Committee are unable to appreciate the stand of the Army Headquarters, when DGI after conducting the laboratory test, recom-

mended their rejection. The Committee strongly disapprove the attitude adopted by the Army Headquarters in the matter of meeting the operational requirements of the Army and would like to be informed of the basis on which these were considered to be acceptable to the users.

70. On communicating the views of the Director General (Inspection) recommending rejection on account of failure in proof load test, the Korean firm in July, 1986, offered two alternatives, viz. to replace the defective components with new ones of US origin or to compensate an amount of US \$35108 for acceptance of the defects without repair/rectification "as a goodwill gesture". On 30-7-1986, DGI recommended the acceptance of the first alternative suggested by the firm on the following conditions:

- (i) The replacement of Canopy Rigging Lines (CRLs) was acceptable on the ground that this would result in shortening of rigging lines only by 3" - 4" and this would not affect the serviceability of the parachutes.
- (ii) The supplier should rectify 20 parachutes in regard to a snap hook with safety pin and send the rectified parachutes for dummy drop trials.
- (iii) The Korean firm should be asked to send the entire quantity of metal components for proof load test.

The firm intimated on 5.8.1986 that they would replace the CRLs and that their repair team would come to India for complete replacement of CRLs. The firm also agreed to DGI requirement of conducting dummy drop trials. For the balance, financial compensation of US \$26,576 was offered. The Committee are deeply distressed to note that subsequently for a very long period of about two and a half years from September, 1986 to February 1989, the matter regarding replacement and repair of the defective parachutes remained under correspondence between Army Headquarters, DGI, Ministry and the firm particularly when the import of parachutes were resorted to, to meet the immediate operational requirements of the Army. No immediate action either to claim full compensation from the firm or to work out the cost of repairs to ensure that the cost compensation offered towards repairs would be adequate was taken by the Army Headquarters.

71. Eventually, in March 1989 the firm expressed its inability to replace the defective components as they did not have the technical ability for it on account of their sub-contractor having become bankrupt. The firm also sought exemption from the warranty obligation by suggesting payment of compensation of US \$33,652 as compared to \$35,108 proposed earlier. The offer of compensation was reduced from \$35,108 to \$33,652 on account of reduction in the size of the Technical Team and the reduced duration of their stay in India. The Ministry informed Audit in October, 1990 that the main parachutes have been found acceptable subject to replacement of CRLs to be done at Ordnance Factory, Kanpur and the reserve parachutes

should be accepted as the extent of failure were within safety limits. The Committee are deeply concerned to note that since then there has virtually been no progress in the matter of carrying out repairs in the defective parachutes. The Compensation of US \$33,652 from the firm is also yet to be recovered. It is disquieting that the entire batch of 900 parachutes imported in January, 1986 at a cost of Rs. 89.87 lakhs for meeting the operational requirements of the Army in relaxation of the prescribed procedure have remained in a defective state since then and could not at all be utilised so far, defeating the very purpose of placing an import order on the plea of meeting an immediate operational requirements. On the contrary, the entire lot of 900 parachutes has been allowed to remain dumped up unused for a period of more than 6 years which must have substantially reduced their normal useful life of ten years. The Committee cannot but conclude that the entire expenditure of Rs. 89.97 lakhs has proved to be infructuous. With a view to salvage whatever remains of the shelf life of these parachutes, the Committee recommend that immediate steps should be taken to carry out the proposed repairs in these parachutes and then subject them to the necessary tests to determine the serviceability of both main and reserve parachutes. Effective steps should also be taken to recover the compensation due from the firm expeditiously.

72. Another contract for the purchase of 2500 parachutes was concluded with M/s. Aerazur, France on 30 December, 1985 at a total cost of Rs. 7.16 crores. According to the contract, the French main parachutes were to be new with a shelf life of 120 descents or 15 years on shelf and the reserve were to be from the used lot but with a shelf life of 10 years. The facts stated in the succeeding paragraphs depict a very dismal picture about the execution of this contract also.

