REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL

OF INDIA

FOR

THE YEAR 1973-74

UNION GOVERNMENT (CIVIL)

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APPENDICES

PREFATORY REMARKS

This Report has been prepared for submission to the President under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts for 1973-74 together with other points arising from audit of the financial transactions of the Civil Departments of Government of India. It includes, amongst others, reviews of the Land and Development Office, Delhi, and expansion of Mormugao Port. It also includes certain points of interest arising from the Finance Accounts for the year 1973-74. A supplementary Report containing reviews of expenditure on relief of distress caused by natural calamaties and of road development programme will be submitted separately.

2. The cases mentioned in the Report are among those which came to notice in the course of test audit during the year 1973-74 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 1973-74 have also been included, wherever considered necessary.

The points brought out in this Report are not intended to convey or to be understood as conveying any general reflection on the financial administration by the departments/authorities concerned.

CHAPTER I

I—GENERAL

The original budget estimates and actuals of revenue receipts, expenditure met from revenue and expenditure on capital account during 1973-74 are shown below with the corresponding figures for the preceding two years :—

		Budget	Actuals	Variation	Percentage of variation
				(Crores of rupees)	
Revenue Receipts* . .	1971-72	@ 4189.90	4502.56	+312.66	+6.9
	1972-73	@ 5050.24	5145.09	+94.85	+1.9
	1973-74	@ 5732.73	5703.36	—29.37	—0.5
Expenditure met from Revenue . . .	1971-72	@ 4009.71	4602.52	+592.81	+14.8
	1972-73	@ 4661.71	5127.36	+465.65	+10.0
	1973-74	@ 5367.72	5466.57	+98.85	+1.8
Expenditure on Capital Account . . .	1971-72	842.94	1116.65	+273.71	+32.5
	1972-73	821.64	933.13	+111.49	+13.6
	1973-74	901.52	1008.86	+107.34	+11.9

*Excludes payments to States of their share of divisible proceeds of taxes on income and estate duty which are taken as reduction of revenue receipts. Such payments to States during the three years were :—

	1971-72	1972-73	1973-74
		(Crores of rupees)	
Taxes on Income	459.86	487.92	527.85
Estate Duty	7.64	7.19	11.20

@Budget estimates for revenue receipts shown above include Rs. 40.12 crores, Rs. 45.69 crores and Rs. 37.79 crores respectively during 1971-72, 1972-73 and 1973-74 being the share of Union Excise Duties payable to States as a result of budget proposals. The figures of budget estimates for expenditure met from revenue shown above do not include these amounts.

During 1973-74, the revenue receipts were Rs. 29.37 crores less than the budget estimates. The expenditure met from revenue and the expenditure on capital account exceeded the budget estimates by Rs. 98.85 crores and Rs. 107.34 crores respectively.

During the course of the year supplementary grants for expenditure were obtained, the effect of which was to increase the above estimates of expenditure met from revenue and expenditure on capital account by Rs. 538.26 crores and Rs. 51.27 crores respectively.

Further details of revenue receipts have been given in my Report on Revenue Receipts.

In 1973-74 Rs. 1664 crores were received as grants from U.S.A. consequent on repayment of loans under Public Law 480; this amount was credited as capital receipt under a new head of account, "LXXI-Grants from U.S.A. under the agreement on P.L. 480 and other Funds, 1974".

II—OVERALL EXPENDITURE (REVENUE AND CAPITAL)

2. The following table compares the expenditure on revenue account during 1973-74 under broad headings with the provision of funds made thereunder :—

Head of Expenditure	Budget estimates	Actuals	Variation
	(Crores of rupees)		
Collection of taxes and duties	63.46	64.82	+1.36
Debt Services	834.85	881.64	+46.79
Administrative Services	279.44	285.79	+6.35
Social and Developmental Services	458.67	440.80	—17.87
Multipurpose River Schemes	32.93	25.94	—6.99
Public Works	46.96	47.26	+0.30
Transport and Communications	26.71	26.81	+0.10
Currency and Mint	20.63	19.03	—1.60
Miscellaneous	675.94	554.23	—121.71
Contributions and Miscellaneous adjustments (includes mainly payments to States of their share of Union Excise Duties and grants to States and Union Territory Governments)	1512.71	1631.65	+118.94
Extraordinary Items	10.60	7.63	—2.97
Defence Services	1404.82	1480.97	+76.15
TOTAL	5367.72	5466.57	+98.85

3. The expenditure during 1973-74 compared with that during the previous two years is shown below :—

	1971-72	1972-73	1973-74
	(Crores of rupees)		
Collection of Taxes and Duties	52.28	57.40	64.82
Debt Services	670.11	772.44	881.64
Administrative Services	257.08	267.59	285.79
Social and Developmental Services	356.89	433.37	440.80
Multipurpose River Schemes	19.40	16.98	25.94
Public Works	43.24	44.06	47.26
Transport and Communications	24.91	26.43	26.81
Currency and Mint	25.82	20.30	19.03
Miscellaneous	417.59	497.75	554.23
Contributions and Miscellaneous Adjustments	1380.74	1544.15	1631.65
Extraordinary Items	7.62	7.53	7.63
Defence Services	1346.84	1439.36	1480.97

4. The variation in expenditure under some of the heads mentioned in the preceding paragraph is analysed below :—

	1971-72	1972-73	1973-74
	(Crores of rupees)		
(*a*) Collection of Taxes and Duties :			
Customs	9.48	9.53	11.56
Union Excise Duties	15.57	16.91	18.21
Corporation Tax	2.59	2.82	3.11
Taxes on Income	18.12	19.72	21.76
Other Heads	6.52	8.42	10.18
TOTAL	52.28	57.40	64.82
(*b*) Administrative Services :			
Police	118.82	130.93	130.34
External Affairs	27.09	24.14	29.52

The increase is mainly due to additional expenditure on passages, contingencies and rents following changes of the exchange rates.

	1971-72	1972-73	1973-74
Miscellaneous Departments	15.78	15.91	18.27
Other Heads	95.39	96.61	107.66
TOTAL	257.08	267.59	28[illegible]79

	1971-72	1972-73	1973-74
	(Crores of rupees)		
(c) Social and Developmental Services :			
Scientific Departments	80.78	93.83	95.58

The increase is mainly due to (i) larger grants to societies and institutions for scientific research, and (ii) more expenditure by the Bhabha Atomic Research Centre.

Education	97.34	117.59	109.73
Medical	20.35	23.57	24.07
Public Health and Family Planning	11.26	12.33	11.23
Agriculture	36.09	54.05	52.11
Co-operation	2.76	4.20	4.96
Industries	37.01	52.12	58.96

The increase is mainly due to payment of (i) subsidy to cover the interest exempted on loans advanced to Mining and Allied Machinery Corporation and Bokaro Steel Ltd. and (ii) larger grants to Khadi and Village Industries Commission.

Broadcasting	13.44	14.89	16.70
Community Development	1.12	1.62	1.31
Labour and Employment	14.37	15.03	19.96

The increase is mainly due to larger transfers to (i) Iron Ore Mines Labour Welfare Fund, and Limestone and Dolomite Mines and Labour Welfare Fund and (ii) transfer of cess on coal and coke despatched from collieries to the Coal Mines, Labour Housing and General Welfare Fund because of increased collection of the cess.

Miscellaneous Social and Developmental Organisations	37.82	38.05	40.82
Others	4.55	6.09	5.37
TOTAL	356.89	433.37	440.80

The expenditure at (c) above does not include grants to State Governments and Union Territory Governments for development purposes; such grants paid during the three years are detailed below :—

Education	11.50	13.35	24.87
Medical	0.56	0.24	0.95
Public Health and Family Planning	24.10	97.43	67.25
Agriculture	45.99	60.09	58.86
Co-operation	1.61	1.60	1.44
Industries	1.87	0.53	1.12
Community Development	35.08	51.50	44.91
Labour and Employment	3.10	3.92	5.29
Others	10.85	19.22	21.57
TOTAL	134.66	247.88	226.26

Taking the above grants into account, the expenditure on social and developmental services during the three years ending 1973-74 was Rs. 491.55 crores, Rs. 681.25 crores and Rs. 667.06 crores respectively.

	1971-72	1972-73	1973-74
	(Crores of rupees)		
(*d*) Public Works	43.24	44.06	47.26
(*e*) Contributions and Miscellaneous Adjustments :			
Payments to States of their share of Union Excise Duties	474.62	566.74	630.70
Grants to State Governments and Union Territory Governments :			
(*i*) Grants as per (*c*) above	134.66	247.88	226.26
(*ii*) Under Article 275 of the Constitution	152.00	159.83	147.41
(*iii*) Grants in lieu of tax on railway passenger fares	16.22	16.25	16.25
(*iv*) Assistance towards natural calamities	22.00	76.72	146.50
(*v*) For welfare of backward classes	4.95	5.72	9.79
(*vi*) For rehabilitation of displaced persons	4.88	3.77	1.66
(*vii*) For relief to refugees from East Bengal	158.33	1.65	0.39
(*viii*) Other Miscellaneous grants	357.00	427.11	409.59
Grants to Union Territory Governments for meeting their budgetary gap excluding the elements included in (i) above	40.71	19.38	27.75
Other Items	15.37	19.10	15.35
TOTAL	1380.74	1544.15	1631.65
(*f*) Extraordinary Items :			
Extraordinary charges	7.62	7.53	7.63
Pre-partition payments	..	..	(a)
TOTAL	7.62	7.53	7.63
(*g*) Other Heads :			
Transport and Communications	24.91	26.43	26.81
Currency and Mint	25.82	20.30	19.03
Privy Purses and Allowances of Indian Rulers	3.53	..	..
Pensions and other Retirement Benefits	10.86	12.74	14.04
Stationery and Printing	7.86	6.79	5.11
Grants, etc. (other than to State and Union Territory Governments)	46.43	154.94	52.71
Expenditure on displaced persons	7.57	4.26	4.50
Trading losses on foodgrains/loss on sale of loan wheat	15.01	15.48	15.48

(*a*) The actual amount is Rs. 9,851.

	1971-72	1972-73	1973-74
	(Crores of rupees)		
Miscellaneous and Unforeseen charges . . .	77.88	165.10	279.91
Expenditure on relief to Refugees from East Bengal .	128.40	*—10.68	0.04
Marketing Development Schemes and transfer to Marketing Development Fund	54.31	62.29	65.62
Others	65.74	86.83	116.82
TOTAL	468.32	544.48	600.07

5. The excess of Rs. 107.34 crores in expenditure on capital account as compared with the budget estimates of 1973-74 was mainly made up of excesses under the following heads :—

Head	Budget estimates	Actual expenditure	Excess
	(Crores of rupees)		
Schemes of Government Trading	—33.09	47.47	80.56
Posts and Telegraphs	11.00	50.07	39.07

6. The following table shows the expenditure on capital account during the three years ending 31st March 1974 and also the progressive capital outlay upto the end of 1973-74.

	1971-72	1972-73	1973-74	Total capital outlay up to the end of 1973-74
	(Crores of rupees)			
Schemes of Government Trading :—				
Gross Expenditure	212.63	271.07	321.11	8487.43
Deduct—Receipts and Recoveries, etc. .	247.90	311.98	273.64	8475.57
Net Expenditure	—35.27	—40.91	47.47	11.86

This head records the net payments for various schemes of Government trading after taking credit for receipts during the year. The major schemes were purchase of foodgrains, purchase of fertilizers, Medical Stores Depots and Factories, Delhi Milk Scheme and purchase of foodstuffs by local administrations. During the three years ending 1973-74 the gross expenditure on and receipts from the two major trading schemes were :—

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*The *minus* figure is mainly due to adjustment of sale proceeds of commodities received as aid for relief of Bangladesh refugees.

	1971-72	1972-73	1973-74	Total capital outlay up to the end of 1973-74
		(Crores of rupees)		
(*a*) Purchase of Foodgrains :				
Gross Expenditure	32.96	3.01	1.34	
Deduct—Receipts, etc. . . .	37.09	35.75	3.29	
Deduct—Trading losses on purchase of foodgrains written off to revenue .	14.52	14.99	14.99	
(*b*) Purchase of Fertilizers :				
Gross Expenditure	135.51	223.55	277.08	
Deduct—Receipts, etc. . . .	155.41	218.74	215.97	
Industrial and Economic Development (*c.f.* also paragraph 7)	517.05	355.14	331.91	*3948.29
Agricultural Improvement and Research .	0.91	0.63	0.57	33.49
Dandakaranya Development Scheme . .	2.56	3.27	2.91	51.22
Ports	6.39	7.43	8.48	89.18
Public Works	70.76	114.32	100.35	*938.83

This head includes capital expenditure on roads including national highways and border roads, on construction of houses etc. for displaced persons and on buildings other than in Delhi.

Multipurpose River Schemes . . .	9.65	10.30	8.09	191.60
Delhi Capital Outlay	13.40	10.15	10.95	186.04

This head includes the cost of construction of buildings in Delhi and also the expenditure on large scale acquisition, development and disposal of land in Delhi.

Aviation	6.73	3.93	4.11	90.46
Currency and Coinage	5.00	12.49	21.88	908 38
Grants for Development	−1.83	−14.21	−15.29	*..
Railways	190.84	209.32	171.63	*3893.73
Posts and Telegraphs	22.81	49.22	50.07	*392.08
Defence Capital Outlay	178.51	212.86	199.83	*1992.48

*The balances have been arrived at after incorporating *pro forma* corrections.

	1971-72	1972-73	1973-74	Total Capital outlay up to the end of 1973-74
				(Crores of rupees)
Transfer of Development Assistance from U.S.A.	..	..	..	1161.01
By debit to this head certain development assistance loans received from U.S.A. are transferred to the Special Development Fund. From 1968-69 transfer of the loan amount to Special Development Fund has been dispensed with except in those cases where such funding was obligatory under the loan agreement.				
Other Miscellaneous items	129.14	−0.81	65.90	555.98
This head accommodates transactions relating to all the remaining Capital heads.				
TOTAL	1116.65	933.13	1008.86	14444.63

7. The expenditure on industrial and economic development shown in the above paragraph represents investments in Government undertakings, commercial concerns, etc. and some departmentally incurred capital expenditure. Against the total investment of Rs. 3948.29 crores, the amount brought to account during 1973-74 by way of dividend was Rs. 25.12 crores. The bulk of the dividend was received from (a) State Trading Corporation of India (Rs. 6.96 crores), (b) Oil India (Rs. 1.72 crores), and (c) Shipping Corporation of India (Rs. 1.68 crores, the total investment in these companies being Rs. 50.47 crores at the end of 1973-74. The dividend in the two preceding years was Rs. 23.57 crores (1972-73) and Rs. 22.11 crores (1971-72). Particulars of the main investments and dividends are given in Appendix I. The contributions received by Government from the Railways and Posts and Telegraphs, excluding interest* during the three years ending 1973-74 are as under :—

	1971-72	1972-73	1973-74
		(Crores of rupees)	
Railways	1.67	−0.18	−2.53
Posts and Telegraphs	2.37	2.50	2.44

Contribution from Railways shown above does not include Rs. 16.25 crores received each year for payment to State Governments as grants in lieu of tax on railway passenger fares. Rupees 1.86 crores, Rs. 1.91 crores and Rs. 1.90 crores paid by the Railways during 1971-72, 1972-73 and 1973-74 respectively as contribution towards safety works are also not included in the figures shown above.

*Interest received by Government from Railways and Posts and Telegraphs during three years ending 1973-74 was :

	1971-72	1972-73	1973-74
		(Crores of rupees)	
Railways	131.46	143.53	155.30
Posts and Telegraphs	10.65	11.89	19.89

RECEIPTS AND DISBURSEMENTS OUTSIDE THE REVENUE ACCOUNT

(8) The following tables give a broad analysis of the receipts and disbursements outside the revenue account during the three years ending 31st **March 1974.**

	1971-72	1972-73	1973-74
	(Crores of rupees)		
(*a*) **Receipts**			
Consolidated Fund—			
(*i*) Extraordinary Items	..	..	1664.00
(*ii*) Permanent Debt :			
Debt raised in India (a)	731.47	878.47	1125.35
Debt raised outside India	540.36	510.27	686.46
(*iii*) Floating Debt (other than treasury bills) (Net).	21.57	—2.74	6.32
(*iv*) Repayment of Loans and Advances by State Governments, etc.	1296.76	1132.68	1471.32
Contingency Fund—			
Recoupment to Contingency Fund	70.01	—69.99	1.13
Public Account—			
Unfunded Debt (Net)	280.66	446.36	—73.70
Deposits and Advances (Net)	189.23	165.29	643.88
Other Items (Remittances) (Net)	1.73	—83.79	82.51
Total Receipts outside the revenue account	3131.79	2976.55	5607.27
Add—Debt raised by issue of treasury bills (Net)	249.57	1278.74	340.07
GRAND TOTAL	3381.36	4255.29	5947.34
(*b*) **Payments**			
Capital Outlay—Civil	724.49	461.73	587.33
Capital Outlay—Railways	190.84	209.32	171.63
Capital Outlay—Posts and Telegraphs	22.81	49.22	50.07
Capital Outlay—Defence	178.51	212.86	199.83
TOTAL	1116.65	933.13	1008.86
Loans and Advances by Central Government	1806.75	2742.85	2519.82
Repayment of Debt—			
Debt raised in India	333.74	292.02	561.64
Debt raised outside India	193.78	217.50	*1981 99

(a) The receipts shown against this head include Rs. 100 crores each during 1971-72, 1972-73 and 1973-74 on account of conversion of *ad hoc* treasury bills into dated securities (*c.f.* paragraph 10).

*Increase is due to repayment of loans from U.S.A. under Public Law 480.

	1971-72	1972-73	1973-74
	(Crores of rupees)		
Inter-State Settlement	0.22	0.33	0.07
Contingency Fund	0.01	1.13	..
Total expenditure outside the Revenue Account . .	3451.15	4186.96	6072.38
Total receipts as in sub-paragraph (a) above . .	3381.36	4255.29	5947.34
Excess of expenditure over receipts (—) /excess of receipts over expenditure (+) pertaining to the heads outside the revenue account	—69.79	+68.33	—125.04
Revenue—Surplus (+) Deficit (—)	—99.96	+17.73	+236.79
Net—Surplus (+) Deficit (—)	—169.75	+86.06	+111.75

It will be seen that if net expansion of treasury bills and conversion of *ad hoc* treasury bills into dated securities during each year are taken into account, the overall deficit was Rs. 519.39 crores, Rs. 1292.68 crores and Rs. 328.32 crores during 1971-72, 1972-73 and 1973-74 respectively.

(c) The year 1973-74 closed with a deficit of Rs. 328.32 crores against the anticipated deficit of Rs. 87.22 crores (budget) and Rs. 550.13 crores (revised estimate). The table below gives the analysis of the deficit :—

	Budget	Actuals	Variation
	(Crores of rupees)		
Treasury Bills (Net)	87.36	340.07	—252.71
Conversion of treasury bills into dated securities . .	..	100.00	—100.00
Increase of cash balance	—0.14	—111.75	+111.61
TOTAL	87.22	328.32	—241.10

III—DEBT

9. (a) The following table indicates the outstanding under "Public Debt" and "Unfunded Debt" at the end of 1955-56, 1972-73 and 1973-74.

	31st March 1956	31st March 1973	31st March 1974
	(Crores of rupees)		
Public Debt—			
(*i*) Market Loans	1545	5429	5992
(*ii*) Floating Debt	808	4768	5115
(*iii*) Loans from foreign sources	111	7124	*5869
Unfunded Debt—			
(*i*) Small Saving Collections	575	2800	*3269
(*ii*) Provident Fund, Income Tax Annuity Deposits, etc.	183	1244	1323
(*iii*) Deposits by U.S. Government of counterpart funds created under P.L. 480	..	627	..
TOTAL	3222	21992	21568

*Includes effect of *pro forma* corrections,.

(b) The net balances at the credit of reserve funds, deposit account, etc. in the deposit section of Government accounts as shown below also constitute liabilities of Government as these have not been separately invested but are merged in the general cash balance of Government.

		(Crores of rupees)	
Deposits bearing interest	188.96	368.63	440.37
Deposits not bearing interest	233.14	1580.44	2261.22

(c) Details of debt transactions during 1973-74 are given below :—

	Receipts	Payments	Net increase (+) decrease (—)
(*i*) Market Loans	1125.35	561.64	+563.71
(*ii*) Floating Debt	5893.52	5547.13	+346.39
(*iii*) Loans from foreign sources	686.46	1981.99	—1295.53
(*iv*) Unfunded Debt—			
Small Saving Collections	1299.69	825.28	+474.41
Provident Funds, etc.	301.71	207.56	+94.15
Compulsory Deposits	0.01	0.42	— 0.41
Income Tax Annuity Deposits	0.80	15.90	— 15.10
Deposits by U.S. Government of counterpart funds created under P.L. 480 etc.	88.02	714.77	—626.75
TOTAL	9395.56	9854.69	—459.13

10(A). **Market Loans.**—The following are the details of the receipts during 1973-74 from market loans.

	In cash	By conversion of loans maturing during the year	By conversion of *ad hoc* treasury bills held by the Reserve Bank of India	Total
		(Crores of rupees)		
4¾ per cent Loan 1981	68.63	30.62	..	99.25
4¾ per cent Loan 1981 (Second issue) . .	26.59	..	..	26.59
5¼ per cent Loan 1987	94.52	78.82	..	173.34
5¾ per cent Loan 1987 (Second issue) . .	70.35	..	..	70.35
4¾ per cent Loan 1980	9.52	107.77	..	117.29
5 per cent Loan 1984 (Second issue) . .	43.45	156.63	..	200.08
5¾ per cent Loan 2003	117.02	116.19	..	233.21
5¾ per cent Loan 2003 (Second issue) . .	48.40	36.61	..	85.01
5¾ per cent Loan 2003 (Third issue) . .	20.19	..	..	20.19
5 per cent Loan 1982	..	..	50.00	50.00
5 per cent Loan 1983	..	..	50.00	50.00
5 Year Interest Free Prize Bonds 1963	0.04	..	..	0.04
TOTAL	498.71	526.64	100.00	1125.35

(B) **Floating Debt.**— It includes :—

(a) *Ad hoc* treasury bills issued to the Reserve Bank of India and State Governments. Rupees 3887.91 crores were outstanding on 31st March 1974. The outstanding bills were held by the Reserve Bank of India (Rs. 3741.41 crores) and State Governments (Rs. 146.50 crores).

(b) Other treasury bills issued to the public (Rs. 496.38 crores) on 31st March 1974.

(c) Non-negotiable, non-interest bearing securities issued to the International Bank for Reconstruction and Development, International Monetary Fund and International Development Association (Rs. 730.48 crores on 31st March 1974) in payment of India's subscription.

11.(A) Interest payment on account of debt etc. is analysed below :—

	1971-72	1972-73	1973-64
	(Crores of rupees)		
(*i*) Interest paid by Government on debt and other obligations	670.11	772.44	881.64
(*ii*) *Deduct*—			
(*a*) Interest received on loans to State and Union Territory Governments	299.89	381.68	390.16
(*b*) Interest portion of equated payments on account of recovery of capitalised value of sterling pensions from State Governments . . .	0.11	0.07	0.05
(*c*) Interest received on other loans from investment of cash balance and other items [excluding the receipts mentioned at item (*iv*) below] . .	144.99	164.21	161.05
(*iii*) Net amount of interest charges	225.12	226.48	330.38
(*iv*) There were in addition the following receipts during the year :—			
(*a*) Interest from commercial departments including Railways and Posts and Telegraphs . .	152.27	165.15	182.05
(*b*) Interest portion of equated payments on account of commuted value of pensions . . .	1.49	1.85	2.07
(*c*) Interest portion of equated payments on account of write back of capital value of annuities in purchase of sterling pensions . . .	0.49	0.48	0.43
TOTAL of Item (*iv*)	154.25	167.48	184.55
(*v*) Net amount of interest charges after deducting the receipts shown at item (*iv*) above	70.87	59.00	145.83

(B) Further details of interest paid by Government of India are given below :—

	1971-72	1972-73	1973-74
	(Crores of rupees)		
Interest on market loans raised in India . . .	204.44	235.46	268.91
Discount on Treasury bills	95.85	129.95	168.49
Payment to Reserve Bank for management of debt .	0.60	0.67	1.33
Interest on debt raised outside India	167.25	186.67	173.42
Interest on Provident Funds	46.19	52.72	59.01
Interest on small saving collections :—			
Treasury Saving/Defence Deposit Certificates . .	5.38	4.68	4.80
Post Office Saving Bank Deposits	37.35	38.69	41.92
Bonus on Post Office Cash certificates, Cumulative Time Deposits, etc.	55.92	46.24	42.64
Interest on Reserve funds of Posts and Telegraphs and other commercial departments	12.37	14.28	21.36
Interest on investments of U.S. Government Public Law 480 Deposits	10.13	9.63	11.59
Payments to Post Offices for Saving Bank and Cash Certificate work	11.89	12.46	13.42
Other items	22.74	40.99	74.78
TOTAL	670.11	772.44	881.64

IV—GRANTS AND LOANS FROM FOREIGN SOURCES

12(a) Upto 31st March 1974 Rs. 10759.29 crores were received as grants (Rs. 2573.37 crores) and loans (Rs. 8185.92 crores*) from foreign countries, International Bank for Reconstruction and Development, International Development Association, etc. In addition, contributions in the shape of equipment, technical services, etc., which are not reflected in Government Accounts, have been received from UNTAA, UNESCO etc. and certain international philanthropic organisations.

(b) **Grants.**—The amounts received as grants are shown below :—

Programme	Source	Grants received During 1973-74	Grants received Upto the end of 1973-74	Earliest period from which grants have been received	Remarks
		(Crores of rupees)			
Indo-U.S. Technical Co-operation aid programme	U.S.A.	0.50	135.75	1952–53	Assistance received in the form of technical services is not reflected in Government accounts.
Public Law 480 .	U.S.A.	**1667.70	2054.92	1960–61	
Colombo Plan .	Canada	Nil	344.90	1952-53	
	U.K.	Nil	1.40	1954-55	
	Australia	Nil	17.56	1951-52	
	Newzealand	Nil	3.51	1951-52	
Project for Fisheries Development .	Norway	Nil	2.68	1953–54	In the form of fishery equipment.
Ford Foundation .		0.02	12.65	1951–52	
TOTAL .		1668.22	2573.37		

* Figures upto 5th June 1966 at pre-devaluation rates and after 5th June 1966 at post-devaluation rates.

**Includes grant paid by U.S.A. on repayment of loans received under Public Law 480.

13. The foreign loans received and outstanding at the end of 1973-74 were Rs. 5868.69 crores. The details of these loans are given below:—

Source	Amount authorised	Received		Repaid		Out-standing at the end of 1973-74**	Rate of interest
		During 1973-74	Upto the end of 1973-74*	During 1973-74	Upto the end of 1973-74*		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
				(Crores of rupees)			
U.S.A.	4109.12	144.66	3613.59	@1781.75	2181.03	*2053.71	¾ per cent to 6 per cent.
U.S.S.R.	739.63	6.88	602.71	51.47	494.85	265.45	2½ per cent.
West Germany	746.22	41.13	661.39	41.40	325.70	466.39	1 per cent to 6¾ per cent.
Canada	391.06	15.36	202.60	2.31	27.17	186.43	4½ per cent to 6 per cent.
Japan	458.27	73.75	385.14	31.70	73.54	365.91	4 per cent to 6 per cent.
U.K.	1051.66	129.00	1025.11	25.56	208.42	(a)935.95	(A)
International Bank for Reconstruction and Development	309.94	10.12	286.05	18.18	179.32	206.72	4 per cent to 6½ per cent.
International Development Association	1772.48	196.41	980.71	2.52	3.77	1098.31	No interest is charged. A service charge of ¾ per cent is payable on the amount outstanding.
Netherlands	95.62	5.44	54.86	1.20	3.76	56.93	2½ per cent to 5½ per cent.
Czechoslovakia	63.10	7.84	63.14	7.82	41.23	29.63	2½ per cent.
France	187.22	36.44	100.44	5.37	12.73	87.71	3 per cent to 3½ per cent.

Others (including Denmark, Austria, Belgium, Norway, Poland, Sweden, Switzerland, Yugoslavia, Italy, Kuwait, Newzealand, Hungary, Bulgaria, Bahrain, Qatar and other Trucial States in connection with the retirement of Indian currency, etc.)	387.79	19.43	210.18	12.71	130.28	115.55	(B)
Total	10312.11	686.46	8185.92	1981.99	3681.80	5868.69	

(A) Credit from Lazard Bros. and Company carried interest at 1 per cent above U.K. Bank rate (with a minimum of 4 per cent per annum).

(B) Interest rate varies from country to country.

*Figures upto 5th June 1966 are at pre-devaluation rates and after 5th June 1966 at post—devaluation rates.

**The closing balances include the effect of devaluation.

@Repayment of loans received under Public Law 480.

(a)Includes effect of *pro forma* correction consequent upon the revaluation of sterling

V. LOANS AND ADVANCES BY UNION GOVERNMENT

14. Details of loans and advances outstanding against State Governments, foreign Governments, etc. at the end of 1972-73 and 1973-74 are given below :—

To whom lent	Amount outstanding on 31st March 1973	Loans paid during 1973-74	Loans repaid during 1973-74	Amount outstanding on 31st March 1974
			(Crores	of rupees)
State Governments . . .	7976.18	1560.19	966.59	8569.78
Union Territory Governments .	59.95	15.41	2.07	73.29
Foreign Governments . . .	93.81	275.57	260.96	108.42
Government Corporations, Non-Government Institutions, etc. .	2861.17	456.35	201.81	**3203.81
Local Funds, Municipalities, etc. .	468.31	176.97	6.03	639.25
Government Servants . . .	*73.46	35.28	33.72	75.02
Cultivators	1.06	0.05	0.14	0.97
	11533.94	2519.82	1471.32	12670.54

15. For loans granted to State Governments for rehabilitation of displaced persons from erstwhile East Pakistan and West Pakistan, State Governments have been paying to Government of India only the amounts actually recovered from displaced persons.

In January 1964, Government of India decided that the entire loss not exceeding 10 per cent of the total loans advanced to States for rehabilitation of displaced persons from West Pakistan would be borne by the Union Government. In May 1964 it was decided by Government of India that losses on loans granted upto 31st March 1964 to displaced persons from erstwhile East Pakistan would be borne fully by the Union Government. The decision was not to be applied to loans granted to displaced persons migrating after 31st December, 1963. The Union Government has so far (upto 31st March 1974) borne loss of Rs. 23.02 crores for such loans.

16. During 1973-74 Rs. 82.42 crores were paid as advances (loans) to State Governments for clearance of over-drafts from the Reserve Bank of India. The entire amount was recovered within that year.

17. The terms and conditions of repayment of two loans sanctioned to the Government of Gujarat (Rs. 0.12 crores) in September 1954 and Government of Jammu and Kashmir (Rs. 0.08 crore) in March 1974 by the Ministries of Finance and Industrial Development respectively have not yet been settled.

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* Differs from the last year's figure due to rounding.

** Increased *pro forma* by Rs. 88.10 Crores consequent upon transfer of balances relating to Defence Public Sector undertakings from Defence Accounts.

18. The terms and conditions of repayment of three loans amounting to Rs. 1.50 crores advanced to National Textile Corporation during 1973-74 by the Ministry of Industrial Development have not yet (December 1974) been settled.

19. Details of loans and advances (other than to State Governments) in which recovery of principal (Rs. 4761.95 lakhs) and interest (Rs. 3348.42 lakhs) remained in arrear at the end of 1973-74 are shown in Appendix II.

20. **Assistance to various countries.**—Government of India has been rendering assistance to various countries under the Colombo Plan and Special Common Wealth African Assistance Plan. The aid rendered under the Colombo Plan was Rs. 8.45 crores during 1973-74 and Rs. 101.47 crores upto 1973-74, of which Rs. 96.18 crores were to Nepal (for national highways, hydro electric projects, minor irrigation works, village development programme, training of technical personnel, etc.). The aid given to other countries was in the shape of training of technical personnel and services of Indian experts. The aid rendered under the Special Common Wealth African Assistance Plan was Rs. 18 lakhs during 1973-74 and Rs. 117 lakhs upto the end of 1973-74.

In addition Government of India has also given loans to foreign countries. The amount outstanding on that account at the close of 1973-74 was Rs. 108.42 crores.

21. **Guarantees given by Union Government.**—During 1973-74 Government of India issued guarantees in 54 cases (including renewal of old guarantees) for Rs. 294 crores. The total amount guaranteed by Government outstanding at the end of 1973-74 was Rs. 1476 crores (including certain cases where the sums are payable in foreign currencies). The guarantees were given for loans raised by 29 joint stock companies, 63 Government companies, 8 statutory corporations, 5 port trusts, 5 co-operative banks, 65 co-operative societies, 2 State Electricity Boards, 2 State Financial Corporations, 26 consumer's co-operative societies, numerous small scale industries under the credit guarantee scheme, an autonomous body, Industrial Development Bank and a State Government. In addition, Government has also guaranteed a minimum dividend on the share capital of certain corporations as also payment of interest on debentures etc. floated by them.

Payments by Government under the terms of guarantees :—

1. Branch line railway companies :—

Government has guaranteed a net return of $3\frac{1}{2}/5$ per cent per annum on the paid up share capital of branch line railway companies. The guarantee was invoked during 1973-74 in the case of two companies and Rs. *1.79 lakhs were paid by Government.

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* Excludes Rs. one lakh on account of subsidy withheld.

II. Credit guarantee scheme for small scale industries.

Guarantees were invoked in 402 cases during 1973-74 and Rs. 29.67 lakhs were paid as Government's share on account of default in repayment of loans/advances.

22. *Contributions to International Organisations.*—The total amount of contributions to international bodies made during 1973-74 was Rs. 1163.96 lakhs. The more important contributions made during each of the three years ending 1973-74 are indicated below :—

To whom paid	1971-72	1972-73	1973-74
		(Lakhs of rupees)	
Ministry of Education and Social Welfare—			
United Nations Educational Scientific and Cultural Organisation	44.64	48.60	65.56
United Nations International Children's Emergency Fund	75.00	75.00	75.00
Ministry of External Affairs—			
United Nations Organisation	189.48	200.70	190.25
Ministry of Finance—			
United Nations Development Programme . .	300.70	272.96	285.00
Ministry of Agriculture—			
Commonwealth Agricultural Bureau . .	5.34	7.50	7.53
Food and Agricultural Organisation . .	51.98	59.37	58.07
Ministry of Health and Family Planning—			
World Health Organisation	48.08	..**	154.73*
Ministry of Labour and Rehabilitation—			
International Labour Organisation . . .	60.62	..**	124.08*
Ministry of Communications—			
International Telecommunications Union .	13.90	17.92	18.14
Department of Atomic Energy—			
International Atomic Energy Agency. . .	14.27	17.88	25.37

**In 1972-73, Rs. 47.70 lakhs were paid to the World Health Organisation and Rs. 55.03 lakhs were paid to the International Labour organisation; these amounts have, however, been adjusted in the accounts for 1973-74.

*Includes amounts paid during 1972-73 also.

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

RESULTS OF APPROPRIATION AUDIT

23. The table given below shows the amount of original and supplementary grants and appropriations, the actual expenditure and the savings in the revenue and capital sections during 1973-74.

		Total grants/ appropriations	Actual expenditure	Savings	
				Amount	Percentage
				(Crores of rupees)	
Voted Grants—					
Revenue					
Original	2556.88				
Supplementary	295.49	2852.37	2493.41	358.96	12.6
Capital					
Original	1614.73				
Supplementary	429.91	2044.64	1916.88	127.76	6.2
Charged Appropriations					
Revenue					
Original	1600.85				
Supplementary	80.41	1681.26	1664.54	16.72	0.99
Capital					
Original	12152.17				
Supplementary	265.63	12417.80	9654.87	2762.93	22.2
GRAND TOTAL . . .		18996.07	15729.70	3266.37	17.2

The overall saving of Rs. 3266.37 crores represents about 17 per cent of the total amount of voted grants and charged appropriations against 32 per cent in the previous year; it was the net result of savings of Rs. 382.00 crores in 110 grants/appropriations in the revenue section and Rs. 2891.49 crores in 79 grants/appropriations in the capital section and excess of Rs. 6.32 crores in 16 grants/appropriations in the revenue section and Rs. 0.80 crore in 8 grants/appropriations in the capital section. The savings in 1973-74 have been analysed in paragraph 26.

24. *Supplementary grants/appropriations.*—During the year supplementary provisions of Rs. 295.49 crores and Rs. 429.91 crores were obtained under 33 and 23 grants in the revenue and capital sections respectively.

Supplementary appropriations of Rs. 80.41 crores and Rs. 265.63 crores were also obtained for charged expenditure under 12 and 6 appropriations in the revenue and capital sections respectively.

The amount of supplementary grants/appropriations obtained during the previous three years was :—

Year	Voted	Charged (Crores of rupees)
1970-71	396.54 (in 74 cases)	*214.07* (in *25* cases)
1971-72	767.27 (in 55 cases)	*1319.78* (in *21* cases)
1972-73	542.84 (in 55 cases)	*909.50* (in *24* cases)

In five cases* supplementary provision of Rs. 3.31 crores (revenue Rs. 1.57 crores and capital Rs. 1.74 crores) proved unnecessary as the expenditure did not even come upto the original grant/appropriation. In these cases, supplementary provision of Rs. 2.03 crores (revenue Rs. 0.29 crore and capital Rs. 1.74 crores) was obtained in March 1974.

25. Excess over grants/appropriations :—

(a) *Excess over grants.*—There were excesses of Rs. 6.29 crores in 15 grants in the revenue section and Rs. 0.73 crore in 6 grants in the capital section; these excesses, details of which are given below, require regularisation under Article 115 of the Constitution :—

Revenue Section

Sl. No.	Grant	Total grant Rs.	Actual expenditure Rs.	Excess Rs.
	Ministry of Agriculture			
(1)	1—Department of Agriculture . . .	1,46,26,000	1,49,98,268	+3,72,268

Excess occurred mainly under 'A.—General Administration', 'A.1—Secretariat' (expenditure Rs. 125.36 lakhs; provision Rs. 119.25 lakhs) and was mainly due to payment of arrears in implementing Third Pay Commission's recommendations.

Sl. No.	Grant	Total grant Rs.	Actual expenditure Rs.	Excess Rs.
	Ministry of Finance			
(2)	33—Stamps	5,58,21,000	5,92,36,000	+34,15,000

*Details of these cases are given in appendix III.

Excess was mainly under 'A.—Stamps', 'A.2—General', 'A.2(1)—India Security Press' (expenditure Rs. 590.70 lakhs; provision Rs. 556.81 lakhs) and was mainly due to payment of more salaries, wages and over-time allowance.

Ministry of Health and Family Planning

(3) 41—Ministry of Health and Family Planning	1,46,65,000	2,09,46,726	+62,81,726

Excess occurred under 'B.5(1)—Contribution to World Health Organisation'. Of this, excess of Rs. 47,70,188 was due to adjustment of contribution paid in 1972-73 in the accounts for 1973-74; this does not require regularisation *vide* paragraph 4.26 of 45th Report of Public Accounts Committee (3rd Lok Sabha) 1965-66. The balance excess of Rs. 15,11,538 requires regularisation.

Ministry of Home Affairs

(4) 47—Cabinet	1,00,21,000	1,05,77,303	+5,56,303

Excess occurred mainly under 'A.—General Administration', 'A.1—Council of Ministers' (expenditure Rs. 59.86 lakhs; provision Rs. 51.45 lakhs) and was due to more tours of Ministers than anticipated.

(5) 51—Other expenditure of the Ministry of Home Affairs	71,72,61,000	71,97,16,725	+24,55,725

Excess occurred mainly under (i) 'E.4—Pensions to Freedom Fighters, their dependents etc.' (expenditure Rs. 1632.04 lakhs; provision Rs. 1000.00 lakhs and (ii) 'H.1(4)—Grants-in-aid for Centrally Sponsored Plan Schemes—Other Schemes' (expenditure Rs. 883.69 lakhs; provision Rs. 437.50 lakhs).

Excess under (i) was mainly due to grant of more pensions than anticipated and under (ii) due to more plan outlay approved by Planning Commission.

(6) 53—Chandigarh	9,64,09,000	9,66,73,591	+2,64,591

Excess occurred mainly under 'E.1—Public Works', 'E.1(2)(3)—Miscellaneous' (expenditure Rs. 39.57 lakhs; provision Rs. 20.00 lakhs). Reasons for excess are awaited (December 1974).

(7) 54—Andaman and Nicobar Islands .	13,83,49,000	14,26,70,668	+43,21,668

Excess occurred mainly under 'E.1—Public Works—Suspense—Stock—Charges' (expenditure Rs. 190.30 lakhs; provision Rs. 160.00 lakhs) and was mainly due to increase in the cost of construction materials.

(8) 55—Arunachal Pradesh . . .	17,40,79,000	19,11,95,981	+1,71,16,981

Excess occurred mainly under (i) 'D.—Public Works (including Roads) and Schemes of Miscellaneous Public Improvements', 'D.1—Public Works, Excess occurred mainly under 'K.—Capital Outlay on Electricity Schemes', 'K.1—Electricity Schemes' (expenditure Rs. 42.09 lakhs, provision Rs. 12.00 lakhs) and was mainly due to more expenditure than anticipated on completion of works in progress.

(4) 57—Laccadive, Minicoy and Amindivi Islands	84,30,000	86,00,977	+1,70,977

Excess occurred under 'I.1—Electricity Schemes' (Rs. 2.67 lakhs) and was mainly due to increase in labour rates and adjustment of stores consumed during previous year.

Department of Steel and Mines

(5) 80—Department of Mines . . .	1,24,50,93,000	1,24,51,01,292	+8,292

Excess occurred mainly due to payment of loans to the canteen of Geological Survey of India, Hyderabad (Rs. 5,000) for which there was no provision.

Department of Atomic Energy

(6) 90—Atomic Energy Research and Development	41,70,33,000	42,08,89,741	+38,56,741

Excess occurred mainly under (i) 'D.3(3)(4)—Heavy Water Plant at Tuticorin' (expenditure Rs. 1328.61 lakhs; provision Rs. 1190.40 lakhs) and (ii) 'D.3(6)—Reactor Research Centre' (expenditure Rs. 440.03 lakhs; provision Rs. 390.00 lakhs).

Excess was mainly due to more expenditure than anticipated on procurement of machinery and equipment.

(b) *Excess over charged appropriations.*—There were excesses of Rs. *0.03 crore in one appropriation in the revenue section and Rs. £0.07 crore in two appropriations in the capital section. These also require regularisation under Article 115 of the Constitution. The details are :—

Revenue Section

Ministry of Works and Housing

(1) 87—Public Works	*38,41,000*	*41,70,819*	*+3,29,819*

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*Rs. 3,29,819. £ 6,69,901

Excess occurred mainly under 'A.2—Repairs' (Rs. 3,21,264). Reasons for excess are awaited (December 1974).

Capital Section

Ministry of Education and Social Welfare

(1) 27—Department of Social Welfare .	*5,00,000*	*10,38,000*	*+5,38,000*

Excess was under 'F.1(1)(1)—Rehabilitation of rehabilitable families of displaced persons from East Pakistan' and was due to increased claims from the Government of West Bengal.

Ministry of Finance

(2) 35—Currency, Coinage and Mint .	..	*1,31,901*	*+1,31,901*

Excess occurred under 'C.—Capital Outlay on Currency and Coinage; C.1—Security Paper Mills, Hoshangabad'.

Reasons for excess are awaited (December 1974).

26. *Savings in voted grants and charged appropriations.*—The overall saving of Rs. 3266.37 crores was the net result of excesses and savings as shown below :—

	Savings		Excesses		Net savings	
	Revenue	Capital	Revenue	Capital	Revenue	Capital (Crores of rupees)
Voted Grants	365.25 (in 80 grants)	128.49 (in 51 grants)	6.29 (in 15 grants)	0.73 (in 6 grants)	358.96	127.76
Charged Appropriations	16.75 (in 30 appropriations)	2763.00 (in 28 appropriations)	0.03 (in 1 appropriation)	0.07 (in 2 appropriations)	16.72	2762.93

It would be seen from appendix IV that in 22 grants (8 grants in the revenue section and 14 grants in the capital section) the savings (more than Rs. 5 lakhs in each case) exceeded 20 per cent of the funds; in 13 grants (revenue 4 and capital 9) of these cases the savings exceeded 50 per cent.

Out of the final saving of Rs. 493.74 crores (Rs. 365.25 crores in revenue section and Rs. 128.49 crores in capital section) under voted grants, savings in 8 grants, particulars of which are given below, accounted for savings of Rs. 324.12 crores (Rs. 241.66 crores in revenue section and Rs. 82.46 crores in capital section) :—

Revenue Section

(1) 26—Education . . . . Rs. 11.20 crores

Saving occurred mainly under (i) 'A.3—Technical Education; A.3(2)—Grants-in-aid, Contributions, etc.; A.3(2)(1)(4)(1)—Cost of Material, etc.' (Rs. 1.35 crores) and (ii) 'C.1—Grants-in-aid to State Governments--Special-Welfare Schemes' (Rs. 8.32 crores).

Saving under (ii) was due to less requirements of States. Reasons for saving under (i) are awaited (December 1974).

(2) 28—Ministry of External Affairs . . . . . Rs. 15.09 crores

Saving occurred mainly under 'C.5(2)—Cash grants to the Government of Bangla Desh (Rs. 20.29 crores).

Saving was mainly due to payment of loans instead of grants.

(3) 39—Other Expenditure of the Ministry of Finance . . Rs. 215.37 crores

Saving occurred mainly under (i) 'B.2(4)—Miscellaneous and Unforeseen Charges; B.2(4)(7)—Provision for Crash Scheme for educated unemployed' (Rs. 100.00 crores) and (ii) 'B.2(4)(8)—Provision for advance action for Fifth Plan' (Rs. 150.00 crores).

Saving under (i) was due to making payments from Grant No. 38—Transfers to State and Union Territory Governments and under (ii) was mainly due to provision for loans and grants to State Governments for advance action for the Fifth Plan being subsequently made under other grants.

Capital Section

(4) 9—Department of Co-operation . . . . . Rs. 12.34 crores

Saving occurred mainly, under (i) 'D.1—Investments in Co-operative Societies—Debenture of Land Mortgage Bank' (Rs. 8.48 crores), (ii) E.3(1)(1)(1)—Loans to National Co-operative Development Corporation' (Rs. 1.60 crores) and (iii) 'E.3(1)(1)(2)—Loans to Co-operative Societies' (Rs. 2.25 crores).

Saving under (i) was mainly due to strict imposition of the conditions prescribed by Reserve Bank of India about grant of funds to primary Land Development Bank/branches of State Co-operative Banks. Saving under (ii) and (iii) was due to economy measures.

(5) 11—Foreign Trade . . . . Rs. 12.98 crores

Saving occurred mainly under 'D.1—Advances to State Governments and International Bodies, D.1(1)—Foreign Governments for affording Technical Credits incorporated in Trade Agreements' (Rs. 12.98 crores).

Saving was mainly due to lesser drawal of technical credits by certain foreign Governments.

(6) 39—Other expenditure of the Ministry of Finance . Rs. 9.38 crores

Saving occurred mainly under (i) 'G.2—Capital outlay on schemes of Government Trading—Revolving Fund' (Rs. 2.00 crores), (ii) 'H.1(1)(1)—Miscellaneous Loans and Advances—Loans to Government Companies, Corporations, etc.' (Rs. 7.42 crores) and (iii) 'I.1(1)—Advances to Foreign Governments and International Bodies' (Rs. 9.98 crores).