73. The Committee are concerned to note that though the main parachutes actually supplied were of 1983-84 manufacture, the reserve parachutes were of 1957-59 manufacture and had outlived their shelf life even at the time of receiving the supplies and thus were not fit for use. In March, 1986, DGQA inspected 5% of these parachutes (125 nos.) and rejected the reserves on the ground that these had outlived their shelf life being of 1957-59 vintage and were below specifications. On enquiry, the French firm clarified that the reserved parachutes had been stored in vacuum containers and, as called for by DGQA, furnished a certificate that these parachutes had been stored for possible future use with no priori storage duration limit. Based on this, the French Government was informed about acceptance of the parachutes and the performance guarantee was released in December 1986 with a tacit understanding that the firm will—

- (a) supply free of charge components for repairs of the reserve parachutes for 10 years.

- (b) Replace free of charge all blood stained canopies (later found discolouration was due to ageing of cloth) and 50 reserved parachutes chosen by DGQA from amongst the heavily damaged ones.
- (c) Replace all parachutes found defective in dummy drops.

74. The French firm initially replaced 50 reserve parachutes. Based on random selection, DGQA then recommended dummy drop trials of a percentage of reserve parachutes. During trials at Agra in September, 1987, 25 reserve parachutes were dropped of which 17 suffered extensive damage. Consequent to these trials the entire lot of 2500 reserves were declared unserviceable and the Ministry of Defence wrote to the French firm for replacement of the entire lot of reserve parachutes or refund of entire value of money. The French firm in a letter dated 17.11.1987 replied that as per contractual obligations they would provide free of charge necessary spares to repair the used ones, whenever they are damaged. During trials of 290 reserve parachutes to Para Holding Wing during March-April, 1988, 80 reserve parachutes got damaged and as a result the trials were stopped. In the meantime, the French representative indicated that it was not possible to replace all the 2500 reserve parachutes as the contract provided for import of used ones but an accepted parameter for testing them in terms of a specific descent rate may be adopted and parachutes not satisfying this requirement will be replaced. Accordingly a demonstration jump was arranged at Agra in October, 1989 in the presence of the representatives of the French firm, the Army Headquarters and the DGQA. 4 reserve parachutes of 1956 vintage were selected alongwith one new parachute. The descent rate of all parachutes varied between 21 feet per second to 22 feet per second. According to the Ministry, this was within acceptable limit. As reserve parachutes are stated to be used in emergency, it was agreed that the parachutes would be able to sustain one emergency drop. The Chief of the Army staff decided that the entire lot would be kept as a general staff reserve to be fit for one time use.

75. To enable replacement of damaged items an inspection team was detailed in March 1991 as requested by the DGQA and inspection of 397 reserve parachutes was carried out between 25 June, 1991 to 18 August, 1991. Of these only 12 parachutes were declared repairable, the rest were declared unserviceable giving a serviceability state of 3 per cent only. The DGQA bases on their inspection of 397 parachutes has now declared the entire reserve stock as unserviceable. The above abundantly prove that the entire expenditure of Rs. 7.16 crores incurred on the contract entered into with the French firm for man dropping parachutes for meeting the operational requirements of the Army has proved to be infructuous. The Committee desire that the matter should be fully investigated and responsibility fixed for having accepted used parachutes that had outlived their shelf life and were found to be below specifications as pointed out by the DGQA.

76. The Committee find that based on the inspection carried out in March, 1986, DGQA had rejected the entire lot of the reserve parachutes as they were of 1957-59 vintage and below specification. They regret to note that instead of adhering to this stand the Government entered into a tacit understanding with the French government in December, 1986 to get the damaged reserved parachutes as well as those found defective in dummy drop trials replaced and released the performance guarantee even before obtaining the replacement of heavily damaged parachutes or satisfying themselves as regards others by conducting the dummy drops what is worse is that the Government compromised further when they decided that as the reserved parachutes would be kept as a general staff reserve to be fit for only one time use.

77. The Committee are of the opinion that keeping in view the supply of sub-standard material by both the firms, necessary action against them under the penalty clauses in the contracts should have been taken for otherwise it negates the very logic of insertion of such a clause. In reply to a specific query as to why no action was taken against the firm for supply of sub-standard material under the penalty clause in the contract, the Defence Secretary stated "Definitely such a clause is there. Since we insisted on immediate supply they did us a favour by sending the materials out of their operational stocks which were with the units and formations of their services. Then, naturally the question of very strict and rigid and hundred per cent adherence to our own criteria to the material supplied was not there". The Committee are unable to agree with this view point.