Saving under (i) was mainly due to non-payment of compensation as no order of acquisition became final during the year. Reasons for the savings under (ii) and (iii) are awaited (December 1974).

(7) 65—Power Schemes . . . . Rs. 15.22 crores

Saving occurred mainly under 'E.1(1)—Purchase of shares of Rural Electrification Corporation' (Rs. 6.50 crores) and was mainly due to economy measures.

(8) 79—Department of Steel . . . . Rs. 32.54 crores

Saving occurred mainly under 'D.2—Investments in Government Commercial and Industrial Undertakings, D.2(8)—Steel Authority of India Ltd. (SAIL)' (Rs. 10.51 crores) and 'F.2—Loans to Local Funds, Private Parties, etc.', 'F.2(1)(1)—Loans for Government Companies, Corporations etc.—Steel Authority of India Ltd. (SAIL)' (Rs. 20.80 crores).

The savings were mainly due to economy measures.

(ii) The rest of the saving under voted grants of Rs. 169.62 crores (Rs. 123.59 crores in the revenue section and Rs. 46.03 crores in the capital section) largely occurred in the revenue section of the following grants:—

		Controlling Ministry
2—Agriculture	(Rs. 7.78 crores)	Agriculture
6—Payments to Indian Council of Agricultural Research	(Rs. 6.75 crores)	Agriculture
38—Transfers to State and Union Territory Governments	(Rs. 9.98 crores)	Finance
76—Roads	(Rs. 5.19 crores)	Shipping and Transport
86—Ministry of Works and Housing .	(Rs. 8.46 crores)	Works and Housing
91—Nuclear Power Schemes . . .	(Rs. 7.30 crores)	Atomic Energy

CHAPTER III

CIVIL DEPARTMENTS

MINISTRY OF AGRICULTURE AND IRRIGATION

(Department of Agriculture)

27. *Production of cross-bred heifer calves.*—Government sanctioned in October 1971 a Central Plan scheme for production of 300 cross-bred heifer calves from non-descript heifers in 18 months at the National Dairy Research Institute, Karnal. This was to be a development, and not a research, scheme. The cost of the scheme was estimated to be Rs. 14.33 lakhs, of which Rs. 4.05 lakhs were for non-recurring expenditure and Rs. 10.28 lakhs for total recurring expenditure for 18 months. The heifer calves were to be supplied to progressive farmers on a no-profit-no-loss basis, establishing thereby a direct link between the Institute and the farmers. It was expected that the cross-breeding programme would have appreciable impact in the North where quality fodder was available, and would stabilise the cost of production of milk.

The scheme was started in December 1971. According to the sanction issued in October 1971, the scheme was to start with 1,000 non-descript desi (indigenous variety) cows for production of 300 cross-bred heifer calves in 18 months. Each non-descript cow was estimated to cost about Rs. 200. The period was extended to 36 months in December 1972 and the number of cows was changed to 500, as this strength was considered more manageable and economical; it was expected that 300 cross-bred heifer calves would be available within this period.

The expenditure incurred up to March 1974 on this scheme was as follows :—

	(Lakhs of rupees)
Construction of prefabricated structures	2.62
Purchase of cows	0.76
Cost of feed and upkeep of cows	5.32
Cost of labour	0.47
Cost of frozen semen	0.28
Total	9.45

Seven hundred and forty-two emaciated cows condemned for slaughter were purchased for the scheme at a cost of Rs. 0.76 lakh (average cost : Rs. 102 each). Of these, 417 died by March 1974. The position of livestock as on 31st March 1974 was as under :—

	Desi herd		Cross-bred herd		Total
Cows	Female calves	Male calves	Female calves	Male calves	
325	23	7	79	24	458

The Joint Commissioner, Livestock Production, who reviewed the working of the scheme in August 1973 observed as under :

> "................... the animals were not tested for T.B. and Brucellosis. Conception rate in the herd was very poor and mortality in purchased stock very heavy. As a result, number of cross-bred progeny available are smaller than envisaged. All these necessitate a detailed study of the project to find out, besides others, whether purchase of such foundation stock had been an economical proposition".

The project was inspected by the Deputy Commissioner, Cattle Development, in September 1973. He reported that heavy mortality occurred during the rainy season and winter of 1972 due to "mud of *Kacha* floor, congestion, exposure and inclement weather".

Government decided in December 1973 not to continue the scheme. The scheme was also not included in the Fifth Five Year Plan. In January 1974, the Director, National Dairy Research Institute, proposed continuation of the scheme up to March 1976. Government did not agree to this and directed him in March 1974 to dispose of the cows and calves and equipment etc., purchased for the scheme.

Two hundred and twenty of the 325 cows which had survived were disposed of by auction in May 1974 for Rs. 14,648. Information regarding disposal of the remaining cows and calves is awaited (September 1974). Meanwhile, Rs. 0.87 lakh more were spent on the upkeep of the remaining cows and calves during April 1974 to September 1974. Thus the total expenditure on the scheme up to September 1974 was Rs. 10.32 lakhs.

In August 1974 Government requested the Planning Commission for continuation of the scheme during 1974-75, to be restricted to rearing of cross-bred heifer calves already produced. The Planning Commission's decision is awaited (September 1974).

The Ministry stated (November 1974) that the scheme "aimed at the production of cross-bred economical calves from useless non-descript indigenous cattle. It was sought to demonstrate this as the cross-breeding programme all over the country aims at production of economic milch animals from uneconomical indigenous cattle now with the farmers. It was also necessary to compare the quality of these cross-bred calves with the cross-bred calves produced in the Institute from well recognised indigenous breeds. The project has provided some useful information and the Institute is continuing this study as part of its own programme. Such information will also be useful for forming the basis for our extension recommendations in all the cross-breeding areas in the country".

(Department of Irrigation)

28. *Excavation of the feeder canal of Farakka Project.*—For controlled diversion through-out the year of adequate flow of water from the Ganga into the Hooghly through the Bhagirathi, essential to preserve the viability of the Calcutta Port and the navigability of the Ganga-Bhagirathi-Hooghly complex, the Farakka Barrage Project was conceived with the following three principal components :—

(a) A barrage across the Ganga at Farakka, with rail-*cum*-road bridge over it;

(b) a feeder canal, taking-off from the head regulator on the right bank just upstream of Farakka Barrage, running more or less parallel to the Ganga, and having its out-fall into the Bhagirathi below Jangipur barrage; and

(c) a barrage across the Bhagirathi, at Jangipur above the canal outfall, to prevent the canal water flowing back into the Ganga.

Estimates and expenditure

Unit	1959 estimate	1962 estimate	1966 estimate	1968 estimate	Actual (net) expenditure up to October 1974
			(Crores of rupees)		
Farakka Barrage (completed in June 1971)	29.10	36.26	79.38	89.83	84.64
Feeder canal (in progress)	25.39	27.28	60.30	61.61	37.42
Jangipur barrage (completed in June 1971)	1.91	2.41	4.23	4.86	3.96
Miscellaneous expenditure	—	—	—	—	0.67
	56.40	65.95	143.91	156.30	126.69

The break-up of the 1968 estimate of Rs. 61.61 crores for the feeder canal by its major components is as below :—

	Unit I	Unit II	Unit III	Total
			(Crores of rupees)	
1. Preliminary, land, buildings, miscellaneous and contingencies	5.24	0.61	0.53	6.38
2. Earthwork	18.77	—	—	18.77
3. Cross drainage works	1.97	—	—	1.97
4. Regulator	1.71	3.62	—	5.33
5. Bridges	5.50	1.00	0.68	7.18
6. Navigation	6.18	—	13.08	19.26
	39.37	5.23	14.29	58.89
7. Establishment, tools and plant and indirect charges	2.03	0.12	0.57	2.72
Total	41.40	5.35	14.86	61.61

Against an estimate of Rs. 18.77 crores for excavation of the feeder canal, expenditure booked up to October 1974 was Rs. 24.54 crores.

In October 1961, an eight-year construction programme for the project, from 1962 to 1970 with a small spillover into 1970-71, was approved. However, in December 1962, "accelerated" or "crash" (seven year) programme was adopted, reducing the period of construction by one year, i.e., from 1962 to 1969. Subsequently, the construction schedule was extended to 1970-71.

Having regard to the essentiality and benefits to be derived from the various works, in October 1965, execution of the project was split into three units. The revised construction programme envisaged efforts to be concentrated, primarily, on completing such essential works with least possible delay as would secure fulfilment of the most important functions of the project, *viz.*, diversion of the flow of the Ganga, to feed the Bhagirathi-Hooghly system for improvement of Calcutta Port. The first two units taken up together in phase I, comprise the two barrages, the canal including bridges, and certain appurtenant works. Unit III, in phase II, would embrace navigational works excepting upstream navigation locks, at Farakka and Jangipur, to be constructed in phase I, to maintain *status quo* in river traffic.

The 24 miles long canal (495 feet wide at bottom, 20 feet deep and designed to carry maximum discharge of 40,000 cusecs) runs parallel to the Ganga. Five bridges (including one approved by the Project Control Board in November 1973) and nine ferry crossings, are provided across the canal.

The estimate for excavation of the canal (at the average rate of Rs. 11.17 per 100 cft.) based on the reports of foreign and Indian experts envisaged :

(a) Dry excavation up to about 8 feet depth by tractor-drawn scrapper and dragline dumper combination; and

(b) wet excavation by dredging in the bottom layer.

The easier dry excavation, was to be got done by contractors while the difficult wet excavation was to be done departmentally.

Excavation below subsoil water level, by dredging, was considered economical, since under Indian climatic conditions, it was possible to carry on dredging operations reasonably steadily and uninterruptedly, for almost 300 days in the year, whereas, any other arrangement could work satisfactorily only during the seven non-monsoon months. However, to avoid the trouble and expenses of procuring a battery of dredgers, involving foreign exchange (Rs. 103 lakhs), and maintenance of an elaborate marine organisation, it was decided, in August 1964, to abandon the idea of departmental dredging and to execute the composite work, dry as well as wet, through contractors using their own equipment.

Excavation of the top layer of the canal, in the reaches between RD 8-48, involving 9.52 crores cft. earthwork, was awarded, in two stages, between October 1963 and February 1964 (against the scheduled date of commencement of September 1962), to 9 small contractors, with dates of completion varying between June 1964 and February 1965. Excepting one, none of these contractors completed the work within the stipulated time, and all these contracts were ultimately terminated with/without penalty. These contractors excavated only 2.23 crores cft. of earthwork in all. Ministry of Irrigation and Power stated (September 1974) that no penalty could be imposed on the contractors as either full stretch of land could not be made available at the allotted reaches or small contracts, where the work was lingering, had to be terminated in the larger interest of the project.

On the expectation that execution of the work through resourceful contractors, having adequate earthmoving equipment, would have better prospects of timely completion, it was decided to resort to this approach. For this purpose, the 24 miles length of the canal was divided into five portions, *viz.*, RDs O—10 (estimated earthwork quantity : 14.82 crores cft.), 10—68 (76.62 crores cft.), 68—97 (31.14 crores cft.), 97—103 (6.61 crores cft.) and 103—126 (26.25 crores cft.).

RD 0—10 (14.82 crores cft.)

This reach, constituting less than ten *per cent* of the aggregate quantity, was executed departmentally. The work was commenced in May 1965 and was completed after 8 years—by the middle of 1973. The progress in the working seasons 1967-68 and 1968-69 was negligible. During the same working seasons contractors 'A' and 'B' entrusted with similar works in other reaches, made much more progress (cf. Appendix V). The Ministry of Irrigation and Power stated (September 1974) that the departmental excavation suffered since the departmental machines could not be engaged fully in feeder canal before 1969-70 as these were also required for barrage works.

RD 10—68(76.62 crores cft.)

Tenders for excavation of the top layer with option to bid for underwater layer also were invited in January 1964 and were received in May 1964. Since it was decided, in the meantime, to get the entire work, dry as well as wet, done through contractors, the tenderers were asked, in August 1964 to requote for the composite work of 75.00 crores cft., which was allotted in January 1965, to contractor 'A', with June 1968 as the target date of completion. By then, the contractor had excavated 46.95 crores cft. only. Since then 9 extensions were given; the last one up to June 1974. According to Government (September 1974) at the end of November 1973, the balance of earthwork was 1.85 crores cft. and pertained to three gaps at (i) RD 34.06-34.30, (ii) RD 47.50-48.60 and (iii) RD 61.30-62.40. The work in the first two gaps was suspended on demand of the local population, for a bridge in place of the contemplated ferry service. The Project Control Board has approved in November 1973 construction of the additional bridge. The entire third gap can be excavated, only after completion of the road bridge on the Pakur-Dhulian State Highway and diverting traffic through it. In January 1974, it was decided to have the portions above water level excavated through the contractor, and the portions below water level by dredging departmentally. Thereafter the contractor resumed work from February 1974 and completed the portions above water level in the first two gaps and full section in the middle portion of the third gap at RD 62 where the full stretch of land could not be made available due to non-completion of the road bridge (September 1974). The road bridge is expected to be completed in December 1974. Out of the total allotted quantity of 75.00 crores cft. the contractor had executed 67.00 crores cft. during the five working seasons 1965-66 to 1969-70. His progress in the 1970-71 and 1972-73 seasons was small and no work was done in 1971-72 (*cf.* Appendix V).

RD 68—97(31.14 crores cft.)

In view of the scheduled completion of the Farakka barrage by 1970-71, the project had proposed, in November 1964, that tenders for the remaining portion, *viz.*, RD 68—126, should be called immediately so that the work could be started by the selected contractor during the next working season. Tenders were invited in July 1966 for the three reaches RDs 68—97, 97—103 and 103—126. Although tenders were received in October 1966, earthwork involving 32.26 crores cft. was awarded, after a delay of one year, in December 1967, to contractor 'B', with 3rd November 1970 as the target date of completion. By November 1970, the contractor had executed 11.73 crores cft. only. Since then 15 extensions were granted; the last one up to August 1974. Till November 1973 the total quantity of 29.08 crores cft. of earthwork had been completed. By August 1974 the contractor completed a further quantity of 1.02 crores cft. Certain portions of the work were also taken up departmentally from March 1974. About 0.08 crore cft. of earthwork remain yet to be dredged departmentally (October 1974) in this portion.

RD 97—103 (6.61 crores cft.)

Although tenders had been received in October 1966 this reach was left out of consideration in December 1967, and it was decided that it would be awarded subsequently to either contractor 'B' or 'C' depending upon his competence and satisfactory progress of work. Even though the progress of any of the three contractors 'A', 'B' and 'C' against their respective contracts was anything but satisfactory, this portion was allotted in April 1969, by negotiation, to contractor 'A', under supplementary extensions of the subsisting contract for RD 10—68, on the consideration that he had considerable earthmoving equipment at site and had developed the necessary resources to take up this additional quantum of work. The due completion date was fixed as June 1970. The right to allot further additional work of 15 crores cft. after June 1970, in continuation of this portion at the same rate, was also reserved. By the agreed target date, however, contractor 'A' executed 1.55 crores cft. only. The second of two extensions was upto August 1973, by when 6.49 crores cft. had been excavated. The balance quantity was 0.08 crore cft. (as subsequently reassessed); the earthwork for this quantity was allotted to a small contractor, and was stated to be almost complete (August 1974).

RD 103—126 (26.25 crores cft.)

Tenders were received in October 1966. Out of the estimated quantity of 26.25 crores cft., earthwork involving 21.50 crores cft. (excluding two gaps not expected to be available for excavation within the contract period) was awarded in December 1967 to contractor 'C' with scheduled date of completion set for 3rd April 1971. After executing 1.26 crores cft., this contractor stopped further work in June 1969.

In June 1969, the Project Control Board decided to determine this contract mutually, without invoking penal provisions of the contract, lest the contractor took legal recourse, causing delay in the time-bound work. The contract was finally terminated in March 1970, without any penalty.

On ground of labour unrest, contractor 'A' refused to take up the balance work, although in April 1969, he had agreed to accept additional work upto 15 crores cft. after June 1970.

Tenders for the remaining earthwork in this reach, involving 22.35 crores cft., were opened in August 1970. The lowest tender of contractor 'D' (contractor 'B' under another name) was ignored on consideration of expeditious completion of the canal, and the work was entrusted in January 1971 to contractor 'A'—the second lowest tenderer with the completion date mutually agreed upon as May 1972.

By June 1972 and June 1973, contractor 'A' could execute 10.84 and 20.64 crores cft., respectively, against the allotted quantity of 22.35 crores cft. Eleven extensions were sanctioned; the last one stipulated completion by June 1974. The remaining quantity (re-assessed subsequently as 1.45 crores cft.) mostly pertained to three gaps, *viz.*, existing national highway 34 crossing, present railway crossing and length of about 160 feet at the tail end of the canal. The gaps left were programmed to be removed by March 1974 after diversion of the railway line and the national highway by the Railway and the State Public Works Department respectively. After it was decided in January 1974 to have the portions above water level excavated through the contractor, the excavation was resumed by him in February 1974 and excavation above water level was completed in August 1974. The underwater excavation by dredging departmentally is in progress (October 1974). It would be seen that although for expeditious completion of the canal this reach was awarded (at higher cost) to contractor 'A', that contractor substantially defaulted. As a matter of fact, till the award of this work to him, his default was more than that of contractor 'B' and yet, this work was awarded to him, in preference to contractor 'D' at extra cost of Rs. 90.66 lakhs (as compared with the tendered amount of contractor 'D'). Leaving aside 21.61 crores cft., undertaken departmentally etc., the quantity awarded to contractor 'A' (103.96 crores cft.) constituted nearly 76 *per cent* of the remaining total volume of work. Whether, for expeditious completion of the canal, so much work should have been awarded to him is doubtful. It is to be added that the Farakka project continued to carry surplus equipment, labour and operators and still additional work was awarded to the contractors whose progress was patently slow and departmental execution (save a minor portion) was not undertaken.

Additional expenditure in getting done by contractor 'A' the work left incomplete in RD 103—126 by contractor 'C' works out to Rs. 2.03 crores.

The contract with the defaulting contractor 'C' had provided that in case of unfinished work payment would be made at part rate, at the discretion of the engineer-in-charge, taking into account extra expenditure to be incurred in getting the remaining work completed. As the contractor failed to execute the allotted work up to the required depth and specifications, payment for work done was made at Rs. 10 per 100 cft.

However, in June 1969, the Control Board decided to enhance the rate to Rs. 10.88 per 100 cft., by allowing the contractor additional 50 *per cent* of the difference between the tendered and determined rates of Rs. 11.75 and Rs. 10 respectively, on the following considerations :—

(a) the expenditure incurred by the contractor on initial organisation and management was in excess of the proportion of the volume of work actually done by him, and might mean some loss for him because of the termination of the contract at that stage; and

(b) the rate for excavation of bottom section by dredgers was less than that for top excavation by conventional method and, therefore, the rate for the latter in the average rate quoted by the contractor for excavation of the full section of the canal could not have been less than Rs. 11.75.

A further payment of Rs. 1.11 lakhs was thus made to contractor 'C', although his progress of work had been slow and additional expenditure of Rs. 2.03 crores had to be incurred to get the work completed by contractor 'A'.

The progress of work of contractors 'A' and 'B', was consistently slow in spite of substantial financial and material help, within and outside the contracts, extended to them such as (i) advance of Rs. 2.04 crores to contractor 'A' and Rs. 1.05 crores to contractor 'B' (including Rs. 20 lakhs and Rs. 40 lakhs respectively outside the terms of the contracts), (ii) supply of departmental equipment (value Rs. 91 lakhs in case of contractor 'A') on hire basis, outside the contracts and (iii) issue of materials and spare parts (value Rs. 46.50 lakhs and Rs. 34.33 lakhs up to June 1974 in respect of contractors 'A' and 'B' respectively) from departmental stores without provision in the contracts—they were supplied to the contractors at the departmental issue rates, (procurement price plus departmental supervisory charges) without ascertaining the market rates prevailing at the time of supply to the contractors, and (iv) deferred recovery of the cost of materials etc., at contractors' requests.

In the working season of 1970-71, contractors 'A' and 'B' did not start the work on the plea of radical change in the attitude of their labour, as a consequence of which they had, according to them, been incurring heavy expenditure on labour, repairs and maintenance of equipment etc. and represented that it was no longer possible for them to carry on the work, unless they were compensated for the losses already suffered by them and the rates were enhanced suitably for the works still remaining to be done. The escalation clause included in the contracts provided for variations in the prices of petrol, oil and lubricants etc. and higher amounts were paid by the project on account of the escalation clause relating to variations in the prices of petrol, oil and lubricants. In the hope of expeditious completion of the canal and to create conditions in which the contractors could resume, continue and complete the work, Government sanctioned, in March 1971, *ad hoc* and *ex-gratia* enhancement of rates (per 100 cft.) up to Rs. 16.50 for work done during 1969-70 and Rs. 20.65 thereafter up to the dates of completion extended till then, against the contracted rates of Rs. 11.30 and Rs. 12.43 in case of contractor 'A' and Rs. 12.50 in case of contractor 'B' subject to the contractors' agreement in writing that these payments would be in full and final settlement of their claims. Representations for compensation for work done up to September 1969 were, however, rejected. It was also agreed that the enhanced rates could be further extended, if necessary, upto March 1972/March 1973. Subsequently, enhanced rates were further extended upto 30th June 1974, in case of contractor 'A' and upto 31st August 1974, in case of contractor 'B'. Upto October 1974, total extra amount of Rs. 2.90 crores was paid to the two contractors on account of such subsequent enhancement of contracted rates.

So far, rates have not been revised in case of any other contractor on similar grounds of labour troubles, law and order situation etc.

From the commencement of 1973-74 working season contractor 'A' declined to resume excavation of the left-out gaps in his reaches, from RD 10 to 68 and RD 103 to 126, unless the rates were further increased.

He was, however, agreeable to excavate only the portions above water level in these gaps at the existing rates. Considering the huge dewatering required from the excavated portions of the feeder canal, if these gaps were to be excavated to the full section, it was decided in January 1974 to have the portions above water level excavated through contractor 'A', on the existing rates and the portions below water surface by dredging departmentally. The contractor was thus relieved of the more difficult portion of the work in the lower layer, involving more lead and lift, besides the element of dewatering, without any reduction in rate.

Although contractor 'A' accepted payment at the enhanced rates in full and final settlement of his claim, he sought in June 1971, reference to arbitration of his claims for compensation, amounting to Rs. 252.10 lakhs for the work done by him during January 1966 to September 1969. The ground for his doing so was that the rejection of his claim for that period constituted a dispute between him and the project authority. The project sought legal opinion on whether the above dispute was referable to arbitration under the arbitration clause of the contract, in view of the fact that the contract did not contain any condition for enhancement of the unit rate (for excavation) on the grounds (mentioned subsequently) advanced by the contractor. The legal opinion obtained was that the arbitration clause (standard clause included in C.P.W.D. contracts) appeared to be very widely worded and it seemed difficult to contend that such a dispute was outside the scope of the arbitration clause. Accordingly, in November 1971, the claim was referred to the sole arbitration of a Superintending Engineer of the project. In December 1972, the arbitrator gave his award whereby the contractor's claim for compensation for work executed from January to December 1966 was rejected but for the work done in RD 10—68, during January 1967 to September 1969, an amount of Rs. 121.88 lakhs was awarded to him, the net amount payable after deduction of payment already made on account of increase in the cost of petrol, oil and lubricants for this being Rs. 97.95 lakhs. In addition, the contractor was allowed interest, at 5 *per cent* per year, on this amount from the date of the award till the date of payment or decree, whichever be earlier. Thus, the arbitrator awarded higher rates even for the period up to June 1968 when, according to the contract, he was originally to complete the work.

The claims of the contractor were mainly based on the following two grounds :—

(i) there was radical change in the working conditions in the project area due to deterioration in the law and order situation and this resulted in increase in costs of execution of the work, and

(ii) there was an alleged assurance given to the contractor that he would in due course be compensated for the loss sustained by him.

The contractor had been raising the first grievance since March 1966. There were several letters, where he had stated that the contract had become impossible of performance because of total breakdown of law and order.

The contractor pleaded before the arbitrator that the change in the circumstances (law and order situation) had given him the right to throw off the contract, but he had continued the work, because the project had asked him to continue the work and had assured him that he would be suitably compensated. The assurance was referred to in three letters written by the contractor to the project, in March 1970, June 1970 and January 1971. The assurances had not been denied in writing by the project authorities but were denied by them before the arbitrator.

According to the opinion of the Ministry of Law and Justice, Branch Secretariat at Calcutta, given in February 1973, the contractor's claim for payment of increased rates on account of altered working condition, was not sustainable in law, in view of the principles of law, relevant to the present case, laid down in the Supreme Court case of M/s. Alopi Prasad and Sons Ltd. *vs.* Union of India reported in AIR 1960—which the arbitrator was bound to follow.

As regards the second ground, namely, that assurances were given to compensate the contractor for the losses sustained, it was observed by the Branch Secretariat that such an assurance, even if it was given, was not binding on the Government as an agreement for the reason that it did not comply with the provision of Article 299 of the Constitution, according to the aforesaid judgement of the Supreme Court. But these decisions of the Supreme Court, on similar issues, had not been pointed out to the arbitrator.

In February 1971, when the question of *ex-gratia* increase of contracted rate was still under consideration of Government the contractor had confirmed that the minimum which could be acceptable to him would be Rs. 12.33 per 100 cft. for 1967-68 and 1968-69. Again, in March 1971, when the claim prior to October 1969 was rejected by Government, the contractor had requested for payment at Rs. 12.50 per 100 cft., for work done in 1967-68 and 1968-69, *i.e.* the rate at which the work in RD 68—97 had been allotted to contractor 'B' in December 1967. At these stages, contractor 'A' had not claimed compensation for work done by him prior to October 1967. These, however, were not pointed out by the project before the arbitrator. Besides, in April 1969 work in excavation of the canal, in RD 97—103 had been awarded to contractor 'A' at the negotiated rate of Rs. 12.43 for 100 cft. This point was also not placed before the arbitrator.

In fact, the project had contented itself with general denial of the claim before the arbitrator, without going into the quantum which might be payable, in the event of upholding of the claim of the contractor by the arbitrator.

Under the award increased rates (per 100 cft.) of Rs. 13.10 for 1967 (full year), Rs. 16.05 for 1968 and Rs. 15.55 for the period January 1969 to September 1969, were allowed against the contracted rate of Rs. 11.30.

Law Ministry was of the view, that there was remote possibility of the court interfering and setting aside the award but advised the project to take the risk and file a petition for setting aside the award instead of accepting it without contest.

An objection petition was accordingly filed in the Court of Subordinate Judge, Murshidabad. But in June 1973, in consultation with the Ministries of Law and Finance, it was decided not to pursue the case and the Ministry of Irrigation and Power directed the Project to persuade the court to proceed to pronounce judgement according to the award, followed by a decree, as early as possible to avoid payment of further interest to the contractor. The suit was decreed in terms of the award, in June 1973 and payment of Rs. 100.31 lakhs including interest of Rs. 2.36 lakhs from 30th December 1972 to 23rd June 1973, was made to the contractor in July 1973.

For execution of the works of the project there is a General Manager on the project site with powers more or less of a Chief Engineer of the C.P.W.D. Over him there is a Control Board in Delhi, set up in April 1961, to ensure efficient, economical and early execution of the Project. The Board, however, has not been meeting frequently. For instance, it met in June 1969, May 1970, April 1971, December 1972 and has not met thereafter (August 1974). Government stated (September 1974) that "according to the Rules of the Business of the Control Board, it transacts its business, either through holding regular meetings or through processing of the cases under the Emergency procedure. In the latter case, the concurrence of Finance is also taken and thereafter the decisions taken are ratified by the Board" and that "infrequent meetings of the Board have not, in any way, affected the execution of the works on the project".

The two barrages at Farakka and Jangipur and the feeder canal are indivisible parts of the project, from which the expected benefits cannot be derived, unless all the three inter-related components are completed. In the scheme of this project, the canal providing the vital link between the Ganga and the Bhagirathi through the Farakka and the Jangipur barrages, holds the key. Although the most difficult and complicated parts of the project, *viz.*, the two barrages, were completed by June 1971, (except the erection of gates and hoisting arrangements of the barrage at Jangipur which was also completed by the end of Monsoon of 1973) the link canal is not yet ready. Upto November 1973 out of 157.83 crores cft. of earthwork allotted to the contractors (in September 1974 the total quantity was intimated by Government as 154.47 crores cft. on re-assessment) 149.47 crores cft. had been executed. By June 1974, 152.52 crores cft. of earthwork were completed. Counting from 1962, it has taken about twelve years to excavate the canal. Owing to the delay in completion of the canal the capital investment of Rs. 127 crores on the project, upto October 1974 remains mostly unproductive, and Calcutta port, not yet deriving the benefits from the project, continues to spend Rs. 8-9 crores every year, on dredging operations. The only benefit so far provided by the project is the improvement of communication facilities in the region by the contruction of the rail-*cum*-road bridge over Farakka Barrage.

MINISTRY OF COMMERCE

29. *Export of leather.*—While international trade in leather has traditionally been dominated by certain countries, a number of others have also been exporting sizable quantities of leather, particularly in semi-finished form—*viz.*, Argentina, Brazil, China, India, Nigeria, Pakistan, Uruguay, etc.

An important consideration which governs the leather export policy of many countries is the relative unit-value which can be realised on the export of leather in its various forms, *viz.*, raw, semi-finished, finished or as manufactured goods. Every additional process undertaken within the exporting country adds to the value of export product, and is therefore expected to yield higher earnings of foreign exchange. According to a joint study made by the Gokhale Institute of Politics and Economics, Poona, and the Central Leather Research Institute, Madras, in 1969, tanning is expected to add 51.78 *per cent* to the value of raw hides and skins, while tanning and finishing would add 62.43 *per cent,* in Indian conditions. Thus, finishing of tanned leather would add about 7 *per cent* to its value. The above study, however, pointed out that this might be an under-estimate, and supposed that in the case of cattle and buffalo hides as well as calf skins the value added by finishing tanned leather might be taken as 10 *per cent,* while in the case of goat and sheep skins it could be as high as 50 *per cent* in some cases, and about 25 *per cent* on an average.

India has the largest livestock holding in the world, with a total of about 348 million heads of cattle, buffalos, goats and sheep. Its share in world leather exports was estimated in 1972 to be nearly 20 *per cent.* The proportion of India's leather (semi-finished, finished, manufactures etc.) exports to its total exports in the last few years has been as follows:—

	India's leather exports (Crores of rupees)	India's total exports (Crores of rupees)	Proportion of leather exports to total exports (per cent)
1967-68	61.12	1198.70	5.10
1968-69	80.16	1357.90	5.90
1969-70	89.44	1413.30	6.33
1970-71	82.20	1535.20	5.35
1971-72	100.89	1608.20	6.21
1972-73	187.15	1960.90	9.54
1973-74	186.18	2483.22	7.50

The export of hides and skins in raw form has been progressively reduced by Government orders in the last two decades. The exports of hides and skins during the five years ending 1972-73 were as follows:—

	(Crores of rupees)
**1968-69	5.30
*1969-70	8.40
*1970-71	3.80
*1971-72	0.70
*1972-73	0.90

**Economic Survey 1971-72.

*Economic Survey 1973-74.

The Committee on development of leather and leather manufactures for exports (set up in July 1972) recommended (December 1972) that export of hides and skins should be banned. Export of hides and skins was banned (except for lamb fur skins) from January 1973.

There are two main varieties of semi-finished Indian leather: (i) E.I.T. (East India Tanned) and (ii) chrome-tanned wet blue. The E.I.T. process, which is a system of vegetable tanning, was introduced in Madras (now Tamil Nadu) in the British days more than two centuries ago, and has been developed with considerable local skill. There are a few E.I. tanneries in Maharashtra also. The chrome-tanning process, which is a system of tanning with chemicals, is of comparatively recent origin in India. The important wet blue centres are in Kanpur, Calcutta and Madras. Indian semi-finished leathers are in great demand in world leather markets, in view of their toughness, tensile strength and preservation properties, and also the excellence of the E.I.T. process which is unique to this country.

Tamil Nadu accounts for more than 70 *per cent* of the total leather exports from India. The leather industry is highly decentralized. It was estimated in 1973 that about 75 *per cent* of E.I.T. leather comes from cottage and small scale industries. According to an estimate published in March 1974 in the magazine "Leathers" of the Leather Export Promotion Council, there are 433 tanneries in Tamil Nadu (67 in the large scale sector, 132 in the organised sector, and 234 in the unorganised sector), about 200 tanneries in Calcutta, and 25 in other States like Andhra Pradesh, Karnataka, Maharashtra, Punjab and Jammu and Kashmir. The estimate published in March 1974 mentioned above indicates that there are about 35 finished leather units in the organised sector (concentrated in Calcutta, Kanpur and Madras), and 200 units in the unorganised sector (mostly in Calcutta). About 8.5 lakh people are said to be employed in India in the leather industry, mostly in the house-hold sector.

Exports of various categories of leather during the five years ending 1973-74 were as follows: (Further details showing quantities, value and unit-value realisations from 1969-70 onwards are shown in Appendix VI).

(Crores of rupees)

Year	E.I.T. leather	Chrome tanned wet blue	Reptile skin	Finished leather	Leather foot-wear and components	Leather goods and leather manufactures	Furs	Total
1969-70	49.76	27.20	1.40	2.15	7.45	1.25	0.23	89.44
1970-71	44.74	24.50	0.76	1.58	9.25	1.36	0.01	82.20
1971-72	64.27	21.77	0.50	3.60	8.73	1.99	0.03	100.89
1972-73	101.10	52.04	0.67	16.64	10.27	3.60	2.83	187.15
1973-74	85.60	62.38	1.38	16.48	11.30	6.17	2.87	186.18

Till the mid-1950's the main outlet for Indian E.I.T. leather was the United Kingdom. But since then the destinations have been diversified, to include countries like Belgium, France, Italy, Japan, West Germany, etc.

Air-freight subsidy on exports of finished leather, etc.—Government's intention for over 15 years had been to switch-over from export of semi-finished leather (E.I.T. leather and chrome-tanned wet blue leather) to export of finished leather and leather goods including foot-wear. For encouraging more exports of finished leather and leather goods including foot-wear the then Foreign Trade Ministry initiated a proposal in May 1970 for payment of air-freight subsidy to exporters of finished leather, leather goods and leather foot-wear. The Finance Ministry rejected the proposal stating *inter alia* that sanction of air-freight subsidy for export of non-perishable products might have wide repercussions, and that an adequate margin might already be available to the exporters. In November 1970 the Foreign Trade Ministry revived the proposal, based on certain data submitted by the Export Promotion Council for Finished Leather & Leather Manufactures, Kanpur. The justification given for the proposed subsidy was that finished leather, leather goods and leather foot-wear were mainly exported to fashionable markets in the West where trends changed quickly, and that other competing countries had the advantage of close proximity to importing countries and could therefore effect quicker deliveries. The Finance Ministry, although not fully satisfied with the data, agreed in January 1971 to payment of the subsidy from February 1971 to March 1972 at 50 *per cent* of the air freight paid, with a limit of 15 *per cent* of f.o.b. realisations in the case of finished leather and leather goods, and 10 *per cent* of f.o.b. realisation in the case of leather foot-wear and components. This was subject to a review after a year. Attempts made by the Foreign Trade Ministry during that period to collect details of exports effected by air failed, but in April 1972 subsidy at the same rates was extended with the concurrence of the Finance Ministry up to March 1973. On this occasion a new condition was introduced that exports should be effected through Indian flag carriers in order to qualify for subsidy. In January 1973, the Foreign Trade Ministry made a proposal to sanction the subsidy scheme on a perpetual basis. The Finance Ministry rejected the proposal on the ground that relevant data had not been verified, but agreed to continue the subsidy at the existing rates till March 1974. In February 1974 the Foreign Trade Ministry revived the proposal to continue the subsidy without any time limit, suggesting that a review might be made after 3 years. But in March 1974 this idea was dropped, and it was suggested that the scheme might be continued upto March 1975. The Finance Ministry called for the latest cost data but was informed that it would take considerable time to get them. The Finance Ministry observed *inter alia* as follows:—

(i) Reliable data regarding exports effected by air were not available.

(ii) Cost data were not furnished in the required form, and information collected from the Export Promotion Council in February 1973 was the same as that submitted in 1970.

(iii) Details of cost of production were not furnished, so as to see whether the exporters were incurring any loss.

However, the subsidy was continued at existing rates on *ad hoc* basis for another six months upto 30th September 1974, and the Finance Ministry suggested that data should be collected before that date.

Some more data were obtained through the State Trading Corporation and the Export Promotion Council by August 1974, but these were not certified by any Chartered Accountant and did not also indicate the cost of production or the losses actually sustained by exporters. The Finance Ministry observed in September 1974 that the basic facts for a decision were not available, and suggested continuation of the subsidy at certain reduced rates upto March 1975, by which date a proper detailed study could be made. It was clarified by the Commerce Ministry in September 1974 that it would be difficult to collect authentic data as required by the Finance Ministry. Thereafter, in November 1974 orders were issued extending the air freight subsidy upto March 1975 at the reduced rate of 40 *per cent* of air freight paid (with a limit of 10 *per cent* of f.o.b. realisations in the case of finished leather and leather goods and 7 *per cent* of f.o.b. realisation in the case of leather foot-wear and components).

The Ministry stated (January 1975) that "most of our finished leather, leather goods and foot-wear are being exported by air". The Ministry also stated (January 1975) that "export of finished leather, leather goods and foot-wear depend upon the fast changing fashion in the foreign markets" and "our export efforts will totally fail if we are not able to supply goods in time and this is possible only by effecting our exports by air".

Out of Rs. 2.37 crores estimated by Government as payable as air-freight subsidy on finished leather, leather foot-wear and leather goods air-lifted during 1971-72, 1972-73 and 1973-74, Rs. 1.08 crores were paid by March 1974.

Almost 50 *per cent* of the exporters of finished leather, who account for the bulk of finished leather exports, are stated to be exporters of semi-finished leather also (both E.I.T. and chrome-tanned wet blue). In 1972-73, out of 146 registered exporters of finished leather, 70 exporters (who accounted for not less than 62 *per cent* of the total finished leather exports during that year) were also exporters of semi-finished leather. These exporters got the benefit of increase in unit value on their exports of semi-finished E.I.T. leather and chrome tanned leather as shown below :—

Year	Unit value (per kilogram) of exports	
	E.I.T. leather	Chrome tanned wet blue
	Rs.	Rs.
1970-71	22.83	17.76
1971-72	25.03	15.14
1972-73	33.38	18.11
1973-74	47.08	32.58

While the wholesale price index for leather in India increased by 74 *per cent* between 1970 and 1973 (*viz.*, from 133 to 232), the export prices of E.I.T. leather appreciated by 106 *per cent* (from Rs. 22.83 to

Rs. 47.08 per kg.) between 1970-71 and 1973-74, and those of chrome-tanned wet blue appreciated by 83 *per cent* (from Rs. 17.76 to Rs. 32.58) over the same period. Apparently, these exporters earned profit on their exports of semi-finished leather, *i.e.*, E.I.T. leather and chome tanned wet blue. While sanctioning subsidy to finished-leather exporters Government does not seem to have taken this fact into account. The Ministry stated (January 1975) that "a large number of exporters of finished leather were not producers of semi-finished leather and they had to buy semi-finished leather at prevailing high prices. The withdrawal of subsidy only for common exporters of semi-finished and finished leather would have been difficult to administer and would be a discrimination affecting precisely the persons who were reluctant to switch over from semi-finished leather exports".

In 1970-71 export of finished leather, leather goods and leather foot-wear (Rs. 12.20 crores) was about 15 *per cent* of the total leather exports (Rs. 82.20 crores). After the air freight subsidy was sanctioned from February 1971 exports of finished leather, leather goods and leather foot-wear increased, but were only 14 *per cent*, 18 *per cent and* 20 *per cent* of the total leather exports in 1971-72 (Rs. 100.89 crores), 1972-73 (Rs. 187.15 crores) and 1973-74 (Rs. 186.18 crores) respectively, while the corresponding percentages for exports of semi-finished leather (E.I.T. leather, chrome tanned wet blue leather and reptile skin) were 86 *per cent*, 82 *per cent* and 80 *per cent*. Thus, there has not been much significant success in switching over from semi-finished leather to finished leather, leather goods and leather foot-wear, although most of the advanced countries seem to prefer importing leather in more finished form and the General System of Preference introduced by the various advanced countries in 1971 removed the tariff barriers which had earlier been handicaps for export of Indian finished leather and leather products. This was mainly due to non-availability of facilities for production of finished leather with the tanning industry, a large portion of which is in the small scale and the cottage sectors. The Committee on the Development of Leather and Leather Manufactures for Exports recommended (December 1972) setting up of more finishing centres where there were concentrations of small-scale tanners.

The Ministry stated (January 1975) that "Government has taken many steps to promote establishment of capacity for production of finished leather and leather products. The licensing policy has been changed on the lines of the recommendations of the Seetharamiah Committee Report and new units from the semi-finished stage onwards of leather tanning are being freely licensed. The list of machineries and chemicals has been drawn up which are required for the finished process and import of these is freely allowed". The Ministry also stated that "for co-ordinating and to provide leadership in this process of switch-over it is likely that a corporation under the Central Government may also be established soon".

Restrictions on export of semi-finished leather.

Government's policy of promoting export of leather in more finished forms acquired great urgency in 1972, in view of the unprecedented exports of semi-processed leather, which resulted in a severe shortage of raw materials for the finished leather, leather goods and foot-wear industries in India and led to various representations from manufacturers of those commodities. In July 1972, Government appointed a Committee on the Development of Leather and Leather Manufactures for Exports headed by Dr. A. Seetharamiah, who was then Director-General, Technical Development, to examine the whole question of leather exports. In November 1972 Government decided to canalise all foot-wear exports through the State Trading Corporation of India (earlier canalisation through that Corporation was restricted to exports to certain countries only). In December 1972 Government decided to canalise exports of all semi-finished leather also through that Corporation.

The Committee on Development of Leather and Leather Manufactures for Exports recommended a quota system to be regulated in such a way that in about 8 to 10 years' time the exports of semi-finished leather would be reduced to 25 *per cent* of their 1971-72 level. Government informed Parliament in March 1973 that it intended to reduce the export of semi-finished leather to 25 *per cent* of the 1971-72 level within five years. In the same month it was announced by the licensing authorities that quantitative restrictions would be imposed on semi-finished leather exports from 1st April 1973, and that all exports made from that date would be adjusted against the annual quotas to be fixed for individual exporters. It was announced in June 1973 that the quotas for 1973-74 would be fixed after making cuts of 20 *per cent* and 10 *per cent* in the case of semi-finished hides and skins respectively from the total exports of such leather in the calendar year 1972, which was to be the base year.

The Chief Controller of Imports and Exports, New Delhi, issued instructions to all licensing officers on 1st August 1973 prescribing the manner in which individual quotas were to be fixed, and reiterating that all exports made from April 1973 would be adjusted against the quotas. On 10th August 1973, however, he announced certain changes in Government's decision, to the following extent :—

(i) the quota scheme would be operated only from 1st August 1973;

(ii) for the remaining eight months of 1973-74, only 50 *per cent* of the annual quota would be allowed;

(iii) exports made from April 1973 to July 1973 would not be set off against the next eight months' limits.

The above decision was further modified in January 1974, when it was announced that 66.67 *per cent* of the annual quotas would be allowed to be exported during August 1973 to March 1974.

Government announced in March 1974 that in view of representation received from industry and trade that it would take some time to develop adequate industrial infra-structure to manufacture finished leather, it had been decided to continue the annual export quotas for 1974-75 at the same level as for the preceding year. It was also clarified that the quotas would be substantially reduced in the following years, *viz.* 1975-76 onwards.

Meanwhile, there had been a considerable shortfall in the export of semi-finished leather below the level fixed for the period from August 1973 to March 1974, and the period of validity of the 1973-74 quotas was extended upto June 1974 mainly in view of the fact that the decision to enhance the permissible limit for the last eight months of 1973-74 to 66.67 *per cent* had been announced very late, and some exporters could not avail of the additional allotment because they had not planned for it in advance.

Partly as a result of the various measures taken in 1973-74 in introducing the quota system for exports of semi-finished leather, quantities of E.I.T. leather and chrome tanned leather wet blue exported in that year were less by 121.05 lakh kilograms (40 *per cent*) and 95.91 lakh kilograms (33 *per cent*) than exports in 1972-73. In terms of hides and skins quantities of exports (in weight) of both the above varieties of semi-finished leather in 1973-74 were less by about 55 *per cent* and 24 *per cent* respectively than 1972-73, as against reduction of 20 *per cent* and 10 *per cent* from exports during the calendar year 1972 envisaged. (In terms of number of pieces of hides and skins exports in 1973-74 were less by about 67 *per cent* and 27 *per cent* respectively than 1972-73). The value of these reductions at 1973-74 average export prices was Rs. 71.93 crores. As against this, the increase in export realisation for finished leather, leather goods, leather foot-wear and other finished products in 1973-74, over the preceding year was only Rs. 3.48 crores. The Ministry stated (January 1975) that "reduction in exports of semi-finished leathers were primarily due to lower demand. In future years also while the export of finished leather and leather products will show a gradual increase it would not be appropriate to expect that every fall in the exports of semi-finished leather would have corresponding increase in export of finished leather etc."

Reduction in exports of semi-finished leather in 1973-74 without corresponding increase in exports of finished leather, leather goods and leather foot-wear due to non-availability of adequate infra-structure for production of finished leather, leather goods and leather foot-wear resulted in closure of many small-tanneries, creating large-scale unemployment among tannery workers. In a memorandum submitted in January 1974, Government of Tamil Nadu stated that 248 tanneries in that State had been closed down, and 102 were working far below capacity. In the light of these developments, the Commerce Ministry wrote to the State Trading Corporation in April 1974 directing that a scheme should be prepared under which the Corporation could purchase semi-finished leather not only from non-exporting tanners but also from other manufacturers whose capacity for producing semi-finished leathers exceeded their quota entitlements. It was suggested that the Corporation could export these leathers on its own. The scheme is yet to be finalised (October 1974).

30. *Controlled cloth.*—Under section 3 of the Essential Supplies (Temporary Powers) Act, 1946, the Cotton Textile (Control) Order 1948 was issued in August 1948 for regulatiing production, prices, packing etc., of cotton cloth. Clause 22 of that Order empowers the Textile Commissioner to specify the maximum ex-factory prices at which any

class of cloth may be sold and, under Clause 21A of that Order, he may direct a producer to pack such minimum quantity of such cloth during such period as he may specify. Under sub-clause (1) of clause 21C of that Order, cash assistance may be given to cotton mills for production in excess of the minimum quantity prescribed and mills which produce less than the minimum quantity prescribed may make payment for the deficiency in production at the rates specified by Government. Any mill contravening the Cotton Textiles (Control) Order 1948 was liable to prosecution under section 7 of the Act of 1946, which expired in January 1955. The Cotton Textiles (Control) Order 1948 continued to be in force till March 1955 and continues to be in force thereafter under section 16 of the Essential Commodities Act 1955. Section 7 of the Act of 1955 provides for prosecution of the mills contravening the Cotton Textiles (Control) Order 1948.

Controls imposed on production of cloth under the Cotton Textiles (Control) Order 1948 were withdrawn in July 1953. Controls were re-imposed in October 1964. During October 1964 to April 1968 there was no provision for either payment of cash assistance for production in excess of the minimum quantity prescribed or recovery of compensation for deficiency in production. During May 1968 to May 1971 provision was made for payment of cash assistance and recovery of compensation. Under a voluntary scheme operated by Indian Cotton Mills' Federation during June 1971 to March 1974 the Federation gave cash assistance and recovered compensation. From April 1974 when Government again assumed control over production of controlled cloth, no provision was made for payment of cash assistance although recovery of compensation was prescribed.