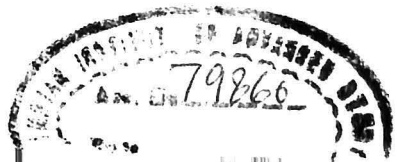
78. Both these cases clearly are a sad commentary on the working of the Ministry of Defence in meeting the operational requirements of the Army. Parliament has been very generous in granting funds for defence needs but at the same time it expects that these funds are utilised most judiciously, a timely assessment of operational requirements are made and general staff reserves maintained as per the accepted norms. If these reserves had been maintained, the Government would not have found it essential to go in for foreign contracts at such short notice and receive parachutes of sub-standard quality and not as per specifications thereby jeopardising the safety factor of the Army had a real operational emergency occurred. Unfortunately, such a prudence on the part of the concerned authorities is entirely conspicuous by its absence in the execution of both the contracts. The Committee cannot but deplore such a situation and believe that learning from this experience, the Government will take all the necessary remedial and preventive steps to obviate the chances of such recurrence in future. The Committee would like to be apprised of the detailed steps taken in this regard within a period of six months.

79. Man dropping parachutes are manufactured in India only in the Ordnance Factory, Kanpur. The Department of Defence Production had then confirmed that this factory could not supply 3400 parachutes within

the time frame indicated by the Army. The total capacity of this factory for such parachutes was 1000 (new and repaired) till October, 1989, which was enhanced to 3000 thereafter. The Committee are unhappy to note that the factory failed to fully execute the order for the manufacture of 1520 parachutes placed by the Army on it in June, 1979, till October 1985, as on that date 250 parachutes were still outstanding against this order. The Committee recommend close monitoring of the performance of this factory alongwith follow-up measures required immediately to ensure its optimum production in accordance with the rated capacity.

New Delhi;
April 28, 1992
 Vaisakha 8, 1914(S)

ATAL BIHARI VAJPAYEE
 Chairman,
 Public Accounts Committee



APPENDIX I

*Paragraph 14 of the Report of C&AG for the year ended 31 March 1990
No. 8 of 1991, Union Govt. Defence Services (Army and Ordnance
Factories)*

Procurement of defective imported parachutes

A set of man-dropping parachutes consists of one main and one reserve. The reserve parachute fitted with the main chute enables the paratrooper to switch over to the former in the event of failure of the latter.

In a case of procurement of 900 such sets of parachutes imported in January 1986 from a foreign firm it was revealed that the entire main and reserve parachutes (value: Rs. 89.97 lakhs) were found not conforming to specifications laid down in the contract during inspection on receipt. Although the contract stipulated that defects found on inspection would be replaced free including freight and handling charges within two months of the defect reports notified by the Ministry of Defence (Ministry), there was delay in initiating defect reports. Consequently, the parachutes imported for operational requirement in January 1986 at a cost of Rs. 89.97 lakhs were held in storage in unserviceable condition (November 1990), awaiting replacement and/or repairs even after a lapse of about five years. The case is dealt in detail below:

The Ministry concluded a contract in December 1985 with firm 'A' for procurement of 900 sets of parachutes, based on global tenders at Rs. 89.97 lakhs for immediate operational purpose.

The contract provide for a joint inspection of the parachutes by the purchaser and the supplier on arrival in India. Those found defective were to be replaced/repared free of cost including freight charges within a period of two months from such arrival. The warranty for the parachutes was applicable for hundred descents or a shelf-life of ten years, whichever was earlier.

A Board of officers comprising representatives of the users and Inspection Directorate, convened in January 1986 to inspect the parachutes observed that log cards, technical manuals and inspection schedule were not received alongwith the consignment. In the absence of these particulars it was not possible to ascertain the date of manufacture or the state of serviceability. Further, some of the reserve parachutes had been withdrawn from users units of the foreign country and the company's representative was not aware of any technical details of the parachutes.

The Board, recommended that one set of each parachute (main and reserve) be got tested in the Director General of Inspection (DGI)

laboratory for ascertaining their serviceability. The laboratory test on sample basis conducted in March 1986 revealed failures in metal components and deficiencies in breaking strength of pack inner, harness material etc. The parachutes, both main and reserve, were recommended for rejection.

A joint inspection of the parachutes, carried out in June 1986 in the presence of the firm's representative indicated similar defects and the parachutes again failed in proof load test. They were again recommended for rejection.

In July 1986, the firm offered two alternatives, viz. to replace the defective components with new ones of US origin or to compensate an amount of US \$ 35108 for acceptance of the defects without repair/rectification "as a goodwill gesture". The DGI preferred (July 1986) the first alternative with the proviso that the parachutes rectified should withstand dummy drop trials.

During September 1986 to February 1989 the matter regarding replacement and repair to the defective parachutes was under correspondence between Army Headquarters (HQ), DGI, Ministry and the firm. No action either to claim full compensation from the firm or to work out the cost of repairs to ensure whether the cash compensation offered towards repairs would be adequate was taken by the Army HQ.

In March 1989, the firm intimated that they had no technical ability to replace the defective components as their sub-contractor had become bankrupt. The offer of cash compensation against the defective supply and seeking exemption from warranty obligations were renewed by them, the amount having been reduced from US \$ 35,108 to \$ 33,652.

In August 1989, Army HQ proposed that Canopy Rigging Lines (CRLs) of category 'E' (beyond economical repair) parachutes held in an Air Force unit could be used for the purpose of undertaking modification to the defective parachutes. Accordingly, instructions were issued to the unit for retrieval of CRLs and forwarding them to Ordnance Parachutes Factory (OPF) Kanpur for undertaking the modification. However, the entire 900 sets of parachutes (value: Rs. 89.97 lakhs) were held in storage without any modification having been carried out.

According to the Ministry (October 1990) the main parachutes have been found acceptable subject to the replacement of CRLs and the reserve parachutes should be accepted as the extent of failure were within safety limits; the foreign supplier has been asked by the Ministry to make payment of compensation of US \$ 56 33,652 which is expected to be made shortly by the firm; all the 900 parachutes have been taken on operational stock by the Army HQ.

APPENDIX II

Statement of Conclusions and Recommendations

Sl. Para Ministry/ No. No. Deptt. Concerned			Recommendations / Conclusions
1	2	3	4
1.	67	Ministry of Defence	A set of man-dropping parachutes consists of one main and one reserve. The reserve parachute fitted with the main parachute enables the para trooper to switch over to the former in the event of failure of the latter. The normal life of a parachute is ten years or 100 drops whichever is earlier. On 11 December 1985, the Army projected a total requirement of 6100 sets of parachutes, indicating that there was a stock of 2712 sets of parachutes with them and that the balance of 3400 sets were required to be procured immediately. Man dropping parachutes are manufactured in India only in the Ordinance Factory, Kanpur. The Department of Defence Production had then confirmed that this Factory could not supply 3400 parachutes within the time frame indicated by the Army. According to the prescribed procedure, open tender enquiry procedure is required to be adopted ordinarily in all cases where the estimated value of the indents exceeds Rs. 5 lakhs and in cases of urgency where all the likely sources of supply are known or for any other special reason, this procedure may be waived upto a maximum of Rs. 50 lakhs. But in view of the extreme operational urgency, approval of the then Rajya Raksha Mantri and Finance Minister were obtained to make an emergency procurement without following the open tender procedure. The Committee are surprised to find that no action was taken by the Ministry to initiate action well in time to procure parachutes needed for operational requirement and the stock was allowed to be depleted to such an extent as to create a situation of going for emergency procurement of parachutes from abroad in relaxation of the prescribed procedure. Evidently proper planning for even meeting ordinary requirements did not seem to exist and this

1	2	3	4
			requires to be seriously looked into and set right. In view of the operational requirement only limited enquiries were made from our Military Missions in five countries. As a result of these enquiries only two firms viz., (i) M/s. Golden Bell, South Korea and (ii) M/s. Aerazur, France had responded to meet the requirements. The Army Headquarters had trial evaluated 12 sets of parachutes from each of the responding firms and had informed the Ministry of Defence that the equipment offered by the two firms had been found suitable and accordingly recommended that the equipment be procured from these two firms. In December, 1985, the following two contracts for procurement of parachutes were concluded— (a) M/s. Golden Bell, South Korea —For 900 sets of parachutes (b) M/s. Aerazur, France — For 2500 sets of parachutes M/s. Aerazur, France are the manufacturers of the parachutes. However, M/s. Golden Bell, Korea, were the authorised marketing organisation of M/s. Korean Security Parachute Co. Ltd. a manufacturer of parachutes. A letter of authorisation was obtained from M/s. Korean Security Parachute Co. Ltd. before the commencement of negotiations. As the facts narrated in the succeeding paragraphs would reveal the execution of both these contracts has been very dismal.
2	68	Ministry of Defence	In December, 1985, the Ministry of Defence concluded a contract with M/s. Golden Bell, South Korea for procurement of 900 sets of parachutes at Rs. 89.97 lakhs. The contract provided for a joint inspection of the parachutes by the purchaser and the supplier on arrival in India. Those found defective were to be replaced / repaired free of cost including freight charges within a period of two months from such arrival. The warranty for the parachutes was applicable for hundred descents or a shelf-life of ten years, whichever is earlier. The 900 parachutes were imported in January 1986. The Committee are