The Estimates Committee 1973-74 (Fifth Lok Sabha) in its 61st Report has commented on the shortfall in production of some popular varieties of cotton cloth (dhoties, sarees, long cloth, shirtings, drills etc.) after controls were re-imposed in October 1964 on production and prices of such varieties of cloth to make these available for mass consumption at reasonable fixed prices. When controls were re-imposed in October 1964, production of these varieties was fixed at 45 *per cent* to 50 *per cent* of the total production (reduced to 40 *per cent* in October 1966). Forty-four mills which failed to produce the minimum quantity of controlled cloth during October 1964 to April 1968 were liable to prosecution. The Textile Commissioner directed them to clear the backlog or, as an alternative, to pay to Government at the rate of 6 paise per square metre. The total amount recoverable for the shortfall in production of controlled cloth on this basis was Rs. 15.22 lakhs, out of which Rs. 5.34 lakhs were recovered from 24 mills. Neither has the balance of Rs. 9.88 lakhs been recovered nor have the defaulting mills been prosecuted (December 1974). Of the defaulting mills, management of 9 mills from which Rs. 4.45 lakhs are recoverable has been taken over by Government. Payment of rupees 1.92 lakhs due to the defaulting mills as cash assistance for production of controlled cloth during May 1968 onwards has been withheld by the Textile Commissioner.

From May 1968, the obligation of the mills for production of controlled cloth was reduced to 25 *per cent* of the total production and the mills were to pay compensation at the rate of 6 paise for each square metre of controlled cloth not produced. (Control on fine and superfine cloth was withdrawn from May 1968). Cash assistance was payable to those mills, which would produce controlled cloth in excess of their quota obligation, at half paisa to 6 paise for each square metre of controlled cloth produced in excess. As on 30th November 1974, Rs. 166.51 lakhs were payable as incentives for the controlled cloth produced during May 1968 to May 1971, of which Rs. 163.59 lakhs had already been paid. Out of Rs. 544.18 lakhs recoverable as compensation from 189 mills for less production of controlled cloth during May 1968 to May 1971, Rs. 520.12 lakhs were recovered up to 15th December 1974. Of the balance Rs. 24.06 lakhs recoverable from 24 mills, Rs. 21.90 lakhs are recoverable from 18 sick mills management of which has been taken over by Government. Actual production of controlled cloth during May 1968 to May 1971 was 1572 million linear metres against obligation of the mills to produce 3248 million linear metres. Production of controlled cloth fell from about 220 million linear metres (21 *per cent* of total production) during the quarter February 1969 to April 1969 to about 12 million linear metres (1.23 *per cent* of total production) during the quarter February 1971 to April 1971.

A new voluntary scheme operated by the Indian Cotton Mills' Federation was introduced from June 1971, under which the industry agreed to produce 100 million square metres of controlled cloth per quarter (about 12 *per cent* of total production). The scheme was introduced initially for 3 months, pending refixation of prices of controlled cloth on the basis of results of study by the Bureau of Industrial Costs and Prices. From out of the premium on sale of imported cotton and contributions from Government and mills, loss on production of controlled cloth was to be subsidised by the Indian Cotton Mills' Federation at the rate of 50 paise per square metre (reduced to 35 paise from December 1971, 30 paise from March 1972 and 20 paise from June 1972). The compensation recoverable by Indian Cotton Mills' Federation for non-fulfilment of obligation was 25 paise per square metre up to December 1972. The compensation was raised to Re. 1 thereafter as it was noticed that many of the mills were not discharging fully their controlled cloth obligation and were taking recourse to paying compensation rather than producing the requisite quantity of controlled cloth.

In September 1972 the Bureau of Industrial Costs and Prices submitted its interim report based on cost study of certain selected units. Accounting years of those units ended March 1970 and June 1971; in the majority of cases the accounting year ended in December 1970. In this report the Bureau concluded that assuming production of controlled cloth as 20 *per cent* of total production, the industry as a whole would have well over 15 *per cent* rteurn on the capital and there was no justification for continuing assistance. Between January 1972 and March 1973 Government sanctioned Rs. 1.89 crores to the Indian Cotton Mills' Federation as its contribution for payment of subsidy to the mills producing controlled cloth during June 1971 to May 1972. No cash assistance was paid on production of controlled cloth from June 1972. Production of controlled cloth during June 1971 to March 1974 was 1000.48 million square against 1133 million square metres required to be produced under the voluntary scheme, although the quota for production of controlled cloth was reduced to less than half of that prevailing during May 1968 to May 1971 and cash assistance was more liberal.

Consequent on increase in prices (about 30 *per cent*) of controlled cloth allowed from April 1974, Government again assumed control over production of controlled cloth and imposed an obligation on mills for annual production of about 800 million square metres of controlled cloth (24 *per cent* of total production), prescribing compensation of Rs. 2.50 per square metre for default. During the half year April 1974 to September 1974 actual production of controlled cloth was stated to be 388 million square metres against 400 million square metres required to be produced. The total penalty leviable for 12 million square metres produced less was Rs. 3 crores. Government stated (December 1974) that "for any shortfall, penalty should be collected by the Indian Cotton Mills' Federation who should utilise the amount so collected for getting the shortfall made up through production from other mills".

It may be mentioned that the Estimates Committee 1973-74 observed in its 61st Report mentioned above that with annual production of 800 million square metres of controlled cloth, the annual *per capita* availability of controlled cloth is only about 1.46 square metres and that the requirement of controlled cloth should be assessed on the basis of a minimum *per capita* annual requirement of 12 square metres.

A statement showing the obligation of mills to produce controlled cloth, how much was actually produced, the rates of incentive and compensation, the amounts paid as incentive, the amounts due as compensation and actually recovered etc., from time to time from October 1964 onwards is enclosed as Appendix VII.

31. *Import of textile machinery.*—The textile machinery industry, unlike the century old textile industry, was started in the country in 1952. It has since then substantially increased its installed capacity gradually, and in 1973 had reached an annual production capacity of both machinery and spares worth Rs. 117 crores. Nevertheless, in recent years imports were as follows :—

	Machinery	Spares	Total
		(Crores of rupees)	
1969-70	3.64	6.13	9.77
1970-71	3.35	5.55	8.90
1971-72	2.19	10.48	12.67
1972-73	3.99	12.42	16.41
1973-74 (Up to October 1973)	3.46	5.80	9.26

Prior to December 1969 there was no uniformity in obtaining export obligations against industrial licences, import licences and foreign collaboration agreements and for enforcing the obligations. The mode of expressing the terms of the export obligation varied from one licensing authority to another and also from commodity to commodity, *e.g.*, while in some cases export obligation was expressed as a percentage of the production from the imported machinery, in others the obligation was in terms of the value of the imported machinery. The period of export obligation also differed, normally between 3 to 5 years. In December 1969 the form of undertaking for export obligation was standardised and the Chief Controller of Imports and Exports was made responsible for watching fulfilment of export obligations.

According to information furnished by Government (January 1975), 220 importers granted licences between 1957 and 1969 for import of textile machinery and spares were under obligation to export a portion of their production or to pay a fine in default. Of these 220 importers of textile machinery, till December 1974 nineteen had not discharged their export obligations or had not produced evidence for the exports which they claimed to have made. Out of these 19 importers, evidence for exports was awaited from three partly or fully, four did not discharge their export obligations on the ground that full production with imported machinery had not started and another claimed that imported machinery was not capable of producing export quality cloth. Recovery of penalty of about Rs. 80 lakhs was outstanding against the remaining 11 importers. A test check disclosed as follows :—

(i) There was delay in preferring claims in the following two cases :—

(a) Mill 'A', under obligation to export 128.29 lakh yards of cloth during 1961-62 to 1965-66, had exported 22.92 lakh yards only. A notice for recovery of Rs. 10.53 lakhs as penalty was issued in May 1969. The amount has not yet been recovered (January 1975).

(b) Mill 'B' was to export 32.77 lakh yards of cloth during January 1963 to December 1966. The mill did not export. The notice for recovery of penalty of Rs. 3.27 lakhs was issued in August 1970. The case is *sub judice* (January 1975).

The Textile Commissioner stated (August 1974) that his policy had "all along been to see that exports under the bonds were made and foreign exchange was earned even if necessary by granting extensions instead of getting the bonds fulfilled by claiming penalty in rupees. According to this policy extensions were given for fulfilment of the bonds. Only in such cases where there was no possibility of any export taking place that action to recover the penalty was initiated".

(ii) Export guarantee bond was not obtained from mill 'C'. Against 32 lakh yards to be exported by it between March 1960 and March 1965, it exported only 24.41 lakh yards. The mill is under the control of National Textile Corporation since 16th March 1972.

(iii) Mill 'D' imported machinery for production of cotton velvet and commissioned the machinery in October 1967. It had obligation to export 60 *per cent* of its production of cotton velvet up to October 1968. The mill, however, produced terry wool and terry viscose fabrics instead of cotton velvet and did not discharge its export obligation. No penalty has yet been recovered (January 1975).

(iv) In March 1960, mill 'E' was granted licence for importing 5,000 looms. The mill was to export cloth of mixes waste yarn worth Rs. 10 lakhs per annum for three years after production had been established. It imported 2,500 looms by March 1965. The remaining 2,500 looms have not yet been imported (November 1974). The mill did not export any cloth on the ground that its export obligation would arise only after the remaining 2,500 looms were imported. As the export guarantee bond did not provide for penalty on a *pro-rata* basis, no penalty has been recovered (January 1975).

Government stated (January 1975) that "although certain number of spindles were sanctioned in this case, the party could not instal the machinery. Hence the Law Ministry has opined that the export obligation is not strictly speaking enforceable".

According to information furnished by Government (January 1975), there was no uniform practice in allowing import replenishment against exports effected up to March 1969. In some cases, where import of capital goods was allowed and export obligation was imposed, the import licences contained a condition that import of raw materials would not be permitted by way of replenishment against exports in discharge of export obligation. In some other cases there was no such stipulation in the licences for import of capital goods. In a third category of cases, the import licences specifically stated that normal replenishment benefits would be available on exports in discharge of export obligation. In June 1964 the Port licensing authorities were instructed to ensure that no import replenishment was allowed against exports effected in discharge of export obligations by those whose licences for capital goods stipulated that no import replenishment would be allowed against such exports. It was, however, noticed by Government that import replenishment had been allowed even in some cases where the import licences for capital goods specifically stipulated that no import replenishment would be allowed for exports against export obligation. Government thereafter decided in December 1969 that benefits allowed to exporters (import replenishment, cash assistance etc.) who had no export obligation should also be allowed for exports effected in discharge of export obligation. The question of giving this benefit retrospective effect was not considered then. In February 1970, instructions were issued by the then Ministry of Foreign Trade for allowing import replenishment and cash assistance with retrospective effect from 6th June 1966 on exports against export obligations. But subsequently, by a notification issued in May 1970, these benefits were given retrospective effect from April 1969. As regards exports in April 1969 or after against export obligations up to March 1969 the notification stated as follows :—

> "No benefits will be available on exports made in discharge of export obligation before 1st April 1969. Thereafter, if any licences have been issued against such exports, their value would need to be adjusted against the import licences due to the party".

Import replenishment licences for Rs. 5.42 crores were issued up to April 1970 to exporters of cotton textiles for their exports against export obligations up to March 1969. As to adjustment of these import replenishments against future import licences, Government stated (June 1974) that "the question arises whether such a stipulation was specifically made in the legal undertakings executed by the concerned mills in regard to export obligations accepted by them. If the respective undertaking did not, for some reason, contain a statement that replenishment benefits would not be allowed on the exports in discharge of the obligations, it would not be fair to deny the units the benefits of import replenishment which may have been taken into account by them while determining their export prices" and that "a case to case decision would have to be taken...............".

Between April 1968 and May 1970 Government also paid about Rs. 57 lakhs to the Indian Cotton Mills' Federation for payment of cash assistance on these exports against export obligations up to March 1969.

Government stated (January 1975) that some representations had been received from the textile exporters who were served with notices of recovery/adjustment of export benefits in pursuance of the instructions issued in May 1970. Government further stated that "various issues of law and equity have been raised in these representations, which call for detailed and careful examination in consultation with the Ministry of Law", and that "this exercise is being carried out".

32. *Use of the trade mark 'Sanforized'*.—Compressive shrinking of fabric material was discovered by two firms in a foreign country. The process developed by one of the firms is called 'Sanforizing', while the other is known as Rigmel process. Sanforizing machines were installed in 59 mills in India from 1948 onwards. Under the agreements between the mills and the foreign firm, royalty payable for use of the trade mark 'Sanforized' is $ 0.125 per linear yard of fabric of width up to 45 inches and ten *per cent* over that per linear yard of cloth of width above 45 inches. Minimum royalty payable by each user of the trade mark is $ 3,500 per annum. The agreements also provide that the foreign firm will obtain such permission or authorisation as may be required, in accordance with Government regulations, for implementing the agreements.

The mills which imported sanforizing machines were under obligation, under capital goods licences given to them, to export their products of value equivalent to three times the c.i.f. value of the imported machinery, over a period of 3 years, and all these mills discharged their obligations by 1963.

Up to 24th November 1962, these mills had been using the trade mark under the Trade Marks Act 1940. Apart from the export obligation against capital goods licence for import of sanforizing machinery, there was no other export obligation on these mills till that date. The mills were, however, allowed (November 1962) to use the trade mark for three years more from 25th November 1962 to 24th November 1965 under the Trade and Merchandise Act 1958 on condition that they should export 5 *per cent* of their production of sanforized cloth during July 1963 to December 1965. In March 1966 continuance of use of the trade mark was allowed for a further period of seven years from 25th November 1965, subject *inter alia* to the following conditions:

(i) remittance of foreign exchange towards payment of royalties would be limited to 50 *per cent* of the total royalty earned by the foreign firm or 7½ *per cent* of the foreign exchange realised by export of sanforized cloth, whichever was less,

(ii) the foreign firm would not submit any application for further extension and that there would be no payment of royalty or service charges whatsoever after 25th November 1972 for permitting use of this trade mark by the Indian licensees.

Government informed the Reserve Bank of India in December 1967 that it was not necessary to impose a condition that remittance of royalty would be allowed by the Bank on production of certificate by each user of the trade mark from the Textile Commissioner about fulfilment of export obligation as that would cause delay. Government also stated that the Textile Commissioner was keeping a general watch on "the total exports by the licensee mills taken together duly certified by the auditors to ensure general compliance with the condition and not necessarily specific compliance by each member mill which may be difficult, but the Textile Commissioner has the means to verify it".

The registered users of the trade mark were required to export at least 10 *per cent* of their production of sanforized cloth during January 1966 to December 1972, and in default to pay a penalty at the rate of 10 paise per linear yard.

One of the conditions of registration as user of the trade mark was that the user would have to export such percentage of fabrics labelled 'Sanforized' as might be prescribed by Government from time to time and that registration was liable to be withdrawn if the user failed to export to the prescribed extent. No bond or bank guarantee was, however, obtained from the users of the trade mark for their export performance. In the event of a shortfall in export during any year, the registered exporters were, however, required to furnish a bond (supported by a bank guarantee), by 30th June of the following year, for payment of penalty due for that particular year. Even when the procedure for obtaining guarantee bonds and enforcement thereof was streamlined in December 1969, the procedure of obtaining the bond in advance was not applied in the cases of the registered users of the trade mark 'Sanforized'. Government stated (January 1975) that the condition of withdrawal of registration as registered users of the trade mark in the event of default in fulfilment of export obligations had been a sufficient deterrent.

Out of the 50 registered users of the trade mark, 43 mills either paid penalty or fulfilled their export obligations. Rupees 7.47 lakhs were still (December 1974) recoverable from the remaining seven mills as penalty for non-fulfilment of export obligations up to 24th November 1972. No bonds and bank guarantees had been obtained from these mills. Government stated (January 1975) that to "expedite recovery of the balance amount, the Central Excise authorities have been advised not to allow 'Sanforized' cloth to be delivered by the defaulting mills to outside authorities".

In May 1974, Government decided to allow continuance of the arrangement with the foreign firm with retrospective effect from April 1973 to

March 1978 on condition that the royalty would be reduced by 10 *per cent* of the previous rate and the remittance of foreign exchange would be limited to 50 *per cent* of the earnings by way of royalty or 3 *per cent* of the foreign exchange earned by way of exports of 'Sanforized' cloth, whichever was less. The registered users of the trade mark were required to export 20 *per cent* of the production of 'Sanforized' cloth. No bond/bank guarantee in respect of their export obligation stipulated for the extended period has so far (December 1974) been obtained. As the work relating to obtaining of bonds and bank guarantee and enforcement thereof had in the meantime been transferred to the Joint Chief Controller of Imports and Exports, Bombay, since 1970, it was proposed by the Textile Commissioner in May 1974 that penalties outstanding as on 31st March 1973 (for payment of which no bank guarantees/bonds subsist at present) should be included in export bonds and bank guarantees to be obtained by the former for export obligations for the extended period upto 31st March 1978. The Joint Chief Controller of Imports and Exports, Bombay, is yet to take action (January 1975). Government stated (January 1975) that it has now been decided that the user mills should execute bonds and bank guarantees with the Joint Chief Controller of Imports and Exports, Bombay, latest by 31st March 1975, failing which they may be denotified as registered users of the trade mark 'Sanforized'.

33. *Drawal of cash assistance from two sources.*—"Surgical dressing" is manufactured on licence issued under the Drugs and Cosmetics Act 1940. The rate of cash assistance payable by Government on export of "surgical dressing" was 15 *per cent* of the f.o.b. value between 11th November 1968 and 23rd December 1969; the rate was increased to 20 *per cent* from 24th December 1969.

Indian Cotton Mills' Federation (I.C.M.F.) has an export promotion fund from which cash assistance is paid for export of cotton textiles. Since 1968-69 Government has been contributing to this fund 5 *per cent* of the f.o.b. value of exports of cotton textiles (the rate was increased temporarily to 6 *per cent* during June 1972 to March 1973). "Surgical dressing" mentioned above was also included in the list of items eligible for cash assistance from the export promotion fund of I.C.M.F. from April 1968. The rate of cash assistance fixed by I.C.M.F. for export of cotton textiles from its export promotion fund was 6½ *per cent* during 1968-69 and 1969-70, 11½ *per cent* in 1970-71 and 20 *per cent* in 1971-72. Firm 'X' claimed and obtained cash assistance both from Government (about Rs. 7 lakhs) and also from I.C.M.F. (Rs. 6 lakhs) on its exports of "surgical dressing" worth about Rs. 40 lakhs during 1968-69 to 1971-72. When this came to his notice, the Textile Commissioner instructed I.C.M.F. in August 1971 to withhold further payment of cash assistance to firm 'X' on its export of "surgical dressing". In November 1971, while admitting that it had also obtained cash assistance from Government, firm 'X' represented against withholding of cash assistance from the export promotion fund of I.C.M.F., pointing out that there were no instructions preventing payment of cash assistance from both the sources. It was then observed (November 1971) by the Textile Commissioner that "the present arrangement, however, invidious they may be, cannot be changed without adequate notice as manufacturers may have long term export commitments on the basis of dual assistance". In January 1972, the Textile Commissioner directed I.C.M.F. to delete, from April 1972, "surgical dressing" from its list of items of cotton textiles eligible for cash assistance from its export promotion fund. He also informed I.C.M.F. that he had no objection to payment of cash assistance to firm 'X' on its exports up to March 1972. The Ministry, on the matter being reported to it, stated (January 1975) that "it was perhaps not appropriate for the exporter of surgical dressings to claim cash assistance from two sources. The matter is proposed to be investigated and if any *mala fides* are established in obtaining cash assistance from two sources by the exporters, necessary proceedings would be launched to effect recoveries in consultation with the Ministry of Law".

MINISTRY OF ENERGY

(*Department of Power*)

34. *Supply of electricity in Dadra and Nagar Haveli.*—The Dadra and Nagar Haveli Administration (Union Territory) entered into an agreement (September 1968) with the Gujarat Electricity Board for purchase of power for distribution in the Union Territory with effect from May 1965.

The Electricity Board while revising the rates for supply of power from 1st January 1970, offered a concessional rate to licensees, if they agreed to charge agricultural consumers at the Board's rate of sixteen paise per unit. The Administration decided to avail of this concessional rate from December 1972 and approached the Central Water and Power Commission for approval. It finally availed of the concession from 1st June 1973 thereby depriving itself of a saving of Rs. 0.47 lakh from January 1970 to May 1973.

Despite enhancement of rates by the Electricity Board for supply of power from 1st January 1970, the Administration continued to charge the consumers at the old rates fixed in September 1968. The Administration stated (June 1974) that the tariff rates have been revised from 1st January 1974 after issuing notices to the consumers. As against the expenditure of Rs. 11.26 lakhs incurred by the Administration towards supply of power (the cost of purchase of electricity from the Board, establishment charges and other miscellaneous expenditure) during 1970-71 to 1972-73, revenue realised by sale of power was Rs. 9.59 lakhs. Information about the gap between receipts and expenditure during April 1973 to December 1973 is awaited (December 1974).

MINISTRY OF HEALTH AND FAMILY PLANNING

(*Department of Health*)

35. *Central Government Health Scheme.*—Under the Medical Attendance Rules Government servants are entitled to reimbursement of cost of medicines and medical treatment including domiciliary. Class IV employees are not entitled to domiciliary treatment under these Rules. Even low paid employees have to meet initially the expenditure. Delay in settlement of their claims often causes hardship. In May 1954, Government initiated

a proposal to introduce the Central Government Health Scheme (formerly known as Contributory Health Service Scheme), as the system of reimbursement was considered unsatisfactory as well as expensive.

The Central Government Health Scheme introduced in Delhi in July 1954, and subsequently extended to Bombay (November 1963), Allahabad (March 1969), Meerut (July 1971), Kanpur (July 1972), Calcutta (August 1972) and Nagpur (October 1973), has so far covered about 2.76 lakh employees out of 15.46 lakh Central Government employees, other than those working in the Railways, Defence (other than civilians) and Atomic Energy Commission for whom separate arrangements exist. Out of 4.34 lakh Central Government employees in the cities/towns mentioned above, excluding Delhi, only 0.74 lakh have been brought under the Scheme so far (November 1974), as the Scheme has not yet been extended to cover all the areas in those places.

Following are the results of a review of the working of the Scheme in Delhi and Bombay.

In March 1973 there were 61 allopathic, two mobile (allopathic), 5 ayurvedic and 3 homoeopathic dispensaries in Delhi for 2.03 lakh families, covering 8.60 lakh beneficiaries. In Bombay, there were 15 allopathic dispensaries (including one mobile and one sub-dispensary) for 0.35 lakh families consisting of 1.22 lakh beneficiaries.

Total expenditure on the Scheme, average annual expenditure per beneficiary and contributions received during 1971-72 and 1972-73 were as follows :—

	Delhi		Bombay	
	1971-72	1972-73	1971-72	1972-73
	Rs.	Rs.	Rs.	Rs.
Total Expenditure (in lakhs)	266.08	298.34	33.08	44.46
Expenditure per family* (direct expenditure)	134.00	147.00	118.00	139.00
Contributions received (in lakhs)	146.92	156.26	1.76	1.88

Doctor-patient ratio.—A Committee to review the working of the Scheme appointed by Government submitted its Report in 1962. It had, *inter alia,* recommended that—

(i) a doctor should see not more than 12 patients in an hour and therefore the maximum number of beneficiaries that he would be able to see in a day would be 70—80; and

(ii) there should be one dispensary having, among others, five medical officers, for every 10,000 beneficiaries.

*(A family is taken to consist of 5 beneficiaries)

These recommendations were accepted by Government. In 1972-73, in the following 19 allopathic dispensaries in Delhi, each doctor, on the average, had to see daily more than 120 patients :—

Dev Nagar (152), R. K. Puram-II (144), R. K. Puram-I (142), Gandhi Nagar—Krishna Nagar—Geeta Colony (140), Jangpura(138), Naraina(138), Lodi Road-1(138), R. K. Puram-III (133), Andrews Ganj (133), Paharganj (132), Patel Nagar-II (131), Subzimandi (131), Kasturba Nagar (128), Srinivaspuri (125), Chandni Chowk (123), Nauroji Nagar (122), Hari Nagar (121), Netaji Nagar (121) and R. K. Puram-V (121).

There were 35 more allopathic dispensaries in which each doctor had to see, on an average, more than 80 patients per day in 1972-73.

Only in the following dispensaries each doctor had to see 70 patients or less per day :—

Telegraph Lane (60), Wellesley Road (67) and Minto Road (70).

The position regarding the number of medical officers sanctioned for the Scheme and their deployment was as under :—

	1970-71	1971-72	1972-73
(*i*) Number of medical officers sanctioned	400	416	416
(*ii*) Medical Officers posted at Head-quarters, Family Planning Units, First aid posts, emergency duties and hospitals	115	126	126
(*iii*) Number of Medical Officers earmarked for regular dispensary duty	285	290	290
(*iv*) Average number of Medcial Officers available for regular dispensary duty	241	257	260

The shortage of 30 doctors in the dispensaries in 1972-73 was largely due to unfilled vacancies and absence of doctors on leave, study leave etc.

No norms have been prescribed either for the number of beneficiaries attached to the homoeopathic and ayurvedic dispensaries or in respect of doctor-patient ratio in such dispensaries. The average number of patients per doctor every day in respect of homoeopathic dispensaries at Dev Nagar, Gole Market and R. K. Puram, was 107, 115 and 162 respectively in 1972-73. In the five ayurvedic dispensaries the maximum number (average) of patients per doctor in 1972-73 was in Kidwai Nagar (143), followed by R. K. Puram (98), Dev Nagar (96), Gole Market (87) and North Avenue (87).

In Bombay, the average number of patients seen by each doctor during the five years ending 1972-73 was 80 in one (Koliwada) dispensary, between 71 and 79 in 4 dispensaries (Santacruz, Ghatkopar, Wadala and Colaba), between 52 and 65 in 7 dispensaries (Byculla, Bandra, C.G.O., Opera House, Worli, Mahim and Chembur) and 27 in Peddar Road dispensary.

Domiciliary calls.—Medical officers are expected to attend to domiciliary calls from patients, where necessary. For this, medical officers are paid fixed monthly allowance (Rs. 220 for those having cars, Rs. 70 for those having scooter/motor-cycle and Rs. 50 for others) provided they attend to at least 20 such calls per month. Ratio between domiciliary visits to average daily attendance varied from dispensary to dispensary. A few instances are given below :—

	1971-72	1972-73
Tilak Nagar	1 : 292	1 : 259
Paharganj	1 : 251	1 : 311
Sabzimandi	1 : 267	1 : 244
Patel Nagar- I	1 : 188	1 : 291
Pul Bangash	1 : 217	1 : 271
Pusa Road.	1 : 282	1 : 139
South Avenue	1 : 57	1 : 65
Chanakya Puri	1 : 70	1 : 57
Moti Bagh	1 : 152	1 : 169
North Avenue	1 : 188	1 : 129

To attend to emergent cases during non-working hours, 28 dispensaries are kept open round the clock in Delhi. In each of the two years ending March 1973, about 2.21 lakh emergency cases were reported. Percentage of emergency cases seen at residences during 1971-72 and 1972-73 varied from dispensary to dispensary. A few instances are given below :—

Emergency cases

	1971-72			1972-73		
	Total number	Number seen at residence	Percentage seen at residence	Total number	Number seen at residence	Percentage seen at residence
Chitragupta Road	12,022	1,361	11	13,518	1,094	8
R. K. Puram-I	18,727	1,734	9	22,109	1,680	8
Kidwai Nagar	10,544	1,163	11	10,800	1,084	10
Sarojini Nagar Market	10,152	1,068	11	10,327	1,189	11
R.K. Puram-IV	10,633	776	7	8,943	1,096	12
Telegraph Lane	3,651	1,425	39	4,288	1,641	38
Lodi Road-II	13,172	1,178	9	12,377	4,734	38
Lakshmi Bai Nagar	6,616	2,461	37	5,988	1,973	33
Minto Road	4,378	1,923	44	4,577	1,936	42
Shahadra	3,070	1,524	50	3,154	1,398	44

Supply of medicines.—In Delhi, average cost of medicine per patient per visit was Rs. 1.76 in 1972-73. In the following 21 dispensaries in Delhi the average cost of medicine per patient per visit exceeded the average of Rs. 1.76 for all dispensaries by more than 20 *per cent* :—

North Avenue (Rs. 4.55), Pandara Road (Rs. 4.48), Wellesley Road (Rs. 3.80), South Avenue (Rs. 3.80), Telegraph Lane (Rs. 3.42), Chandni Chowk (Rs. 3.41), Constitution House (Rs. 3.29), Gole Market

(Rs. 2.98), New Rajinder Nagar (Rs. 2.89), Rajpur Road (Rs. 2.82), Chanakya Puri (Rs. 2.73), Moti Bagh (Rs. 2.53), Rajouri Garden (Rs. 2.50), Pusa Road (Rs. 2.35), Hauz Khas (Rs. 2.27), Delhi Cantonment (Rs. 2.23), Kidwai Nagar (Rs. 2.18), Darya Ganj (Rs. 2.16), Minto Road (Rs. 2.07), Paharganj (Rs. 2.07), Shahdra (Rs. 2.07).

During two preceding years, the average cost of medicine per patient per visit in these dispensaries had also exceeded the general average for all dispensaries.

In the following 9 dispensaries in Delhi, the average cost of medicine per patient per visit was less than Rs. 1.41 *i.e.* less than the average of Rs. 1.76 by more than 20 *per cent*:—

Inderpuri (Rs. 0.80), Hari Nagar (Rs. 1.06), Naraina (Rs. 1.20), Kasturba Nagar (Rs. 1.25), Dev Nagar (Rs. 1.27), Lajpat Nagar (Rs. 1.29), Shakur Basti (Rs. 1.35), Netaji Nagar (Rs. 1.37), Tilak Nagar (Rs. 1.38).

Expenditure in 1972-73 on purchase of non-listed medicines outside the formulary of Central Government Health Service Scheme by the different dispensaries also widely varied as will be seen from the following instances:—

	Average expenditure on non-listed medicines per patient per visit
	Rs.
Pandara Road	0.43
Constitution House	0.33
Wellesley Road	0.33
Chanakya Puri	0.08
Patel Nagar-I	0.06
Lakshmi Bai Nagar	0.06
Andrews Ganj	0.06
Patel Nagar-II	0.05
Paharganj	0.05
Sarojini Nagar-II	0.02
Gandhi Nagar-Krishna Nagar-Geeta Colony	0.02
Kasturba Nagar	0.01

The average expenditure on purchase of non-listed items in 1972-73 for all the dispensaries in Delhi was Re. 0.06.

Even amongst the listed items, expenditure on vitamins and mineral preparations in 1972-73 was more in certain dispensaries than others, a few examples of which are given below:—

	Rs.
Pandara Road	0.50
South Avenue	0.39
New Rajinder Nagar	0.27
Lakshmi Bai Nagar	0.24
Pusa Road	0.24
Kalkaji	0.17
Lajpat Nagar	0.16
Gandhi Nagar-Krishna Nagar-Geeta Colony	0.14
Nauroji Nagar	0.13
Hari Nagar	0.13
Kasturba Nagar	0.13

Average cost of medicine per patient per visit in Bombay was Rs. 2.06 in 1972-73. The average for each individual dispensary was as follows:—

	Rs.
Peddar Road	3.73
Koliwada	3.49
Colaba	2.17
Santacruz	1.88
C.G.O.	1.43

Medicines prescribed by specialists.—Doctors who do daily duty in the Central Government Health Scheme dispensaries are general duty doctors. Specialists are attached to hospitals; they also visit the dispensaries for certain hours on prescribed days in the week. The allopathic medicines which can be prescribed under the Central Government Health Scheme are included in the allopathic formulary. A formulary committee decides from time to time which medicines should be so included. These medicines are divided into two classes, namely, (1) specialist list medicines and (2) general list medicines, *i.e.,* other than specialist list medicines. Most of the specialist list medicines are proprietary in nature and their prices are much higher than those of the corresponding medicines marketed by their generic/chemical names. The lists of general medicines and specialist medicines were revised with effect from 1st April 1972, from 15th January 1973 and again from 1st June 1974. The number of general list medicines and specialist list medicines included in the Central Government Health Scheme allopathic formulary from (1) 1970 up to 31st March 1972 (2) 1st April 1972 to 14th January 1973 (3) 15th January 1973 to 31st May 1974 and (4) 1st June 1974 onwards are shown below :—

Period	General	Specialist	Total
1970 to 31st March 1972	211	133	344
From 1st April 1972 to 14th January 1973	196	214	410
From 15th January 1973 to 31st May 1974	203	201	404
From 1st June 1974	182	147	329

Upto the middle of January 1973 only the specialist medical officers were authorised to prescribe specialist list medicines. However, on representations from the Central Government Health Scheme Medical Officers' Association and the All India Medical Association, from 15th January 1973 Medical Officers-in-charge of the dispensaries have also been permitted to prescribe specialist list medicines in emergent cases.

During the three years 1971-72, 1972-73 and 1973-74 the expenditure on specialist list medicines was as follows :—

Year	Expenditure on Specialist list medicines		Expenditure (estimated *adhoc*-66 per cent) on specialist list medicines purchased through authorised chemists	Total
	Proprietary	Non-proprietary		
			(Lakhs of rupees)	
1971-72	15.85	17.78	8.71	42.34
1972-73	32.40	13.48	12.84	58.72
1973-74	31.97	13.12	10.49	55.58

It would be seen from the above that the expenditure on specialist list medicines in 1972-73 and 1973-74 was substantially more than in 1971-72. Further, while expenditure on non-proprietary specialist list medicines did not increase, that on proprietary medicines sharply increased. Also, the expenditure on specialist list medicines has been, on the average, about half of the total expenditure on medicines in the Central Government Health Scheme.

General list medicines for many diseases are in the formulary. It is a point for consideration whether the relatively high expenditure for specialist list proprietary medicines was really called for.

Specialists' Services.—Apart from the Safdarjang and Willingdon hospitals, services of specialists are available in five polyclinics (*i.e.* dispensaries at Lajpat Nagar, Darya Ganj, Pusa Road, Kasturba Nagar and Tilak Nagar) and 30 more dispensaries, each of which covers the beneficiaries of a number of dispensaries. The specialists visit the polyclinics and the 30 dispensaries on specified days.

Services of specialists available in the polyclinics are indicated below :—

Lajpat Nagar	Medical, Skin, Surgical, Eye, E.N.T. and Psychiatry.
Darya Ganj	Medical, Skin, Eye and E.N.T.
Pusa Road	Medical, Skin, Eye, E.N.T. and Dental.
Kasturba Nagar	Medical, Skin, Eye, E.N.T., Surgical, Dental, Gynaecology and Psychiatry.
Tilak Nagar	Medical and Skin.

The number of other dispensaries which provide for various services of specialists are shown below:—

	Number of dispensaries
Medical	30
Skin	9 (R.K. Puram-III, Sarojini Nagar Market, Moti Bagh, Rajouri Garden, Lakshmibai Nagar, Lodi Road-II, Netaji Nagar, Wellesley Road and Srinivaspuri).
Eye and E.N.T.	4 (R.K. Puram-III, Sarojini Nagar Market, Moti Bagh and Shahdra).
Surgical	2 (Sarojini Nagar Market and Moti Bagh).
Psychiatry	2 (Sarojini Nagar Market and Moti Bagh).
Gynaecology	1 (Kasturba Nagar).
E.N.T.	1 (Rajouri Garden).

Data for specialists' services rendered at Willingdon hospital were not readily available. Of the total cases seen in 1971-72 (2.71 lakhs) and 1972-73 (2.89 lakhs) by specialists in the five polyclinics, 30 dispensaries and the Safdarjang hospital, 39 *per cent* (1.06 lakhs) and 38 *per cent* (1.10 lakhs) respectively were seen in the Safdarjang hospital.

In Bombay specialists' services for medicine, gynaecology, paediatrics, skin and E.N.T. are available at the polyclinic at Ballard Estate alone.

Laboratory tests.—The polyclinics and 11 other dispensaries have each a laboratory serving the beneficiaries of a number of other dispensaries. These laboratories, however, do not conduct all bio-chemical (*e.g.*, blood sugar, blood urine etc.) and serological tests (*e.g.*, culture of stool, urine, pus, sputum, throat swab etc.). Facilities for X-ray and E.C.G. are also not available in any polyclinic or dispensary. Beneficiaries have to go to the Willingdon and Safdarjang hospitals for such tests. In 1971-72 and 1972-73, about 33 *per cent* (0.82 lakh) and 30 *per cent* (0.75 lakh of the total number of laboratory tests (2.49 lakhs and 2.47 lakhs respectively) were done in these laboratories.

The polyclinic at Ballard Estate in Bombay provides facilities for X-ray, E.C.G., laboratory tests and minor surgery.

Purchase of Medicines.—The allopathic formulary of the Central Government Health Scheme consists of certain medicines included by their generic names and others by their brand names, totalling about 500. Many of the firms manufacturing generic items are on the rate contract of the Director General, Supplies and Disposals, and the Medical Store Depot for the Central Government Health Scheme purchases these medicines from these firms. For purchase of such items as are not on the rate contract and also of the proprietary items, the Medical Store Depot invites tenders and concludes running agreements on yearly basis after inviting limited tenders. Whenever supplies cannot be obtained from the firms on rate contracts and running agreements, purchases are made locally. Medicines not in the formulary can be prescribed by certain specialists and such medicines are also purchased locally. All the local purchases are

The results of test showing these as substandard were available on 26th November 1973 and 22nd January 1974, by which dates 3.27 lakhs and 0.07 lakh tablets had already been issued.

Six thousand and five hundred sheets of Belladona plaster costing Rs. 5,470 were supplied by two private firms on 28th September 1973 (4500 sheets) and 26th April 1974 (2000 sheets). Samples were sent for test on 10th October 1973 and 9th May 1974. Results of test showing these as substandard were available on 9th November 1973 and 11th June 1974, by which dates 3841 sheets had already been issued.

Samples of a medicine, (cost : Rs. 6,252) supplied by a private firm (2.60 lakh tablets) in August 1973, were drawn from a dispensary in Delhi by the Central Drugs Standard Control Organisation, North Zone, in December 1973. Test report received in February 1974 showed that the medicine was substandard. About 2.21 lakh tablets had been issued by then.

Samples of a medicine, supplied by a public sector undertaking (1 lakh capsules, cost Rs. 0.29 lakh) on 20th December 1973 and 22nd January 1974, were drawn by the Central Drugs Standard Control Organisation, North Zone, from a dispensary on 28th February 1974. Results of test declaring the medicine substandard were available on 28th March 1974; by then all the capsules had been issued.

Another public sector undertaking supplied 10,000 vials, 19,982 vials and 20,000 vials of three medicines costing Rs. 0.32 lakh in January 1973, September 1973 and March 1974. All the vials of the medicine received in September 1973 were withdrawn by the public sector undertaking in June 1974 following reported reaction on a patient in Malaviya Nagar dispensary. The other two medicines were also withdrawn by the public sector undertaking in April 1974 and September 1974, when 9,859 vials and 6,692 vials had already been issued.

The Ministry stated (November 1974) that "if, on test checking, any medicine is found to be substandard, the concerned firm is asked to replace the unconsumed quantities. As regards the consumed substandard drugs, the Ministry of Law have advised that payment for such drugs should be made, but the amount of payment could be negotiated".

Panels of dentists and opticians.—While the Central Government Health Scheme covers treatment of dental and ophthalmic diseases, it does not provide for free supply of dentures and spectacles. However, since 1958 the Director General, Health Services, has been drawing up panels of dentists and opticians for supply of dentures, frames and glasses at fixed rates to beneficiaries in Delhi. Prior to 1971, the panels were being prepared on the basis of lowest rates quoted by dentists and opticians with reference to the specifications and the quality of the materials laid down by the Director General, Health Services. In 1971 the procedure was altered and the panels are now prepared on the basis of workable rates as distinct from lowest rates for the same specifications. In consequence, the procedure has enabled the parties, which had quoted the lowest rates, to receive payments at higher (workable) rates from their clients. The lowest rates offered and the approved rates are shown below :—

Teeth	Dentists' Panel: Effective from 1-4-1972: Lowest rate offered per tooth/set	Effective from 1-4-1972: Rate accepted	Effective from 1-10-1973: Lowest rate offered per tooth/set	Effective from 1-10-1973: Rate accepted
	Rs.	Rs.	Rs.	Rs.
1—3	1.00	2.50	1.00	3.00
4—8	1.00	1.50	0.75	2.85
9—12	1.00	1.50	0.75	2.85
Full upper/lower	15.00	30.00	20.00	47.50
Full both	30.00	55.00	40.00	95.00
Gold in-lays	5.00	20.00	10.00	55.00
Bridge .	5.00	15.00	10.00	30.00
Crown .	5.00	8.00	10.00	17.50
Post Crown	5.00	15.00	10.00	55.00

Opticians' Panel

	Effective from 1-1-1972: Lowest rate offered	Effective from 1-1-1972: Rate accepted	Effective from 1-5-1973: Lowest rate offered	Effective from 1-5-1973: Rate accepted
	Rs.	Rs.	Rs.	Rs.
White Meniscus spheres	2.00 to 4.50	2.50 to 5.50	2.00 to 4.00	3.00 to 6.00
White Toric Sphere-cylinders :—				
Spheres :				
0.00 to 2.00	2.50 to 4.50	4.00 to 6.00	2.50 to 5.00	4.50 to 6.50
2.25 to 4.00	3.00 to 4.50	4.50 to 6.50	3.50 to 5.00	5.50 to 7.00
4.25 to 6.00	3.50 to 5.00	6.00 to 7.00	4.50 to 5.50	6.50 to 7.50
6.25 to 8.00	3.50 to 4.00	7.00 to 8.50	5.00 to 6.00	7.50 to 8.50
8.25 to 10.00	4.50 to 6.50	7.50 to 9.00	5.50 to 7.00	8.00 to 9.50
10.25 to 12.00	5.00 to 7.00	8.00 to 10.00	5.50 to 7.00	8.50 to 10.50
Bifocal lenses (one piece visible)	1.00 (extra)	1.00 (extra)	1.00 (extra)	1.25 (extra)
Bifocal lenses (invisible)	10.00 to 11.50	14.00 to 16.00	10.00 to 12.00	14.00 to 16.00
Coloured Glasses	1.00 (extra)	1.00 (extra)	1.50 (extra)	1.25 (extra)
Frames	4.00 to 6.00	5.00 to 8.00	4.00 to 7.50	5.25 to 8.25

Morbidity pattern.—In order to have information on morbidity pattern among Government servants and their families, Delhi has been divided into 17 Zones for analysis, and monthly reports are obtained from the dispensaries. Dispensaries in the following areas have been reporting higher incidence of certain diseases for five years ending March 1972:—

1. Moti Bagh	Sore Throat
2. Lodi Road	Metabolic and Blood diseases
3. Paharganj	Diseases of Genito Urinary system
4. Shahdra	Bronchitis

The Ministry stated (November 1974) that the reports provide "useful statistical data on the basis of which the requirements of various types of drugs and their quantities may be assessed. The incidence of particular diseases in certain localities is due to environmental, hereditary and other factors".

Advisory Committee/Regional Councils.—An Advisory Committee, comprising mainly of representatives of various Service Associations, was constituted in 1954 to advise Government on the working of the scheme in Delhi. During the three years ending March 1973, the Advisory Committee did not meet. Following the reconstitution of the Committee in 1973, three meetings were held in October 1973, March 1974 and July 1974. Regional Councils for groups of dispensaries consisting of Welfare Officers, Medical Officers and represntiatives of Residents' Associations were also set up in Delhi during 1968-69 but these did not function as the response from the representatives, including Welfare Officers, was stated to be not encouraging. The Ministry stated (November 1974) that in place of Regional Councils "Co-ordination Committees of Community Halls have been set up in each locality by the Department of Personnel. Medical Officers-in-charge of the respective Central Government Health Scheme Dispensaries attend the meetings of these Committees".

In Bombay there is no Advisory Committee. The Ministry stated (November 1974) that in Bombay "the Central Government Employees Welfare Co-ordination Committee functions as a forum for bringing the grievances of the beneficiaries to the notice of the authorities".

MINISTRY OF SHIPPING AND TRANSPORT

36. *Expansion of Mormugao Port.*—After liberation of Goa in 1961, the administration of the West Coast Port of Mormugao was taken over by Government of India. In December 1963, the Indian Ports Act was extended to this Port and a Board of Trustees was constituted with effect from 1st July 1964.

The traffic through Mormugao Port has increased from 65 lakh tonnes in 1961-62 to 143.3 lakh tonnes in 1973-74, of which 131 lakh tonnes were iron ore, exported mainly to Japan (86 *per cent*). Most of the ore comes from mines in Goa. In 1973-74 only 5.71 lakh tonnes of the ore came for export from the Hospet-Bellary area by a metre guage railway line.

The Port has six berths handling about 29.82 lakh tonnes a year (in 1973-74) with the help of a mechanical handling plant of 600 tonnes per hour capacity, belonging to a private firm and other equipment. Ships generally are loaded in mid-stream manually and with ships' equipment, from barges bringing ore from the mines. In 1973-74 the average detention of ships was 11.64 days.

In 1964, a scheme for development of the Port was taken up mainly to meet anticipated increase in traffic with the expected industrialisation of the Union Territory, *viz.*, setting up of a fertiliser plant, oil refinery, shipyard, etc. It was also expected that the metre gauge track would be converted to broad gauge enabling more ore to be moved from Hospet-Bellary region to this Port. The total traffic was expected to be 149 lakh tonnes by 1981-82, of which 120 lakh tonnes were to be iron ore.

In 1965, firm 'A' prepared a master plan of a development scheme. Between September 1964 and May 1965 firm 'B' conducted sub-soil investigations. In May 1966 firm 'C' conducted a design study for the mechanical ore handling plant due to be installed under the scheme. These studies cost Rs. 15.28 lakhs (firm 'A' : Rs. 1.69 lakhs; firm 'B' : Rs. 11.28 lakhs; firm 'C' : Rs. 2.31 lakhs). Firm 'C' is also the consulting engineers of the Port Trust for execution of the scheme.

In November 1966, Government set up a working group to study the development scheme. Its report was submitted in January 1967. The estimate for the scheme prepared in November 1967 on the basis of these reports (estimated cost : Rs. 27.28 crores) was revised in September 1969 (estimated cost : Rs. 28.64 crores). According to this revised Report, the Port was to have a berth to handle ships of 1,00,000 DWT, a mineral oil berth to take large tankers, four barge berths for unloading of barges carrying ore from the mines in Goa and a mechanical ore handling plant of 8,000 tonnes per hour capacity. The dredging was, however, to be done initially up to 43/45 feet depth sufficient for ships up to 60,000 DWT.

The estimate was revised several times thereafter; the cost of the scheme according to the revised estimate submitted for approval in June 1974 is Rs. 63.66 crores. The increase in estimated cost was mainly on the following items :—

Main item	Cost as per estimate of 1969	1974	Reasons for increase
	(Crores of rupees)		
(i) Dredging and reclamation	7.22	16.84	Due to increase in cost of dredging.
(ii) Barge berths	0.64	2.27	Due to change in number (from eight to four) and length (from 60M to 122M each) of barge berths, changes in design after inclusion of Goa in the seismic zone, rise in basic costs of labour and materials etc.
(iii) Ore and oil berths	2.76	8.00	Due to higher rate as per tender and redesigning for seismic condition.
(iv) Mechanical ore handling plant	6.72	18.25	Due to higher rate as per tender and escalation on price of steel, materials and labour.
(v) Ancillaries—workshops and equipment, sheds, navigation equipment, vehicles, cranes, etc.	7.79	11.90	Actual cost is higher based on tender, basic price of steel and construction materials.

According to the estimate prepared in 1969, the Port was to provide Rs. 7 crores for the scheme from its own resources and the balance Rs. 21.64 crores were to be received as loan from Government. It was estimated that by 1973-74 a traffic of 114.30 lakh tonnes would yield a revenue surplus of Rs. 1.84 crores before charging interest but after providing depreciation. Till March 1974, Government paid Rs. 12.50 crores as loan while the Port spent Rs. 5.81 crores from its own resources. The Port also raised Rs. 3.30 crores by issue of bonds repayable in 12 years. With the inerease in the estimated cost to Rs. 63.66 crores (June 1974), the financial projections of 1969 have gone awry. The Port will have larger loan liability with no more resources of its own to finance the scheme.

Traffic

A traffic study in October 1972 estimated the iron ore traffic to be around 120 lakh tonnes a year in 1981-82. Other traffic, mainly oil, raw materials for the fertiliser plant and other general cargo, was expected to rise from 16.55 lakh tonnes in 1972-73 to 28.73 lakh tonnes in 1981-82. As against the estimated total traffic of 149 lakh tonnes by 1981-82, the Port handled 143.3 lakh tonnes in 1973-74 of which 131 lakh tonnes were iron ore.

Except a fertiliser plant for urea of about 1,000 tonnes capacity per day, no other major industry has been set up in Goa till now (December 1974). The metre gauge tract for Hospet-Bellary region to the Port has not been converted into broad gauge (December 1974).

The Geological Survey Department of the Government of India is stated to have estimated in 1970 that recoverable iron ore reserves in Goa with iron content of 58 *per cent* was about 4,114 lakh tonnes. Since then about 500 lakh tonnes of iron ore are stated to have been exported by 1973-74. At the present rate of export of iron ore through this Port the balance would not last more than 28 years.

Freight

With the facilities provided under the development scheme enabling it to handle larger ships on a quicker turn-round, rates of freight were expected to be less. For Japan the freight was about Rs. 44.53 per tonne with ships of 18,000 DWT loaded in mid-stream and Rs. 39.13 when loaded mechanically alongside. According to the estimate prepared in 1969, the rates per tonne were expected to be Rs. 25.18 for ships of 35,000 DWT, Rs. 22.03 for ships of 50,000 DWT, Rs. 20.02 for ships of 60,000 DWT and Rs. 16.85 for ships of 1,00,000 DWT when loaded by a mechanical handling plant of 6,000 tonnes per hour capacity. The Port handled mixed fleet averaging 25,000 DWT in 1972-73. Under the present scheme the approach channel and the turning circle are to be dredged to a depth of 43 to 45 feet to enable the port to handle ships upto 60,000 DWT. Thus till the approach channel and the turning circle are dredged further to enable ships of 1,00,000 DWT to enter the Port, maximum reduction in freight would not be attainable.

Mechanical handling plant

In the master plan firm 'A' had recommended (February 1965) a mechanical handling plant of 6,000 tonnes per hour capacity assuming average DWT of the mixed fleet of ships sailing into the Port as 30,000, installation usage of 40 *per cent* and total ore handling upto 140 lakh tonnes per year. According to firm 'A', 6,000 tonnes per hour capacity of the mechanical handling plant would be sufficient to turn round a 1,00,000 DWT ship in less than 24 hours. Firm 'C' which conducted the design study for the proposed mechanical ore handling plant accepted the above recommendation in 1966 and stated that there was no benefit in increasing the mechanical handling capacity beyond a point. However, while preparing the detailed designs in 1970 firm 'C' recommended 8,000 tonnes per hour capacity for the mechanical handling plant assuming average DWT of the mixed fleet to be 70,000. As the approach channel and the turning circle are to be dredged to a depth enough to enable ships upto 60,000 DWT to come into the Port, the average DWT would not be 70,000 until more dredging is done to enable ships of 1,00,000 DWT to berth.

On a two-shift working (16 hours) at rated capacity for 300 days in a year the mechanical handling plant of 8,000 tonnes per hour capacity would be able to handle 384 lakh tonnes. For handling maximum estimated traffic of 120 lakh tonnes of iron ore, the plant would have to be used to the extent of about 31 *per cent* of its rated capacity.

Dredging

The dredging work under this scheme for about 110 lakh cubic metres was awarded, after a global tender, to a foreign firm 'D' in December 1969 for Rs. 6.58 crores for completion in 30 months, *i.e.*, by June 1972. A letter of intent to commence work immediately was issued on 30th October 1969 and the formal work order was issued on 17th December 1969. Firm 'D' commenced work in February 1970. In March 1970 it was pointed out to the contractor that the work was not going as per schedule. As the progress was still not satisfactory, firm 'D' was asked (April 1970) to indicate how it proposed to keep to the schedule. In February 1971 firm 'D' asked for extension of time by 29 months on various grounds, *viz.*, delay in issue of import permits for spares, shortage of explosives, delay in issue of work order, labour trouble and inefficiency of the Port's dredger given to it on hire. Extension of 9½ months, recommended by the consulting engineers (firm 'C'), was granted, and liquidated damages (about Rs. 40 lakhs) for non-completion of reclamation by the scheduled date were not levied. In August 1971 when only about 20 *per cent* of dredging had been done, firm 'D' complained that the data regarding soil and silt conditions given in the tender was misleading and stopped work from 31st August 1971 on the ground that it was incurring heavy losses. (The data given in the tender was based on the sub-soil investigations conducted by firm 'B'.) Firm 'D' also mentioned that for better performance and to deal with difficulties which it could not foresee at the time of tendering it had brought an additional bucket dredger from abroad and had also replaced an existing dredger with a new dredger of larger hopper capacity brought from abroad. The Port Trust then decided to negotiate with firm 'D' presuming litigation might be time consuming and a new contractor might quote higher rates. During negotiations firm 'D' initially demanded Rs. 2.37 crores more than the amount of the contract but subsequently agreed to settle for Rs. 1 crore. A committee constituted (October 1971) by Government to examine the claim found it unacceptable under the contract but recommended payment of Rs. 62.28 lakhs (including Rs. 12 lakhs as refund of customs duty) over and above the amount of the contract. On firm 'D's representation that it had suffered heavy losses and had depleted its resources, the committee also recommended an interest-free advance of Rs. 1 crore not provided in the contract. As firm 'D' did not accept this offer and did not resume work, it was decided on 3rd November 1971 to pay Rs. 83 lakhs (including Rs. 12 lakhs as refund of customs duty) on condition that the contractor would resume work immediately. This amount (Rs. 83 lakhs) was paid to firm 'D' in May-June 1972. Firm 'D' resumed work in November 1971.

A supplementary agreement was executed with firm 'D' in January 1972 providing, amongst others, that the rate for dredging the outer channel (about 35 lakh cubic metres) would be decided on actual cost on a "no profit no loss" basis which would be comparable to rates allowed for similar work in other parts of the world. Within 6 months of this agreement and before the rate for dredging the outer channel was even discussed, firm 'D' put in another claim (June-July 1972) for Rs. 1.18 crores mainly for dredging in harder materials than that it had quoted for. This amount was paid (between January 1973 and August 1973) under protest subject to arbitration. A further sum of Rs. 15.50 lakhs was also paid under protest between May and June 1974. Arbitration proceedings, which can be initiated during execution of work only after obtaining consent of the contractor, have not been initiated (December 1974) as the contractor has not given the consent sought for by the Port Trust.

Under the supplementary agreement of January 1972 the following benefits also accrued to firm 'D' :—

(i) An interest-free advance of Rs. 50 lakhs would be paid to the contractor; the advance was paid in April 1972.

(ii) Escalation was allowed on the basic price of petroleum products and Rs. 5.04 lakhs were paid upto June 1974.

The Port estimated that together with escalation on iron, steel and labour accepted in November 1973 the additional payment would come to Rs. 3 to 4 crores.

(Under the original agreement escalation was permissible for unforeseen changes in taxes, duties etc. and not for increase in the basic price.)

(iii) The original contract provided for a composite rate of Rs. 4.10 per cubic metre for dredging and dumping at a distance of 4.5 kilometres. According to that contract, the place for dumping dredged material was in the outer sea at a distance of 4.5 kilometres from the breakwater to prevent silt coming back into the channel and the inner harbour. Under the supplementary agreement, firm 'D' was allowed to dump the dredged material on Baina beach to the south of the port area at an average distance of 2.15 kilometres at Rs. 3.50 per cubic metre for 15 lakh cubic metres and Rs. 3.60 per cubic metre for the balance quantity. For the reduced lead, however, the rate should have been about Rs. 2.50 per cubic metre, if computed in the manner the rate for the contract was worked out, after taking into account that 20 *per cent* of the dredged material dumped in Baina beach would flow back into the dredged area. The Ministry stated (December 1974) that instead of hopper dredger the contractor used a suction dredger and a pipeline for dumping dredged material on the Baina beach, and for such dredging "the question of lead with reference to the rate structure has only a marginal importance and the lead is determined by pump capacity".

(iv) The supplementary agreement also provided that if firm 'D' was not able to dump the entire dredged material on Baina beach, it would dump 4 lakh cubic metres of dredged material in Vasco Bay on the eastern side of the port area at Rs. 4.10 per cubic metre. For the reduced lead of 1 kilometre the rate should have been Rs. 2.90 per cubic metre if computed on the basis the rate for the contract was worked out.

(v) The Port Trust agreed to take over dredged areas as and when completed, instead of after completion of the entire dredging as originally stipulated.

After execution of the supplementary agreement in January 1972 allowing firm 'D' to dump dredged material on Baina beach and Vasco Bay, 4.45 lakh cubic metres were dumped in Vasco Bay and 6.73 lakh cubic metres were dumped on Baina beach for which Rs. 12.08 lakhs were paid more to firm 'D' due to higher rates allowed in the supplementary agreement. The Ministry stated (March 1974) that the rates in the supplementary agreement were allowed after hard bargaining and were considered reasonable in the conditions then prevailing.

The rates for the remaining portion of the dredging (save the outer channel) were revised (November 1973) and a supplementary agreement was executed in June 1974 allowing rates between Rs. 3.60 and Rs. 22 per cubic metre for different kinds of materials to be dredged. At these revised rates, the balance of dredging (about 40 lakh cubic metres) would cost about Rs. 3 crores more than what would have been payable under the original contract. This is substantially because of the harder material to be dredged than was envisaged earlier.

Apart from the higher rates allowed in 1973, firm 'D' is to be paid another interest-free advance of Rs. 90 lakhs. This advance has not been paid yet (August 1974).

Reclamation

According to the estimate of September 1969, an area (called zone 'A') of 42.5 acres (later increased to 57.5 acres) was to be reclaimed with the dredged material on the eastern side adjoining the existing port area, after pre-dredging existing soft material in that area. Another area of 53.9 acres (called zone 'B') adjoining zone 'A' was also to be reclaimed after pre-dredging of soft material. The rest of the dredged material was to be dumped in the open sea 4.5 kilometres away from the breakwater to prevent flow back of the dredged material into that area. Reclamation of zone 'B', however, did not form part of the contract executed with firm 'D' except for a small 30 feet wide stretch along the shore. Reclamation of zone 'A' and the 30 feet wide area in zone 'B' has been completed.

As the work was lagging behind, in June 1970 firm 'D' was allowed to dump dredged material temporarily in Vasco Bay on the eastern side of the port area beyond the area of zone 'B' mentioned above at a distance of about one kilometre, so that firm 'D' could keep to the dredging schedule. Firm 'D' was to pay liquidated damages at Rs. 50,000 per week if the dredged material was not removed by December 1970. Between September 1970 and December 1970 firm 'D' dumped 5.30 lakh cubic metres and between January 1973 and September 1973 another 4.45 lakh cubic metres of dredged material in Vasco Bay. The material dumped in Vasco Bay has not been removed so far (December 1974). Liquidated damages have not been recovered for non-removal of 5.30 lakh cubic metres dumped between September 1970 and December 1970. A study made in 1965 and 1966 by the Central Water and Power Research Station, Poona, on experimental model indicated flow back upto 20 *per cent* of the dredged material dumped at Vasco Bay. If ultimately the Port Trust has to remove the dredged material to prevent flow back into the port area, the cost would be considerable. The Ministry stated (December 1974) that "precautions have been taken to see that the material deposited in Vasco Bay do not flow back in zone 'B'. However, some quantities of materials might have flowed back into zone 'B' ". The Ministry also stated that "the material disposed of in Vasco Bay was coarse in nature and had, in fact, created valuable land which was leased out to private parties, whereby the Port had earned substantial revenue by way of lease rent. In view of this, the question of levying liquidated damages for not removing the soil deposited in the Vasco Bay does not arise".

It was mentioned (December 1972) in the draft 5th plan of the Port that out of 9.75 lakh cubic metres of dredged material dumped in Vasco Bay upto September 1973, 4 lakh cubic metres have settled down in the area earmarked for zone 'B'. Reclamation of zone 'B'. when taken up, would need pre-dredging of the soft material orginally existing there. Before pre-dredging of the soft material, however, removal of 4 lakh cubic metres of dredged material, which, as mentioned above, have settled down in zone 'B', would be necessary; the cost of removing these 4 lakh cubic metres would be about Rs. 19 lakhs. The Ministry stated (December 1974) that "the extent of pre-dredging to be carried out in zone 'B' has not increased on account of the disposal effected by the contractor in Vasco Bay".

Maintenance dredging

According to the contract, firm 'D' was responsible for maintenance dredging of the area dredged by it till the whole area was handed over dredged to final depths (43/45 feet). It was known to the Port Trust in 1965 from the reports given by the Central Water and Power Research Station, Poona, that the rate of siltation in the area was very high. In fact, firm 'D' had this point emphasised (August 1971) by the Government of its country through diplomatic channels in support of its additional claims. It was, however, agreed in January 1972 that the Port Trust would take over the different dredged areas as and when completed without waiting for completion of dredging of the entire area, thus taking upon itself the responsibility of maintenance dredging of the areas taken over. Four such dredged areas were taken over by the Port Trust between March 1972 and September 1973.

Besides, a study (October-November 1971) by the Central Water and Power Research Station, Poona, also indicated a high rate (20 *per cent*) of flow back of the dredged material dumped in Baina Beach into the port area requiring more maintenance dredging.

Maintenance dredging by the Port Trust increased as follows :—

1970-71	17.60 lakh tonnes.
1971-72	28.22 lakh tonnes.
1972-73	36.23 lakh tonnes.

The Ministry stated (December 1974) that "maintenance dredging has gone up due to number of reasons, for instance due to intensive use of the dredger, due to increase of anchorage area, dredging of virgin area for installation of additional mooring buoys and its consequent maintenance and on account of the stabilisation of the side slopes of the virgin area dredged to the required depth".

Dredging of outer channel

According to the supplementary agreement of January 1972, firm 'D' was to dredge the outer channel on "no profit no loss" basis. A committee appointed in February 1973 to recommend the best course to get the dredging completed concluded (November 1973) that it would be more economical to do the dredging with the departmental dredgers expected to be available by October 1974 and firm 'D' was absolved of the responsibility of dredging the outer channel. The two departmental dredgers were ordered in 1971 and were due for delivery in June 1974 and October 1974 respectively. The dredgers have not yet been received (January 1975).

Having regard to the reduction in the scope of the work being done by firm 'D' and the higher rates allowed after execution of the original contract, the total payment to firm 'D' would now be about 275 *per cent* of the amount that would have been payable at the rate in the original contract. Only a part of this increase seems to be attributable to the harder rock to be dredged than was contemplated in the first instance.

The total expenditure on the project upto March 1974 was Rs. 2079.29 lakhs. The Port Trust expected (August 1974) that all items of work would be completed by May 1975 except dredging.

Of about 110 lakh cubic metres to be dredged, dredging of about 75 lakh cubic metres in the port area by firm 'D' was expected to be completed by May 1976. Dredging of the outer channel (35 lakh cubic metres) would be taken up after completion of dredging of the port area by firm 'D'. So long as the outer channel is not dredged, ships even upto 60,000 DWT will not be able to come to the port and the benefits of the scheme will not accrue. The World Bank appraisal had estimated (1969) a loss of Rs. 2 lakhs to the Port Trust for each day's delay.

A map of Mormugao port showing the places where the expansion work is being done is given in Appendix VIII.

37. *Construction of deep sea harbour at Tuticorin.*—Tuticorin, about 100 miles north of Kanyakumari, is a port without any berthing facilities. Cargo vessels in this had to be anchored in the open sea about 9 kilometres away for loading and unloading by lighters. Shipping days thus lost progressively increased from 368 days in 1957-58 to 700 days in 1960-61.

For over a half century developing Tuticorin into an all-weather port with alongside facilities for ships had been under consideration and in 1958 the Intermediate Ports Development Committee recommended development of this port as a deep sea harbour with alongside facilities at an estimated cost of Rs. 10.57 crores. In 1963 Government took a policy decision to construct a deep sea harbour at Tuticorin. The preliminary project report prepared in February 1963 estimated an outlay of Rs. 14 crores.

In June 1968 Government approved construction of the deep sea harbour. Pending sanction of detailed project estimate, work on the harbour project, scheduled to be commissioned by 1969 according to the preliminary project report, was started by the middle of 1963 on the basis of sanctions issued from time to time for different items of work. By September 1965 all shore works and certain marine works were completed at a cost of about Rs. 2.57 crores, excluding Rs. 1.26 crores spent on Railway facilities.

According to the report of a joint team of officers of the Planning Commission and the State Government (Tamil Nadu) submitted in 1967 the port was expected to handle 22.35 lakh tonnes of cargo (coal 6 lakh tonnes, salt 5.50 lakh tonnes, cement 4.50 lakh tonnes, fertiliser products 2 lakh tonnes and general cargo 4.35 lakh tonnes) in 1971-72 when the development project was expected to be completed. By 1975-76, the port was expected to handle 35.10 lakh tonnes of cargo (coal 6 lakh tonnes, salt 8 lakh tonnes, cement 6 lakh tonnes, raw materials for fertilisers 8 lakh tonnes and general cargo 7.10 lakh tonnes). In estimating the traffic for the year 1975-76 the study team had assumed that Tamil Nadu Government would set up, at Tuticorin, a fertiliser plant and a soda ash plant by that year and would also take steps to increase production of export quality salt in co-operation with the Salt Commissioner and the State Trading Corporation. The traffic was estimated as 44.2 lakh tonnes in 1980-81. The foreign exchange earnings from the export of salt, ilmenite, fishery products etc. was expected to be Rs. 7 to 8 crores in 1971-72 and over Rs. 10 crores by 1975-76. According to this study the port was expected to have a net surplus of Rs. 63.17 lakhs in 1975-76, *i.e.*, the fifth year of its working on account, principally, of import of 8 lakh tonnes of raw materials for the fertiliser plant proposed to be set up by the State Government.

In June 1968 administrative approval for construction of the deep sea harbour (30 ft. draft) at Tuticorin with six alongside berths (one each for coal, salt, cement and fertiliser and two for general cargo) and one mooring berth for naptha was accorded at a cost of Rs. 24.40 crores. In July 1969 sanction was accorded for the deep sea harbour with four berths (one each for coal, salt, cement and general cargo) at a cost of Rs. 21.76 crores.

In August 1969 the Chief Engineer and Administrator of the project called for tenders for the major marine civil engineering works *i.e.*, (i) South breakwater including one pier head, the wharf, dredging and reclamation of wharf area and (ii) North breakwater including two pier heads, called hereafter as South breakwater and North breakwater respectively.

The lowest three offers (there were various conditions attached to each of these offers) were as follows :—

(Crores of rupees)

South breakwater		North breakwater	
Firm 'A' .	6.81	Firm 'C'	3.94
Firm 'B' .	7.16	Firm 'B'	4.15
Firm 'C'	7.98	Firm 'D'	4.28

Taking into consideration the various special conditions stipulated by the tenderers their offers were evaluated by the Chief Engineer and Administrator of the project as follows :—

South breakwater	(Crores of rupees)	North breakwater	
Firm 'A'	6.82	Firm 'B'	4.15
Firm 'B'	7.33	Firm 'D'	4.29
Firm 'C'	8.30	Firm 'C'	4.36

The offer of firm 'A' (Rs. 6.81 crores) was for reclamation from land source only and did not include cost of dredging. This offer was not recommended by the Chief Engineer and Administrator of the project. He recommended (January 1970) award of the contract for South breakwater to firm 'B'. Although firm 'B' was the lowest tenderer for the North breakwater, according to the evaluation of the Chief Engineer and Administrator, he recommended award of the contract for this to firm 'D', the second lowest tenderer, as in his opinion firm 'B' did not have the capacity to execute both the works simultaneously.

In February 1970 Government set up a Tender Committee consisting of Development Adviser, Ministry of Shipping and Transport, Chief Engineer and Administrator of the project and Financial Adviser and Chief Accounts Officer, Madras Port Trust, to examine the tenders. The recommendations of this committee were as follows :—

South breakwater

The Tender Committee evaluated the offer of firm 'A' as Rs. 8.74 crores after adding cost of dredging. The offer of firm 'C' was evaluated as Rs. 8.30 crores. The offer of firm 'B' was evaluated as Rs. 7.84 crores, and being the lowest was recommended for acceptance.

North breakwater

The Tender Committee evaluated the following two offers mentioned earlier as below :—

Firm 'D'	Rs. 4.02 crores
Firm 'B'	Rs. 4.10 crores

After discussions with the representative of firm 'D', the lowest tenderer according to the above evaluation, the Tender Committee concluded that his ideas about the work were not sufficiently clear. Besides, the Committee also mentioned that firm 'D' had not taken contracts for a number of years. The Tender Committee, therefore, recommended acceptance of the offer of firm 'B' for the North breakwater also. The Tender Committee observed that although firm 'B' had no experience of carrying out marine works, they had reasonable resources and would organise equipments to carry out the work. Firm 'D' had no experience in marine works, but after discussions with the Tender Committee it informed Government in April 1970 that it would obtain the services of an eminent civil engineer for this work and mentioned that its managing partner was also the managing partner of some other firms and sent a list of works (value between Rs. 20 lakhs and Rs. 4 crores) costing Rs. 19.60 crores executed by these firms in the past. Firm 'B' had done works for Rs. 4.17 crores only till the time of submitting tender for these works.

In April 1970 the Ministry of Shipping and Transport accepted the recommendation of the Tender Committee and decided to allot both the works to firm 'B'. On 22nd June 1970 the Ministry of Finance agreed to the acceptance of the offer of firm 'B' for the South breakwater. It, however, advised that the North break-water works should be put to re-tender, mainly on the following considerations :—

"(i) The tender recommended for acceptance namely that of M/s. ....(firm 'B') was not actually the lowest and in the absence of a more detailed study of the financial standing, capacity, experience etc. of the lowest tenderer, it may not be advisable to reject his tender; and

(ii) It was not absolutely certain that M/s...................... (firm 'B') would be able, having regard to their capacity and the works they have already on hand, to take on and complete both the Northern and Southern Breakwaters satisfactorily and on time."

The Ministry of Finance further advised that pending finalisation of a contract after re-tendering, the work on the North breakwater should continue departmentally as hitherto, to the extent necessary, so that there was no stoppage of work. Before the above opinion was given by the Ministry of Finance, the Chief Engineer and Administrator of the project had informed the Ministry of Shipping and Transport on 8th June 1970 that the rates quoted by firm 'B' for North breakwater was very competitive as compared

With the above concessions, the value of the two contracts (with maximum escalation) is now about Rs. 12.86 crores (South breakwater : Rs. 8.28 crores, North breakwater : Rs. 4.58 crores) as against about Rs. 12.01 crores at which the contracts were allotted. The value of the contract of firm 'B' for North breakwater (Rs. 4.58 crores) as mentioned above is Rs. 0.56 crore more than that of firm 'D' (Rs. 4.02 crores) as computed by the Tender Committee.

In its tenders for the above works firm 'C' had quoted rates for carriage of armour stones from Thattaparai quarry instead of Ambasamudram quarry, which was selected for quarrying armour stones on the basis of detailed study by geological experts. After evaluation by the Tender Committee, its offers for the above works were for Rs. 12.66 crores (South breakwater: Rs. 8.30 crores, North breakwater: Rs. 4.36 crores), including Rs. 0.74 crore added by the Tender Committee as additional cost for carriage of armour stones from Ambasamudram quarry. In making this evaluation escalation charges for increase in cost of labour demanded by firm 'C' were not taken into account. Assuming that the same maximum escalation charges which were initially agreed to be paid to firm 'B' for completion of the works in 30 months (South breakwater : Rs. 17.29 lakhs, North breakwater : Rs. 9.33 lakhs) would also have been payable to firm 'C', the total value of its offers for both the works would have been Rs. 12.93 crores. As against this, Rs. 12.86 crores have already been agreed to in the case of firm 'B'. In addition Government spent Rs. 10.55 lakhs for constructing a finger jetty demanded by firm 'B' as mentioned subsequently in this paragraph.

Rupees 95.35 lakhs were paid to firm 'B' between July 1970 and September 1974 as interest-free advance, being 80 *per cent* of the cost of construction equipment hypothecated to the project. Recovery of the advance was to commence as soon as the gross value of the work done was 50 *per cent* of the value of the contracts. In other words, recovery should have commenced latest by October 1971 (for South breakwater) and February 1972 (for North breakwater), *i.e.*, after 15 months from the dates of award of the contracts, and completed by the time work done was 87.5 *per cent* of the value of the contract, *i.e.*, well before February 1973 and May 1973 respectively, when the works were scheduled to be completed. However, due to slow progress of work, recovery of Rs. 6.02 lakhs was made on *ad-hoc* basis upto September 1974. Thus due to delay in completing the works, the interest free advance remained with firm 'B' for much longer than contemplated (interest for other advances was 7 *per cent*). The Ministry stated that "as per the terms of the contract, the recovery of the machinery advance should commence after 50% of the contract value of the works is over. It does not have any co-relation in respect of time in linear proportion."

Progress of work

When the concessions mentioned above were granted to firm 'B', it agreed to complete both the works by 31st March 1975 *i.e.*, 25 months and 22 months after the due dates of completion of South breakwater and North breakwater respectively according to the contracts. In August 1974, however, it applied for extension up to December 1975; extension has been granted (November 1974) up to May 1975 and July 1975 for the South breakwater and the North breakwater respectively.

Expenditure on the project up to April 1974 was Rs. 28.44 crores.

Construction of finger jetty

Breakwaters are constructed either by 'island method' or 'end on method'. Under 'end on method' the breakwater is constructed progressively from the shore end by using road vehicles. Under the 'island method' stones are carried by barges and dumped in the sea along breakwater alignment working backwards to the shore.

Finger jetty is required for berthing floating cranes and crafts for construction of breakwater by 'island method'. The schedule attached to the notice inviting tenders for the above works contained the following clause for doing the work by 'island method' :—

"The provision of a jetty by the department at —5.65m of South Break Water will be considered by the department only with reference to the floating crafts likely to be brought in and used by the tenderers. However, if the department decides that the volume of floating craft and equipments does not justify the provision of a jetty at —5.65m or even if a jetty is provided, if there is a delay in such construction of the jetty, or the jetty if provided is inadequate to handle full quantity of stones to be used on the works, the tenderer should execute the work by unloading the stones at the crane track and using the existing jetty at —2m of the South Break Water and at —3m at North Break Water at no extra cost".

Tenders were invited in August 1969 for construction of the breakwaters by 'island method' in deeper reaches and by 'end on method' in shallow reaches. In an amendment to the notice inviting tenders issued in November 1969 the tenderers were given option to do the work by 'any method'.

The tenders received in December 1969 indicated that the cost of the works would be less by about Rs. 2.28 crores if 'end on method' was adopted. The Chief Engineer and Administrator informed Government in January 1970 that the entire work would be got done by 'end on method' and that the contractors were agreeable to execute the work by 'any method'. Contracts for the works executed in July 1970 and October 1970 were for construction of the breakwaters by 'any method' and the project authority had the discretion not to provide finger jetty.

Construction of the finger jetty (estimated cost : Rs. 11.42 lakhs) was started in July 1970 and completed in September 1971 (expenditure booked upto November 1974 : Rs. 10.52 lakhs). Firm 'B' has been doing the work under 'end on method' for which no finger jetty was contemplated in the notice inviting tender.

The Ministry stated (December 1974) that "the firm required jetty, one at —2m depth and the second at —5.6m depth to handle the concrete units etc. This has been accepted by the Government. Thus the provision of the jetty became a contractual obligation and accordingly the jetty at —5.6m depth was constructed in addition to the one at —2m depth. This jetty is also proving useful for berthing of harbour crafts during bad weather."

LOSSES AND IRRECOVERABLE DUES WRITTEN OFF/WAIVED, AND EX-GRATIA PAYMENTS MADE.

38. A statement showing losses and irrecoverable revenue, duties, advances, etc. written off/waived and also ex-gratia payments made during 1973-74 is given in Appendix IX to this Report.

CHAPTER IV

WORKS EXPENDITURE

MINISTRY OF WORKS AND HOUSING

39. ***Land and Development Office, Delhi.***—Collector, Delhi, acquired certain areas between the years 1912 and 1914 for location of the new capital of India. In 1914 the 'Imperial Delhi Estate' was created. The Central Public Works Department was entrusted with development of the acquired land under the supervision of an Executive Engineer designated as "Land and Development Officer". After the land was developed partly, it was divided (1925) into five estates, *viz.*, Raisina, Southern Ridge, Indarpat, Aliganj and Arkkput Bag Mochi. The Raisina estate, covering an area of about 6,087 acres, remained with the Land and Development Officer. The other four estates were transferred to the Provincial Administration, and subsequently they were entrusted to Delhi Municipal Committee., Delhi District Board and two Notified Area Committees.

Land and Development Office was a part of the Central Public Works Department till February 1928. It functioned under the control of the Chief Commissioner, Delhi, upto September 1959, and thereafter has been functioning as a subordinate office of the Ministry of Works, Housing and Supply. The lands entrusted to Delhi Municipal Committee, Delhi District Board and the Notified Area Committees were resumed by Government and transferred to the Land and Development Office for administration in 1958. Certain undeveloped vacant Government lands remained under the control of the Central Public Works Department till September 1962. These were transferred to the Land and Development Office in October 1962 for evicting unauthorised occupants.

Administration of leases executed by the Regional Settlement Commissioner, New Delhi, for rehabilitation lands was transferred to the Land and Development Office in 1962. Administration of the vacant lands in the Rehabilitation colonies was also transferred to the Land and Development Office in 1963; this work was, however, transferred back to the Regional Settlement Commissioner in 1970.

Following are the main functions of the Land and Development Office:—

(i) Maintenance of records of all Nazul lands (except those under the management of Delhi Development Authority) and Rehabilitation lands in Delhi;

(ii) Allotment of lands to various parties,

(iii) Auction of lands for commercial and residential purposes;

The actual collection of ground rent, the annual demands and arrears are as follows :—

Nazul properties

Year	Arrears at the beginning of the year	Demands raised during the year	Total	Collection during the year	Arrears in collection at the end of the year
	(Lakhs of rupees)				
1969	27.24	29.00	56.24	23.70	32.54
1970	32.54	25.00	57.54	26.16	31.38
1971	31.38	25.37	56.75	20.71	36.04
1972	36.04	25.19	61.23	21.18	40.05
1973	40.05	35.84	75.89	27.00	48.89

Rehabilitation properties

Year	Arrears in collection at beginning of year	Demand for ground rent during the year	Arrears in respect of properties transferred by Rehabilitation department during the year	Total	Recoveries during the year	Arrears in collection at the end of the year
	(Lakhs of rupees)					
1969	12.77	5.93	9.88	28.58	8.35	20.23
1970	20.23	5.36	8.06	33.65	7.57	26.08
1971	26.08	5.48	1.81	33.37	6.42	26.95
1972	26.95	6.43	1.67	35.05	6.18	28.87
1973	28.87	6.47	—	35.34	4.61	30.73

Collection from Rehabilitation properties declined from Rs. 8.35 lakhs in 1969 to Rs. 4.61 lakhs in 1973 in-spite of increase in demand. Arrears have been increasing from year to year. Arrears of ground rent at the end of 1973 for Nazul properties (Rs. 48.89 lakhs) were 136 *per cent* of the demands arising that year. Arrears of ground rent for Rehabilitation properties (Rs. 30.73 lakhs) at the end of 1973 were 475 *per cent* of the demands arising during that year.

Recoveries in case of breaches

All perpetual and 99 year leases administered by the Land and Development office provide that if the lease terms are violated, the lessor can re-enter the premises, which would nullify the lease.

According to the advice given by the Ministry of Law in 1956, acceptance of ground rent after a breach of the lease conditions being an "affirmation that the lease as subsisting at the time of when the rent became due, such acceptance of rent falling due on a date after the cause of forfeiture has come to the knowledge of the lessor implies a waiver of forfeiture and precludes the lessor from saying that the rent was not acceptable by him with the intention of waiving the forfeiture............". The Land and Development Office does not, therefore, accept any payment of ground rent for periods after the breaches come to notice, till such time, the breaches are either removed by the lessees or regularised after recovering penalty.

On being requested by Audit in June 1974 to intimate the total number of breaches detected during the last 5 years, number of cases in which notices for breaches were issued, amount assessed for recovery and number of cases outstanding on 31st March 1974, the Land and Development Office stated (June 1974) that "there is no consolidated record maintained in this office......................". It was noticed in test audit that, during 1973, 954 cheques for Rs. 31.61 lakhs received from lessees were returned as there were breaches in their leases which had not been removed or regularised.

The following table shows that more than 50 *per cent* of the total arrears of ground rent for leased Nazul properties was on account of breaches of leases.

Year	Total amount of ground rent outstanding at the end of the year	Amount of outstanding ground rent relating to properties where there were breaches as at the end of the year
	(Lakhs of rupees)	
1969	32.54	15.75
1970	31.38	18.46
1971	36.04	21.45
1972	40.05	23.61
1973	48.89	29.93

The Land and Development Office was requested (May 1974) to intimate the arrears in collection of premium, additional ground rent, share of unearned increase, misuse charges, penalties, etc. at the end of 1971, 1972 and 1973. That office informed Audit in June 1974 that no consolidated records were available for giving the information.

Fixation of market rates of land

The prevailing prices of land in different localities are a criterion which directly or indirectly determines the quantum of several elements of revenue

A test-check in respect of certain selected areas showed that Government's share of the unearned increase on sales of leased lands with built properties was nil or negligible; a few illustrations are given below :—

Particulars of premises	Sale-1 Date	Sale-1 Amount	Sale-2 Date	Sale-2 Amount	Un-earned increase recovered
		Rs.		Rs.	Rs.
Shop 79 Gaffar Market.	November 1967	12,000	December 1970	23,000	750
7/140, Jheel Kuranja.	August 1962	4,000	September 1973	11,500	500
30/7 Tihar-II	October 1965	3,500	July 1973	15,000	500
B-15/16, Ramesh Nagar.	May 1964	17,000	October 1973	25,000	618
29/82, West Patel Nagar.	October 1961	5,995	February 1973	24,000	3,500
25/66, West Patel Nagar.	April 1963	5,495	June 1973	28,000	2,250
Shop 55, Gaffar Market.	April 1970	25,000	March 1971	37,000	Nil
-do-	March 1971	37,000	November 1973	46,000	
Flat No. 1, Khan Market.	November 1971	32,500	July 1973	50,000	Nil

It seems probable that had the prices of land been fixed more frequently and realistically, Government would have got a share of the unearned increase in the last two cases and in the other cases its share would have been more.

The rates for Khanna Market (which is situated in the Lodi Road area) have been fixed much lower than those for Lodi Road to which this market caters. Till 14th April 1974 rates per square yard for Khanna Market used to be even lower than those of Aliganj which is a predominently residential area.

(Rupees)

	With effect from 1-7-63		With effect from 28-3-66		With effect from 15-1-72		With effect from 14-4-74	
	Residential	Commercial	Residential	Commercial	Residential	Commercial	Residential	Commercial
Lodi Road	100	200	150	300	150	300	175	350
Khanna Market	75	150	75	150	75	150	150	300
Aliganj	75	150	100	200	100	200	150	300

CHAPTER IV

WORKS EXPENDITURE

MINISTRY OF WORKS AND HOUSING

39. *Land and Development Office, Delhi.*—Collector, Delhi, acquired certain areas between the years 1912 and 1914 for location of the new capital of India. In 1914 the 'Imperial Delhi Estate' was created. The Central Public Works Department was entrusted with development of the acquired land under the supervision of an Executive Engineer designated as "Land and Development Officer". After the land was developed partly, it was divided (1925) into five estates, *viz.*, Raisina, Southern Ridge, Indarpat, Aliganj and Arkkput Bag Mochi. The Raisina estate, covering an area of about 6,087 acres, remained with the Land and Development Officer. The other four estates were transferred to the Provincial Administration, and subsequently they were entrusted to Delhi Municipal Committee., Delhi District Board and two Notified Area Committees.

Land and Development Office was a part of the Central Public Works Department till February 1928. It functioned under the control of the Chief Commissioner, Delhi, upto September 1959, and thereafter has been functioning as a subordinate office of the Ministry of Works, Housing and Supply. The lands entrusted to Delhi Municipal Committee, Delhi District Board and the Notified Area Committees were resumed by Government and transferred to the Land and Development Office for administration in 1958. Certain undeveloped vacant Government lands remained under the control of the Central Public Works Department till September 1962. These were transferred to the Land and Development Office in October 1962 for evicting unauthorised occupants.

Administration of leases executed by the Regional Settlement Commissioner, New Delhi, for rehabilitation lands was transferred to the Land and Development Office in 1962. Administration of the vacant lands in the Rehabilitation colonies was also transferred to the Land and Development Office in 1963; this work was, however, transferred back to the Regional Settlement Commissioner in 1970.

Following are the main functions of the Land and Development Office:—

(i) Maintenance of records of all Nazul lands (except those under the management of Delhi Development Authority) and Rehabilitation lands in Delhi;

(ii) Allotment of lands to various parties,

(iii) Auction of lands for commercial and residential purposes;

(iv) Auction of rights for removal of sand, grazing, grass cutting and cultivation in open areas;

(v) Administration and management of various leases.

Land and lease records

Some of the registers of land are maintained by the Land and Development Office in form PWD-26 (prescribed for the Central Public Works Department), while others are simple ruled registers. The form PWD—26 has got 18 columns in which details of location, acquisition of land, payment of compensation, area of land, use of land and record plans are to be entered. The simple ruled registers have got only 5 columns for recording situation of land, approximate area and number of sites.

During a test check the following points were noticed :—

Block numbers were assigned to different areas before the 5 estates were formed in 1925. No records indicating details of lands and leases transferred to the Land and Development Office from notified area committees, Delhi District Board, Delhi Municipal Committee in 1958 were made available to Audit. The Land and Development Office stated (May 1974) that 31,358 acres of land were transferred by these authorities to it but no authentic records were available in support of this. It was also stated by that office that information about the number of sites and properties in these lands was not readily available. In 1967, a list of blocks in the Raisina estate was prepared showing the total area as 6,087 acres. In the absence of the details of areas, block numbers etc., in the other 4 estates, it was not possible to verify the correctness of the list for the Raisina estate as the block numbers in any estate were not consecutive.

According to the Land and Development Office, the number of Nazul and Rehabilitation leases and properties administered by the Land and Development Office have been increasing as shown below :—

Year	Number of leases			Number of properties		
	Nazul	Rehabilitation	Total	Nazul	Rehabilitation	Total
1967	2,664	34,808	37,472	2,664	41,512	44,176
1968	2,690	37,264	39,954	2,690	45,374	48,064
1969	2,718	40,504	43,222	2,718	49,038	51,736
1970	2,997	43,257	46,254	2,997	49,937	52,930
1971	×	×	47,570	×	×	54,442
1972	3,139**	45,561	48,600	3,173	52,527	55,700
1973	2,872	45,833	48,705	×	52,833	×

×Not available

**Insteads temporay leases.

In the case of Nazul leases which incorporate building proposals, possession of lands is handed over to prospective lessees against agreement for execution of lease. Formal lease-deeds are executed after the buildings are completed.

In April 1974, Land and Development Office furnished to Audit a list of 2,782 Nazul properties indicating whether lease deeds had been executed or not. In this list 237 cases were shown as cancelled. Of the balance 2,545 cases, lease deeds had not been executed in about 900 cases. In about 200 cases lease deeds had not been executed for 20 to 42 years and in about another 400 cases for 10 to 20 years. In May 1974, Land and Development Office stated that consolidated record of cases in which lease deeds had not been executed as on 31st March 1974 "has not been maintained/is not available".

Collection of revenue

Revenue realised by the Land and Development Office during the five years ending 1973-74 are as follows :—

	1969-70	1970-71	1971-72	1972-73	1973-74
			(Lakhs of rupees)		
Premium	59.98	74.02	32.73	90.15	116.31
Ground rent	36.37	50.07	34.77	50.46	29.38
Unearned increase on sale/transfer of property	1.84	7.28	22.03	11.95	16.56
Charges for unauthorised use	7.35	12.48	11.24	4.95	13.32
Additional ground rent	(Not available separately)		0.11	2.38	9.72
Damages	4.24	3.36	1.92	1.64	3.78
Penalties	0.54	0.62	0.72	0.54	1.37
Interest	0.51	0.70	1.18	0.74	1.66
Miscellaneous	4.04	5.37	3.73	7.25	8.04
Total :	114.87	153.90	108.43	170.06	200.14

Ground Rent

Demands on account of ground rent are issued with reference to the ground rent registers maintained area-wise. During the test check, it was noticed that as against 2,872 Nazul properties said to be existing at the end of the year 1973, ground rent registers produced to audit contained only about 1,750 entries. For Rehabilitation properties, registers of ground rent are not being maintained where the ground rent is recoverable at the rate of Re. 1.00 per annum per 100 square yards or part thereof. Since there are no records to indicate the number of such properties, it could not be verified that all Rehabilitation properties have been entered in the ground rent registers for issuing demands.

The actual collection of ground rent, the annual demands and arrears are as follows :—

Year	Nazul properties: Arrears at the beginning of the year	Demands raised during the year	Total	Collection during the year	Arrears in collection at the end of the year
	(Lakhs of rupees)				
1969	27.24	29.00	56.24	23.70	32.54
1970	32.54	25.00	57.54	26.16	31.38
1971	31.38	25.37	56.75	20.71	36.04
1972	36.04	25.19	61.23	21.18	40.05
1973	40.05	35.84	75.89	27.00	48.89

Year	Rehabilitation properties: Arrears in collection at beginning of year	Demand for ground rent during the year	Arrears in respect of properties transferred by Rehabilitation department during the year	Total	Recoveries during the year	Arrears in collection at the end of the year
	(Lakhs of rupees)					
1969	12.77	5.93	9.88	28.58	8.35	20.23
1970	20.23	5.36	8.06	33.65	7.57	26.08
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1973	28.87	6.47	—	35.34	4.61	30.73

Collection from Rehabilitation properties declined from Rs. 8.35 lakhs in 1969 to Rs. 4.61 lakhs in 1973 in-spite of increase in demand. Arrears have been increasing from year to year. Arrears of ground rent at the end of 1973 for Nazul properties (Rs. 48.89 lakhs) were 136 *per cent* of the demands arising that year. Arrears of ground rent for Rehabilitation properties (Rs. 30.73 lakhs) at the end of 1973 were 475 *per cent* of the demands arising during that year.

Recoveries in case of breaches

All perpetual and 99 year leases administered by the Land and Development office provide that if the lease terms are violated, the lessor can re-enter the premises, which would nullify the lease.

According to the advice given by the Ministry of Law in 1956, acceptance of ground rent after a breach of the lease conditions being an "affirmation that the lease as subsisting at the time of when the rent became due, such acceptance of rent falling due on a date after the cause of forfeiture has come to the knowledge of the lessor implies a waiver of forfeiture and precludes the lessor from saying that the rent was not acceptable by him with the intention of waiving the forfeiture............". The Land and Development Office does not, therefore, accept any payment of ground rent for periods after the breaches come to notice, till such time, the breaches are either removed by the lessees or regularised after recovering penalty.

On being requested by Audit in June 1974 to intimate the total number of breaches detected during the last 5 years, number of cases in which notices for breaches were issued, amount assessed for recovery and number of cases outstanding on 31st March 1974, the Land and Development Office stated (June 1974) that "there is no consolidated record maintained in this office.......................". It was noticed in test audit that, during 1973, 954 cheques for Rs. 31.61 lakhs received from lessees were returned as there were breaches in their leases which had not been removed or regularised.

The following table shows that more than 50 *per cent* of the total arrears of ground rent for leased Nazul properties was on account of breaches of leases.

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The Land and Development Office was requested (May 1974) to intimate the arrears in collection of premium, additional ground rent, share of unearned increase, misuse charges, penalties, etc. at the end of 1971, 1972 and 1973. That office informed Audit in June 1974 that no consolidated records were available for giving the information.

Fixation of market rates of land

The prevailing prices of land in different localities are a criterion which directly or indirectly determines the quantum of several elements of revenue *e.g.*, premia for leases in certain cases, Government's share of unearned increase, revised ground rent, additional premium for permanent change of land use, charges for additional construction, etc. Land prices in different localities are assessed and fixed by Government from time to time to serve as norm for calculating the amounts due.

It has been observed that where Government sells lands by auction or lands are sold or transferred by lessees to other parties, prices realised are usually much higher than the price fixed by Government at that point of time. A test-check of some sales of vacant lands in a few selected localities revealed the following :—

Locality	Period of transaction	Price per square yard realised or declared in sale deeds	Mode of sale	Rates per square yard fixed by Government	
				Date of effect	Amount
		(Rupees)			(Rupees)
Jor Bagh	December 1960	133.54 to 175.13	Auction by Government	1-7-60	35.00 to 52.96
	February 1963	162.60 to 487.00 (Average 232.22)	-do-	-do-	35.00 to 52.96
				1-7-63	100.00
	1968	216.20	Private transaction.	28-3-66	150.00
				15-1-72	150.00
				14-4-74	200.00
Diplomatic Enclave	January 1961	160.00 to 218.70	Auction by Government	1-7-60	35.00 to 52.96
				1-7-63	100.00
				28-3-66	175.00
				15-1-72	175.00
				14-4-74	225.00
	February 1963	200.58 to 642.00 (Shops)	-do-	1-7-63	300.00
				28-3-66	350.00
				15-1-72	350.00
				14-4-74	450.00
Golf Link	January 1961	146.89 to 247.53	-do-	1-7-60	35.00 to 52.96
				1-7-63	100.00
	1967	176.00	Private transaction	28-3-66	150.00
				15-1-72	150.00
				14-4-74	200.00
Kalkaji	1966	60.00 to 91.50	-do-	28-3-66	60.00
	1973	116.66	-do-	15-1-72	60.00
				14-4-74	100.00

Revision of prices of land had not been undertaken at regular intervals. Since 1960 there had been only 4 revisions of rates from 1st July 1963, 28th March 1966, 15th January 1972 and 14th April 1974. The rates effective from 15th January 1972 were by and large the same as those fixed on the preceding occasion (March 1966) except for commercial plots in 4 localities viz., Connaught Place, Connaught Circus, Connaught Place Extension and Hanuman Road Commercial Zone for which the rates were increased by about 67 *per cent*. The revisions made in April 1974 for 106 localities (seen in Audit) as compared to the rates fixed in March 1966 were as follows :—

Percentage of increase	Number of localities	
	Residential	Commercial
Reduction in rates	—	1*
No increase	8	9
Less than 50 *per cent* increase	33	41
From 50 *per cent* to 74 *per cent* increase	44	34
From 75 *per cent* to 99 *per cent* increase	2	4
100 *per cent* increase and above	19	17
Total	106	106

A test-check of land rates indicated that the rates for 28 localities including areas like Baird Road, Bhagwan Dass Road, Hudson Lines and Reading Road remained the same for almost 11 years, from 1963 to 1974. Rates for 78 other localities, including areas like Aurangzeb Road, Ajmal Khan Road, Defence Colony, Golf Link, Jorbagh, Khan Market as well as parts of Barakhamba Road, Curzon Road, Janpath and Parliament Street, remained the same for about 8 years from March 1966 to April 1974.