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			concerned to note that a joint inspection within a period of two months as stipulated in the contract could not be conducted because the log books, technical manuals and inspection schedule were not received alongwith the consignment. In the absence of these particulars it was not found possible to ascertain the date of manufacture or the state of serviceability. Further, some of the reserve parachutes had been withdrawn from user units of the foreign country and the company's representative was not aware of any technical detail of the parachutes. The Committee are unhappy over the fact that keeping in view the operational requirements of the Army for the parachutes, the concerned authorities in the Ministry failed to take timely steps to ensure that all the necessary documents accompanied the consignment so that the equipment could be subjected to joint inspection within the prescribed period of two months of its arrival in India.
3	69	Ministry of Defence	The Committee note that the laboratory test on sample basis conducted on the Korean parachutes by Director General of Inspection (DGI) in March 1986 revealed failures in metal components and deficiencies in breaking strength of pack inner, harness material etc. The parachutes both main and reserve were recommended for rejection. The parachutes were however not returned to the suppliers for replacement as the users considered that since inspection was done by DGI, as per inspection standards laid down for parachutes manufactured by our Ordnance Factory, a fresh inspection should be done on the basis of the inspection criteria / standards laid down by the foreign manufacturer. The joint inspection conducted in June, 1986, in the presence of the firm's representatives indicated similar defects in the parachutes and these again failed in proof-load test and were therefore again recommended for rejection. Unfortunately, the parachutes were not rejected even at this stage in spite of the fact that the parachutes had failed in both the test and inspection conducted in March and June, 1986 respectively.

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4	70	Ministry of Defence	As regards the reasons for it the Ministry pleaded that when the question of inspection and quality of parachute was discussed in the Ministry of Defence on 16th May, 1986, the Army Headquarters stated that in so far as they were concerned, the parachutes supplied by the Korean firm were according to specifications and were acceptable to the users. However, the rejection of the parachute, by the DGI was communicated to the supplier. The Committee are unable to appreciate the stand of the Army Headquarters, when DGI after conducting the laboratory test, recommended their rejection. The Committee strongly disapprove the attitude adopted by the Army Headquarters in the matter of meeting the operational requirements of the Army and would like to be informed of the basis on which these were considered to be acceptable to the users.
5	71	Ministry of Defence	On communicating the views of the Director General (Inspection) recommending rejection on account of failure in proof load test, the Korean firm in July, 1986, offered two alternatives, viz. to replace the defective components with new ones of US origin or to compensate an amount of US \$ 35108 for acceptance of the defects without repair / rectification "as a good will gesture". On 30.7.1986, DGI recommended the acceptance of the first alternative suggested by the firm on the following conditions: i) The replacement of Canopy Rigging Lines (CRLs) was acceptable on the ground that this would result in shortening of rigging lines only by 3"-4" and this would not affect the serviceability of the parachutes. ii) The supplier should rectify 20 parachutes in regard to a snap hook with safety pin and send the rectified parachutes for dummy drop trials. iii) The Korean firm should be asked to send the entire quantity of metal components for proof load test.

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The firm intimated on 5.8.1986 that they would replace the CRLs and that their repair team would come to India for complete replacement of CRLs. The firm also agreed to DGI requirement of conducting dummy drop trials. For the balance, financial compensation of US \$ 26,576 was offered. The Committee are deeply distressed to note that subsequently for a very long period of about two and a half year from September, 1986 to February 1989, the matter regarding replacement and repair of the defective parachutes remained under correspondence between Army Headquarters, DGI, Ministry and the firm, particularly when the import of parachutes were resorted to, to meet the immediate operational requirements of the Army. No immediate action either to claim full compensation from the firm or to work out the cost of repairs to ensure that the cost compensation offered towards repairs would be adequate was taken by the Army Headquarters.