In September 1949 Government decided that future leases should provide for 50 *per cent* of unearned increase (difference between original purchase price and current market value) accruing to Government.

For determining the unearned increase in sale of vacant plots, the actual price mentioned in the sale deed is taken into account, if it is higher than the price at the rates fixed by Government. In the case of lands with built properties, the unearned increase is determined with reference to the rates fixed by Government.

*Mirdard Road (Market)

A test-check in respect of certain selected areas showed that Government's share of the unearned increase on sales of leased lands with built properties was nil or negligible; a few illustrations are given below :—

Particulars of premises	Sale-1 Date	Sale-1 Amount	Sale-2 Date	Sale-2 Amount	Un-earned increase recovered
		Rs.		Rs.	Rs.
Shop 79 Gaffar Market.	November 1967	12,000	December 1970	23,000	750
7/140, Jheel Kuranja.	August 1962	4,000	September 1973	11,500	500
30/7 Tihar-II	October 1965	3,500	July 1973	15,000	500
B-15/16, Ramesh Nagar.	May 1964	17,000	October 1973	25,000	618
29/82, West Patel Nagar.	October 1961	5,995	February 1973	24,000	3,500
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Shop 55, Gaffar Market.	April 1970	25,000	March 1971	37,000	Nil
-do-	March 1971	37,000	November 1973	46,000	
Flat No. 1, Khan Market.	November 1971	32,500	July 1973	50,000	Nil

It seems probable that had the prices of land been fixed more frequently and realistically, Government would have got a share of the unearned increase in the last two cases and in the other cases its share would have been more.

The rates for Khanna Market (which is situated in the Lodi Road area) have been fixed much lower than those for Lodi Road to which this market caters. Till 14th April 1974 rates per square yard for Khanna Market used to be even lower than those of Aliganj which is a predominently residential area.

(Rupees)

	With effect from 1-7-63		With effect from 28-3-66		With effect from 15-1-72		With effect from 14-4-74	
	Residential	Commercial	Residential	Commercial	Residential	Commercial	Residential	Commercial
Lodi Road	100	200	150	300	150	300	175	350
Khanna Market	75	150	75	150	75	150	150	300
Aliganj	75	150	100	200	100	200	150	300

Permanent change in land use

Land leased to a lessee can be used only for the purpose for which it has been leased. From time to time, there have been changes in the planned land use in certain areas, which, though, initially developed as residential, have been changed into commercial areas. In such areas the lessees for residential plots can seek permission for permanent change in the land-use specified in their leases on payment of additional premium as well as additional ground rent.

The additional premium can be paid by the lessees in instalments, and the additional ground rent is levied from the beginning of the fourth year or after the building is completed, whichever is earlier.

A test-check of permanent changes in land use in six selected localities was conducted. The following points were noticed in 21 cases in which permission has been sought for permanent change in land use.

Of the 15 multi-storeyed commercial buildings examined, demands for additional premia and additional ground rent have been raised for 3 buildings as follows :—

	Additional premium	Additional ground rent per annum
	(Lakhs of rupees)	
Building 1	14.26	0.71
Building 2	21.21	1.06
Building 3	36.97	1.85

The lessees of buildings 1 and 3 have paid the additional premium and have also been paying the additional ground rent. The lessee of building 2 paid only Rs. 7 lakhs as additional premia; the balance Rs. 14.21 lakhs is still recoverable from him (December 1974). For the remaining 12 buildings applications for change in land use were received—one each in 1963, 1964, 1967, 1968 and 1973, 2 each in 1966 and 1971 and 3 in 1970. Demands have not been raised for additional premium and additional ground rent in these 12 cases although eleven of the applications were received more than three to eleven years ago.

Three cases of hotels for permanent change in land use were examined. Of these, application for change in one case was received in 1971 and the remaining two in 1972. No demand for additional ground rent and additional premium has been raised in these cases (December 1974).

Applications for permanent change in land use for three group housing schemes examined in Audit were received in 1969, 1970 and 1972 respectively. No demand for additional ground rent and additional premium has been raised in these cases (December 1974).

The policy for levying additional ground rent and additional premium is yet to be notified by Government (February 1975).

Revision of ground rent—perpetual leases and 99 years leases.

Nazul Properties

According to the lease terms regulating revision of ground rent of Nazul leases granted to individuals, ground rent initially fixed at the time of grant of lease can be revised after thirty years from commencement of the lease, and thereafter at the end of each successive period of not less than thirty years. The amount of revised ground rent is fixed with reference to the "letting value" of the site decided by the Collector, Delhi.

According to the records of the Land and Development Office, by September 1974 revision of ground rent was due for 798 leases, on various dates from 1st January 1947, against which the Land and Development Office had filed plaints before the Collector, Delhi, for fixing the letting value for 671 leases. The Collector had decided only 14 cases by September 1974. The lessees have appealed in nine of these cases, and the appeals are pending in the court of Financial Commissioner (September 1974).

An examination of the files relating to 53 cases made available to Audit showed that in 5 of these cases the ground rent had been revised on the basis of decisions taken by the Collector on letting value. Plaints were filed before the Collector in other 48 cases but decisions were pending. According to assessments made by the Land and Development Office, on the basis of letting values (as assessed by that office) the annual additional ground rent in these cases aggregated to Rs. 5.94 lakhs per annum. The progressive amount due up to December 1974 on the basis of the assessments of the Land and Development Office was Rs. 1.06 crores.

Rehabilitation properties

There are approximately 45,800 Rehabilitation leases. By September 1974, revision of ground rent was due in about 3,000 cases.

An Officer on Special Duty was appointed in 1971 for revising ground rent of Rehabilitation lands. The Officer had finalised only 83 cases till September 1974.

Temporary leases

Apart from perpetual and 99-year leases, the Land and Development Office is also administering temporary leases for periods up to five years.

There were 292 temporary leases in March 1974. Out of these, 145 were leases granted to Municipalities, and charitable and educational institutions for which a nominal ground rent at the rate of Re. 1 per annum is payable. Against 81 of the other 147 leases, recoveries of ground rent aggregating Rs. 19.28 lakhs were outstanding on 31st March 1974 as shown below :—

Sl. No.	Purpose of lease	No. of leases	Amount recoverable (lakhs of rupees)	Oldest item outstanding since
1.	Petrol Filling-cum-Service Stations	15	3.89	January 1966
2.	Fuel Depots	13	1.63	December 1961
3.	Ice Factory	3	1.07	May 1963
4.	Embassy	1	3.58	July 1971
5.	Shop sites	13	1.39	April 1952
6.	Taxi & Cycle stands	2	0.12	July 1963
7.	Race Course	1	0.67	January 1972
8.	Residence	1	0.02	October 1972
9.	Cultivation	1	0.04	December 1964
10.	Local Bodies	4	5.67	January 1950
11.	Others	27	1.20	July 1954
	Total .	81	19.28	

Auctions for cultivation, grazing and grass-cutting

Rules provide that the Land and Development Office may allot certain lands temporarily, through auctions, for cultivation, grazing and grass-cutting, removal of sand from river-beds, cutting of trees, etc. At present that Office is allotting lands only for cultivation, grazing and grass-cutting.

Cultivable lands

Five thousand two hundred and fifty bighas of Government cultivable lands in 17 sites, transferred to Land and Development Office by the Notified Areas Committee in 1958, were reported to be under unauthorised occupation and cultivation by squatters for several years.

Four sites (183 bighas which are under unauthorised occupation), situated in the bed of River Jamuna, were auctioned for the first time on 15th January 1972 and fetched Rs. 4,550 for the cultivation season ended 30th June 1972. The other sites were put up for auction for the first time on 7th December 1972, but no bid was received.

All the seventeen sites were put to auction again on 22nd May 1973. This time, though the number of sites remained the same, the total area put up for auction was reduced from 5,250 to 1,704 bighas. This reduction was mainly in the cases of two of the 17 sites under unauthorised occupation of certain village multi-purpose co-operative societies. For one site the reduction was from 1,888 bighas to 178 bighas and for the other site from 2,062 bighas to 49 bighas. Against the auction held on 22nd May 1973 bids between Rs. 7.20 and Rs. 240 per annum per bigha were received for only five sites (418.06 bighas). The bid for one site (7.93 bighas) was only accepted at the rate of Rs. 94.60 per bigha per annum.

It has not been possible to ascertain the precise dates from which such unauthorised occupation began in all the cases, but the available records indicated that 4,684 bighas out of 5,250 bighas in four sites were under unauthorised occupation since 1964 or earlier. The scheduled rate for temporary allotments of cultivable land was Rs. 25 per bigha per annum from 13th December 1962 to 14th January 1969 and Rs. 50 from 15th January 1969. At these rates alone revenue from the 4,684 bighas would have been Rs. 19.89 lakhs up to July 1974.

Grass-cutting and grazing rights

Vacant strips of lands measuring 529 acres in fourteen localities were being regularly auctioned by the Land and Development Office every year till 1968-69.

Administrative control of grazing land in four localities, measuring 197 acres, was transferred to the Delhi Municipal Corporation in April 1970. No action was taken by either the Delhi Municipal Corporation or the Land and Development Office during 1969-70 to 1971-72 for auctioning the rights of grass-cutting and grazing in those localities. For 1972-73, those lands were put up for auction in June 1972 by the Land and Development Office, though their administrative control continued to be vested in the Corporation. The highest bids received aggregated Rs. 9,530. The Delhi Municipal Corporation was addressed in August 1972 for acceptance of the bids, but the bids were not accepted as there was no response from the Corporation.

These lands were again put up for auction for 1973-74 and the highest bids aggregating Rs. 12,660 were accepted by the Land and Development Office, although administrative control for these lands continued to be with the Delhi Municipal Corporation and no communication from the Corporation was received.

Unauthorised occupation of Government lands

The Land and Development Office has to keep all lands under its administration free from unauthorised occupation, and recover damages where necessary.

A survey of vacant lands is required to be carried out twice a year (in winter and the rainy season), and particulars of squatters are to be noted in area-wise registers prescribed for the purpose, and necessary action taken for eviction and recovery of damages.

Action for recovery of damages assessed in respect of squatters is taken through the Estate Officer, who issues show-cause notice to the squatter, considers the evidence, and decides the amount of damages to be recovered.

If the squatter fails to pay the damages as ordered, the Collector, Delhi, is requested by the Estate Officer to recover the amounts as arrears of land revenue.

A scrutiny of the available records revealed the following :—

(i) Out of 2,236 cases noted in the Register of Notices Issued during the period 1964-1974, amounts claimed as damages had not been indicated in 1,177 cases, i.e., in more than 50 *per cent* of the cases.

(ii) An analysis of the remaining 1,059 cases in which details had been noted in the Register indicated that in 808 cases the demands for damages were for less than Rs. 5,000 in each case. Total claim in respect of the other 251 cases exceeded Rs. 1.18 crores as shown below :—

Number of cases	Amount of damages in each case	Total amount
		(Lakhs of rupees)
82	Between Rs. 5,000 to Rs. 10,000.	5.83
140	Between Rs. 10,000 to Rs. 1,00,000.	28.62
29	Above Rs. 1,00,000.	83.83
	Total	118.28

The unsatisfactory state of affairs about eviction of squatters and recovery of damages were commented upon in the Audit Reports (Civil) 1962 and 1965. As the position in respect of assessment and recovery of damages did not improve, the matter was taken up by Audit with Government again in June 1971. Government had stated in September 1971 that machinery for eviction of squatters and recovery of damages was being re-activated, which was likely to result in considerable reduction of arrears.

With a view to streamlining the system of assessment of damages from squatters and keeping a proper record of damages assessed and recovered, a form of *pro forma* ledger account to be maintained by the Land and Development Office was devised in January 1970. Upto September 1974, ledger accounts were opened only in 704 cases. Even in these cases, the particulars noted were not up-to-date. The Land and Development Officer stated in December 1974 that the ledgers were being brought up-to-date.

Government's pre-emptive right to purchase properties.

As mentioned earlier, Government decided in September 1949 that all leases executed in future should contain a provision that Government is entitled to 50 *per cent* share of the unearned increment accruing to the lessee at the time of sale by him. This principle applies only to the second and subsequent sales of Rehabilitation properties and to all sales of Nazul lands. Government also decided (September 1949) that a clause should be incorporated in all future leases that Government would have a pre-emptive right to purchase any property at the time of its being offered for sale. This clause enables Government to acquire the properties whenever the prices disclosed in private transactions are unrealistic and are likely to be less than the actual prices realised by the sellers, thereby depriving Government of its legitimate share of the real unearned income.

A test-check of some property files showed that, in certain cases, the prices shown as realised in the sale deeds by lessees selling properties to others were much below the prices they had paid several years earlier at the time of purchasing the same properties. A few instances are given below :—

Particulars of properties	Date and price of earlier purchase	Date and price of sale
63, Khan Market	2nd January 1957 Rs. 41,300.	27th November 1963 Rs. 23,231
66-B, Khan Market	2nd January 1957 Rs. 18,600.	19th September 1973 Rs. 8,500.
26-B, Khan Market	2nd January 1957 Rs. 25,650.	26th September 1962 Rs. 16,000.
68-B, Khan Market	4th January 1957 Rs. 20,100.	18th March 1961 Rs. 13,000.
49-B, Khan Market	20th October 1961 Rs. 20,000.	31st January 1964 Rs. 18,000

So far, Government has not exercised its pre-emptive right to purchase any property.

(*Central Public Works Department*)

40. *Less recovery from a contractor.*—In November 1971 the Central Public Works Department awarded a contract to firm 'A' the lowest tenderer, for construction of the Hall of Nations and the Hall of Industries for the Third Asian International Trade Fair 1972 at New Delhi at a negotiated amount of Rs. 91.57 lakhs. One of the conditions of the contract was as follows:—

> "Necessary assistance to be rendered by the Department for procurement of the requirsite quantity of steel staging material and frame work through J.P.C. will be confined to issue of necessary letters to the concerned authorities. The Department would not accept any liability for any claim or compensation in this regard."

Apart from issuing several letters to the J.P.C. (Joint Plant Committee) recommending allotment of steel required for staging (*i.e.*, for scaffolding and not for consumption in work) to the contractor 425.031 tonnes of steel were also issued to the contractor between December 1971 and November

1972 for staging. The Chief Engineer, International Trade Fair, stated (March 1973) that "it was observed that issuing of letters to the concerned authorities for issuing steel to the contractors at Joint Plant Committee rates would not by itself ensure prompt procurement for completing the work, which was a prestigious one, in time. It was, therefore, considered necessary in the interest of work to issue part of the steel staging materials from available stock in the Departmental stores."

In January 1972, the Chief Engineer, International Trade Fair, had ordered that the price of steel for staging should be recovered at departmental issue rates plus 10 *per cent* or market rate, whichever was higher. This was revised and it was decided to effect recovery at departmental issue rates plus 10 *per cent* or the rates of stockists of Hindustan Steel Limited at Delhi, whichever was higher. Rupees 6.012 lakhs were actually recovered from the contractor @ Rs. 1,400 per tonne. During the period when the supplies were made to the contractor, the department had purchased (between June 1972 and November 1972) 43.46 tonnes of similar items of steel from the open market at rates between Rs. 1,816 and Rs. 2,821 for consumption in the work, and at those rates price of 425.031 tonnes of steel issued to the contractor for staging would have been Rs. 10.86 lakhs. The contractor thus got an unintended benefit of Rs. 4.91 lakhs.

Firm 'A' protested against the recovery at the provisional rate of Rs. 1,400 per tonne and wanted arbitration demanding recovery at the Joint Plant Committee (J.P.C.) rate of Rs. 1,010 per tonne and filed a suit in Delhi High Court in March 1974. Government stated (November 1974) that "we have since reviewed the position *de novo* and decided that final recovery should be made from the firm at market rate."

CHAPTER V

STORES PURCHASES

DEPARTMENT OF SUPPLY

AND

DEPARTMENT OF AGRICULTURE

41. *Purchase of fertilisers from abroad.*—The main chemical fertilisers used in India are shown below, with the percentage of nutrition contents (*viz.,* nitrogen or 'N', phosphorus or 'P' and potassium or 'K') shown in brackets:—

(i) *Nitrogenous fertilisers*

Ammonium sulphate (20.6 *per cent* N)
Ammonium sulphate nitrate (26 *per cent* N)
Ammonium chloride (25 *per cent* N)
Calcium ammonium nitrate (20.5 to 26 *per cent* N)
Urea (46 *per cent* N)

(ii) *Phosphatic fertilisers*

Single superphosphate (16 to 20 *per cent* P)
Triple superphosphate (46 *per cent* P)

(iii) *Potassic fertilisers*

Muriate of potash (58 to 60 *per cent* K)
Sulphate of potash (48 to 52 *per cent* K)

(iv) *Complex and compound fertilisers*

Ammonium phosphate sulphate (16 to 20 *per cent* N and 19.5 to 20 *per cent* P)

Di—ammonium phosphate (18 *per cent* N and 46 *per cent* P)

Urea ammonium phosphate (20 *per cent* N and 20 *per cent* P or 28 *per cent* N and 28 *per cent* P)

Nitrophosphate (20 *per cent* N and 20 *per cent* P)

Nitrophosphate with potash (18 *per cent* N, 18 *per cent* P, 18 *per cent* K or 15 *per cent* N, 15 *per cent* P, 15 *per cent* K)

NPK complex and mixtures (different grades with various proportions of N:P:K, such as, 15-15-15, 14-36-12, 14-14-14, 13-13-13, 12-24-12, 12-32-16, 10-26-26, etc.).

Use of chemical fertilisers in India started towards the end of the 19th century in plantation crops like tea, coffee, etc. In the context of planned economic development after independence, use of these fertilisers became popular with the Indian farmers. With the introduction of high yielding variety seeds of food-crops in the mid-sixties, use of chemical fertilisers in India increased to a great extent. From meagre 0.71 lakh tonnes in 1951-52, consumption of fertilisers (in terms of nutrients) in India went up to 7.84 lakh tonnes in 1965-66 and 26.99 lakh tonnes in 1972-73. India is still among the countries with the lowest fertiliser consumption rates in the world, though.

The extent to which India has been depending on imports of fertilisers can be seen from the following table:—

Year	Consumption	Import	Percentage (import to consumption)	Value of imports (Crores of rupees)
	(Lakh tonnes of nutrients) (N+P+K)			
1968-69	16.74	10.36	61.88	163.00
1969-70	19.89	7.62	38.31	116.77
1970-71	21.77	6.33	29.00	95.87
1971-72	26.21	9.70	37.00	90.23
1972-73	26.99	12.19	45.00	118.81
1973-74	27.83	12.56	45.00	183.49

Import requirements are worked out by the Department of Agriculture on the basis of the stock position, estimated requirements ascertained from the State Governments and other major consumers, and the estimates of domestic production prepared by the Ministry of Petroleum and Chemicals. These requirements are approved by the Standing Committee of Fertilisers and, where necessary, by the Committee of Economic Secretaries. The Minerals and Metals Trading Corporation arranges import of fertilisers against rupee payment under bilateral trade agreements. The Department of Supply arranges import from the rest of the world. Purchases made by the Department of Supply abroad constituted nearly 72 *per cent* of the total purchases during 1970-71, 1971-72 and 1972-73.

The following table illustrates how quickly estimated requirements for 1972-73 (to be imported by the Department of Supply) were changed by the Department of Agriculture:—

Item	Original demand in March 1972 (Tonnes)	Subsequent modifications
Urea from U.K. and West Europe	82,500	Actual produce in May 1972 against modified demand was 1,23,000 tonnes.
Muriate of Potash from U.K. and West Europe	22,000	Actual purchase against modified demand in May 1972 was 65,000 tonnes.
Total requirement of urea.	2,73,000	Total purchase during the year against modified demands were 15.08 lakh tonnes.

Changes in estimates for imports were due mainly to shortfall in indigenous production and imports by Minerals and Metals Trading Corporation from rupee payment areas. The Department of Agriculture stated (February 1975) that changes in estimates had also to be made depending on availability of foreign exchange.

The following table shows the estimates of indigenous production of fertilisers in terms of nitrogen (N) and phosphorus (P) *vis-a-vis* actual production (potassic fertilisers are not manufactured in India):—

Year		Estimates of indigenous production given by Ministry of Petroleum and Chemicals from time to time.			
		Original	Revised	Further revised	Actual production
		(Lakh tonnes)			
1969-70	N:	9.17	8.50	8.50	7.16
	P:	Nil	3.10	3.10	2.22
1970-71	N:	12.28	10.50	8.50	8.30
	P:	4.20	3.20	2.30	2.30
1971-72	N:	14.20	13.20	11.90	9.52
	P:	4.20	3.30	3.00	2.87
1972-73	N:	18.20	14.05	12.13	10.60
	P:	4.76	3.96	4.10	3.26

The Minerals and Metals Trading Corporation had promised to procure, among other things, 7.50 lakh tonnes of urea during 1972-73 from East European countries. By June 1972, however, it was evident that imports during 1972-73 from East European countries would be far less than what was expected. In that year actual imports by Minerals and Metals Trading Corporation were only 2.65 lakh tonnes. The Department of Agriculture had observed in June 1972 that with better economic intelligence this could have been foreseen and alternative arrangements for import could have been made in time.

Purchases

All purchase proposals are considered by a Fertiliser Purchase Committee under the chairmanship of the Secretary, Department of Supply, and consisting of representatives of the Departments of Agriculture, Economic Affairs, Expenditure, Transport, Ministry of Commerce and the Minerals and Metals Trading Corporation. The Committee also prescribes ceilings for purchases to be made by the Minerals and Metals Trading Corporation. After purchase decisions have been taken by the Department of Supply with the approval of the Fertiliser Purchase Committee, formal contracts are executed by the Director General, India Supply Mission, Washington, (on suppliers in U.S.A. and Canada), the Director General, India Supply Mission, London, (on suppliers in U.K. and West Europe) and the Director General, Supplies and Disposals, New Delhi, (on suppliers in other countries, such as Japan, Kuwait, etc.).

A test-check of purchases made by the Department of Supply was made. In all 186 contracts executed during February 1971 to September 1973 were checked.

Method of purchase

The following table shows the method of purchase followed by the Department of Supply during the last three years:—

Year	Total purchase	Purchase by negotiations	Percentage of purchase by negotiations
	(Lakh tonnes)		
1970-71	12.77	5.99	47
1971-72	13.87	5.13	37
1972-73	30.92	28.00	91
Total	57.56	39.12	68

Analysis of 176 contracts relating to the above period with reference to sources of finance and methods of purchase are given below:—

Source of finance	Purchase by tender		Purchase by negotiations following tenders		Purchase by negotiations only	
	Number of contracts	Quantity	Number of contracts	Quantity	Number of contracts	Quantity
	(Quantity in lakh tonnes)					
(i) U.S. and Canadian A.I.D. loans.	50	10.44	Nil		Nil	
(ii) Other loans and credits (U.K., West Europe and Japan)	Nil		Nil		34	6.71
(iii) Free foreign exchange	26	3.34	30	5.68	36	11.95

It is obligatory to invite tenders from the suppliers of the country giving the aid or loan for purchase against (i) above. It would be seen that out of 92 contracts of the third category for purchase of 20.97 lakh tonnes of fertilisers which have been test checked, 36 contracts for 11.95 lakh tonnes (57 *per cent*) were placed by negotiations only.

Prior to 1966, purchases were mostly made as a result of tenders. It has been stated (January 1975) by the Department of Supply that thereafter delegations were generally sent abroad for negotiations as it was noticed that the main suppliers in foreign countries had a tendency to quote "ring prices" on C&F basis and tenders were dispensed with, where not essential. Even where tenders were issued, the purpose, it has been stated, was to use the offers received as guidelines for negotiations; where, however, regulations, as in the case of some foreign aids, required it, tenders were invited and in these cases no negotiations were held, as the regulations prohibited negotiation.

It was decided in February 1971 that ordinarily suppliers should be invited to come to India if negotiations were necessary, as that would ensure prior consultations with, and approval by, Government and generally result in better terms of purchase. In May 1971, it was, therefore, decided that no delegation need be sent to Europe for purchase of fertilisers. In February 1972, it was decided that departure from the policy of holding negotiations in India for purchases from abroad would be allowed only if it was in the national interest. Nevertheless, during April 1971 to September 1973 eleven delegations went to Japan, West Europe, U.K., U.S.A., Canada and Kuwait. On return from abroad, the delegations submit report to Government.

The following points were noticed in test audit:—

(i) Against a tender for 0.60 lakh tonnes of di-ammonium phosphate floated in February 1971, including 0.20 lakh tonnes for supply to a public sector undertaking, the rates (f.o.b.) accepted were between Canadian $ 58.98 and $ 64.48. The rate for delivery in April 1971 was the highest (Canadian $ 64.68) as that fell in the domestic season for fertilisers in the foreign country from which the fertiliser was to be imported. The Fertiliser Purchase Committee observed that the indent should have been placed by the public sector undertaking well in advance so as to avoid purchase in the domestic season of the foreign country. Out of 10,000 tonnes to be shipped in April 1971, 8,845 tonnes were shipped in that month and the rest was shipped in May 1971.

(ii) In a tender enquiry for muriate of potash (MOP) floated in February 1971, the specification stipulated 60 as the minimum percentage of potassium soluble by weight and there was no stipulation for any premium for offers with higher potassium content. In a contract placed against that tender, 1.44 lakh tonnes of MOP (1.14 lakh tonnes standard grade and 0.30 lakh tonnes granular grade) with 60 *per cent* potassium content was ordered at Canadian $ 33.01 per tonne (f.o.b.). The same supplier had also offered MOP with potassium content of 62.4 *per cent* for standard grade and 62.3 *per cent* for granular grade at Canadian $ 33.91 per tonne (f.o.b.). The total potassium content of the quantity ordered (1.44 lakh tonnes at 60 *per cent*) was 0.86 lakh tonnes and its cost was Canadian $ 47.45 lakhs. Had the MOP with higher potassium content offered been purchased, only 1.38 lakh tonnes would have been needed to obtain the same potassium content of 0.86 lakh tonnes, and this would have cost Canadian $ 46.88 lakhs. In that event, there would have been saving of

Canadian $ 56,538.13 (equivalent to about Rs. 4.24 lakhs). Besides, there would also have been saving in ocean freight, inland transport, handling charges etc.

The Department of Supply stated (January 1975) that "the Fertiliser Committee in its meeting on the 4th January 1971 had decided that evaluation should be made on the minimum percentage specified in the specification and that no premium should be allowed for higher percentage. In this, decision of the Fertiliser Purchase Committee must have been guided by the technical authority, *viz.*, Department of Agriculture". It may be mentioned in this connection that in September 1970 the Department of Agriculture had observed that "while evaluation of bids on the basis of the minimum C&F price per unit of nutrient is the scientific method and will economise foreign exchange in the ultimate analysis, the fact that we pass it on to the farmer at the same price as 60 *per cent* material will only mean that the farmer gets some hidden advantages *i.e.*, he will get more output per tonne of MOP price than he has paid on the basis of the average pricing system".

Decision has not so far (January 1975) been taken to evaluate tenders for purchase of this fertiliser with reference to the higher than the prescribed minimum potash content, if offered by a tenderer.

The Department of Agriculture stated (February 1975) that "all muriate of potash imported from Canada is obtained from the mines at Saskatchewan. Our analysis of the MOP obtained in the past from this source indicates that the potassium content of the fertiliser has always been above 60 *per cent* and has generally gone up to 62 *per cent* ....it was felt that if MOP with almost 62 *per cent* potassium content could be available from the same mines at a lower price even though the specifications might provide only for 60 *per cent* potassium content, it was not necessary to pay a higher price and obtain the same MOP, indicated to have potassium content of 62.4 *per cent* to 62.3 *per cent*. Our subsequent experience has borne out this and even though the MOP is said to have 60 *per cent* potassium content, the potassium content has generally ranged above 60 *per cent* and has gone up to 62.4 *per cent*".

(iii) The original import programme for 1971-72 provided for import of 1 lakh tonnes of ammonium sulphate from Japan and 0.70 lakh tonnes more from West Europe. The shipments were required to be during July to September 1971.

In May 1971, the Department of Agriculture intimated the final requirement to the Department of Supply as 4.50 lakh tonnes, 2 lakh tonnes by October 1971 and the balance 2.50 lakh tonnes by February 1972. The Department of Supply wanted (May 1971) to send a delegation to West Europe for this purpose before holding negotiations with the Japanese suppliers, whose prices were generally higher, so that purchase from them did not push up West European prices. Government, however, decided (May 1971) that no delegation need be sent to Europe for purchase of fertilisers.

In June 1971, an organisation representing most of the major West European producers of nitrogenous fertilisers (from whom bulk of the purchases from West Europe are regularly made), quoted \$ 13.00 (f.o.b.) per tonne for ammonium sulphate. On being requested to come over to India for negotiations, the organisation suggested that an Indian delegation should, as usual, go to Europe and, if that was not possible, it would send a delegation to India by 7th July 1971.

By then the Department of Agriculture (on 22nd June 1971) proposed that urgent action to meet emergent requirements should be taken by sending a delegation to Japan. This was approved on 30th June 1971 and a delegation left for that country on 8th July 1971. During negotiations the lowest price offered in that country was \$ 14.40 (f.o.b.) per tonne. This price having been considered high, the Department of Supply and the Department of Economic Affairs requested the Department of Agriculture (August 1971) to consider whether the purchase could be postponed. The Department of Agriculture did not agree to this as ammonium sulphate was urgently required. Accordingly, in August 1971 orders were placed on Japanese suppliers for 0.41 lakh tonnes of ammonium sulphate at \$ 14.80 per tonne.

Negotiations with the West European organisation mentioned above were held in India late in August 1971, when it raised its price to \$ 13.25 from \$ 13.00. An order for 0.40 lakh tonnes was placed on it in September 1971 at the enhanced price. In the same month, another order for 0.37 lakh tonnes was placed on an Italian supplier at the same price (\$ 13.25) on the ground that, that price had already been accepted for supplies by the West European organisation.

As the major portion of the demand still remained uncovered, another delegation went to Japan and placed orders (November 1971) for 1.36 lakh tonnes more of ammonium sulphate at \$ 14.15 per tonne (f.o.b.). Although world fertiliser prices started to rise from the latter part of 1971, this price was lower than the earlier price, at which orders had been placed three months ago on suppliers of the same country, by \$ 0.65 per tonne.

Had the offer of June 1971 from the West European organisation been accepted there would have been saving of \$ 10,000 (Rs. 75,000 approximately) on 0.40 lakh tonnes ordered on it in September 1971. Since parity of price had been allowed to the Italian supplier, there could have also been a saving of \$ 9,146.25 (Rs. 68,600 approximately) on 0.37 lakh tonnes ordered on the Italian supplier.

It may also be mentioned that the acidity of ammonium sulphate (1.87 lakh tonnes) purchased in Japan was higher than that prescribed by the Department of Agriculture which, however, stated later on that this was acceptable.

(iv) An order for supply of 0.37 lakh tonnes of ammonium sulphate was placed in September 1971 at \$ 13.25 (f.o.b.) plus estimated freight of \$ 9.30 per tonne. The date of delivery was stipulated as November 1971 or within 2 months from the date of completion of all formalities. The Department of Agriculture pointed out in November 1971 that these fertilisers were required for use in Rabi 1971-72 and that the supplies should not be delayed. There was, however, considerable delay in completing the formalities (*viz.*, making advance payments to the supplier, opening letter of credit etc.,), with the result that the supplies commenced only in October 1972. In the meantime, freight rates went up considerably and the cost per tonne inclusive of freight became \$ 26.50 against \$ 22.55 estimated earlier. Due to this increase in cost, the credit allocation against which the contract had been placed was sufficient for purchase of 0.32 lakh tonnes only against 36,585 tonnes ordered. On this ground the supplier refused to make further supplies, although Government of India agreed to pay for the balance quantity in free foreign exchange. Subsequent f.o.b. prices of this fertiliser (1973) were very high (\$ 33.45 to \$ 45.30 per tonne).

(v) Against a tender enquiry made in March 1972 for purchase of 0.75 lakh tonnes of urea in free foreign exchange, the prices offered were \$ 56.80 to \$ 60.50 (f.o.b.) per tonne as compared to the previous purchase price of \$ 46.40 (f.o.b.) in July 1971. Officers for 0.62 lakh tonnes were accepted on 24th April 1972 at \$ 56.80 to 60.50 (f.o.b.) per tonne. At that time (from 16th April 1972 to 5th May 1972), a delegation was in Europe negotiating purchase of urea against credits offered by foreign Governments. The prices accepted in negotiations in Europe in May 1972 ranged between \$ 57.20 and \$ 57.40 (f.o.b.) for 0.83 lakh tonnes. It would be seen that while the minimum of these prices was higher by \$ 0.40 per tonne than that for free foreign exchange purchase, the maximum price was lower by as much as \$ 3.10 per tonne.

The Fertiliser Purchase Committee at its meeting held on 6th May 1972 observed that "the position of supply had changed so fast that a few weeks' delay in sending the delegation to Europe had meant among other things at least a short supply of 30,000 to 40,000 M.T. and an increase in price by at least \$ 1. On account of delay in sending the delegation it had become necessary to take a decision on the F.F.E. (free foreign exchange) tender lest the stocks already depleted with the Agriculture Department should reach a dangerously low level. Consequently, a price of \$ 60.50 (f.o.b.) had to be accepted during the validity of the FFE (free foreign exchange) tender before the delegation had made much headway in their tour in Europe. This price proved an inhibiting factor in conducting the negotiations by the delegation with the suppliers in Europe and the task of price reduction became all the more difficult on account of this".

(vi) An offer for NPK grade 15-15-15 at $ 64.45 per tonne (c & f) received against a global tender was rejected in May 1972 as technically unacceptable to the Department of Agriculture in view of moisture content being 2 per cent instead of 1.5 per cent and only part of the phosphorous being in water soluble form. A higher offer of $ 73.14 per tonne (c & f) was therefore, accepted for 0.10 lakh tonnes in May 1972. In July 1972, however, the Department of Agriculture stated that NPK of the specification rejected in May 1972 would be suitable. This revised decision was based not on any fresh technical consideration but due to shortage of complex fertilisers (with completely water soluble phosphates) and di--ammonium phosphate/ammonium phosphate. From market reports prepared by the India Supply Mission, London, it appears that shortage of phosphatic fertilisers had developed from the middle of 1971, if not earlier. Had, on the basis of market reports, the decision of July 1972 been taken two months earlier, the offer of May 1972 could have been accepted and there would have been saving of $ 86,900 (Rs. 6.52 lakhs approximately).

(vii) A contract for 0.25 lakh tonnes of NPK grade 15-15-15 against a foreign loan was executed in May 1972 at $ 79.80 (c & f) per tonne for half the quantity to be shipped in July 1972 and $ 84.75 (c & f) per tonne for the remaining half to be shipped in August 1972. In a contract, executed in June 1972, for purchase of 0.10 lakh tonnes NPK of the same grade against free foreign exchange, the rate accepted was $ 73.13 (c & f) per tonne for delivery in June and July 1972. Thus, the price paid for the loan financed purchase was very much higher than that paid for in free foreign exchange. The Department of Supply stated (January 1975) that the purchase at higher rate against credit had to be made for meeting urgent requirements.

(viii) Tenders for 0.50 lakh tonnes of di-ammonium phosphate were invited in July 1972. The rates offered were between $ 103.50 to $ 122.50 per tonne (c & f)). In August, 1972 orders were placed for 0.31 lakh tonnes at the lowest rate of $ 103.50 per tonne (c & f). The Fertiliser Purchase Committee decided on 17th August 1972 that negotiations should be conducted with other tenderers for reducing the prices for purchase of the balance quantity. According to the tender notice, the total quantity could be increased by 25 *per cent,* i.e., in all about 0.63 lakh tonnes could be purchased. In other words, the maximum to be purchased by negotiations was 0.32 lakh tonnes. During negotiations in which the tenderers were represented by their Indian agents, in addition to revised offers against the original quotations, some of the agents also submitted new offers. One firm that had not quoted against the original tender enquiry also participated in the negotiations. During the meeting of the Fertiliser Purchase Committee held on 29th August 1972, the representative of the Department of Agriculture stated that it had been indicated earlier that one lakh tonne should be purchased, but the Department of Agriculture would be happy if further additional quantities could be purchased. After negotiations, 2.44 lakh tonnes more were purchased at rates between $ 105.25 to $ 111.50 per tonne (c & f) as against the maximum of 0.32 lakh tonnes which could be purchased by negotiations.

(ix) Tenders for di-ammonium phosphate were invited in January 1973 with the stipulation that on receipt of the offers Government would, if necessary, enter into negotiations. Why this stipulation was made is not easy to understand. Further, neither the quantity nor the period of delivery was mentioned in the tender. The prices quoted were considered to be high. The Director General, India Supply Mission, Washington, stated (January 1973) that, since the tender had indicated the possibility of post-tender negotiations, the suppliers would have kept a cushion in their prices. One of the members of the Fertiliser Purchase Committee stated before that Committee during discussions of the purchase proposal on 13th March 1973 that, according to information obtained by him during his recent visit to U.S.A., the tenderers had kept a cushion of $ 3 to $ 4 per tonne in their quotations and that it should be possible to get reduction to that extent. Against a tender floated by another foreign country about that time (February 1973) prices quoted were between $ 99.50 to $ 106.28 per tonne. As a result of negotiations, contracts for 2.63 lakh tonnes were executed in March 1973, at the rates of $ 101.75 to $ 104.50 (f.o.b.), per tonne with suppliers who had quoted earlier $ 102.00 to $ 109.80 (f.o.b.) per tonne.

(x) After negotiations with only one foreign supplier, in April 1973 a contract for supply of 5,000 tonnes of sulphate of potash (SOP) required for tobacco crops was placed on that supplier for supply from foreign country 'A'. Published statistics show that upto 1966-67 this fertiliser had been purchased from four other foreign countries including country 'B'. Thereafter, during 1969-70 and 1970-71, this fertiliser was purchased from country 'B' only. Thereafter purchase was made from country 'A' in 1973 as mentioned above. The purchase in 1973 was in free foreign exchange. Time available was also sufficient, as the tobacco season for which this fertiliser was required was to begin in September—October 1973. The stock position also was comfortable, as the stock in hand at the end of 1972-73 was 7,633 tonnes as against the average annual distribution of 6,716 tonnes during the preceding three years (only 3,737 tonnes in 1972-73). Thus, instead of purchase after negotiations with only one supplier, tenders could have been called and competitive rates obtained.

Department of Supply has stated (January 1975) that the producers of countries 'A' and 'B' are represented by a certain firm to whom reference is made for quotations.

(xi) Certain offers for supply of ammonium sulphate were received by the Department of Supply in the latter half of 1972 and the first half of 1973. No tenders had been invited from them and the offers were allowed to lapse. Subsequently, on 18th July 1973, it was decided to negotiate with those of the suppliers who had offered delivery during 1973. Their representatives were accordingly called on 19th July 1973 for ascertaining the availability and prices. As against 14 offers covering about 7 lakh tonnes received originally (out of which 8 offers covering about 2.6 lakh tonnes were for delivery during 1973), only the following four offers were received on that occasion :—

Country of origin	Tonnes offered	Rate per tonne
'P'	30,000 (bulk)	\$35.00 approximately (f.o.b.)
'Q'—Offer No. 1	10,000 (in polypropylene bags).	\$72.45 approximately (c & f)
'Q'—Offer No. 2	10,000 (bulk)	\$65.80 approximately (c & f)
'R'	10,000 to 15,000 (bulk)	\$41.75 (f.o.b.)

It was decided in July 1973 to accept the offer of 'P' and the second offer of 'Q'. One of the earlier offers that had been allowed to lapse was for 50,000 tonnes (bulk) at the price of approximately \$ 32.33 (f.o.b.) valid upto 10th April 1973. Had 40,000 tonnes ordered on 'P' and 'Q' (against the second offer) in July 1973 been purchased against this earlier offer, there would have been saving of about \$ 3.27 lakhs (Rs. 24.5 lakhs approximately).

Contracts

A test check of 186 contracts (placed abroad from 1971 to 1973) disclosed the folowing:—

(i) Out of the total of 39.70 lakh tonnes (against which the actual shipment was 38.10 lakh tonnes) only 15.82 lakh tonnes, representing about 40.73 *per cent* of the total, was shipped within the stipulated period. The extent of delay in shipment of the rest was as follows:—

	Lakh tonnes	Percentage of the total
Upto 1 month	12.89	33.83
Beyond 1 month upto 3 months.	7.19	18.88
Beyond 3 months upto 6 months.	1.75	4.60
Beyond 6 months upto 1 year.	0.62	1.62
Beyond 1 year	0.13	0.34

(ii) Despite the loss or inconvenience owing to delay in shipments, no liquidated damages or penalty have been levied in any case even where delay was attributable to suppliers. The contractual provisions for imposition of liquidated damages or penalty for non-adherence to the delivery schedule are as follows:—

(a) The fertiliser contracts executed by the Director General of Supplies and Disposals are governed by the General Conditions of Contract which provide for levy of liquidated damages for late delivery, apart from penal provisions for any breach of contract.

(b) The contracts executed by the Director General, India Supply Mission, London, stipulate levy of liquidated damages for delay in delivery in addition to, and distinct from, any other remedy for breach of contract.

(c) No provision for levy of liquidated damages or penalty for late delivery exists in the contracts executed by the Director General, India Supply Mission, Washington, who purchases more than 40 *per cent* of the total purchases of fertilisers from abroad.

While clause 10 of the conditions of the contracts executed by the Director General, India Supply Mission, Washington, relates to late delivery and provides that claims for extension of time on account of "force majeure" shall be granted, there is no mention about the remedy available to the purchaser in cases extension of time is granted for reasons other than "force majeure". Further, the expression, "force majeure" has not been precisely defined or delimited by setting forth the particular eventualities that would constitute it. Two instances in which the suppliers could take advantage of this are given below.

In respect of a contract executed in April 1973 for 55,000 tonnes of di-ammonium phosphate (against which only 8,856 tonnes, were supplied within the contractual period and the balance was delayed by periods ranging from 11 days to 3 months and 8 days), the supplier invoked "force majeure" on account of a breakdown

The principal reason for continuance of import of calcium ammonium nitrate, it has been stated, is the Indian farmer's preference for it.

When the matter was discussed in the meeting of the Committee of Economic Secretaries in December 1971, it was stated on behalf of the Department of Agriculture that import of this fertiliser would be completely phased out in the next five or six years, but in the intervening period there was no escape from imports so that together with indigenous production the consumer preference could be matched.

A foreign commercial concern, which is a combine of most of the major West European producers of nitrogenous fertilisers, had done over the years considerable work in India for promoting use of this fertiliser by Indian farmers. Ultimately, under directions of Government of India the foreign commercial concern stopped its promotional work in India in 1972. Whether adequate efforts are being made by Governments in India to wean farmers away from use of this fertiliser merits consideration.

(*Directorate General of Supplies and Disposals*)

42. *Purchase of cold rolled steel sheets.*—In March 1972, the Director General, Supplies and Disposals, received an "operational" indent from an ordnance factory for procurement of 1,597 tonnes of cold rolled carbon steel sheets of type 'D' or 'DD' ("Drawing" or "Deep Drawing") of Indian Standard 513-1963 in bright and annealed surface finish and "best surface" condition.

According to Indian Standard 513—1963, cold rolled steel sheets may be supplied in any of the following conditions :—

(a) *Scale-free.*—pores, roll marks and scratches permitted;

(b) *improved surface.*—pores, roll marks and scratches permitted on small scale only; and

(c) *best surface.*—having pores, roll marks or scratches which would not impair the uniform appearance of the finished product, such surface being ideal for spray-painting and enamelling.

An acceptance of tender for Rs. 21.26 lakhs was placed on firm 'A' on 16th September 1972 for supply (by December 1972) of 1,597 tonnes steel sheets of type 'DD' in the Indian Standard 513-1963 "best surface" condition.

Since the foreign principal of firm 'A' was not registered with the Director General, Supplies and Disposals, it was to furnish security deposit in the form of a performance bond for 2½ *per cent* of contract value from a recognised bank of its own country. On 19th October 1972, the Director General, Supplies and Disposals, received a conditional performance guarantee valid upto March 1973 (instead of performance bond for Rs. 0.53 lakh) from a bank abroad with copy of "Confirmation of order" which was to be signed by the purchaser and returned to the bank to make the guarantee effective. However, the Director General, Supplies and Disposals, did not return the "Confirmation of order" since the particulars of steel sheets mentioned therein did not conform to the specifications mentioned in the acceptance of tender. While the latter described these as "cold rolled carbon steel sheets" these were mentioned as "cold rolled steel sheets" in the former. Besides, the expressions "bright" and "best surface" appearing in the acceptance of tender were missing in the description of the surface condition in the "Confirmation of order". However, the Director General, Supplies and Disposals, advised the firm on 27th November 1972 to effect supplies strictly according to specifications mentioned in the acceptance of tender.

The delivery period was extended up to February 1973, with usual reservations regarding recovery of liquidated damages, etc. Between 22nd and 24th January 1973 about 842 tonnes of steel sheets were inspected at the principal's works. These steel sheets were rejected as these were in scale-free surface condition instead of best surface condition stipulated in the contract.

On 23rd January 1973 firm 'A' requested the Director General, Supplies and Disposals, to issue urgent instructions for acceptance of these steel sheets with surface conforming to standard O3/DIN/1623/I of the country of its foreign principal and also to standards of some other European countries as it was impossible for its principal to roll these sheets again because it was over-loaded with orders till 2nd and 3rd quarter of 1973, and as the prices had gone up. This was followed by another letter dated 27th January 1973 from firm 'A' pressing for a reply before 30th January 1973 failing which its principal would treat the order as cancelled. The Director General, Supplies and Disposals, telegraphically requested the ordnance factory on 31st January 1973 to intimate whether the steel sheets of surface condition offered for inspection should be accepted. The ordnance factory replied in a letter dated 5th February 1973 (received in the office of the Director General, Supplies and Disposals, on 13th February 1973) that it could not offer any remark since the specification No. 03/DIN/1623/1 was not available with it.

On 21st February 1973 firm 'A' was informed that steel sheets of surface according to standard 03/DIN/1623/I of the foreign country were not acceptable. In the meantime, firm 'A' informed the Director General, Supplies and Disposals, on 19th February 1973, (received on 23rd February 1973), that its principal had cancelled the contract.

The Director General, Supplies and Disposals, in consultation with the Ministry of Law, rescinded the contract on 3rd May 1973 at the risk and cost of firm 'A', taking 19th February 1973 (the date on which firm 'A' intimated that the contract had been cancelled) as the date of breach of the contract. No amount could be realised against the performance guarantee as the bank abroad stated (June 1973) that in the absence of the confirmation of order the guarantee had not come into force.

A tender enquiry for risk purchase was issued on 15th May 1973 and the offers received were opened on 3rd July 1973. Of the two offers of firm 'B' and firm 'C' under consideration, that of the former was lower by Rs. 10.85 lakhs but was valid upto 6th July 1973 only. The Director are not small scale units). Supply was to be completed by July 1972. The Ministry stated (December 1974) that security deposit was not taken from firm 'A' as it had refused to pay security deposit when the earlier order was placed on it on 27th August 1971 and because of its past satisfactory performance.

By 22nd June 1972, 28.50 lakh cartridge links were inspected and 28.48 lakh links were accepted in inspection (0.02 lakh links were used in testing) and despatched to the ordnance factory between April 1972 and June 1972. The ordnance factory, however, informed the firm in July 1972 and January 1973 that all the 28.48 lakh cartridge links were rejected as these had cracks, distortions and other defects and asked it to replace all the rejected cartridge links. Of these, between July 1972 and October 1972, however, 6 lakh cartridge links were accepted; 22.48 lakh rejected cartridge links (95 *per cent* cost : Rs. 3.52 lakhs) were neither replaced nor their defects rectified.

The ordnance factory reported in August 1973 that it was not possible to rectify the defects in the cartridge links.

The date of delivery for the balance cartridge links was extended up to August 1973. The firm did not supply the remaining 17.54 lakh cartridge links. The indenting officer informed the Director General, Supplies and Disposals, in January 1974 that in view of the stock position in depots, procurement of these cartridge links was not necessary.

Firm 'A' had already been paid Rs. 3.52 lakhs (including sales tax) in May/June 1972 as 95 *per cent* of the cost of 22.48 lakh defective cartridge links after these were accepted in inspection. In May 1973 the Director of Inspection (Armaments) reported to the Director General, Supplies and Disposals, that firm 'A' had ceased to be in business and a 'receiver' had been appointed. Subsequently, in September 1974 the department became aware that a decree had been passed by the Delhi High Court in January 1971 and a 'receiver' appointed in March 1973. The banker of the firm has the first charge on the assets of the firm.

45. *Purchase of mosquito curtains.*—In March 1973 the Inspector General of Police, Rajasthan, sent an indent to the Director General, Supplies and Disposals, for purchase of 10,000 mosquito curtains to be supplied by September 1973. Specifications given in the indent were incorrect. Correct specifications were intimated by the indentor to the Director General, Supplies and Disposals, in November 1973.

In his indent of March 1973 the Inspector General of Police, Rajasthan, had provided funds at the rate of Rs. 20 per mosquito curtain. The lowest rate offered to the Director General, Supplies and Disposals, in November 1973 for mosquito curtains of nearest size as those indented by the Inspector General of Police, Rajasthan, was Rs. 53.99 each. As the funds provided by the indentor were considered inadequate, the Director General, Supplies and Disposals, asked him on 6th December 1973 to provide funds at the rate of Rs. 60 per mosquito curtain.

A limited tender enquiry was issued by the Director General, Supplies and Disposals, on 4th December 1973. The lowest rates of Rs. 37.50 each for 5,000 curtains and Rs. 38.50 a piece for the remaining 5,000 were offered telegraphically by firm 'B', not registered with the Director General, Supplies and Disposals, though a past supplier. As the tender notice had not been sent to it, its offer was ignored. The next higher rates of Rs. 38 each for 5,000 mosquito curtains and Rs. 39 each for the balance 5,000 were offered by firm 'C'. The next acceptable offer was from 'A' at the rate of Rs. 55 each for 5,000 mosquito curtains and at the rate of Rs. 57 each for the balance 5,000.

The offers of firms 'A' and 'C' were valid upto 22nd February 1974. As the indentor had not confirmed provision of additional funds, firms 'A' and 'C' were asked on 22nd February 1974 to extend the validity of their offers till 22nd March 1974. Firm 'A' agreed. Firm 'C' also agreed but at the increased rate of Rs. 45 per mosquito curtain.

On Ist March 1974 the indentor intimated provision of additional funds to the Director General, Supplies and Disposals. In view of the increase demanded by firm 'C', it was decided on 15th March 1974 to negotiate price with firms 'A' and 'C'. On 16th March 1974, firm 'B' was also requested telegraphically to confirm the validity of its offer till 22nd March 1974. Although firm 'B' subsequently stated that it had sent a telegram demanding revision of price the same was stated to have not been received by the Director General, Supplies and Disposals.

Negotiations were held with firms 'A' and 'C' on 29th March 1974 after expiry of the validity of their offers. Firm 'B' attended the meeting uninvited. An acceptance of tender for supply of 10,000 mosquito curtains by May 1974 was placed on firm 'C' on 8th April 1974 at Rs. 51.75 each, the lowest rate offered in negotiations.

Had the Director General, Supplies and Disposals, placed order on firm 'C' at the rate of Rs. 45 per mosquito curtain by 22nd March 1974, *i.e.,* the date upto which the rate was valid, there would have been a saving of Rs. 67,500.

CHAPTER VI

FINANCIAL ASSISTANCE GIVEN BY GOVERNMENT

46. (i) *Loans and advances.*—Details of loans and advances paid by Union Government during 1973-74 are given in paragraph 14.

(ii) *Grants.*—During 1973-74 Rs. 1196.42 crores were paid as grants by Union Government to State Governments, statutory bodies, registered and private institutions, etc., as detailed below :—

	(Lakhs of rupees)
(a) Grants-in-aid to State and Union Territory Governments :	
(*i*) Under Article 275(1)of the Constitution .	1,47,41.00
(*ii*) Grants-in-aid to Union Territory Governments–	24,82.06
(*iii*) Other grants-in-aid for Centrally assisted Schemes	7,59,68.25
(b) Grants-in-aid to Statutory bodies, non-Governments institutions or bodies and individuals (the details of the grants Ministry-wise are given in Appendix X of the Report)	2,64,51.35

A certificate of utilisation of grant is required to be furnished by the sanctioning authority to the Accountant General for every grant, specifying that the grant has been utilised on the objects for which it was sanctioned, and that, where the grant was conditional, the conditions have been fulfill-ed. The extent to which delays have occurred in receipt of utilisation certificates is indicated below :—

Ministry/Department	Period to which grants re-late (upto September 1972)	Number of utilisation certificates outstan-ding at the end of September, 1974.	Amount (lakhs of rupees)
Agriculture and Irrigation			
(i) Department of Agriculture	1964-65 and 1967-73	153	204
(ii) Department of agricultural Research and Education	1969-70	1	1
(iii) Department of Rural Development	1969 73	162	1,130
(iv) Department of Food	1964-65 and 1968-73	13	10
(v) Department of Co-operation	1969-73	107	249
Commerce	1964-73	334	2,897
Education and Social Welfare			
(i) Department of Education	1955-73	2,876	10,463
(ii) Department of Social Welfare	1962-73	173	233
External Affairs	1966-73	23	6
Finance	1970-73	9	8

to revised offers against the original quotations, some of the agents also submitted new offers. One firm that had not quoted against the original tender enquiry also participated in the negotiations. During the meeting of the Fertiliser Purchase Committee held on 29th August 1972, the representative of the Department of Agriculture stated that it had been indicated earlier that one lakh tonne should be purchased, but the Department of Agriculture would be happy if further additional quantities could be purchased. After negotiations, 2.44 lakh tonnes more were purchased at rates between $ 105.25 to $ 111.50 per tonne (c & f) as against the maximum of 0.32 lakh tonnes which could be purchased by negotiations.

(ix) Tenders for di-ammonium phosphate were invited in January 1973 with the stipulation that on receipt of the offers Government would, if necessary, enter into negotiations. Why this stipulation was made is not easy to understand. Further, neither the quantity nor the period of delivery was mentioned in the tender. The prices quoted were considered to be high. The Director General, India Supply Mission, Washington, stated (January 1973) that, since the tender had indicated the possibility of post-tender negotiations, the suppliers would have kept a cushion in their prices. One of the members of the Fertiliser Purchase Committee stated before that Committee during discussions of the purchase proposal on 13th March 1973 that, according to information obtained by him during his recent visit to U.S.A., the tenderers had kept a cushion of $ 3 to $ 4 per tonne in their quotations and that it should be possible to get reduction to that extent. Against a tender floated by another foreign country about that time (February 1973) prices quoted were between $ 99.50 to $ 106.28 per tonne. As a result of negotiations, contracts for 2.63 lakh tonnes were executed in March 1973, at the rates of $ 101.75 to $ 104.50 (f.o.b.), per tonne with suppliers who had quoted earlier $ 102.00 to $ 109.80 (f.o.b.) per tonne.

(x) After negotiations with only one foreign supplier, in April 1973 a contract for supply of 5,000 tonnes of sulphate of potash (SOP) required for tobacco crops was placed on that supplier for supply from foreign country 'A'. Published statistics show that upto 1966-67 this fertiliser had been purchased from four other foreign countries including country 'B'. Thereafter, during 1969-70 and 1970-71, this fertiliser was purchased from country 'B' only. Thereafter purchase was made from country 'A' in 1973 as mentioned above. The purchase in 1973 was in free foreign exchange. Time available was also sufficient, as the tobacco season for which this fertiliser was required was to begin in September—October 1973. The stock position also was comfortable, as the stock in hand at the end of 1972-73 was 7,633 tonnes as against the average annual distribution of 6,716 tonnes during the preceding three years (only 3,737 tonnes in 1972-73). Thus, instead of purchase after negotiations with only one supplier, tenders could have been called and competitive rates obtained.

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(xi) Certain offers for supply of ammonium sulphate were received by the Department of Supply in the latter half of 1972 and the first half of 1973. No tenders had been invited from them and the offers were allowed to lapse. Subsequently, on 18th July 1973, it was decided to negotiate with those of the suppliers who had offered delivery during 1973. Their representatives were accordingly called on 19th July 1973 for ascertaining the availability and prices. As against 14 offers covering about 7 lakh tonnes received originally (out of which 8 offers covering about 2.6 lakh tonnes were for delivery during 1973), only the following four offers were received on that occasion :—

Country of origin	Tonnes offered	Rate per tonne
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'Q'—Offer No. 1	10,000 (in polypropylene bags).	$72.45 approximately (c & f)
'Q'—Offer No. 2	10,000 (bulk)	$65.80 approximately (c & f)
'R'	10,000 to 15,000 (bulk)	$41.75 (f.o.b.)

It was decided in July 1973 to accept the offer of 'P' and the second offer of 'Q'. One of the earlier offers that had been allowed to lapse was for 50,000 tonnes (bulk) at the price of approximately $ 32.33 (f.o.b.) valid upto 10th April 1973. Had 40,000 tonnes ordered on 'P' and 'Q' (against the second offer) in July 1973 been purchased against this earlier offer, there would have been saving of about $ 3.27 lakhs (Rs. 24.5 lakhs approximately).

Contracts

A test check of 186 contracts (placed abroad from 1971 to 1973) disclosed the folowing:—

(i) Out of the total of 39.70 lakh tonnes (against which the actual shipment was 38.10 lakh tonnes) only 15.82 lakh tonnes, representing about 40.73 *per cent* of the total, was shipped within the stipulated period. The extent of delay in shipment of the rest was as follows:—

	Lakh tonnes	Percentage of the total
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(ii) Despite the loss or inconvenience owing to delay in shipments, no liquidated damages or penalty have been levied in any case even where delay was attributable to suppliers. The contractual provisions for imposition of liquidated damages or penalty for non-adherence to the delivery schedule are as follows:—

(a) The fertiliser contracts executed by the Director General of Supplies and Disposals are governed by the General Conditions of Contract which provide for levy of liquidated damages for late delivery, apart from penal provisions for any breach of contract.

(b) The contracts executed by the Director General, India Supply Mission, London, stipulate levy of liquidated damages for delay in delivery in addition to, and distinct from, any other remedy for breach of contract.

(c) No provision for levy of liquidated damages or penalty for late delivery exists in the contracts executed by the Director General, India Supply Mission, Washington, who purchases more than 40 *per cent* of the total purchases of fertilisers from abroad.

While clause 10 of the conditions of the contracts executed by the Director General, India Supply Mission, Washington, relates to late delivery and provides that claims for extension of time on account of "force majeure" shall be granted, there is no mention about the remedy available to the purchaser in cases extension of time is granted for reasons other than "force majeure". Further, the expression, "force majeure" has not been precisely defined or delimited by setting forth the particular eventualities that would constitute it. Two instances in which the suppliers could take advantage of this are given below.

In respect of a contract executed in April 1973 for 55,000 tonnes of di-ammonium phosphate (against which only 8,856 tonnes, were supplied within the contractual period and the balance was delayed by periods ranging from 11 days to 3 months and 8 days), the supplier invoked "force majeure" on account of a breakdown in the manufacturer's plant and also silting of Missisippi river. The Ministry of Law and Justice considered (September 1973) that these reasons could not be construed as falling within the purview of the "force majeure" clause. The Legal Adviser of the India Supply Mission, Washington, however, advised (December 1973) that whenever "force majeure" is not defined, it may imply that the situations covered would be those which in fact constitute acts of God and was of the view that incidents like silting of rivers due to flood or accident at the plants would constitute such acts.

In respect of contracts (March 1971) for 69,500 tonnes of di-ammonium phosphate, only 8,845 tonnes were shipped within the stipulated time. The supplier invoked "force majeure" clause of the contracts on the ground of a brief rail strike. The Legal Adviser to the India Supply Mission, Washington, was of the opinion that "force majeure" as used in clause 10 of the conditions of contract did not cover strikes and, thus, extension of time was not contractually admissible.

The Department of Supply stated (January 1975) that if liquidated damages are livied, the supplies may get diverted and the suppliers may keep a cushion in their prices and that in case there is delay in chartering vessels and conducting inspections, the suppliers may demand storage charges. The Department of Supply further stated (January 1975) that the matter was reviewed by the Fertilizer Purchase Committee on 14th November 1974 and it was decided by that Committee not to levy liquidated damages.

Packing

Till 1971, imported bagged fertilisers were normally packed in jute bags. From 1971, suppliers from different countries began to offer fertilisers in polypropylene bags, at prices lower by about 2 to 3 dollars per tonne as compared to fertilisers in jute bags. The Department of Agriculture, while expressing preference (July 1972) for jute bags for operational reasons, had no objection to purchase of fertilisers in polypropylene bags in view of the price advantage. Accordingly, large quantities began to be purchased in polypropylene bags. For instance, it was reported in September 1972 that out of 4.60 lakh tonnes of fertilisers purchased from a foreign country only 77,000 tonnes were packed in jute bags and the rest in polypropylene bags and this caused concern to the Jute Industry in India. The Ministry of Commerce and the Indian Jute Mills Association were anxious that in view of the comparatively higher foreign exchange earning from export of jute goods and also employment provided by the jute industry, no positive encouragement should be given to synthetics where jute could be used. A committee set up (July 1972) by the Ministry of Agriculture to enquire into the matter found that, from the point of view of handling, jute bags and polypropylene/polythelene bags were equally suitable, provided they conformed to the prescribed specifications. The committee, therefore, recommended (June 1974) that the preference as between jute bags and polypropylene/polythelene bags should be governed by considerations of maximum foreign exchange earning. In other words, if price advantage in buying fertilisers in polypropylene bags is more than the net in-flow of foreign exchange due to export of jute bags, purchases ought to be made in polypropylene bags and *vice versa*. The net in-flow of foreign exchange due to export of jute bags for packing fertilisers was assessed by the committee (in May 1973) as \$ 6.57 per tonne of fertilisers. This in-flow is much more than the price advantage of about \$ 3 per tonne (assessed in August 1972). The committee's recommendations are under consideration of Government (January 1975).

Purchase of calcium ammonium nitrate

Government of India has been reluctant to import dilute fertilisers like calcium ammonium nitrate and ammonium sulphate on the ground that the cost of such fertilisers per unit of plant nutrient is higher than that of urea, which is a concentrated fertiliser. According to the assessment of the Ministry of Agriculture, in terms of nitrogen these dilute fertilisers cost about 25 *per cent* more than urea. Moreover, in view of the lesser bulk because of its concentrated nature, use of urea in lieu of calcium ammonium nitrate or ammonium sulphate entails lesser expenditure on handling, transport, storage, etc.

On a number of occasions since 1970 Government has reiterated that use of calcium ammonium nitrate should be discouraged and it should be substituted by urea. Nevertheless, imports of calcium ammonium nitrate progressively increased upto 1972-73 and only in the next year there was a sharp decline as will be seen from the following table:

year	Tonnes imported
1969-70	83,394
1970-71	2,79,842
1971-72	3,14,195
1972-73	3,18,113
1973-74	1,83,435

Quantities of calcium ammonium nitrate received as gift, and purchased against free foreign exchange and credits during 1969-70 to 1973-74 were as follows:—

year	Gift	Free foreign exchange	Credit	Total
		(Lakh tonnes)		
1969-70	0.32	—	0.51	0.83
1970-71	0.35	—	2.45	2.80
1971-72	—	—	3.14	3.14
1972-73	—	—	3.18	3.18
1973-74	0.27	0.10	1.46	1.83

The principal reason for continuance of import of calcium ammonium nitrate, it has been stated, is the Indian farmer's preference for it.

When the matter was discussed in the meeting of the Committee of Economic Secretaries in December 1971, it was stated on behalf of the Department of Agriculture that import of this fertiliser would be completely phased out in the next five or six years, but in the intervening period there was no escape from imports so that together with indigenous production the consumer preference could be matched.

A foreign commercial concern, which is a combine of most of the major West European producers of nitrogenous fertilisers, had done over the years considerable work in India for promoting use of this fertiliser by Indian farmers. Ultimately, under directions of Government of India the foreign commercial concern stopped its promotional work in India in 1972. Whether adequate efforts are being made by Governments in India to wean farmers away from use of this fertiliser merits consideration.

(Directorate General of Supplies and Disposals)

42. *Purchase of cold rolled steel sheets.*—In March 1972, the Director General, Supplies and Disposals, received an "operational" indent from an ordnance factory for procurement of 1,597 tonnes of cold rolled carbon steel sheets of type 'D' or 'DD' ("Drawing" or "Deep Drawing") of Indian Standard 513-1963 in bright and annealed surface finish and "best surface" condition.

According to Indian Standard 513—1963, cold rolled steel sheets may be supplied in any of the following conditions :—

(a) *Scale-free.*—pores, roll marks and scratches permitted;

(b) *improved surface.*—pores, roll marks and scratches permitted on small scale only; and

(c) *best surface.*—having pores, roll marks or scratches which would not impair the uniform appearance of the finished product, such surface being ideal for spray-painting and enamelling.

An acceptance of tender for Rs. 21.26 lakhs was placed on firm 'A' on 16th September 1972 for supply (by December 1972) of 1,597 tonnes steel sheets of type 'DD' in the Indian Standard 513-1963 "best surface" condition.

Since the foreign principal of firm 'A' was not registered with the Director General, Supplies and Disposals, it was to furnish security deposit in the form of a performance bond for 2½ *per cent* of contract value from a recognised bank of its own country. On 19th October 1972, the Director General, Supplies and Disposals, received a conditional performance guarantee valid upto March 1973 (instead of performance bond for Rs. 0.53 lakh) from a bank abroad with copy of "Confirmation of order" which was to be signed by the purchaser and returned to the bank to make the guarantee effective. However, the Director General, Supplies and Disposals, did not return the "Confirmation of order" since the particulars of steel sheets mentioned therein did not conform to the specifications mentioned in the acceptance of tender. While the latter described these as "cold rolled carbon steel sheets" these were mentioned as "cold rolled steel sheets" in the former. Besides, the expressions "bright" and "best surface" appearing in the acceptance of tender were missing in the description of the surface condition in the "Confirmation of order". However, the Director General, Supplies and Disposals, advised the firm on 27th November 1972 to effect supplies strictly according to specifications mentioned in the acceptance of tender.

The delivery period was extended up to February 1973, with usual reservations regarding recovery of liquidated damages, etc. Between 22nd and 24th January 1973 about 842 tonnes of steel sheets were inspected at the principal's works. These steel sheets were rejected as these were in scale-free surface condition instead of best surface condition stipulated in the contract.

On 23rd January 1973 firm 'A' requested the Director General, Supplies and Disposals, to issue urgent instructions for acceptance of these steel sheets with surface conforming to standard O3/DIN/1623/I of the country of its foreign principal and also to standards of some other European countries as it was impossible for its principal to roll these sheets again because it was over-loaded with orders till 2nd and 3rd quarter of 1973, and as the prices had gone up. This was followed by another letter dated 27th January 1973 from firm 'A' pressing for a reply before 30th January 1973 failing which its principal would treat the order as cancelled. The Director General, Supplies and Disposals, telegraphically requested the ordnance factory on 31st January 1973 to intimate whether the steel sheets of surface condition offered for inspection should be accepted. The ordnance factory replied in a letter dated 5th February 1973 (received in the office of the Director General, Supplies and Disposals, on 13th February 1973) that it could not offer any remark since the specification No. 03/DIN/1623/1 was not available with it.

On 21st February 1973 firm 'A' was informed that steel sheets of surface according to standard 03/DIN/1623/I of the foreign country were not acceptable. In the meantime, firm 'A' informed the Director General, Suplies and Disposals, on 19th February 1973, (received on 23rd February 1973), that its principal had cancelled the contract.

The Director General, Supplies and Disposals, in consultation with the Ministry of Law, rescinded the contract on 3rd May 1973 at the risk and cost of firm 'A', taking 19th February 1973 (the date on which firm 'A' intimated that the contract had been cancelled) as the date of breach of the contract. No amount could be realised against the performance guarantee as the bank abroad stated (June 1973) that in the absence of the confirmation of order the guarantee had not come into force.

A tender enquiry for risk purchase was issued on 15th May 1973 and the offers received were opened on 3rd July 1973. Of the two offers of firm 'B' and firm 'C' under consideration, that of the former was lower by Rs. 10.85 lakhs but was valid upto 6th July 1973 only. The Director

General, Supplies and Disposals, sent these two offers to the ordnance factory on 7th July 1973 for technical evaluation and recommendation, revalidation of the sanction for foreign exchange already released for the cancelled contract and arranging for additional foreign exchange required. On 5th August 1973 the ordnance factory intimated telegraphically that steel sheets offered by firm 'B' were acceptable, while those offered by firm 'C' would be acceptable if conforming to certain specifications mentioned. This telegram did not make any mention about foreign exchange. As however, the indent had been placed (March 1972) within six months of the original sanction (December 1971) of foreign exchange, revalidation of the sanction was not necessary under the rules.

Firm 'B' refused on 13th August 1973 to revalidate its offer. Consequently, only one offer was available for acceptance by the time availability of the required foreign exchange (Rs. 46 lakhs) was confirmed by the Ministry of Defence on 5th September 1973. An acceptance of tender was placed on firm 'C' on 10th September 1973 for Rs. 46.02 lakhs. It would not, however, be possible to recover the extra cost of Rs. 24.76 lakhs as compared to the order placed on firm 'A' in September 1972, as the contract for risk purchase was not finalised within a period of six months from the date of breach of the contract (19th February 1973). Only general damages can be claimed.

Government stated (December 1974) that the quantum of general damages would have to be decided in consultation with the Ministry of Law and that the matter was under examination.

43. *Purchase of tents.*— On 8th May 1972 the Director of Ordnance Services placed an operational indent for supply of 822 tents of type 50 Kg.—inner flies and 822 tents of type 50 Kg.—outer flies. On 25th May 1972, he placed another indent for supply of 10,289 tents of type 50 Kg. — inner flies and 6,286 tents of type 50 Kg. — outer flies to be delivered between December 1972 and March 1973. The specifications of the tents in both the indents were the same.

For the indent dated 8th May 1972, a limited tender enquiry was issued on Ist July 1972. On 15th September 1972 an acceptance of tender was placed on firm 'A' for supply of 822 tents—50 Kg. flies inner at Rs. 254 each, and another acceptance of tender was placed on firm 'B' for supply of 822 tents—50 Kg. flies outer at Rs. 212 each.

The specifications and drawings received with the indent (which had already been examined by the inspection authority of the Defence department) dated 25th May 1972 were misplaced in the office of the Director General of Supplies and Disposals during transit from his Indent Section to Purchase Section. Instead of intimating this position and calling for copies of the documents, the Director General, Supplies and Disposals, asked the indentor on 28th June 1972 to resubmit the indent duly examined by the inspection authority with the specifications and drawings. In reply, the indentor intimated on 7th July 1972 that the indent sent by him had been examined by the inspection authority.

On 28th July 1972, the Director General, Supplies and Disposals, approached the Chief Liaison Officer (Defence) to call for the documents from the inspection authority. On 31st July 1972 the Chief Liaison Officer (Defence) made a reference to the inspection authority. As no reply was received, on 1st December 1972 the Chief Liaison Officer was again approached for expediting the matter. The Chief Liaison Officer supplied the copies of the specifications and drawings on 5th December 1972.

On 22nd December 1972, a tender enquiry was issued. Excepting one firm 'C' which had quoted Rs. 245 per tent of inner flies and Rs. 190 per tent of outer flies, all the other five tenderers quoted higher rates (Rs. 284.62 to Rs. 288 per tent of inner flies and Rs. 231.66 and Rs. 241 per tent of outer flies) than those at which orders were placed in September 1972. As the tenderers had limited capacity, orders were placed in February 1973 on all the six firms for supply of tents (10,289 tents of inner flies and 6,286 tents of outer flies) indented on 25th May 1972. As compared to the rates at which orders were placed on firms 'A' and 'B' in September 1972, there was extra cost of Rs. 4.95 lakhs in purchasing the tents at higher rates accepted in February 1973.

44. *Purchase of cartridge links.*—Against an operational indent received in March 1971 for supply of "Links Catridge Metallic Belt" to an ordnance factory by April 1972, the Director General, Supplies and Disposals, placed an order (for part of the requirement) on 27th August 1971 on firm 'A' for supply of 45 lakh catridge links at the rate of 17.50 paise each.

Firm 'A' was neither registered with the Director General Supplies and Disposals, nor with the National Small Industries Corporation. It had, however, supplied cartridge links in the past. Before the above order was placed on 27th August 1971, the Director General, Supplies and Disposals, had received a report on 10th August 1971 from the Director of Inspection (Armaments) of the Defence department that firm 'A' had supplied 5.28 lakh (cost : Rs. 0.87 lakh) defective cartridge links against orders placed on it in the past for 5 to 7 crore cartridge links and had not replaced these in spite of repeated requests, and requested the former to keep this in mind while placing further orders on firm 'A' and withhold payments to it, if due, till these were replaced.

Firm 'A' supplied 45 lakh cartridge links against the above order on 30th August 1971 and Ist September 1971; these were accepted on 28th October 1971, after inspection by the Inspector of Armaments, with 5 *per cent* reduction in price owing to dimensional deviations.

As the firm offered to make more supplies in November/December 1971, a capacity report on firm 'A' was called for from the Director of Inspection (Armaments) on 28th December 1971 before placing any further order on it. Instead of a capacity report in the prescribed form, a letter was received from the Director of Inspection (Armaments) on 31st December 1971 indicating that the firm was capable of supplying 10 lakh catridge links per month commencing 2 months after receipt of a firm order.

An order for supply of 46.04 lakh more cartridge links (cost: Rs. 7.37 lakhs) was placed on firm 'A' on 14th January 1972 without usual stipulations about security deposit (which is taken from unregistered firms which are not small scale units). Supply was to be completed by July 1972. The Ministry stated (December 1974) that security deposit was not taken from firm 'A' as it had refused to pay security deposit when the earlier order was placed on it on 27th August 1971 and because of its past satisfactory performance.

By 22nd June 1972, 28.50 lakh cartridge links were inspected and 28.48 lakh links were accepted in inspection (0.02 lakh links were used in testing) and despatched to the ordnance factory between April 1972 and June 1972. The ordnance factory, however, informed the firm in July 1972 and January 1973 that all the 28.48 lakh cartridge links were rejected as these had cracks, distortions and other defects and asked it to replace all the rejected cartridge links. Of these, between July 1972 and October 1972, however, 6 lakh cartridge links were accepted; 22.48 lakh rejected cartridge links (95 *per cent* cost : Rs. 3.52 lakhs) were neither replaced nor their defects rectified.

The ordnance factory reported in August 1973 that it was not possible to rectify the defects in the cartridge links.

The date of delivery for the balance cartridge links was extended up to August 1973. The firm did not supply the remaining 17.54 lakh cartridge links. The indenting officer informed the Director General, Supplies and Disposals, in January 1974 that in view of the stock position in depots, procurement of these cartridge links was not necessary.

Firm 'A' had already been paid Rs. 3.52 lakhs (including sales tax) in May/June 1972 as 95 *per cent* of the cost of 22.48 lakh defective cartridge links after these were accepted in inspection. In May 1973 the Director of Inspection (Armaments) reported to the Director General, Supplies and Disposals, that firm 'A' had ceased to be in business and a 'receiver' had been appointed. Subsequently, in September 1974 the department became aware that a decree had been passed by the Delhi High Court in January 1971 and a 'receiver' appointed in March 1973. The banker of the firm has the first charge on the assets of the firm.

45. *Purchase of mosquito curtains.*—In March 1973 the Inspector General of Police, Rajasthan, sent an indent to the Director General, Supplies and Disposals, for purchase of 10,000 mosquito curtains to be supplied by September 1973. Specifications given in the indent were incorrect. Correct specifications were intimated by the indentor to the Director General, Supplies and Disposals, in November 1973.

In his indent of March 1973 the Inspector General of Police, Rajasthan, had provided funds at the rate of Rs. 20 per mosquito curtain. The lowest rate offered to the Director General, Supplies and Disposals, in November 1973 for mosquito curtains of nearest size as those indented by the Inspector General of Police, Rajasthan, was Rs. 53.99 each. As the funds provided by the indentor were considered inadequate, the Director General, Supplies and Disposals, asked him on 6th December 1973 to provide funds at the rate of Rs. 60 per mosquito curtain.

A limited tender enquiry was issued by the Director General, Supplies and Disposals, on 4th December 1973. The lowest rates of Rs. 37.50 each for 5,000 curtains and Rs. 38.50 a piece for the remaining 5,000 were offered telegraphically by firm 'B', not registered with the Director General, Supplies and Disposals, though a past supplier. As the tender notice had not been sent to it, its offer was ignored. The next higher rates of Rs. 38 each for 5,000 mosquito curtains and Rs. 39 each for the balance 5,000 were offered by firm 'C'. The next acceptable offer was from 'A' at the rate of Rs. 55 each for 5,000 mosquito curtains and at the rate of Rs. 57 each for the balance 5,000.

The offers of firms 'A' and 'C' were valid upto 22nd February 1974. As the indentor had not confirmed provision of additional funds, firms 'A' and 'C' were asked on 22nd February 1974 to extend the validity of their offers till 22nd March 1974. Firm 'A' agreed. Firm 'C' also agreed but at the increased rate of Rs. 45 per mosquito curtain.

On Ist March 1974 the indentor intimated provision of additional funds to the Director General, Supplies and Disposals. In view of the increase demanded by firm 'C', it was decided on 15th March 1974 to negotiate price with firms 'A' and 'C'. On 16th March 1974, firm 'B' was also requested telegraphically to confirm the validity of its offer till 22nd March 1974. Although firm 'B' subsequently stated that it had sent a telegram demanding revision of price the same was stated to have not been received by the Director General, Supplies and Disposals.

Negotiations were held with firms 'A' and 'C' on 29th March 1974 after expiry of the validity of their offers. Firm 'B' attended the meeting uninvited. An acceptance of tender for supply of 10,000 mosquito curtains by May 1974 was placed on firm 'C' on 8th April 1974 at Rs. 51.75 each, the lowest rate offered in negotiations.

Had the Director General, Supplies and Disposals, placed order on firm 'C' at the rate of Rs. 45 per mosquito curtain by 22nd March 1974, *i.e.,* the date upto which the rate was valid, there would have been a saving of Rs. 67,500.

CHAPTER VI

FINANCIAL ASSISTANCE GIVEN BY GOVERNMENT

46. (i) *Loans and advances.*—Details of loans and advances paid by Union Government during 1973-74 are given in paragraph 14.

(ii) *Grants.*—During 1973-74 Rs. 1196.42 crores were paid as grants by Union Government to State Governments, statutory bodies, registered and private institutions, etc., as detailed below :—

	(Lakhs of rupees)
(a) Grants-in-aid to State and Union Territory Governments :	
(*i*) Under Article 275(1)of the Constitution .	1,47,41.00
(*ii*) Grants-in-aid to Union Territory Governments–	24,82.06
(*iii*) Other grants-in-aid for Centrally assisted Schemes	7,59,68.25
(b) Grants-in-aid to Statutory bodies, non-Governments institutions or bodies and individuals (the details of the grants Ministry-wise are given in Appendix X of the Report)	2,64,51.35

A certificate of utilisation of grant is required to be furnished by the sanctioning authority to the Accountant General for every grant, specifying that the grant has been utilised on the objects for which it was sanctioned, and that, where the grant was conditional, the conditions have been fulfilled. The extent to which delays have occurred in receipt of utilisation certificates is indicated below :—

Ministry/Department	Period to which grants relate (upto September 1972)	Number of utilisation certificates outstanding at the end of September, 1974.	Amount (lakhs of rupees)
Agriculture and Irrigation			
(i) Department of Agriculture	1964-65 and 1967-73	153	204
(ii) Department of agricultural Research and Education	1969-70	1	1
(iii) Department of Rural Development	1969 73	162	1,130
(iv) Department of Food	1964-65 and 1968-73	13	10
(v) Department of Co-operation	1969-73	107	249
Commerce	1964-73	334	2,897
Education and Social Welfare			
(i) Department of Education	1955-73	2,876	10,463
(ii) Department of Social Welfare	1962-73	173	233
External Affairs	1966-73	23	6
Finance	1970-73	9	8

Health and Family Planning			
(i) Department of Health	1954-55 and 1956-73	553	1,492
(ii) Department of Family Planning	1958-71 and 1972-73	543	109
Heavy Industry	1970-73	7	45
Home Affairs .	1968-73	59	184
Industrial Development	1967-71 and 1972-73	35	263
Information and Broadcasting	1965-73	53	57
Law	1968-73	3	3
Petroleum and Chemicals	1968-70 and 1971-73	10	62
Rehabilitation.	1960-62 and 1970-71	6	5
Science and Technology	1969-73	21	15
Tourism and Civil Aviation	1971-73	7	45
Works and Housing	1965-66, 1968-69 and 1970-73	19	15
		5,167	17,496

Of 5,167 outstanding utilisation certificates shown above, 1,564 certificates (Rs. 1,005 lakhs) relate to grants paid upto March 1969 and were due by 30th September 1970. The remaining 3,603 certificates (Rs. 16,491 lakhs) for grants paid during Ist April 1969 to 30th September 1972, as shown below, were due by 31st March 1974 but had not been received upto September 1974.

Utilisation Certificates

Period of payment of grant	Due		Received		Outstanding	
	Number	Amount (Lakhs of rupees)	Number	Amount (Lakhs of rupees)	Number	Amount (Lakhs of rupees)
1-4-1969 to 31-3-1970	944	762	358	217	586	545
1-4-1970 to 31-3-1971	1,627	4,812	765	2,237	862	2,575
1-4-1971 to 31-3-1972	1,593	4,882	264	229	1,329	4,653
1-4-1972 to 30-9-1972	842	8,720	16	2	826	8,718
	5,006	19,176	1,403	2,685	3,603	16,491

Some of the more important points noticed in audit, under section 14 of the Comptroller and Auditor General's (Duties, Powers and conditions of service) Act 1971, of bodies/authorities substantially financed by Union Government are mentioned in the following paragraphs.

MINISTRY OF COMMERCE

47. *Participation in Asia* 1972 *Fair by the Trade Development Authority.*—The Trade Development Authority was registered under the Societies Registration Act 1860 in July 1970. Its objective is to induce and organise entrepreneurs, largely in the medium and small scale, to develop their export capabilities. The Trade Development Authority had gross receipts of about Rs. 41.05 lakhs in 1973-74, of which Rs. 34.38 lakhs were received as grants from government. Its other sources of receipts in 1973-74 were mainly service charges from clients (Rs. 3.77 lakhs), sale proceeds of directory and souvenir (Rs. 0.71 lakh) and grants from two international bodies (Rs. 0.39 lakh). The total expenditure of the Authority in tha year was Rs. 38.07 lakhs.

In July 1972 the Marketing Development Fund authorities approved participation of the Trade Development Authority in Asia 1972 Fair scheduled to commence from 3rd November 1972. Expenditure approved by the Marketing Development Fund authorities for this purpose was Rs. 5.6 lakhs, upto 75 *per cent* of which, after deducting receipts, was to be paid as grant from the Marketing Development Fund. Against this, the total expenditure of the Authority for Asia 1972 Fair was Rs. 9.89 lakhs. Th increase in expenditure was mainly on construction and decoration of th pavilion which cost Rs. 6.41 lakhs against the original provision of Rs. 3.5 lakhs. The pavilion having floor area of about 11,000 square feet wa constructed with structural steel, bricks in foundation and super-structure an soft wood planking. It had asbestos cement corrugated sheet roofing, so wood ceiling and teak wood doors. The actual cost of construction of th pavilion was about Rs. 47 per square foot.

Prior approval of the Marketing Development Fund authorities was no taken for the excess expenditure. The Finance Ministry, when the exces expenditure came to its notice, pointed out in December 1973 that th Trade Development Authority should have obtained prior permission fro Government for the excess expenditure. Subsequently, when in March 197 this came up before the Main Committee of the Marketing Developmen Fund for re-imbursement of excess expenditure from the Marketing Deve lopment Fund, that Committee wanted to know whether approval of th Governing Body/Steering Committee of the Trade Development Authorit had been obtained for the excess expenditure. The Committee was the informed (August 1974) that the Chairman of the Governing Body had expired on 24th August 1972 and his successor was appointed on 12th January 1973 and meeting of the Steering Committee, which the Chairman was competent to convene, could not take place before commencement of the Fair. The Committee was also informed that as it was not possible to hold back the construction work, the Executive Director of the Trade Development Authority had, in the circumstances, no alternative but to proceed with the construction according to his best judgement. The Main Committee of the Marketing Development Fund, while approving (August 1974) the excess expenditure, took exception to the undertaking of the liability for provision of extra assistance through the Marketing Development Fund, without consulting the sanctioning authority, *i.e.,* the Main Committee of the Marketing Development Fund. The Committee desired that no such commitment should be made in future. The Committee, however, decided to pay 75 *per cent* of the actual expenditure, after deducting receipts, from the Marketing Development Fund.

Unless previous permission was obtained for retention of any pavilion, each participant of Asia 1972 Fair was required to demolish its structure and restore the site to the Fair authorities within 3 months of the end of the Fair. In January 1973, Government intimated to the participants of Asia 1972 Fair its intention to hold an International Trade Fair and requested them not to demolish their pavilions in case they were interested in participating in that Fair. In July 1973, while informing the Authority of its decision to hold the International Trade Fair in November-December 1974 Government wanted to know from the Authority whether its existing pavilion would be retained till then, and added that in case the pavilion was not strong enough there would be 'no point in its further retention'. The Authority informed (July 1973) Government that it would dispose of its pavilion and hand over the site. However, in August 1973 the Authority informed the Fair authorities that it would participate in the 1974 Fair in a bigger way than in the Asia 1972 Fair. In November 1973 the Fair authorities informed the Trade Development Authority that the plot which was given to it for Asia 1972 Fair would be reserved for it with additional space covering a total area of 2,820 square metres. The Trade Development Authority, however, wanted two adjacent plots, having a total area of 2,880 square metres, in another site in the same row about 41 metres away, separated by a road and a vacant plot. The new site was allotted by the Fair authorities in December 1973. A new pavilion estimated to cost Rs. 22.74 lakhs (75 *per cent* of the net expenditure is payable from the Marketing Development Fund) is under construction (January 1975) on the new site. Expenditure on the new pavilion was Rs. 8.64 lakhs up to December 1974. It was decided by the Main Committee of Marketing Development Fund in January 1975 that the expenditure on this pavilion should be restricted to Rs. 14.05 lakhs for the present, as the International Trade Fair has been postponed.

Government stated (February 1975) that "since the construction on the old site was purely temporary and would have not been suitable for use in November-December 1974, and as the old site was not considered suitable in connection with its participation in the International Trade Fair, 1974, it asked for another suitable site............".

into other languages. Foreign classics are also translated into major Indian languages. The major part of the expenditure by Sahitya Akademi on publications is on translations. Upto the end of December 1973 it brought out 729 titles. Some of the publications of the Akademi are brought out directly while others are brought out through commercial channels. The prices of the publications brought out by the Akademi generally range between 25 Paise to Rs. 50 per copy. About 500 to 5,000 copies are printed.

Out of 10.25 lakh copies of publications brought out directly by Sahitya Akademi upto 1972-73, 3.09 lakh copies remained unsold on 31st March 1974. A statement showing the number of copies published, number lying unsold and value of unsold publications is given below :—

Year	Number of copies published	Number of copies unsold	Sale price of unsold publications (Rupees)
Upto			
1969-70	7,84,780	1,81,570	13,07,430
1970-71	65,580	27,860	1,86,310
1971-72	1,00,200	49,450	3,04,660
1972-73	73,970	50,470	3,42,860
Total	10,24,530	3,09,350	21,41,260

Lalit Kala Akademi brings out large-size as well as smaller-size reproductions of paintings and publishes albums, journals etc. The major part of the expenditure is on reproductions of paintings. The price of each large-size reproduction is Rs. 8. The smaller size reproductions are in portfolios each of which contain six or ten reproductions. The price of each portfolio varies from Rs. 10 to Rs. 16. Out of 4.56 lakh copies of publications, including reproductions of paintings, brought out by Lalit Kala Akademi upto 1972-73, 2.25 lakh copies, mostly reproductions and other publications relating to comtemporary modern art, remained unsold on 31st March 1974. A statement showing the number of copies published, number lying unsold and value of unsold publications is given below :—

Year	Number of copies published	Number of copies unsold	Sale price of unsold publications (Rupees)
Upto			
1969-70	3,02,350	1,26,710	9,69,880
1970-71	24,000	18,520	1,24,100
1971-72	67,000	41,590	3,22,090
1972-73	63,130	38,490	3,23,410
Total	4,56,480	2,25,310	17,39,480

informed (August 1974) that the Chairman of the Governing Body had expired on 24th August 1972 and his successor was appointed on 12th January 1973 and meeting of the Steering Committee, which the Chairman was competent to convene, could not take place before commencement of the Fair. The Committee was also informed that as it was not possible to hold back the construction work, the Executive Director of the Trade Development Authority had, in the circumstances, no alternative but to proceed with the construction according to his best judgement. The Main Committee of the Marketing Development Fund, while approving (August 1974) the excess expenditure, took exception to the undertaking of the liability for provision of extra assistance through the Marketing Development Fund, without consulting the sanctioning authority, *i.e.,* the Main Committee of the Marketing Development Fund. The Committee desired that no such commitment should be made in future. The Committee, however, decided to pay 75 *per cent* of the actual expenditure, after deducting receipts, from the Marketing Development Fund.

Unless previous permission was obtained for retention of any pavilion, each participant of Asia 1972 Fair was required to demolish its structure and restore the site to the Fair authorities within 3 months of the end of the Fair. In January 1973, Government intimated to the participants of Asia 1972 Fair its intention to hold an International Trade Fair and requested them not to demolish their pavilions in case they were interested in participating in that Fair. In July 1973, while informing the Authority of its decision to hold the International Trade Fair in November-December 1974 Government wanted to know from the Authority whether its existing pavilion would be retained till then, and added that in case the pavilion was not strong enough there would be 'no point in its further retention'. The Authority informed (July 1973) Government that it would dispose of its pavilion and hand over the site. However, in August 1973 the Authority informed the Fair authorities that it would participate in the 1974 Fair in a bigger way than in the Asia 1972 Fair. In November 1973 the Fair authorities informed the Trade Development Authority that the plot which was given to it for Asia 1972 Fair would be reserved for it with additional space covering a total area of 2,820 square metres. The Trade Development Authority, however, wanted two adjacent plots, having a total area of 2,880 square metres, in another site in the same row about 41 metres away, separated by a road and a vacant plot. The new site was allotted by the Fair authorities in December 1973. A new pavilion estimated to cost Rs. 22.74 lakhs (75 *per cent* of the net expenditure is payable from the Marketing Development Fund) is under construction (January 1975) on the new site. Expenditure on the new pavilion was Rs. 8.64 lakhs up to December 1974. It was decided by the Main Committee of Marketing Development Fund in January 1975 that the expenditure on this pavilion should be restricted to Rs. 14.05 lakhs for the present, as the International Trade Fair has been postponed.

Government stated (February 1975) that "since the construction on the old site was purely temporary and would have not been suitable for use in November-December 1974, and as the old site was not considered suitable in connection with its participation in the International Trade Fair, 1974, it asked for another suitable site............".

The pavilion for Asia 1972 Fair constructed and decorated at a cost of Rs. 6.41 lakhs was demolished in March 1974. The contractor appointed for demolition was given, in lieu of demolition charges, ownership of the dismantled materials for which he was to pay Rs. 64,000 in cash to the Authority.

DEPARTMENT OF CULTURE AND MINISTRY OF EXTERNAL AFFAIRS

48. *National Fine Arts Akademies and Indian Council for Cultural Relations.*—Of the three National Fine Arts Akademies, the first to be established was Sangeet Natak Akademi in 1952. This was followed by Lalit Kala Akademi in 1953 and Sahitya Akademi in 1954. The three Akademies are registered societies. The highest authority of an Akademi is the General Council. For each Akademi, there is an Executive Board which is the governing body entrusted with general superintendence, direction and control. The Akademies are financed by grants from Government of India. In recent years the grants have been of the order of Rs. 47 lakhs to Rs. 48 lakhs annually. An analysis of the receipts and expenditure of the three Akademies in 1971-72, 1972-73, and 1973-74 is given below :—

Receipts

	Grant from Government of India	Sale of publications	Miscellaneous receipts	Total
		(Lakhs of rupees)		
1. *Sahitya Akademi*				
1971-72	9.53	2.39	0.03	11.95
1972-73	10.06	2.07	0.01	12.14
1973-74	10.44	1.90	0.03	12.37
2. *Lalit Kala Akademi*				
1971-72	11.00	1.46	0.42	12.88
1972-73	11.95	2.15	0.23	14.33
1973-74	12.28	3.09	0.36	15.73
3. *Sangeet Natak Akademi*				
1971-72	25.60	0.17	0.06	25.83
1972-73	26.55	0.13	0.14	26.82
1973-74	25.17	0.13	0.08	25.38

	Expenditure						
	Pay and allowances	Publications	Expenditure on running units of the Akademi	Exhibitions	Grants/ awards	Other expenditure	Total
					(Lakhs of rupees)		
1. *Sahitya Akademi*							
1971-72	4.87	2.67	Nil	0.12	0.93	3.40	11.99
1972-73	4.90	2.36	Nil	0.16	0.86	3.78	12.06
1973-74	5.38	2.32	Nil	0.11	0.81	3.75	12.37
2. *Lalit Kala Akademi*							
1971-72	3.53	2.31	Nil	1.63	1.08	4.87	13.42
1972-73	3.96	2.60	Nil	1.93	0.96	3.63	13.08
1973-74	4.15	2.91	Nil	1.19	1.25	3.51	13.01
3. *Sangeet Natak Akademi*							
1971-72	3.80	0.47	8.76	Nil	6.66	4.88	24.57
1972-73	4.08	0.52	9.25	Nil	6.24	4.71	24.80
1973-74	4.32	0.45	8.84	Nil	6.12	4.94	24.67

The Sangeet Natak Akademi runs the National School of Drama and Asian Theatre Institute, Delhi, Kathak Kendra, Delhi, and Jawaharlal Nehru Manipur Dance Akademi, Imphal. The Annual expenditure on running those three institutions is about Rs. 9 lakhs. Deducting this amount, the level of annual expenditure of each of the three Akademies is nearly the same, namely, Rs. 13 lakhs to Rs. 15 lakhs. The Sahitya Akademi and Lalit Kala Akademi do not run any institutions.

The three Akademies together spend about Rs. 5.50 lakhs annually on publications. Sahitya Akademi and Lalit Kala Akademi each spends about Rs. 2.50 lakhs, while Sangeet Natak Akademi spends only about half a lakh of rupees on publications.