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Eventually, in March 1989 the firm expressed its inability to replace the defective components as they did not have the technical ability for it on account of their sub-contractor having become bankrupt. The firm also sought exemption from the warranty obligation by suggesting payment of compensation of US \$ 33,652 as compared to \$ 35,108 proposed earlier. The offer of compensation was reduced from \$ 35,108 to \$ 33,652 on account of reduction in the size of the Technical Team and the reduced duration of their stay in India. The Ministry informed Audit in October, 1990 that the main parachutes have been found acceptable subject to replacement of CRLs to be done at Ordnance Factory, Kanpur and the reserve parachutes should be accepted as the extent of failure were within safety limits. The Committee are deeply concerned to note that since then there has virtually been no progress in the matter of carrying out repairs in the defective parachutes. The compensation of US \$ 33,652 from

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			the firm is also yet to be recovered. It is disquieting that the entire batch of 900 parachutes imported in January, 1986 at a cost of Rs. 89.97 lakhs for meeting the operational requirements of the Army in relaxation of the prescribed procedure have remained in a defective state since then and could not at all be utilised so far, defeating the very purpose of placing an import order on the plea of meeting an immediate operational requirements. On the contrary, the entire lot of 900 parachutes has been allowed to remain dumped up unused for a period of more than 6 years which must have substantially reduced their normal useful life of ten years. The Committee cannot but conclude that the entire expenditure of Rs. 89.97 lakhs has proved to be infructuous. With a view to salvage whatever remains of the shelf life of these parachutes, the Committee recommend that immediate steps should be taken to carry out the proposed repairs in these parachutes and then subject them to the necessary tests to determine the serviceability of both main and reserve parachutes. Effective steps should also be taken to recover the compensation due from the firm expeditiously.
7	73	Ministry of Defence	Another contract for the purchase of 2500 parachutes was concluded with M/s. Aerazur, France on 30 December, 1985 at a total cost of Rs. 7.16 crores. According to the contract, the French main parachutes were to be new with a shelf life of 120 descents or 15 years on shelf and the reserve were to be from the used lot but with a shelf life of 10 years. The facts stated in the succeeding paragraphs depict a very dismal picture about the execution of this contract also.
8	74	Ministry of Defence	The Committee are concerned to note that though the main parachutes actually supplied were of 1983-84 manufacture, the reserve parachutes were of 1957-59 manufacture and had outlived their shelf life even at the time of receiving the supplies and thus were not fit for use. In March,

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1986, DGQA inspected 5% of these parachutes (125 Nos.) and rejected the reserves on the ground that these had outlived their shelf life being of 1957—59 vintage and were below specifications. On enquiry, the French firm clarified that the reserve parachutes had been stored in caccum containers and, as called for by DGQA, furnished a certificate that these parachutes had been stored for possible future use with no prior storage duration limit. Based on this, the French Government was informed about acceptance of the parachutes and the performance guarantee was released in December 1986 with a tacit understanding that the firm will—

(a) Supply free of charge components for repairs of the reserve parachutes for 10 years.

(b) Replace free of charge all blood stained canopies (later found discolouration was due to ageing of cloth) and 50 reserved parachutes chosen by DGQA from amongst the heavily damaged ones.

(c) Replace all parachutes found defective in dummy drops.

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The French firm initially replaced 50 reserve parachutes. Based on random selection, DGQA then recommended dummy drops trials of a percentage of reserve parachutes. During trials at Agra in September, 1987, 25 reserve parachutes were dropped of which 17 suffered extensive damage. Consequent to these trials the entire lot of 2500 reserves were declared unserviceable and the Ministry of Defence wrote to the French firm for replacement of the entire lot of reserve parachutes or refund of entire value of maney. The French firm in a letter dated 17.11.1987 replied that as per contractual obligations they would provide free of charge necessary spares to repair the used ones, whenever they are damaged. During trials of 290 reserve parachutes to Para Holding Wing during March-April, 1988. 80 reserve