Sahitya Akademi publishes informative material regarding literary activities in Indian languages, for example, Bibliographies of Indian Literature, Who's Who of Indian Writers, Histories of Literature in various Indian languages, monographs in the series 'Makers of Indian Literature' etc., and translates literary classics, both old and modern, from one Indian language into other languages. Foreign classics are also translated into major Indian languages. The major part of the expenditure by Sahitya Akademi on publications is on translations. Upto the end of December 1973 it brought out 729 titles. Some of the publications of the Akademi are brought out directly while others are brought out through commercial channels. The prices of the publications brought out by the Akademi generally range between 25 Paise to Rs. 50 per copy. About 500 to 5,000 copies are printed.

Out of 10.25 lakh copies of publications brought out directly by Sahitya Akademi upto 1972-73, 3.09 lakh copies remained unsold on 31st March 1974. A statement showing the number of copies published, number lying unsold and value of unsold publications is given below :—

Year	Number of copies published	Number of copies unsold	Sale price of unsold publications (Rupees)
Upto			
1969-70	7,84,780	1,81,570	13,07,430
1970-71	65,580	27,860	1,86,310
1971-72	1,00,200	49,450	3,04,660
1972-73	73,970	50,470	3,42,860
Total	10,24,530	3,09,350	21,41,260

Lalit Kala Akademi brings out large-size as well as smaller-size reproductions of paintings and publishes albums, journals etc. The major part of the expenditure is on reproductions of paintings. The price of each large-size reproduction is Rs. 8. The smaller size reproductions are in portfolios each of which contain six or ten reproductions. The price of each portfolio varies from Rs. 10 to Rs. 16. Out of 4.56 lakh copies of publications, including reproductions of paintings, brought out by Lalit Kala Akademi upto 1972-73, 2.25 lakh copies, mostly reproductions and other publications relating to comtemporary modern art, remained unsold on 31st March 1974. A statement showing the number of copies published, number lying unsold and value of unsold publications is given below :—

Year	Number of copies published	Number of copies unsold	Sale price of unsold publications (Rupees)
Upto			
1969-70	3,02,350	1,26,710	9,69,880
1970-71	24,000	18,520	1,24,100
1971-72	67,000	41,590	3,22,090
1972-73	63,130	38,490	3,23,410
Total	4,56,480	2,25,310	17,39,480

Receipts from sale of publications of Sahitya Akademi have been of the order of about Rs. 2 lakhs annually from 1966-67 onwards. During that period receipts of Lalit Kala Akademi from sale of publications increased from Rs. 1.03 lakhs to 3.09 lakhs in 1973-74.

Sahitya Akademi runs four counters—one each in New Delhi, Bombay, Madras and Calcutta. Besides, it has appointed twelve wholesale distributors for some of its publications. These distributors get commission charges ranging from 33⅓ to 40 per cent. The Akademi sends its catalogues to the Universities, a fair proportion of the libraries and a number of degree colleges. Its present annual budget for sales promotion is about Rs. 40,000, about half of which is consumed by the pay and allowances of its own staff. Thus, little is left for actual publicity. Lacking funds, no advertisements of its publications are usually issued. Inadequate sales promotion efforts may have contributed to substantial portion of its publications remaining unsold.

Save its own counter in Rabindra Bhavan, Lalit Kala Akademi has no other regular arrangement for sale of its reproductions of paintings and publications. It has not succeeded in its efforts to persuade the Ministry of External Affairs to make an attempt to sell the Akademi's reproductions of paintings through the Indian Missions abroad.

While Lalit Kala Akademi and Sangeet Natak Akademi have been administering grants, Sahitya Akademi does not. The Union Department of Culture gives grants to the three Akademies. The budget estimates of that Department for the years 1973-74 and 1974-75 have been of the order of Rs. 6.70 crores of which about Rs. 2.40 crores are for grants and contributions. The Department itself has been directly giving grants to various cultural organisations for development of modern Indian languages, production of literature in regional languages etc. It is not quite clear why, when the Akademies exist, government directly gives grants to various organisations for such cultural purposes.

The Indian Council for Cultural Relations was set up in 1950 by a resolution of Government and was registered as a society in March 1957. The Council arranges exchange of scholars, cultural delegations and artists between India and other countries, publishes books and journals on Indian culture for sale and distribution abroad, receives and entertains foreign dignitaries of eminence, disburse scholarships to foreign students in India and looks after their welfare and runs Indian cultural centres and centres of Indian studies abroad. The Council has recently started running seven British Council libraries in India, one Russian cultural centre and two American corners, the expenditure on them being met by the respective foreign missions in India. A broad analysis of the receipts and expenditure of the Council for the three years ending March 1974 is given below :—

Receipts	1971-72	1972-73	1973-74	Expenditure	1971-72	1972-73	1973-74
	(Lakhs of rupees)						
1. Grants from Government of India	26.29	42.59	58.64	1. Publications	1.58	2.25	2.12
				2. Cultural activities abroad	3.93	13.77	18.44
2. Receipts from foreign missions	—	0.24	5.43	3. Cultural activities in India.	12.72	17.58	24.16
3. Miscellaneous receipts	0.72	0.63	0.86	4. Foreign centres in India	—	0.22	5.26
				5. Establishment and other miscellaneous expenditure in India	8.53	9.53	12.27
	27.01	43.46	64.93		26.76	43.35	62.25

It will be seen from the above that if the receipts from foreign missions for running the British Council libraries, the Russian cultural centre and the two American corners are not taken into account, grants from Government of India account for about 98 per cent of the Council's annual receipts.

The Council brought out 28,578 copies of publications during the years 1969-70 to 1972-73 out of which 15,932 copies remained unsold on 31st December 1973. A statement showing the number of copies published, number lying unsold and value of unsold publications is given below :—

Year	Number of copies published	Number of copies unsold	Sale price of unsold Publications (Rupees)
1969-70	4,100	610	14,940
1970-71	2,990	510	11,480
1971-72	13,280	9,340	1,45,290
1972-73	8,210	5,470	1,31,910
Total	28,580	15,930	3,03,620

The Council, which is under the Ministry of External Affairs, has been running three cultural centres abroad, one at Fiji set up in February 1972, one at San Fransisco set up in August 1972 and one in Guyana set up in January 1973. In 1972-73, Rs. 10.75 lakhs were spent on those three centres while in 1973-74 the expenditure was Rs. 11.59 lakhs. The centre at San Fransisco was opened despite the Consulate of the Government of India there having an officer posted by the Ministry of Education to look after educational and cultural affairs.

In 1960-61, Government gave Rs. 9.34 lakhs as grant to the Council. The grant from Government increased from Rs. 26.29 lakhs in 1971-72 to Rs. 58.64 lakhs in 1973-74. On the other hand, in 1960-61 Rs. 22 lakhs were given as grant by Government to the three Akademies and this grant increased from Rs. 46 lakhs in 1971-72 to Rs. 48 lakhs in 1973-74. The grant to the Council in 1973-74 was substantially more than that to the three Akademies together. (The budget estimates for 1974-75 of the grant to the Council and the three Akademies are Rs. 61.72 lakhs and Rs. 64.49 lakhs respectively.) The span of thirteen years 1960-61 to 1973-74 witnessed six-fold increase in the revenues of the Central Government. There was a parallel growth in the grant given by Government to the Council. However, over these thirteen years the share of the Akademies in the revenue resources of the Central Government declined to one-third of what it used to be.

With so many Central agencies operating there exists the real possibility of one writer or artist being at the same time in communion with more than one of the Central agencies in the field of culture, namely, the Union Department of Culture, a National Akademi, the Council of Cultural Relations and the National Book Trust.

CHAPTER VII

DEPARTMENTALLY MANAGED GOVERNMENT UNDERTAKINGS

49. On 31st March 1974, there were 37 Government Undertakings of Commercial and Quasi-commercial nature as against 35 Undertakings on 31st March 1973. During 1973-74, three Undertakings *viz.*, Asian Refractories Limited, Atomic Power Authority and Rajasthan Atomic Power Station Unit I were added. With the declaration of Atomic Power Authority as a Commercial Undertaking, Tarapur Atomic Power Station ceased to be a separate Undertaking as it was a constituent part of the former. Thus, there was net addition of two Undertakings during the year.

A list of these Undertakings arranged according to the controlling Ministries/Departments is given in Annexure III with information about their financial position as on 31st March 1974. The financial results are ascertained annually by preparing *pro forma* accounts outside the general accounts of Government. Trading and Profit and Loss Accounts of those at serial Nos. 30 and 31 (Publication Branch, Delhi and Government of India Presses) are not prepared; instead only stores accounts are maintained. The *pro forma* accounts of 33 Undertakings at serial Nos. 1 to 6, 8, 10 to 26, 28 to 33 and 35 to 37 of Annexure III have not been received so far for audit (February, 1975).

ANNEXURE III

SUMMARISED FINANCIAL RESULTS OF 1973-74

(Figures in thousands of Rupees)

Serial No.	Name of the Undertaking	Government Capital	Block Assets (Net)	Depreciation to date	Profit(+) Loss (—)	Interest on Government Capital	Total return	Percentage of total return to mean Captial	Remarks
1	2	3	4	5	6	7	8	9	10
	MINISTRY OF FINANCE								
1.	India Security Press, Nasik Road.								
2.	Currency Note Press, Nasik Road.								
3.	Government Opium Factory, Neemuch.								
4.	Government Opium Factory, Ghazipur.								
5.	Government Alkaloid Works, Ghazipur.								
6.	India Government Mint, Bombay.								
7.	India Government Mint, Hyderabad.	1,63,88	96,54	3,40*	(+)1,55,54	6,39	(+)1,61,93	124.69	*Depreciation for the year 1973-74 only.
8.	India Government Mint, Calcutta.								

1	2	3	4	5	6	7	8	9	10
9.	Assay Department, Bombay.	6	66	5*	(+)4,06	—	(+)4,06	—	(*i*) *Depreciation for the year 1973–74 only. (*ii*) *Pro forma* accounts have not been prepared according to the revised procedure *vide* Ministry of Finance Office Memo. No. F. 1(35)-B/71 dated 23-1-1974.
10.	Assay Department, Calcutta								
11.	Silver Refinery Project, Calcutta.								
	MINISTRY OF INFORMATION AND BROADCASTING								
12.	All India Radio.								
13.	Radio Publications, All India Radio.								
14.	Films Division.								
15.	Commercial Broadcasting Service, All India Radio.								
	MINISTRY OF COMMUNICATIONS								
16.	Overseas Communications Service, Bombay.								

MINISTRY OF SHIPPING AND TRANSPORT

17. Lighthouses and Lightships Department.

18. Shipping Department, Andamans

19. Ferry Service, Andamans.

20. Marine Department (Dock-yard), Andamans.

21. Chandigarh Transport Undertaking, Chandigarh.

MINISTRY OF AGRICULTURE AND IRRIGATION

22. Reserve Pool of Fertilisers.

23. Delhi Milk Scheme.

24. Forest Department, Andamans.

25. Ice-Cum-Freezing Plant, Ernakulam.

MINISTRY OF HOME AFFAIRS

26. State Transport Service, Andamans.

1	2	3	4	5	6	7	8	9	10
	MINISTRY OF HEALTH AND FAMILY PLANNING								
27.	Central Research Institute, Kasauli.	23,08	5,31	7,36*	(+)9,33	85	(+)10,18	58.85	(i) *Depreciation includes consumption on Live Stock for 1973–74 only. (ii) *Pro forma* accounts have not been prepared according to the revised procedure *vide* Ministry of Finance O.M. No. F. 1(35)-B/71 dated 23-1-1974.
28.	Medical Stores Depots.								
29.	Bakery, Mineral Water Factory and Vegetable Garden of Hospital for Mental Diseases, Ranchi.								
	MINISTRY OF WORKS AND HOUSING								
30.	Publication Branch, Delhi.								
31.	Government of India Presses.								
	MINISTRY OF ENERGY								
32.	Electricity Department, Andamans.								

33. Electricity Department, Lakshadweep.								
MINISTRY OF COMMERCE								
34. Pathini Tea Estate.	56,51	25,45	7,72	—)3,89	2,59	(—)1,30	—	(i) Figures are based on the accounts for the calende year 1973. (ii) Pro forma accounts have not been prepared according to the revised procedure vide Ministry of Finance Office. Memorandum No. F.1. (35) -B/71 dated. 23.1.1974
DEPARTMENT OF ATOMIC ENERGY								
35. Atomic Power Authority.								
36. Rajasthan Atomic Power Station Unit I.								
MINISTRY OF STEEL & MINES								
37. Asian Refractories Limited.								

In respect of Undertakings for which figures for the year 1973-74 are not available, figures for the year 1972-73 except to the extent otherwise indicated in column 10 are given below :—

(Figures in thousands of Rupees)

Searial No.	Name of the Undertaking	Gvoern-ment Capital	Block Assets (Net)	Deprecia-tion to date	Profit(+) Loss (—)	Interest on Govern-ment Capital	Total return	Percent-age of total return to mean Capital	Remarks
1	2	3	4	5	6	7	8	9	10
	MINISTRY OF FINANCE								
1.	India Security Press, Nasik Road	7,34,45	2,26,01	1,18,01	(+) 66,41	29,32	(+) 95,73	15.57	
2.	Currency Note Press, Nasik Road	5,21,73	1,92,55	1,11,58	(+)2,95,53	18,26	(+) 3,13,79	81.97	
3.	Government Opium Factory, Neemuch . . .	1,94,34	7,16	59	(+) 4,17,65	—	(+) 4,17,65	—	
4.	Government Opium Factory, Ghazipur . . .	2,16,44	9,05	1,81	(+) 3,78,40	3,82	(+) 3,82,22	468.36	
5.	Government Alkaloid Works, Ghazipur . .	2,04	2,82	1,28	(+) 56,73	—	(+) 56,73	—	
6.	India Government Mint, Bombay	9,43,22	1,16,07	*6,21	(+) 9,21,45	18,16	(+) 9,39,61	246.88	*Depreciation for the year 1972-73 only.
7.	India Government Mint, Calcutta	4,89,80	1,19,54	1,66,83	(+) 6,77,83	34,88	(+) 7,12,71	97.48	

8. Assay Department, Calcutta	(—)2	74	*3	(+) 36	—	(+) 36	—	*Depreciation for the year 1972-73 only.
9. Silver Refinery Project, Calcutta	3,05,33	64,13	49,94	(+) 69,38	14,51	(+) 83,89	26.88	Figures for the year 1971-72 have been taken as the *pro forma* accounts for the subsequent years have not been received.
MINISTRY OF INFORMATION AND BROADCASTING								
10. All India Radio . .		Capital Assets						
	33,69,53	20,29,16	9,63,94	(+) 2,62,97	84,63	(+) 3,47,60	10.31	(1) *Depreciation for the year 1970-71 only.
		Revenue Assets						
		30,31	*6,93					(2) Figures for the year 1970-71 have been taken as the *pro forma* accounts for the subsequent years have not been received.
11. Radio Publications, All India Radio . . .	1,02,43	13	*3	(—) 9,49	26	(—) 9,23	—	(1) *Depreciation for the year 1971-72 only. (2) Figures for the year 1971-72 have been taken as the *pro forma* accounts for the subsequent years have not been received.

1	2	3	4	5	6	7	8	9	10
12.	Films Division .	*93,57	28,54	35,31	(—) 29,69	4.30	(—) *25,39	—	(1) *Before adjustment of notional value on films released for free exhibition. (2) Figures for the year 1971-72 have been taken as the *pro forma* accounts for the subsequent years have not been received.
13.	Commercial Broadcasting Service, All India Radio .		Capital Assets						
		56,65	10,74	3,99	(+) 3,02,47	—	(+) 3,02,47	—	(1) *Depreciation for the year 1971-72 only.
			Revenue Assets						
			2,93	*29					(2) Figures for the year 1971-72 have been taken as the *pro forma* accounts for the subsequent years have not been received.
	MINISTRY OF COMMUNICATIONS								
14.	Overseas Communications Service, Bombay.	18,06,34	9,94,70	*5,11,92	(+) 3,03,04	70.10	(+) 3,73,14	25.39	*Represents the depreciation provided upto the end of 1971-72 *plus* that provided for during 1972-73.

										As the depreciation written back in respect of assets sold or written off during the year is not separately available in the accounts, the same has not been taken into account.
MINISTRY OF SHIPPING AND TRANSPORT										
15. Lighthouses and Lightships Department	11,81,60	10,34,79	1,60,70	(+)	12,32	7,18		19,50	1.74	
16. Shipping Department, Andamans	56,50	64,70	*7,89	(—)	76,59	5,32	(—)	71,27	—	(1) *Depreciation for the year 1971-72 only. (2) Figures for the year 1971-72 have been taken as the *pro forma* accounts for the subsequent years have not been received.
17. Ferry Service, Andamans .	14,30	19,50	*3,44	(—)	9,54	1,01	(—)	8,53	—	*Depreciation for the year 1972-73 only.
18. Marine Department (Dockyard), Andamans.	46,89	2,43	*6	(+)	19	1,83	(+)	2,02	5.24	*Depreciation for the year 1972-73 only.

1	2	3	4	5	6	7	8	9	10
19.	Chandigarh Transport Undertaking, Chandigarh .	56,88	43,48	*15,17	(+) 2,97	2,41	(+) 5,38	10.64	*This includes interest charges on the Fund Balance upto 31-3-1973. The year-wise break-up of interest charges included in the figure of Depreciation Reserve Fund was not available with the Management. The net value of the assets is understated to that extent.
	MINISTRY OF AGRICULTURE AND IRRIGATION								
20.	Reserve Pool of Fertilisers .	20,48,13	—	—	(+)13,76,37	1,46,98	(+)15,23,35	44.88	Figures for the year 1968-69 have been taken as the *pro forma* accounts for the subsequent years have not been received.
21.	Delhi Milk Scheme .	3,15,11	2,69,62	2,53,73	(—) 83,89	11,77	(—) 72,12	—	
22.	Forest Department, Andamans .	9,08,55	39,10	*6,80	(—) 50,57	42,43	(—) 8,14	—	(1) *Depreciation for the year 1971-72 only. (2) Figures for the year 1971-72 have been taken as the pro forma accounts for the subsequent years have not been received.
23.	Ice-Cum-Freezing Plant, Ernakulam .	(—)21,28	18,29	8,88	(—) 25	—	(—) 25	—	

MINISTRY OF HOME AFFAIRS								
24. State Transport Service, Andamans .	2,92	7,58	18,50	(—) 8,86	38	(—) 8,48	—	
MINISTRY OF HEALTH AND FAMILY PLANNING								
25. Medical Stores Depots .	3,51,00	43,93	9,18	(+) 14,32	13,43	(+) 27,75	8.39	Figures for the year 1970-71 have been taken as the *pro forma* accounts for the subsequent years have not been received.
26. Bakery, Mineral, Water Factory and Vegetable Garden of Hospital for Mental Diseases, Ranchi .	35	31	*1	(+) 5	2	(+) 7	21.91	*Depreciation for the year 1972-73 only.
MINISTRY OF ENERGY								
27. Electricity Department, Andamans .	30,31	31,90	*1,85	(—) 5,78	1,37	(—) 4,41	—	(1) *Depreciation for the year 1968-69 only. (2) Figures for the year 1968-69 have been taken as the *pro forma* accounts for the subsequent years have not been received.

1	2	3	4	5	6	7	8	9	10
28.	Electricity Department, Lakshadweep	24,19	21,04	4,74	(—) 5,19	1,13	(—) 4,06	—	Figures for the year 1971-72 have been taken as the *pro forma* accounts for the subsequent years have not been received.
	DEPARTMENT OF ATOMIC ENERGY								
29.	Atomic Power Authority (Tarapur Atomic Power Station)	86,21,05	60,48,96	5,71,28	(—) 2,01,06	4,02,04	(+) 2,00,98	2.32	Figures for the year 1971-72 have been taken as the *pro forma* accounts for the subsequent years have not been received.

50. FOREST DEPARTMENT, ANDAMAN

Introduction

The Andaman and Nicobar Islands consist of 319 islands—258 islands in the Andaman group with an area of 6,340 sq. kms. and 61 islands in the Nicobar group extending over an area of 1,993 sq. kms.

Out of the total land area of 8,333 sq. kms., forests occupy 7,467 sq. kms. (about 90 per cent). Of this, 2,434 sq. kms. in the Andaman group have been declared as reserve forests and 3,620 sq. kms. as protected forests. The forests in the Nicobar group have not yet been tapped, except for preliminary exploratory studies and some clear felling in the Katchal island for rubber plantation and in Great Nicobar for settling families of some ex-servicemen. Thus, the forestry activities are at present mainly restricted to the Andaman group.

The extraction of timber from the Andaman forest is generally done departmentally. However, from 16th December, 1961 the Department has given on lease certain forest areas and coupes to private contractors and the local wood based industries; prior to this, North Andaman forests were also leased out to a private firm on a long term basis but the contract was cancelled with effect from 21st December, 1968.

The Andaman Forest Department (established in 1833) was declared as a commercial department in 1929 and its objectives were outlined, from time to time, in the successive working plans prepared for the exploitation and development of the forests. At present, the activities of the Department are guided by the working plan prepared in 1951 with certain modifications necessitated by the introduction of colonisation and rehabilitation schemes and the categorisation of certain areas as tribal reserves. The general objectives of the Department as envisaged in the successive working plans are;

(i) to improve and convert the existing irregular forests into more or less normal forests by the adoption of suitable regeneration techniques;

(ii) to increase capital value of the forests by ensuring better yields of commercially valuable indigenous species and introducing commercially valuable exotics, such as teak, into the natural complex;

(iii) to provide timber to meet the requirements of various industries in the Andaman islands and the mainland of India;

(iv) to provide for legitimate requirements of forest produce of the local population;

(v) to promote extraction and marketing of lesser known species in order to derive the maximum benefit from the forest; and

(vi) to realise maximum possible revenue in consonance with the above objects.

With the above objectives in view, the forestry and trading activities of the Department are run side by side. As part of the forestry activities, the Department has undertaken research and training programmes and surveys along with the natural regeneration schemes. For the trading activities, the Department owns two saw mills at Chatham and Betapur and runs two sales depots at Howrah and Madras for the disposal of logs, sawn timber, etc. in addition to direct supplies to certain mainland consumers, like the Railways, through the DGS&D, etc.

Till 1961, the working plans were mere 'lumbering' plans governed by considerations of market demand and transport facilities and the primary objectives of forest management *viz.*, silviculture, conservation, regeneration, etc. were relegated to secondary importance. With the objective of reorienting forestry activities, the working plans for the South and Middle Andaman Divisions were revised in 1961 and 1971 to place greater emphasis on these aspects of scientific forest management.

The working of the Department was examined by the Public Accounts Committee in their 74th Report (4th Lok Sabha—April 1969) on the basis of the Audit Report (Commercial), 1968. The action taken on the recommendations of the Public Accounts Committee is contained in their 96th Report (4th Lok Sabha—January 1970). The present review contains data for the years 1969-70 to 1972-73. As the *pro forma* accounts for 1973-74 have not been prepared by the Department, the data for that year has not been incorporated. The review was issued by the Accountant General, Central, Calcutta on 17th August, 1974 to the Ministry of Agriculture, whose reply is still awaited (December, 1974).

2. **Development Schemes**

The development and exploitation of forests in the islands on modern scientific lines got impetus during the five year plans. While no scheme was undertaken by the Department in the First Plan (1951—56), Rs. 93.05 lakhs and Rs. 41.39 lakhs were spent during the Second (1956—61) and the Third (1961—66) Plans respectively on the execution of different schemes (*vide* Annexures I and II).

The schemes formulated for execution during the Fourth Plan (1969—74) placed emphasis on;

(i) increasing the productivity of forests;

(ii) linking forest development with various forest-based industries; and

(iii) developing forests as a support to rural economy.

It also visualised activities in continuation of earlier plans, *viz.* creating large-scale plantations of valuable quick-growing species and species of economic and industrial importance, intensive exploitation and rational utilisation of existing forest resources, regeneration of extracted areas, etc.

With these broad objectives in view, nine schemes were formulated for execution during the Fourth Plan period. Brief details of each of these schemes are given in Annexure III.

In addition, schemes for intensification of forest management to ensure optimum utilisation of forests and to serve as a base for the establishment of wood and wood based industries have also been drawn up for (i) the creation of a division at Little Andaman, (ii) the strengthening of staff at headquarters and (iii) the expansion of utilisation division. These schemes are stated to be under scrutiny by the Planning Commission.

3. Performance Analysis

3.01 *Timber Extraction*

(a) *Quantity of timber extracted.*—The Andaman forests have generally been underexploited. Out of more than 100 species of trees available in these forests, only about 40 have been found to be commercially useful and marketable and these species constitute about 25 to 30 per cent of the standing tree crop.

The quantity of timber extracted during the period 1969-70 to 1972-73 is indicated below :

(Cubic metres)

Year	Target	Quantity actually extracted
1969-70	77,900 (55,012)	73,363 (51,809)
1970-71	78,000 (55,083)	71,530 (50,514)
1971-72	78,000 (55,083)	75,852 (53,567)
1972-73	78,000 (55,083)	70,020 (49,448)

NOTES.—1. The figures in brackets represent the equivalent quantity in tons.

2. one cu.m. = 35.31 c. ft.
50 c. ft. = 1 ton.

The target of extraction was not achieved in any of these years even after the acquisition of an additional tractor with hyster winch, two trucks and five elephants during 1970-71 at a cost of Rs. 3.5 lakhs under scheme No. 7 referred to in Annexure III. These were acquired as part of the additional equipment for increasing the extraction of timber from the existing level of 77,000—79,500 cu.ms. to above 1,04,500 cu.ms. per year but were treated as replacements of the existing equipment on account of the fact that no new equipment and elephants were purchased during 1966—70.

The Ministry of Agriculture stated (June, 1973) that due to indifferent performance of the extraction equipment and further entry into remote areas, the targets could not be achieved.

(b) *Utilisation of forests.*—Timber and wood from Andaman forests have various applications—industrial, commercial and domestic. The useful and marketable species constitute, on an average, about 25 to 30 per cent of the standing tree crop. About 70 to 75 per cent of the standing tree crop at present do not, therefore, have any marketable use.

Amongst the various produces other than timber, Rattan Canes and Camphor yielding Tulsi are important.

(c) *Cost of extraction.*—Extraction of timber involves selecting and marking the trees for fellings, conversion of the felled trees into logs or otherwise preparing them for removal from the site and transport of the converted material for disposal. The logging operations are closely inter-linked with the problem of transportation and are, therefore, restricted to marketable species and as a result, only about 40 per cent of the total volume of wood in the felled trees is extracted. This leads to considerable waste and high cost of extraction which seems to be unavoidable to a great extent till economic utilisation of hardwood and wood waste is developed.

According to the Department, trees which do not yield commercial timber are, as a rule, not felled. After extracting the commercially utilisable timber from the felled trees, the balance is left at site and is burnt or cleared with other forest growth when the areas are taken up for regeneration.

Out of 73,582 cu. metres of timber extracted annually, based on the average of three years from 1969 to 1972, about 6,228 cu. ms. (8.46%) are consumed by the local matchwood factories, 34,188 cu.ms. (46.46%) by the two Government saw mills at Chatham and Betapur, 16,120 cu.ms. (21.91%) are sent to the mainland for disposal and the balance (23.17%) is sold to Government departments, plywood factories, etc. located in the Islands or is used for departmental requirements. At the time of preparing the annual budget, the estimated cost of extracted timber up to the despatching point (in respect of logs sold to local private factories), as at the saw mills at Chatham and Betapur and that on arrival at the Howrah and Madras depots is not worked out. However, the actual cost during 1969-70 to 1972-73 is given below:

Logs

(Cost per cu. m.)
(Rs.)

Year	Upto delivery depot	Average ex-mill cost	Ex-depot cost	
			Howrah	Madras
1969-70	221.25	226.34	377.85	366.72
1970-71	240.52	250.45	367.37	448.53
1971-72	244.18	253.44	385.44	380.00
1972-73	275.63	271.83	438.56	448.21

The cost of logs upto the delivery depot and average ex-mill cost have been gradually increasing. The increase in cost has been attributed by the Department mainly to (i) increased cost of labour and (ii) rise in prices of general stores, such as P.O.L. etc.

(d) *Extra expenditure on account of re-invitation of tenders.*—In February, 1970, tenders were invited for the extraction and supply of timber from some areas in South Andaman division and delivery at the camp depot. The lowest quotation of Rs. 41 per cu.m. given by contractor 'A' was rejected on the ground of financial instability and unsatisfactory performance against contracts awarded to him by other Government departments in the Islands. The second quotation of Rs. 43 per cu.m. given by contractor 'B' was negotiated and brought down to Rs. 41 per cu.m. quoted by contractor 'A'. The tender was recommeded by the Department in August, 1970 to the Ministry of Agriculture for acceptance. However, without assigning any reasons, the Ministry instructed the Department in April, 1971 to invite fresh tenders.

Fresh tenders were invited in October, 1971 and the lowest quotation of Rs. 56 per cu.m. received from contractor 'C' was accepted. On account of the rejection of the negotiated tender of Contractor 'B', the Department incurred an additional expenditure of Rs. 90,000 on the extraction of 6,000 cu.ms. of timber.

The Ministry stated (June, 1973) that as the information about the financial soundness of the second tenderer also was lacking, the Andaman Administration was asked to invite fresh tenders.

No records are, however, available to indicate that any attempt was made by the Ministry or the Andaman Administration to ascertain the financial stability of the second tenderer at any stage.

3.02 *Mill Operations*

(i) The saw mills at Chatham and Betapur consist of two units each—the band mill and the circular mill. The installed capacity of the two saw mills has not been assessed by the Department. It has been stated that the machinery is very old and the mills were set up mainly to meet the local requirements. The performance of the two saw mills during the period 1969-70 to 1972-73 is indicated below :

Year	Intake (In cubic metres)	Outturn (In cubic metres)	Wastage	Percentage of wastage to intake	Milling cost (per cu. m.)	Total cost of sawn timber excluding royalty (Rs. per cu. m.)
1969-70 . . .	34,296	16,914	17,382	51	136.46	438.50
1970-71 . . .	33,708	16,953	16,755	60	140.39	480.19
1971-72 . . .	34,578	17,407	17,171	50	141.03	485.25
1972-73 . . .	28,283	14,623	13,660	48	176.88	572.15

NOTES.—1. The milling cost represents the net cost after adjusting the revenue realised from the sale of by-products like sawn fuel and saw dust.

2. As the expenditure for each mill is not booked separately, the milling cost and the total cost of sawn timber for each mill is not available.

At the time of preparing the annual budget, the estimated cost of milling is not worked out by the Department. It will, however, be seen that the milling cost of timber per cubic metre has been steadily increasing. The increase in the milling cost is stated to be due to increase in the cost of stores, labour, establishment, etc.

As only second rate logs are fed into the two mills, the outturn is less and the milling cost is high. Some of the equipments are also old and obsolete. The Inspector General of Forests suggested in March, 1970 that the circular saws in the mills should be replaced by band saws as early as possible.

The Ministry also informed the Public Accounts Committee in October, 1972 that the Andaman Administration had been asked to take early action to convert the circular saws at both the mills with indigenous band saws. However, in June, 1973, the Ministry informed Audit that important items like break-down unit and other valuable parts were required to be imported and as such the implementation of the proposal would take quite some time.

(ii) The circular and band saw mills at Betapur are operated for one shift a day. The band saw mill at Chatham is run for three shifts, while the circular saw mill is operated only in one shift on account of lack of demand for sawn timber locally, non-availability of power and spare parts which have generally to be imported.

The number of available shifts, the number on which each of the two mills actually worked and the extent of their idleness along with reasons therefor during 1969-70 to 1972-73 are given below :

Year	Mill	No. of available shifts	No. of shifts on which the mill worked	No. of shifts on which the mill was idle
1969-70	Chatham	1,218	819	399
	Betapur	296	269	27
1970-71	Chatham	1,125	755	370
	Betapur	297	288	9
1971-72	Chatham	1,098	776	322
	Betapur	296	266	30
1972-73	Chatham	1,156	777	379
	Betapur	299	288	11

Reasons for idleness

Year	Want of Operators	Want of logs	Want of steam & water	Want of Electricity	Repairs and machine difficulties	Diversion of labour	Misc.*	Total
Chatham Mill :								
1969-70	2	1	4	4	59	23	306	399
1970-71	—	1	36	8	26	28	271	370
1971-72		—	20	8	—	74	213	322
1972-73	—	24	7	5	45	25	273	379

Betapur Mill :

1969-70 . .	—	7	—	—	16	—	4	27
1970-71 . .	—	—	—	—	6	—	3	9
1971-72 . .	—	—	—	—	23	—	7	30
1972-73 .	—	1	—	—	5	—	5	11

NOTE.—*This is mainly due to the operation of circular saw mill in one shift only as against 2 shifts available in a day.

The Chatham saw mill employs 941 labourers. The National Council of Applied Economic Research, which conducted a techno-economic survey of the Islands, *inter-alia* made the following observations in its report submitted in December, 1972 :

"................Employing a large labour force, equipped with upto date machinery of much capacity and working two and some even three shifts, the mill has not achieved a degree of efficiency comparable to its own earlier days, even apart from any comparison with mills elsewhere. It is estimated that the mill intake could be stepped up substantially (working two shifts daily of 8 hours each for 300 days in the year)........."

"................Unless the management of this mill, one of the biggest in the country, is in new hands, no amount of evaluation and soul searching would help................"

3.03 *Trading Activities* :

(a) The Department has two sales depots at Howrah and Madras where timber logs as well as sawn timber are sold by auction and by negotiations. Direct sales are also made to the Railways through D.G.S.&D. In addition, the Department also sells sawn timber at the saw mills to local people and makes direct supplies to the match and plywood units. The following table indicates the timber produced and the manner of its disposal during 1969-70 to 1972-73 :—

LOGS (Figures in cu. ms.)

Year	Quantity extracted	Quantity supplied to local match-wood factories	Quantity supplied to Rail-ways through D.G.S&D	Quantity brought to saw mills	Quantity despatched to sales depots		Closing stock
					Madras	Howrah	
1969-70 .	73,363	6,250	5,256	34,296	3,495	13,758	8,390
1970-71 .	71,530	6,404	5,750	33,708	7,741	5,868	10,004
1971-72 .	75,852	6,030	10,907	34,578	6,852	11,647	9,672
1 972-73 .	70,020	6,026	13,852	28,283	5,171	15,574	8,809

Sawn Timber (Figures in Cu. ms.)

Year	Quantity produced at the saw mill	Quantity disposed of locally	Quantity despatched to sales depots		Closing stock
			Madras	Howrah	
1969-70	16,914	11,683	3,228	358	5,979
1970-71	16,953	11,176	2,988	—	8,768
1971-72	17,407	10,210	4,927	1,345	9,694
1972-73	14,623	11,118	2,506	1,217	9,534

Substantial quantity of extracted timber represents second rate logs and is not saleable in the form of logs to the ultimate consumers. The second rate logs have to be converted into sawn timber before sale. Accordingly, out of the total quantity of logs extracted every year, 44% to 47% had to be brought to the saw mills for sawing.

(b) *Supply of ply logs without entering into formal contract.*

(i) In July, 1951 the Ministry of Commerce and Industry decided to supply ply logs from the Andaman forests to members of the Plywood Manufacturers Association of India and the Plywood Manufacturers Association of West Bengal on the basis of quotas fixed by the Ministry of Agriculture. For this purpose, the former Association was required to deposit Rs. 20,000 and the latter Rs. 5,000 as security deposit from each of their members. No agreement was, however, entered into either with the two Associations or their individual members laying down the conditions of supply, mode of payment, etc. The security deposit was collected from individual members of the two Associations and not from the Associations themselves.

Supplies of ply logs to the members of the two Associations were made from 1951 to 1967. From 1968 onwards, the scheme of supply to the members was discontinued and the ply logs were sold by auction. With the discontinuance of the scheme, some members of the Plywood Manufacturers Association of India applied for the refund of the security deposits furnished by them individually. The security deposits were, however, not refunded as it was found that some other members of the Association had not made payments for supplies to the extent of Rs. 1.54 lakhs. It was stated by the Department (September, 1969) that the possibility of adjusting the total security deposits against the amounts due from some members of the Association was under consideration.

(ii) An amount of Rs. 19,025 is outstanding against M/s. Asiatic Plywood Industries, one of the members of the Plywood Manufacturers Association of India, against the security deposit of Rs. 15,000. The reasons for which deposit of Rs. 15,000, instead of Rs. 20,000, was accepted from the party are, however, not available. The Ministry of Agriculture stated (June, 1973) that it was not possible to clarify the position at that late stage but the outstanding amounts would be adjusted against the security deposited by all the members taken together which is more than the amount outstanding against some of them.

The individual members and the Association do not seem to have been informed (February, 1975) of the proposed action.

(c) (i) There was always some difference between the quantity of timber despatched from the Islands and that received at the two sales depots. As a result, the Department suffered a loss of Rs. 1,13,374 during 1969-70 to 1972-73 *vide* details given below :

Year	Quantity despatched (Cu. ms.)	Quantity received at the sales depots (Cu. ms.)	Quantity short-landed (Cu. ms.)	Value of quantity short landed Rs.
1969-70	20,838*	20,697	141	51,970
1970-71	16,597*	16,480	117	35,559
1971-72	24,771*	24,714	57	19,560
1972-73	24,468*	24,437	31	**6,284 (Provisional)

NOTES.—1. *Figures have been taken from the *pro forma* accounts of respective years.

2. **Excludes 13 cases of short-landing which have neither been valued nor claims lodged with the carriers.

No remedial measures appear to have been taken to avoid such recurring losses. Efforts made to recover the value of timber short landed from the Shipping Corporation of India have also not proved successful. The Ministry of Agriculture stated (June, 1973) as follows:

(1) The percentage of shortlanding of timber was negligible,

(2) The Forest Department was proposing better system of marking and tallying timber at the time of shipment to avoid the possibilities of inaccuracies in measurements or tallying;

(3) All the shortlanding cases were under correspondence with the Shipping Corporation of India and others and the question of fixing the responsibility at that stage did not arise.

(ii) *Shortlanding of timber at Howrah Depot.*—The Department entered into an agreement with the Central Inland Water Transport Corporation Ltd., a public sector undertaking, with effect from 1st June, 1966 under which the latter acts as clearing agents-*cum*-stockists for Howrah depot. The agreement *inter-alia* provides that if on checking of timber against the invoice, the agents find any excess or shortage, a report will be made to the Deputy Conservator of Forests, Depot Division, within 30/60 days from the completion of discharge of the log timber/sawn timber from the ship. In the event of shortlanding, the agents are also required to apply to the Master of the Ship for short landing certificate within the prescribed period of 30/60 days, and in case the short landing certificate is not received, the agents shall not be responsible for the shortage.

During the period from 1st June, 1966 to 31st March, 1973, consignments of timber to the extent of 27,671 cu.ms. (value not available) were received at Howrah depot in which 606 cu.ms. of timber valued at Rs. 1.71 lakhs were reported to have been short landed. The agents applied for short landing certificates to the Shipping Corporation of India but did not get the same. In terms of the agreement, no recovery can be made from the clearing agents. The Department is pursuing these cases with the carriers (Shipping Corporation of India Ltd.) but no recovery has been made so far (February, 1975) as the latter have stated that they are not liable for any claim with regard to "shortages of logs in view of the peculiar system involved in the shipment of timber logs from the Andamans". Meanwhile, shortage to the extent of Rs. 1,109 in respect of two shipments has been written off by the Department.

(d) As already mentioned, the timber exported to the mainland is sold through the sales depots at Howrah and Madras. The annual targets fixed for the despatch of timber to the mainland and the quantity actually sent during 1969-70 to 1972-73 are shown below :

(Figures in Cu. ms.)

Year	Despatch target	Quantity despatched	Short-fall
1969-70	37,000	20,838	16,162
1970-71	26,500	16,597	9,903
1971-72	28,500	24,771	3,729
1972-73	31,000	24,468	6,532

The shortfall in the quantity exported has been attributed by the Department to non-provisioning of special loaders by the Shipping Corporation of India Limited *vide* details given below :

Year	Number of special loaders required	Actual number supplied
1969-70	2	—
1970-71	1	—
1971-72	2	1
1972-73	3	—

As a result, according to the Department, it was left with only one ship "M.V. Shompen" for the transportation of timber to the mainland. The Department has also stated (31st March, 1974) that the requirement of vessels for shipment of timber to the mainland is intimated to the Shipping Corporation of India, the Ministries of Agriculture and Transport and the Andaman and Nicobar Administration in the month of March for the next year.

The difficulties in achieving the targets of export of timber to the mainland were considered by the Public Accounts Committee in paras 1.1—1.7 of their 74th Report (4th Lok Sabha—April, 1969). The Committee emphasised that (i) the requirements for additional ships should be carefully assessed and the fleet for transport of timber augmented and (ii) the existing shipping space should be fully and adequately used and frequency of trips improved by minimising delays in loading and unloading operations.

In November/December, 1969, the Ministry of Agriculture informed the Public Accounts Comittee that while one of the existing passenger-*cum*-cargo vessels *viz.*, "M. V. Nicobar" had been converted into a cargo vessel, a special timber carrier "M. V. Shompen" had been put into service from February, 1968 to meet the special needs of timber/log shipments from the Islands to the mainland. An additional passenger-*cum*-cargo vessel "State of Bombay" had also been introduced in the mainland-island service from June, 1967. With the introduction of these additional vessels, the position was reported to have improved considerably. Regarding the utilisation of existing shipping space, it was stated that the construction of two permanent jetties at Haddo and Chatham was expected to be completed by 1972. A wharf in Phoneix Bay was also planned to be completed by 1972-73 and with these facilities, it was expected that the harbour facilities and the utilisation of existing shipping facilities would improve.

It will, however, be seen from the figures of targets of export and the quantity actually exported that there was shortfall in the quantities exported during 1969-70 to 1972-73.

As regards the vessel "M. V. Nicobar", the Department stated in November, 1974 that although this vessel was converted into a full cargo ship, it was "engaged for only bringing general cargo from the mainland and in very limited cases this vessel was provided for transporting sawn timber to mainland. Due to small hatch opening and limited derrick capacity, 'M. V. Nicobar' was not fit for loading timber logs."

In addition to 'M.V. Shompen' and 'M.V. Nicobar', there were two regular station vessels available, *viz.* 'M.V. Andaman' and the vessel provided by the Shipping Corporation of India (out of T.S.S. State of Bombay, S.S. Mohammedi, State of Madras, Mussafari and T.S.S. Rangat). Both these vessels were cargo-cum-passenger vessels, but none of them could carry logs due to small opening and the hatch and derricking.

(*e*) Both the depots at Howrah and Madras have been working at a loss, *vide* details given below :

Depot	Year	Quantity sold		Cost per cu.m. as at the depot		Selling price per cu.m.		Total loss suffered	
		Logs (Cu.ms.)	Sawn timber (Cu.ms.)	Logs (Rs).	Sawn timber (Rs.)	Logs (Rs.)	Sawn timber (Rs.)	Logs (Rupees in lakhs)	Sawn timber (Rupees in lakhs)
Howrah . .	1969-70	11,649	1,638	377.85	337.22	299.78	265.21	(—) 13.69	(—) 1.88
	1970-71	10,296	Nil	367.37	280.52	290.75	280.52	(—) 8.14	..
	1971-72	12,642	220	385.44	489.74	416.43	461.63	(+) 3.84	(—) 0.69
	1972-73	15,529	1863	438.56	553.10	401.71	483.20	(—) 5.97	(—) 2.41
Madras . .	1969-70	3,301	4,312	366.72	576.20	260.76	287.89	(—) 3.74	(—) 13.51
	1970-71	7,888	3,330	448.53	667.25	405.87	232.74	(—) 3.37	(—) 15.28
	1971-72	6,733	3,420	380.00	665.25	376.30	371.43	(—) 0.26	(—) 15.03
	1972-73	5,226	3,691	448.21	607.58	436.87	420.38	(—) 0.62	(—) 7.86

The main reason for the recurring losses is stated to be prohibitive cost mainly because of high element of freight and royalty.

The element of freight and royalty forming part of the cost per cubic metre is indicated below:

		Total cost per Cu. m.		Freight per Cu. m.		Royalty per Cu. m.	
Depot	Year	Logs (Rs.)	Sawn timber (Rs.)	Logs (Rs.)	Sawn timber (Rs.)	Logs (Rs.)	Sawn timber (Rs.)
Howrah							
	1969-70	377.85	337.22	94.87	60.70	88.91	114.17
	1970-71	367.37	280.52	109.46	—	72.42	—
	1971-72	385.44	489.74	73.00	67.99	90.67	83.87
	1972-73	438.56	553.10	74.86	63.41	86.12	69.21
Madras							
	1969-70	366.72	576.20	92.72	60.72	108.52	114.15
	1970-71	448.53	667.25	109.26	61.01	90.37	131.67
	1971-72	380.00	665.25	59.04	73.04	103.64	83.82
	1972-73	448.21	607.58	53.34	69.56	95.88	72.00

In 1950, the Department decided that only those species which could be sold at a profit on the mainland should be sent to these depots. Export of sawn timber to the depot at Howrah was also discontinued from June, 1969 to minimise the losses on this account, but was again resumed in September, 1971 with a view to clearing the large accumulated stocks of sawn timber.

(f) The Ministry of Agriculture have laid down the following criteria for determining the selling prices of logs supplied to the private match wood factories in the Islands as well as to the Railways :—

(i) No profit element is added while fixing the selling prices of logs for supply to the match-wood factories.

(ii) In the case of supply to Railways, ex-ship cost of logs at mainland port (Calcutta or Madras) *vis-a-vis* average market rate is taken into account.

The above criteria is not, however, strictly followed by the Ministry while fixing the selling prices actually. For instance, the sale price of logs sold to the private match wood factories was far below the cost of production of the previous as well as current year, as per details given below :

Year	Quantity of logs sold (Cu. ms.)	Cost of production per Cu. m. (Rs.)	Selling price per Cu. m. (Rs.)	Total loss (Rs.)
1969-70	6,250	199.19	127.83	446007
1970-71	6,404	221.75	127.22	601383
1971-72	6,030	224.59	120.77	624831
1972-73	6,026	251.98	133.95	711037

The sale of sawn timber to local people is made at concessional rates which are far below the cost of production. The Ministry of Agriculture stated (June, 1973) that the question of giving subsidy to cover losses incurred on the sale of timber to local people at concessional rates is under the consideration of Government.

3.04 *Equipment and Stores*

(a) *Equipment.*—As on 31st January, 1974, the Department had 21 tractors and 8 locomotives for hauling timber, etc. 8 tractors and one locomotive had outlived their lives and were lying unutilised (exact dates are not available). Besides, 6 tractors (two in 1961-62, two in June, 1969 and for the remaining two (the information is not available) and one locomotive (August, 1967) had been declared unserviceable. Out of these, 6 tractors and one locomotive were disposed of in April, 1973. The loss incurred on the disposal of these equipment cannot be ascertained, as proper records showing the cost of acquisition, their depreciated value, etc. have not been maintained by the Department. However, three out of these six tractors were purchased from the Relief and Rehabilitation Department on 29th January, 1966 but were not utilised at all till their disposal on 18th April, 1973.

(b) *Stores.*—The table below indicates the purchase of store materials, their consumption and closing stock during 1969-70 to 1972-73 :—

(Rs. in lakhs)

Year	Opening balance	Purchases during the year	Issues during the year	Closing balance
1969-70	15.43	19.95	18.12	17.26
1970-71	17.26	19.57	18.22	18.60
1971-72 . . .	18.60	25.36	20.32	23.65
1972-73	23.65	24.42	22.03	26.04

It will be seen that the purchases exceeded consumption during all the years. As a result, the stock of stores in hand has been gradually increasing. Stores worth Rs. 4.16 lakhs were also lying unutilised for periods ranging from two to eight years or more. No action has so far (December, 1973) been taken to dispose of the surplus and obsolete items.