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parachutes got damaged and as a result the trials were stopped. In the meantime, the French representative indicated that it was not possible to replace all the 2500 reserve parachutes as the contract provided for import of used ones but an accepted parameter for testing them in terms of a specific descent rate may be adopted and parachutes not satisfying this requirement will be replaced. Accordingly a demonstration jump was arranged at Agra in October, 1989 in the presence of the representatives of the French firm, the Army Headquarters and the DGQA. 4 reserve parachutes of 1956 vintage were selected along with one new parachute. The descent rate of all parachutes varied between 21 feet per second to 22 feet per second. According to the Ministry, this was within acceptable limit. As reserve parachutes are stated to be used in emergency, it was agreed that the parachutes would be able to sustain one emergency drop. The Chief of the Army staff decided that the entire lot would be kept as a general staff reserve to be fit for one time use.

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To enable replacement of damaged items an inspection team was detailed in March, 1991 as requested by the DGQA and inspection of 397 reserve parachutes was carried out between 25 June, 1991, to 18 August, 1991. Of these only 12 parachutes were declared repairable, the rest were declared unserviceable giving a serviceability state of 3 per cent only. The DGQA bases on their inspection of 397 parachutes has now declared the entire reserve stock as unserviceable. The above abundantly prove that the entire expenditure of Rs. 7.16 crores incurred on the contract entered into with the French firm for man dropping parachutes for meeting the operational requirements of the Army has proved to be infructuous. The Committee desire that the matter should be fully investigated and responsibility fixed for having accepted used parachutes that had outlived their shelf life and were found to be below specifications as pointed out by the DGQA.

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11	77	Min. of Defence	The Committee find that based on the inspection carried out in March, 1986, DGQA had rejected the entire lot of the reserve parachutes as they were of 1957-59 vintage and below specification. They regret to note that instead of adhering to this stand the Government entered into a tacit understanding with the French government in December, 1986 to get the damaged reserved parachutes as well as those found defective in dummy drop trials replaced and released the performance guarantee even before obtaining the replacement of heavily damaged parachutes or satisfying themselves as regards others by conducting the dummy drops what is worse is that the Government compromised further when they decided that as the reserved parachutes would be kept as a general staff reserve to be fit for only one time use.
12	78	Min. of Defence	The Committee are of the opinion that keeping in view the supply of sub-standard material by both the firms, necessary action against them under the penalty clauses in the contracts should have been taken for otherwise it negates the very logic of insertion of such a clause. In reply to a specific query as to why no action was taken against the firm for supply of substandard material under the penalty clause in the contract, the Defence Secretary stated "Definitely such a clause is there. Since we insisted on immediate supply they did us a favour by sending the materials out of their operational stocks which were with the units and formations of their services. Then, naturally the question of very strict and rigid and hundred per cent adherence to our own criteria to the material supplied was not there". The Committee are unable to agree with this view point.
13	79	Min. of Defence	Both these cases clearly are a sad commentary on the working of the Ministry of Defence in meeting the operational requirements of the Army. Parliament has been very generous in granting funds for defence needs but at the same

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time it expects that these funds are utilised most judiciously, a timely assessment of operational requirements are made and general staff reserves maintained as per the accepted norms. If these reserves had been maintained, the Government would not have found it essential to go in for foreign contracts at such short notice and receive parachutes of sub-standard quality and not as per specifications thereby jeopardising the safety factor of the Army had a real operational emergency occurred. Unfortunately, such a prudence on the part of the concerned authorities is entirely conspicuous by its absence in the execution of both the contracts. The Committee cannot but deplore such a situation and believe that learning from this experience, the Government will take all the necessary remedial and preventive steps to obviate the chances of such recurrence in future. The Committee would like to be apprised of the detailed steps taken in this regard within a period of six months.

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Man dropping parachutes are manufactured in India only in the Ordnance Factory, Kanpur. The Department of Defence Production had then confirmed that this factory could not supply 3400 parachutes within the time frame indicated by the Army. The total capacity of this factory for such parachutes was 1000 (new and repaired) till October, 1989, which was enhanced to 3000 thereafter. The Committee are unhappy to note that the factory failed to fully execute the order for the manufacture of 1520 parachutes placed by the Army on it in June, 1979, till October 1985, as on that date 250 parachutes were still outstanding against this order. The Committee recommend close monitoring of the performance of this factory alongwith follow-up measures required immediately to ensure its optimum production in accordance with the rated capacity.