4. *Proforma Accounts*

The Andaman Forest Department was declared as a commercial department in 1929. *Pro forma* accounts at the end of each financial year are prepared exhibiting the financial position and the working results.

A Cost Accounts Officer, appointed by the Ministry of Home Affairs in November, 1968, to review these accounts and suggest improvements, observed in October, 1969 that while the accounts, as maintained at present, contained a lot of 'superfluous details', they did not provide essential data required for management control. After taking into account the observations of this Officer, the Public Accounts Committee recommended in their 96th Report (Fourth Lok-Sabha—January, 1970) that the Government should consider, in consultation with Audit, the simplification and rationalisation of these accounts so as to make them serve as an efficient management tool to check the performance of the Department.

While the Cost Accounts Officer's report was under scrutiny, the Ministry constituted in April, 1971 a study team to examine the recommendations contained in his report in the light of the working conditions obtaining in the Islands. The team submitted its report in 1971 recommending *inter alia* that the Forest Department should, with the exception of the saw mills, be treated as a service department and not as a commercial activity.

The Ministry of Agriculture agreed with the views of the study team on the ground that the change in the accounting system would help in the optimum development of forest resources of the Islands and accelerate the economic development and rehabilitation of these Islands and proposed a review after a period of 3 years. As a proper system of commercial accounting cannot act as a hinderance to optimum development of forest resources, it was pointed out that the matter required further examination. The Ministry of Finance agreed with this and the matter is under consideration (December, 1974).

The proforma accounts for the year 1971-72, duly audited, are incorporated in Appendix XI. The following important deficiencies were noticed in these accounts :—

The ledger balances in certain cases were not reconciled with subsidiary books. As a result, the amounts outstanding under 'Sundry Debtors', 'Forest Advance' and 'Works Advance' in the Balance Sheet did not tally with the party-wise details, contractors and disbursers' ledger and the details maintained in the divisional offices respectively. Likewise, the depreciated value of different assets, as shown in the *pro forma* accounts, differed from the details shown in the asset registers maintained by the divisional offices.

The proforma accounts for 1972-73 as made available by the Department for audit are under checking. The figures for 1972-73 as given in paras 3.01, 3.02, 3.03, 3.04 and 5 are, therefore, provisional.

5. **Working Results** . .

The working results of the Department during 1969-70 to 1972-73 are summarised below:—

(Rs. in lakhs)

	1969-70	1970-71	1971-72	1972-73
(*a*) Government Capital as at the close of the year	921.30	905.05	908.55	897.99
(*b*) Sale realisation of timber . . .	130.08	136.24	171.56	188.86
(*c*) Royalty receipts	55.05	9.01	11.22	16.16
(*d*) Net Loss	36.53	86.85	50.57	60.99

The royalty receipts during 1969-70 included a sum of Rs. 50.04 lakhs representing royalty on shortfall in extraction of timber and interest thereon recoverable from the North Andaman Licensee whose agreement was cancelled with effect from 21st December, 1968 (*vide* paragraph 7). From 1970-71 the Department has discontinued taking credit for any amount due from this party on account of uncertainty of realisation.

The loss incurred by the Department was mainly contributed by the following :—

(Rs. in lakhs)

	1969-70	1970-71	1971-72	1972-73
(*A*) *Local market*				
Sawn timber	(—)21.81	(—)21.36	(—)7.57	(—)11.30
Logs	(—)17.55	(—)21.59	(—)19.00	(—)25.62
(*B*) *Howrah Depot*				
Sawn timber	(—)1.88	Nil	(—)0.69	(—)2.41
Logs	(—)13.69	(—)8.14	(+)3.84	(—)5.97
(*C*) *Madras Depot*				
Sawn timber	(—)13.51	(—)15.28	(—)15.03	(—)7.86
Logs	(—)3.74	(—)3.37	(—)0.26	(—)0.62
	(—)72.18	(—)69.74	(—)38.71	(—)53.78

In para 1.13 of their 74th Report (4th Lok Sabha—April, 1969) the Public Accounts Committee desired that the suggestion made by the Cost Accounts Officer, who examined the working of the Department, for curtailment of production and sale of sawn timber which contributed a substantial portion of the losses incurred should be examined for implementation. The Ministry informed the Public Accounts Committee in December, 1969 that the suggestion was under examination. However, the production and sale of sawn timber during each of the three years 1969-70 to 1971-72 actually increased as compared to the previous years (except that the sale during 1970-71 was less than the earlier years).

6. Impact of Forestry Activities on the Socio Economic Life of the Islands

The Andaman Forest Department is the second largest department in the Islands. The activities of the Department have generated considerable employment opportunities, both directly and indirectly. For its various departmental activities, about 4,500 workers are employed, in addition to employment of labourers on casual basis during fair weather. The forest-based industries now provide employment to more than 60 per cent of the industrial workers in the Islands. Out of the total revenue receipts of Rs. 332.56 lakhs in 1972-73 of the Islands, the revenue receipts from the Forest Department were Rs. 222.34 lakhs, the income from royalty being Rs. 15.74 lakhs. In addition to the direct revenue, the activities of the Forest Department have contributed indirectly to the generation of substantial portion of other income and revenue like Central excise duty, Income-tax, shipping freight, etc. With the establishment of forest-based industries in the interior islands like Long Island, Bakultala, etc., villages have also grown round these establishments, besides the development of infrastructure leading to improved living conditions. The contribution of the Forest Department to the economic development of the Islands has thus been quite considerable.

7. North Andaman agreement of Licence

In August, 1951, Government entered into an agreement with a private firm for the extraction and export of timber from the North Andaman forest for a period of 25 years. The agreement contained an arbitration clause to settle disputes. The work was commenced by the licencee in time, but the firm did not succeed in achieving the targets of extraction of timber fixed under the agreement in any year. The firm did not also make payment of royalty regularly. By the end of 1960-61, apart from other dues, the arrears due from the firm on account of royalty etc. amounted to Rs. 17.28 lakhs. A number of disputes and differences arose between the Government and the firm in the course of implementation of the agreement. These have been referred to arbitration by either party in terms of the provisions made in the agreement. The details of the cases referred to arbitration and their present position are given below :

1st Arbitration case.—In this case (filed on 4th July, 1961), the firm filed a claim of Rs. 2.08 crores on account of damages suffered during the period from 31st August, 1951 to 31st March, 1961. The Government, in turn, filed a counter claim of Rs. 2.25 crores being the dues payable by the firm on various accounts upto 31st March, 1961. In the award of 18th March, 1967, the arbitrator rejected the entire claim of the firm but allowed to Government a sum of Rs. 17.28 lakhs, being the royalty on timber exported to mainland or consumed in the firm's mill at Mayabunder and Rs. 2.17 lakhs as interest thereon and miscellaneous charges. Out of the total amount of Rs. 19.44 lakhs, a sum of Rs. 8.18 lakhs has been recovered so far (December, 1973). The balance of Rs. 11.26 lakhs could not be recovered due to a stay order issued by the Calcutta High Court.

2nd Arbitration case.—This relates to the period from 1st April, 1961 to 31st March, 1963. The Government filed on 9th March, 1964 a claim for Rs. 1.01 crores towards royalty on shortfall in extraction of timber. The firm also filed a counter-claim for Rs. 79.84 lakhs. The case is still under arbitration (December, 1973).

3rd Arbitration case.—This relates to the disputes which arose during the period 1st April, 1963 to 31st March, 1964. A claim for Rs. 39.53 lakhs was filed by the firm on 3rd July, 1964 against which the Government filed a counter-claim for Rs. 53.76 lakhs. The firm withdrew the claim from arbitration in May, 1971 but the Department is considering, in consultation with the Ministry, the desirability of pursuing the case further (January, 1974).

4th Arbitration case.—This relates to the period from 1st April, 1964 to 31st March, 1967. The firm filed a money suit on 6th November, 1970 against the Government claiming damages of Rs. 1.74 crores for loss incurred in not working the North Andaman forest from 1963-64 onwards, owing to the operation of the Defence of India Rules. The Government also filed a counter claim for Rs. 2.06 crores on 26th February, 1971. The case has not been finalised so far (December, 1973).

5th Arbitration case.—On 4th January, 1972 the firm initiated arbitration proceedings for a claim of Rs. 1.81 crores towards compensation for revocation of the licence agreement with effect from 21st December, 1968. The Government filed an application on 18th February, 1972 and obtained an injunction from the Calcutta High Court on 21st February, 1972 restraining the arbitrators and the parties to proceed further with the case till the disposal of the appeal. The appeal is still pending (January, 1974).

According to the final decision on the first arbitration case and the decree of the Calcutta High Court, only an amount of Rs. 19.44 lakhs against the total claim of Rs. 224.88 lakhs is recoverable. The balance of Rs. 205.44 lakhs and the interest of Rs. 111 lakhs (approx.) is still being shown in the *proforma* accounts as due from the firm. The question of taking further credit in respect of similar amount in the *proforma* accounts for 1970-71 and onwards is under examination of the Department (January, 1974). A total amount of Rs. 8.54 crores was outstanding against the firm as on 31st December, 1973.

The Ministry stated (June, 1973) that as the arbitration case (1st arbitration case) was pending appeal in the Calcutta High Court, the question of treating the amount as bad debt and writing off from the accounts would not be in order.

The Department incurred an expenditure of Rs. 6.69 lakhs from 1962 to 31st March, 1973 towards fee/remuneration, etc. of the arbitrators, counsels, solicitors, room rent, etc. in addition to an expenditure of Rs. 5.67 lakhs on the pay and allowances of the staff engaged in the arbitrations, travelling allowance and contingent expenditure from 1961-62 to 1971-72.

The progress made in arbitration cases Nos. 1 to 4 was considered by the Public Accounts Committee in paras 1.15 to 1.19 of their 74th Report (4th Lok Sabha—April, 1969). The Public Accounts Committee expressed dissatisfaction at the slow progress in the settlement of disputes arising from the contract.

ANNEXURE—I

(*Referred to in para* —2)

Scheme-wise expenditure during Second Five-Year Plan (1956—61)

Sl. No.	Name of the Scheme	Total expenditure incurred (Rs.)
1.	Colonisation	80,52,527
2.	Raising of industrial plantation	5,42,241
3.	Portable Saw mill	2,45,202
4.	Purchase of equipment	1,95,129
5.	Boat building	76,798
6.	Forest roads	68,500
7.	Soil erosion research	38,491
8.	Silviculture research	29,106
9.	Forest plantation (minor produce)	24,313
10.	Development of Coffee, tea & rubber	24,291
11.	Mangrove poles extraction	1,707
12.	Revision of forest working plan	6,400
	Total	93,04,705

ANNEXURE—II

(*Referred to in para*—2)

Scheme wise expenditure during Third Five-Year Plan (1961—66)

Sl. No.	Name of the Scheme	Total expenditure incurred (Rs.)
1.	Raising of industrial plantation of teak & matchwood	17,42,630
2.	Purchase of equipment	13,08,910
3.	Boat Building	2,88,663
4.	Cultural Operations	2,18,921
5.	Silvicultural research	2,63,100
6.	Construction of rest houses	1,37,298
7.	Revision of forest working plan	1,12,612
8.	Opening of training School	84,501
9.	Forest plantations (minor produce)	71,762
10.	Creation of Wild life sanctuary at Ross Island . . .	10,873
	Total	41,39,270

ANNEXURE—III

(*Referred to in para*—2)

Scheme No. 1—Consolidation

Total provision made—Rs. 4 *lakhs*

Year	Annual outlay (Rs. in lakhs)	Expenditure incurred (Rs. in lakhs)	Target	Achievement
1969-70	0.80	0.86	Survey and demarcation of 100 K.M.	Completed (101 KM)
1970-71	0.75	0.92	—do—	—do—
1971-72	2.01	1.63*	—do—	120 K.M.
1972-73	2.15	2.19	—do—	140 K.M.
1973-74	1.38	1.31 (Upto February, 1974)	Survey and demarcation of 20 sq. km. of forest including preparation of working plan in North Andaman.	Completed (64.29 Km.) preparation of working plan in progress.

*NOTE.—Due to thin forest growth the quantum of clearance work required for boundary demarcation was less than anticipated and the physical target could, thereby, be achieved with lower expenditure.

Scheme No. 2—Research

Total provision made—Rs. 5.90 *lakhs*

Year	Annual outlay (Rs. in lakhs)	Expenditure incurred (Rs. in lakhs)	Target	Achievement
1969-70	1.23	1.27	Silvicultural operation to be continued and three research nurseries to be maintained.	Silvicultural research and forest utilisation work continued and the three nurseries maintained.
1970-71	0.75	1.17	—do—	—do—
1971-72	1.19	1.19	—do—	—do—
1972-73 . . .	1.19	1.50	—do—	—do—
1973-74	0.74	0.77 (Upto February, 1974)	—do—	—do—

Though the physical and financial targets in respect of the scheme have been achieved during the plan period, the results of research have not always been commensurate with the potentialities.

The Ministry of Agriculture stated (June, 1973) that "valuable work has already been done on phonology (sic) and nursery behaviours of important timber species and useful data have been collected on the behaviours of exotics".

The Department further stated that "unlike the experiments the results obtained in the Nurseries and in the Forest dealing with plants take considerable time as the plants behaviour is erratic and slight variation of climatic and biotic factors make considerable influence on plants".

Scheme No. 3—

Economic Plantation

Total provision made—Rs. 28 lakhs.

Year	Annual outlay (Rs. in lakhs)	Expenditure incurred (Rs. in lakhs)	Target	Achievement	Type of Plantation
1969-70	3.75	4.65	1,050 (Acres)	1,085 (Acres)	Teak
			150 —do—	125 —do—	Padauk
			50 —do—	50 —do—	Matchwood
1970-71	5.09	5.66	1,100 —do—	1,100 —do—	Teak
			125 —do—	125 —do—	Padauk
			50 —do—	50 —do—	Match-wood
1971-72	8.87	8.94	449 (Hectares)	449 (Hectares)	Teak
			50 —do—	50 —do—	Padauk
			20 —do—	20 —do—	Match-wood
			360** —do—	360** —do—	
1972-73	12.06	12.13	800 —do—	843 —do—	Teak
			50 —do—	51 —do—	Padauk
			20 —do—	26 —do—	Match-wood
1973-74	10.52	9.67 (Upto February, 1974)	819 —do—	819 —do—	Teak
			40 —do—	40 —do—	Padauk
			22 —do—	22 —do—	Match-wood

**Preparation of site for teak Plantation.

NOTE.—From 1971-72 an unspent balance of Rs. 12.55 lakhs was transferred from scheme No. 7. This amount was in addition to the original plan outlay of Rs. 28 lakhs.

The physical targets fixed for each year were achieved except that in the case of padauk plantation the target for 1969-70 was not achieved due to non-availability of required type of soil, etc.

Scheme No. 4—Minor forest produce

Total provision made — Rs. 2.50 lakhs

Year	Annual outlay (Rs. in lakhs)	Expenditure incurred (Rs. in lakhs)	Target	Achievement	Type of Plantation
1969-70	0.44	0.37	200 (Acres) 100 —do—	200 (Acres) 100 —do—	Bamboo Cane
1970-71	0.52	0.40	200 —do— 100 —do—	200 —do— 100 —do—	Bamboo Cane
1971-72	0.52	0.42	80 (Hectares) 40 —do—	80 (Hectares) 40 —do—	Bamboo Cane
1972-73	0.59	0.45	80 —do— 40 —do—	80 —do— 40 —do—	Bamboo Cane
1973-74	0.34	0.33 (Upto Feb., 1974)	16 —do— 40 —do—	15 —do— 63 —do—	Bamboo Cane

The annual targets were achieved even with lesser expenditure than what was anticipated. This was due to taking up of easily accessible areas not requiring excessive clearance of undergrowth.

Scheme No. 5

Nature conservation

Total provision made — Rs. 2.50 lakhs

Year	Annual outlay	Expenditure incurred
	(Rs.	in lakhs)
1969-70	0.44	0.49
1970-71	0.49	0.48
1971-72	0.42	0.56
1972-73	0.50	0.60
1973-74	0.43	0.33 (Upto February, 1974)

A small zoological garden was established at Port Blair during 1967-68. Under the scheme, the garden was to be further developed by providing additional cages and pens for birds, animals, etc. The garden was maintained and enriched as planned. The actual expenditure during 1971-72 and 1972-73 exceeded the provision on account of unexpected increase in the cost of feeding materials and repairs to cages, etc.

Scheme No. 6

Cultural operations

Total provision made—Rs. 5.60 *lakhs*

Year	Annual outlay (Rs. in lakhs)	Expenditure incurred (Rs. in lakhs)	Target (Areas in acres)	Achievement (Areas in acres)
1969-70	0.80	0.93	1.20	1.60
1970-71	0.90	1.10	1.20	1.67
1971-72	1.25	1.47	163.36	203.97
1972-73	1.25	1.54	163.36	195.54
1973-74	0.43	0.33 (Upto February, 1974)	779.70	668.30 (Upto February, 1974)

Scheme No. 7

Timber Operations

Total provision made—Rs. 16.00 *lakhs.*

The average annual output of timber prior to the formulation of the scheme was about 77,000 to 79,500 cu. ms. With a view to achieving an additional output of about 25,200 cu. ms., a scheme for the purchase of additional extraction machinery and equipment for Saw Mill, involving an expenditure of Rs. 16 lakhs, for processing a part of extra extracted timber was included in the Fourth Plan.

The following equipments were proposed to be purchased in addition to ten elephants at a cost of Rs. 2 lakhs :—

		(Rs. in lakhs)
1. Bharat Model D-80 A. S. Crawler Tractor with hyster winch and hydraulic Angle Dozer (with spare parts) . . .	2 Nos.	10.0
2. T. M. B. diesel trucks	5 Nos.	2.5
3. Mill machinery	—	1.5

There was no programme under the scheme during 1969-70. Against the annual outlay of Rs. 5.27 lakhs during 1970-71, an expenditure of Rs. 3.45 lakhs was incurred on the purchase of one tractor with hyster winch, two trucks and five elephants. It was, however, decided by the Planning Commission in January 1971 that the scheme should be deleted from the "Plan" Section and transferred to the "Non-Plan" Section as the purchase of extraction equipment formed a part of the normal and legitimate work of the Department. The scheme was, therefore, deleted from 1971-72 and the unutilised balance of Rs. 12.55 lakhs was diverted to Scheme No. 3—'Economic Plantation'.

Scheme No. 8

Forest Resources Survey and Statistics

Total provision made—Rs. 2.90 lakhs.

Year	Annual outlay	Expenditure incurred	Target	Achievement
	(Rs. in lakhs)			
1	2	3	4	5
1969-70 . . .	No programme			
1970-71 . . .	0.39	0.23	Establishment of F.R.S. Unit and Statistical Cell	FRS Unit was organised by the end of 1970-71 and statistical cell opened in December, 1970
1971-72 . . .	1.04	0.88	Resources Survey to be done over 100 Sq. Kms. in Little Andaman	Resources Survey done over 104 Sq. Kms.
1972-73 . . .	0.99	1.03	statistical Cell to be maintained	Maintained as planned
1973-74 . . .	0.98	0.83 (upto Feb., 1974)	Forest Resources Survey over 100 Sq. Kms. and collection of statistical data	Over 94.094 Sq. Kms. surveyed (Upto February, 1974) and statistical data collected.

The scheme was split up into two—Scheme No. 8 "Forest Resources Survey" and Scheme No. 9 "Statistical Cell" towards the end of 1971-72.

CHAPTER VIII

OUTSTANDING AUDIT OBSERVATIONS AND INSPECTION REPORTS

51. *Outstanding Audit Observations.*—Audit observations on financial transactions of Government are communicated to the departmental authorities from time to time. Half-yearly reports of such observations which remain outstanding for more than six months are also sent by Audit to Administrative Ministries for taking necessary steps to expedite their settlement.

(i) The number of such outstanding audit observations in the Ministries/Departments noted below and their attached and subordinate offices is large :—

Ministries/Departments	Total number of observations made upto March 1974 but outstanding on 31st August 1974	Total amount (Lakhs of rupees)	Number of observations made prior to April 1971	Amount (Lakhs of rupees)
1	2	3	4	5
A. CIVIL DEPARTMENTS				
Agriculture	4,856	1,00.88	659	6.65
Commerce	823	21.96	175	7.79
Education and Social Welfare	3,639	1,17.85	688	17.74
External Affairs	8,297	2,13.23	5,138	1,11.13
Finance	21,025	1,92.90	4,591	50.50
Health and Family Planning	4,382	2,84.26	965	98.22
Home Affairs	24,269	14,09.53	5,746	3,90.20
Industrial Development	1,678	18.54	666	4.83
Information and Broadcasting	4,392	3,07.68	452	11.07
Irrigation and Power	6,515	17,60.05	1,106	81.41
Labour and Rehabilitation	10,744	4,84.80	3,597	1,47.63
Law, Justice and Company Affairs	800	13.54	151	1.08
Shipping and Transport	1,104	3,49.67	189	9.12
Supply	3,602	21.41	1,325	1.69
Steel and Mines	6,968	1,50.50	1,519	58.68
Tourism and Civil Aviation	5,695	3,99.60	1,194	1,52.28
Works and Housing	28,899	68,91.12	6,205	12,67.32
Cabinet Secretariat	1,507	12.70	180	1.15
Culture	2,038	59.45	565	14.27
Electronics	390	13.99	..	..
Science and Technology	2,306	34.08	183	2.07

B. DEPARTMENTALLY MANAGED COMMERCIAL AND QUASI-COMMERCIAL UNDERTAKINGS

1	2	3	4	5
Information and Broadcasting	125	1.25	7	..

(ii) The following is a broad analysis of the outstanding observations :—

Nature of observations	Number of items	Amount (lakhs of rupees)
1	2	3
A.—CIVIL DEPARTMENTS		
(*a*) Sanctions for establishment not received	2,060	1,55.97
(*b*) Sanctions not received for contingent and miscellaneous expenditure	2,694	4,60.06
(*c*) Sanctions to estimates not received	4,766	12,04.04
(*d*) Detailed bills for lump-sum drawals not received	18,025	7,92.16
(*e*) Vouchers not received	5,242	19,00.85
(*f*) Payees' receipts not received	47,359	34,50.97
(*g*) Advances paid to Government servants not recovered	37,334	3,34.27
(*h*) Agreements with contractors/suppliers not received	1,653	26,15.83
(*i*) Payments to contractors/suppliers not in conformity with contracts and agreements	96	36.27
(*j*) Overpayments or amounts disallowed in audit not recovered	1,235	18.09
(*k*) Sanctions to write off of losses etc. not received	499	77.46
(*l*) Breach of financial propriety	82	3.23
(*m*) Sanctions for reserve limit of stock/excess over reserve stock not received	18	1,03.11
(*n*) Other reasons	22,866	17,05.41
B.—DEPARTMENTALLY MANAGED COMMERCIAL AND QUASI-COMMERCIAL UNDERTAKINGS		
(*a*) Sanctions for establishment not received	35	0.94
(*b*) Payees' receipts not received	4	0.04
(*c*) Advances paid to Government servants not recovered	52	0.17
(*d*) Overpayments or amounts disallowed in audit not recovered	7	0.01
(*e*) Other reasons	28	0.09

The entire expenditure for which detailed bills and vouchers are not submitted escapes audit scrutiny. In such cases, as also the cases in which payees' receipts, etc. have not been furnished, mis-appropriation, fraud etc. may remain undetected.

(iii) Two cases in which there have been delays in furnishing replies to audit observations are mentioned below as illustrations :—

(a) Defence department had to incur an extra expenditure of Rs. 1,04,877 on customs duty and sea freight on account of delay in supply of stores for three to eleven months beyond the scheduled delivery date in a contract executed in November 1965. In December 1968, India Supply Mission, London was requested to examine what portion of this loss may be recovered as liquidated damages from the supplier. In reply it was intimated in February 1969 that delay on the part of supplier could be attributed to three lots of shipments and estimated liquidated damages would be DM 8,674 (or Rs. 28,000). It was promised that attempts would be made to recover the actual loss from the supplier after ascertaining the loss from the indenting officer. Final reply is, however, still (January 1975) awaited from the department despite several reminders.

(b) On 8th October 1971 firm 'A' had communicated its acceptance to forgo packing charges of DM 14,000 if its progress payment terms were agreed to. Two contracts were issued without accepting the progress payment terms proposed by firm 'A'. It was assumed that the firm would accept payment on shipment without demanding any extra packing charges in view of short delivery period of one to six months. Packing charges were shown as included in the contractual price. While sending acknowledgement of the contracts, the firm again intimated on 3rd February 1972 that price should be treated as exclusive of packing charges as India Supply Mission, London had not agreed to progress payment terms. As no action was taken to negotiate the terms of payment, the firm claimed packing charges of DM 14,000 in April 1973 and the same were accepted in June 1973 without obtaining approval of Deputy Director General and Financial Adviser thus resulting in an avoidable expenditure of DM 14.000 (Rs. 45,000 appx.). The matter was brought to India Supply Mission's notice on 2nd August 1973; their comments are still awaited (January 1975).

52. *Outstanding Inspection Reports.*—The audit done in central office is supplemented by local inspection. All important financial irregularities and defects in initial accounts noticed during local audit and inspections are included in inspection reports and sent to departmental officers for necessary action. Besides, copies of the inspection reports and half-yeary statements of outstanding inspection reports are also forwarded to the administrative Ministries.

(i) The Ministries with comparatively large outstandings are shown below :—

Ministries/Departments	Year of issue of the earliest outstanding reports	Number of outstanding	
		Reports	Paragraphs in the Reports
1	2	3	4
A. *CIVIL DEPARTMENTS*			
Agriculture	1952-53	559	2,568
Commerce	1959-60	300	1,188
Education and Social Welfare	1951-52	1,611	5,278
External Affairs	1949-50	290	1,226
Finance	1956-57	900	2,530
Health and Family Planning	1957-58	237	865
Home Affairs	1956-57	1,085	3,736
Industrial Development	1960-61	162	451
Irrigation and Power	1953-54	697	6,887
Labour and Rehabilitation	1956-57	996	5,100
Law, Justice and Company Affairs	1956-57	120	293
Shipping and Transport	1954-55	199	583
Steel and Mines	1963-64	147	721
Tourism and Civil Aviation	1956-57	270	1,133
Works and Housing	1952-53	1,811	13,171
B. DEPARTMENTALLY MANAGED COMMERCIAL AND QUASI-COMMERCIAL UNDERTAKINGS			
Agriculture	1959-60	15	81
Finance	1966-67	11	30
Health and Family Planning	1964-65	28	76
Information and Broadcasting	1966-67	60	145
Irrigation and Power	1957-58	18	109
Labour and Rehabilitation	1964-65	13	65
Works and Housing	1966-67	24	75

(ii) The more important types of irregularities noticed during inspection and local audit are briefly summarised below :—

	Number of offices in which irregularities were noticed
A. CIVIL DEPARTMENTS	
1. PUBLIC WORKS OFFICES—	
Number of offices inspected during 1973-74	402
(*i*) Wasteful and infructuous expenditure due to defective plans, designs and abandonment of works	35
(*ii*) Extra cost to Government due to rejection of lowest tenders or delay in accepting tenders	20
(*iii*) Excess payments due to non-observance of the conditions of contracts or non-provision of necessary safeguards in contracts	48
(*iv*) Splitting up of purchase orders	28
(*v*) Unauthorised financial aids to contractors	21
(*vi*) Delay in effecting recovery of security deposits from contractors and payment of contractors' bills	42
(*vii*) Arrears in maintenance and/or non-maintenance of initial accounts of road metal, material-at-site accounts, etc.	34
(*viii*) Other irregularities	312
2. TREASURIES AND OTHER CIVIL OFFICES—	
Number of offices inspected during 1973-74	2,215
(*i*) Non-observance of rules relating to custody and handling of cash, posting and maintenance of cash books, muster rolls, physical verification of cash, reconciliation of departmental receipts and remittances with the treasury records, recording of measurements, etc.	525
(*ii*) Securities from persons handling cash and store not obtained, or, if obtained, not for the prescribed amount	125
(*iii*) Stores accounts not maintained properly and periodical verification not done	436
(*iv*) Defective maintenance and/or non-maintenance of log books of staff cars, etc.	114
(*v*) Local purchase of stationery in excess of authorised limits and expenditure incurred without proper sanction	104
(*vi*) Delay and/or non-recovery of receipts, advances and other charges, etc.	573
(*vii*) G. P. Fund accounts of Class IV staff not maintained properly	184

	Number of offices in which irregularities were noticed
(*viii*) Payment of grant in excess of actual requirements	49
(*ix*) Sanctions to write off of loans, losses etc not received	69
(*x*) Overpayments of amounts disallowed in audit not recovered	35
(*xi*) Other types of irregularities	1,514

B. DEPARTMENTALLY MANAGED COMMERCIAL AND QUASI-COMMERCIAL UNDERTAKINGS

Number of offices inspected during 1973-74	118
(*i*) Extra cost to Government due to rejection of lowest tenders or delay in accepting tenders	1
(*ii*) Non-observance of rules relating to custody and handling of cash, posting and maintenance of cash books, muster rolls, physical verification of cash, reconciliation of departmental receipts and remittances with the treasury records, recording of measurements etc	3
(*iii*) Delay in recovery and/or non-recovery of receipts, advances and other charges etc	5
(*iv*) Store accounts not maintained properly and periodical verification not done	6
(*v*) Wasteful and infructuous expenditure due to defective plans, designs and abandonment of works	1
(*vi*) Irregularities in calculation of depreciation	3
(*vii*) Non-adjustment of transactions etc. in accounts	7
(*viii*) Unauthorised financial aid to contractors	1
(*ix*) Irregularities in calculation of interest on capital, sundry debtors, sundry creditors, liabilities, advances and purchases, etc.	19
(*x*) Non-observance of rules relating to reconciliation of departmental remittances and withdrawals with the Audit offices	13
(*xi*) Other types of irregularities	153

CHAPTER IX

OTHER TOPICS OF INTEREST

MINISTRY OF HOME AFFAIRS

53. *Grant of pension to freedom fighters and their families.*—Government of India introduced a scheme for payment of pension to living freedom fighters, their families if they are no more and to the families of martyrs, commencing from 15th August 1972 or a later date depending on when the applications were received by Government. The minimum pension sanctioned to a freedom fighter is Rs. 200 per month, and in the case of families it varies from Rs. 100 to Rs. 200 per month. Not more than one member of a family can be granted pension under this scheme. As the intention is to grant pension to freedom fighters who are in need of financial assistance, only those whose annual income from all sources is below Rs. 5,000 are eligible for grant of this pension. Who is to be considered a freedom fighter for the purpose and the conditions for eligibility to receive the pension have been prescribed by executive orders. Sanctions of pensions are to be issued by Government after scrutiny of applications from those who consider themselves eligible for the pension.

Parliament is empowered to make laws, under article 246(1) of the Constitution read with item 71 of List I of the Seventh Schedule thereof, for Union pensions, that is to say, pensions payable by Government of India out of the Consolidated Fund of India. There has been no legislation laying down the criteria and the procedure for sanction and payment of pension for freedom fighters out of the Consolidated Fund of India. The sanctions have been issued in individual cases under article 282 of the Constitution. As payment of such pensions by executive orders does not come automatically to the knowledge of Parliament, it appears desirable that there should be a law of Parliament governing these pensions. Pending this, it may be appropriate to notify such sanctions in the official gazette and to place a copy thereof on the table of Parliament. This was pointed out to Government in April 1974. Upto the end of 31st March 1974, Government issued pension sanctions for 69,579 freedom fighters for a total amount of Rs. 1,16,82,538 per month. Government stated (August 1974) that "legislation would hardly make any difference to the position which is obtaining now as the expenditure on pensions is voted and paid out of the Consolidated Fund of India". Government further stated that "the suggestion to notify sanctions in the official gazette has been noted. At present provisional pension has been sanctioned in all cases. After the pending applications numbering about 50,000 have also been disposed of, all sanctioned cases will be further scrutinised with a view to consider the issue of final sanction order. At that time the suggestion to notify the sanctions in the official gazette will be considered".

Government of India has also been issuing provisional sanction for grant of pension to freedom fighters, pending verification by the State Governments of the applicants' eligibility to pension under the scheme. In some cases it was subsequently noticed by Government that the claimants were not entitled to pension. Their pensions were stopped thereafter, the irregular payments actually made may become irrecoverable. Upto 31st March 1974, 349 such cases (Rs. 6,08,090) came to notice. The method of recovering these payments or whether they should be written off is under consideration of Government.

In some cases two sanctions were issued in favour of the same persons. The total number of such cases which were noticed in Audit upto 31st March 1974 were 1902. These were reported to Government from time to time.

Government clarified in July 1973 that the combined pension granted by the Central Government and State Government to the same person under any such scheme a State Government may be having should not exceed Rs. 200 per month. This stipulation contemplates suitable adjustment of the Central pension to a freedom fighter if he is also drawing any such pension from a State Government. Government of India intended that this condition be checked by the Accountants General/Treasury Officers before making payment. It was pointed out to Government in September 1973 that it is not possible for Audit to verify whether a freedom fighter has also been sanctioned such a pension by a State Government because the pension payment authorities for Central and State pensioners may be issued by different Accountants General, payments may be made in different treasuries, and the description and particulars of the pensioners given may not be identical. Further, this condition cannot also be watched by the Treasury unless both payments are made at the same Treasury. It was also suggested to Government that this check should be done by the sanctioning authority who should call for specific information relating to sanction of pension by State Governments before a freedom fighter is sanctioned pension by Central Government. Government stated (August 1974) that the condition of adjustment of State pension at the time of grant of Central pension is checked by the Ministry of Home Affairs before sanctioning it; in cases where the freedom fighters do not mention the State Government/Union Territory pension either deliberately or by mistake in their applications and are granted full Central pensions, Government has to depend upon the Treasury Officers to make the necessary adjustments before disbursement of Central pensions.

P N Jain

NEW DELHI;
The........8 APR 1975

(P. N. JAIN)
Accountant General, Central Revenues.

Countersigned.

A Baksi

NEW DELHI;
The...9 APR 1975

(A. BAKSI)
Comptroller and Auditor General of India.

APPENDIX I

(*Vide* Paragraph 7)

MAIN INVESTMENTS AND DIVIDEND

Name of undertaking/concern	Investment			Dividend credited to Government	
	During 1972-73	During 1973-74	Upto 1973-74	During 1972-73	During 1973-74
1 2	3	4	5	6	7
				(Lakhs of rupees)	
I. *Statutory Corporations*—					
Air India Corporation .	500	500	5182	..	..
Indian Airlines Corporation	651	350	5278	..	..
Oil and Natural Gas Commission . .	55	..	*13508	..	..
Life Insurance Corporation	..	..	500	52	..
Central Warehousing Corporation . .	361	116	1562	31	39
II. (*a*) *Government Companies*—					
Indian Oil Corporation	..	..	7108	498	..
Neyveli Lignite Corporation	..	..	8000	..	..
Heavy Electricals . .	..	..	5000	..	..
Hindustan Steel . .	1648	..	61085	..	..
Heavy Engineering Corporation	55	74	16079	..	..
Hindustan Antibiotics .	..	..	205	..	25
Hindustan Cables . .	200	101	1002	..	..
National Newsprint and Paper Mills . . .	..	..	250	..	..
State Trading Corporation	..	600	800	140	696
Minerals and Metals Trading Corporation . .	..	..	300	36	54
National Coal Development Corporation .	1800	303	14306	..	..
Fertilizer Corporation .	6553	9800	30106	..	..
Hindustan Machine Tools .	486	237	2415	..	..
Hindustan Shipyard . .	130	160	1204	..	..
Indian Telephone Industries	..	..	411	52	..

1	2	3	4	5	6	7
	Mogul Lines . . .	..	..	295	..	..
	National Instruments .	34	15	398	..	..
	Hindustan Insecticides .	..	..	125	10	10
	Bokaro Steel . . .	..	..	60000	..	..
	National Mineral Development Corporation .	1707	..	7604	..	..
	Shipping Corporation of India	..	..	2345	153	168
(b)	*Other Companies*—					
	Indian Explosives . .	..	..	274	48	21
	Singareni Collieries . .	..	..	272	..	..
	Oil India	..	—120	*1902	181	172
	British India Corporation .	..	..	106	..	7
	Fertilizers and Chemicals, Travancore . . .	1975	1068	5721	..	..
III.	*International Finance Corporation*	..	..	211	..	..
IV.	Atomic Energy Department	3142	3936	30346	..	..
V.	Others	16217	16051	**110929	1156	1320
	TOTAL	35514	33191	394829	2357	2512

*Includes *pro forma* correction in rectification of misclassification in 1972-73 accounts.

**Excludes *pro forma* correction of Rs. 12 lakhs.

APPENDIX II

(*Vide* Paragraph 19)

ARREARS IN RECOVERY OF LOANS AND ADVANCES GIVEN TO PARTIES OTHER THAN STATE GOVERNMENTS

To whom loan was paid	Amount outstanding on 31st March 1974 Principal	Interest	Earliest period to which the arrears relate
	(Lakhs of rupees)		
Ministry of Agriculture			
Central Fisheries Corporation Ltd. . . .	9.33	6.50	1971-72
Central Rice Research Institute, Cuttack . .	0.01	..	1969-70
National Seeds Corporation	1.14	0.07	1973-74
Departmental Canteen	0.05	..	1973-74
	10.53	6.57	
Ministry of Agriculture (Department of Co-operation)			
Co-operative Stores Ltd. (Super Bazar), New Delhi	0.16	2.54	1973-74
Ministry of Commerce			
Handicrafts Emporium, Madras . . .	0.85	0.24	1970-71
Shilpi Kendra, Bombay	0.10	..	1971-72
All India Handloom Fabrics Marketing Co-Operative Society Ltd., Bombay . . .	47.27	..	1968-69
India United Mills, Bombay	175.00	51.04	1971-72
	223.22	51.28	
Ministry of Communications			
Telepost Co-operative House Construction Society Ltd., Madras	..	2.72	1964-65
Ministry of Defence			
Loans to individuals	26.95	2.02	1970-71
Consumer's Co-operative Society of Bhandra .	..	0.02	1973-74
	26.95	2.04	

To whom loan was paid	Amount outstanding on 31st March 1974 Principal	Interest	Earliest period to which the arrears
	(Lakhs of rupees)		
Delhi Administration			
New Delhi Municipal Committee . . .	58.95	28.33	1972-73
Municipal Corporation of Delhi . . .	5.21	10.25	1973-74
	64.16	38.58	
Ministry of Education and Social Welfare			
Various Educational Institutions and Engineering Colleges	116.58	27.97	1959-60
	(Rs. 2.41 lakhs and Rs. 1.64 lakhs towards principal and interest respectively since recovered)		
Vidya Bhawan Society, Udaipur . . .	0.80	1.48	1966-67
Peoples Education Society, Bombay . .	0.50	..	1972-73
National Sports Club of India, New Delhi .	1.08	0.37	1971-72
Co-operative crafts schools in Delhi/New Delhi .	2.43	2.14	1963-64
Sangeet Bharti, New Delhi	0.27	0.21	1961-62
Jamia Millia Islamia, New Delhi . . .	0.05	..	1973-74
Institute of Telecommunications, New Delhi .	0.33	..	1973-74
Departmental Canteen	0.01	..	1972-73
	122.05	32.17	
Ministry of Finance			
Banco National Ultramarino	150.00	..	1973-74
Departmental Canteen	0.03	..	1973-74
Industrial Credit and Investment Corporation of India Ltd., Bombay	..	0.31	1973-74
Agriculture Refinance Corporation, Bombay .	..	203.14	1973-74
	150.03	203.45	
Ministry of Health and Family Planning			
Municipal Corporation of Delhi	76.94	51.41	1969-70
Tibbia College Board and Hospital, New Delhi .	2.00	..	1962-63
Hindustan Latex Ltd., New Delhi	..	1.77	1971-72
Departmental Canteen	0.03	..	1970-71
	78.97	53.18	

To whom loan was paid	Amount outstanding on 31st March, 1974 Principal	Interest	Earliest period to which the arrears relate
	(Lakhs of rupees)		
Ministry of Heavy Industry			
Machine Tools Corporation of India Ltd. . .	..	23.97	1973-74
Scooters India Ltd.	..	8.28	1973-74
Gresham and Crevan of India	..	23.46	1972-73
Bharat Heavy Electricals Ltd.	408.80	330.61	1973-74
Heavy Electricals India Ltd., Bhopal . .	661.91	142.48	1972-73
Tungabhadra Steel Products Ltd. . . .	5.33	2.10	1973-74
Triveni Structurals Ltd.	..	65.94	1970-71
Bharat Heavy Plates and Vessels Ltd. . .	..	113.21	1972-73
Heavy Engineering Corporation Ltd. . .	333.80	246.07	1973-74
	(Rs. 132.06 lakhs towards principal since recovered)		
Hindustan Machine Tools Ltd	179.83	15.28	1972-73
	(Rs 158.99 lakhs and Rs. 11.40 lakhs towards principal and interest respectively since recovered)		
	1589.67	971.40	
Ministry of Home Affairs			
Municipal Corporation of Delhi . . .	4.27	2.50	1968-69
Ministry of Industrial Development			
Hindustan Photo Films Manufacturing Company Ltd.	298.74	16.73	1972-73
Tannery and Footwear Corporation of India Ltd., Kanpur	61.75	10.96	1972.73
Loans to Individuals	1.40	0.17	1968-69
Nepa Mills Ltd., Nepanagar	19.56	8.27	1973-74
Invention Promotion Board	0.02	..	1973-74
Universal Trade Emporium	0.05	0.01	1971-72
Instrumentation Ltd.	0.53	0.60	1973-74
Departmental Canteen	0.02	..	1971-72
National Research Development Corporation, New Delhi	..	0.32	1972-73
Khadi and Village Industries Commission, Bombay	..	90.47	1972-73
	382.07	127.53	

To whom loan was paid	Amount outstanding on 31st March 1974 Principal	Interest	Earliest period to which the arrears relate
	(Lakhs of rupees)		
Ministry of Information & Broadcasting			
Film Finance Corporation, Bombay . . .	7.79	4.28	1973-74
Samachar Bharti, New Delhi	0.15	..	1972-73
	7.94	4.28	
Ministry of Irrigation and Power			
Damodar Valley Corporation	212.00	..	1973-74
Ministry of Labour and Rehabilitation			
(Department of Rehabilitation)			
Barbil Central Co-operative Stores Ltd., Barbil, Orissa	1.10	0.84	1967-68
United Council of Relief and Welfare, New Delhi	0.03	0.07	1955-56
Rehabilitation Industries Corporation, Calcutta .	379.92	78.67	1970-71
Harijan Sewak Sangh, Ahmedabad . . .	0.35	..	1973-74
	381.40	79.58	
Ministry of Petroleum and Chemicals			
Pyrites, Phosphates and Chemicals Ltd. . .	27.50	4.89	1973-74
	(Rs 4.00 lakhs and Rs. 3.64 lakhs towards principal and interest respectively since recovered)		
Ministry of Shipping and Transport			
Central Inland Water Transport Corporation Ltd.	455.52	333.01	1964-65
Port Commissioner, Calcutta	87.50	292.04	1973-74
Malabar Steamship Co. Ltd., Bombay . .	4.25	8.48	1973-74
		(Principal since recovered)	
Paradip Port Trust	..	27.55	1973-74
Delhi Transport Corporation	242.53	157.65	1973-74
Central Road Transport Corporation Ltd., Calcutta	5.90	3.82	1973-74
Calcutta Dock Labour Board	8.00	0.47	1973-74
Madras Dock Labour Board	1.68	0.66	1973-74
Visakhapatnam Dock Labour Board	0.09	0.02	1973-74
Delhi Educated Persons Co-operative Transport Society (under liquidation)	1.05	0.27	1962-63
	806.52	823.97	

To whom loan was paid	Amount outstanding on 31st March 1974 Principal	Interest	Earliest period to which the arrears relate
	(Lakhs of Rupees)		
Ministry of Steel and Mines			
(Department of Mines)			
Singareni Collieries Ltd.	259.61	..	1970-71
Hindustan Zinc	8.31	22.58	1972-73
Sikkim Mining Corporation	3.20	3.78	1967-68
National Coal Development Corporation . .	8.33	8.75	1973-74
Hindustan Copper	14.36	185.10	
Orissa Mining Corporation	78.30	54.81	1970-71
Indian Bureau of Mines, Consumer Co-operative Store Ltd., Nagpur	..	0.02	1967-68
	372.11	275.04	
Ministry of Steel and Mines			
(Department of Steel)			
Mining and Allied Machinery Corporation Ltd.	..	334.36	
	(Rs. 16.96 lakhs since recovered)		
Ministry of Works and Housing			
Jankiram Mills Ltd., Rajapalayam . . .	0.02	..	1971-72
		(Since recovered)	
Sen Raleigh and Company	0.63	0.14	1973-74
Jayashree Textiles, Rishra, Hooghly . .	0.09	0.01	1973-74
Orissa Industries Ltd., Barang, Cuttack . .	0.51	0.13	1964-65
Orissa Cement Ltd., Rajgangpur . . .	..	0.10	1967-68
Delhi Transport Corporation Housing Scheme .	4.51	0.25	
C.P.W.D. Workcharged Staff Consumer's Co-operative Society	0.36	0.18	1970-71
Municipal Corporation of Delhi . . .	4.88	6.79	1971-72
Rabindra Nath Tagore Centenary Committee, New Delhi	9.48	6.47	1965-66
Water Supply Sewage Disposal Undertaking .	281.92	318.27	1968-69
	302.40	332.34	

APPENDIX III

(*Vide* paragraph 24)

EXTENT OF UTILISATION OF SUPPLEMENTARY GRANTS/APPROPRIATIONS

Sl. No.	Grant/appropriation	Amount of grant/ appropriation: Original	Amount of grant/ appropriation: Supplementary	Actual expenditure	Saving (Columns (3+4—5)
1	2	3	4	5	6

Five cases where supplementary grants/appropriations proved unnecessary:—

Revenue—Voted

(Lakhs of rupees)

	Ministry of Commerce				
1.	11.—Foreign Trade . .	13985.98	128.04	13683.32	430.70
	Ministry of Home Affairs				
2.	48.—Department of Personnel and Administrative Reforms	497.02	12.45	496.13	13.34
3.	50.—Census	347.79	16.53	343.72	20.60
	Capital—Voted				
	Ministry of Works and Housing				
4.	87.—Public Works . . .	1998.54	32.30	1891.04	139.80
	Capital—Charged				
	Ministry of Shipping and Transport				
5.	78.—Road and Inland Water Transport . . .	*70.54*	*141.50*	*65.54*	*146.50*

APPENDIX IV

(*Vide* paragraph 26)

SAVINGS UNDER VOTED GRANTS

Sl. No.	Grants	Total grant	Expenditure	Saving	Percentage of saving
1	2	3	4	5	6

Voted grants where the savings (more than Rs. 5 lakhs in each case) exceeded 20 per cent of the total grant are given below:—

	Revenue				
1.	94—Department of Electronics	581.72	135.57	446.15	76.7
2.	39—Other Expenditure of the Ministry of Finance . .	28700.34	7163.61	21536.73	75.0
3.	10—Department of Foreign Trade	496.39	207.61	288.78	58.2
4.	99—Department of Supply .	290.01	198.30	91.71	31.6
5.	91—Nuclear Power Schemes .	2429.76	1699.95	729.81	30.0
6.	64—Irrigation and Flood Control Schemes .	1553.77	1112.94	440.83	28.4
7.	12—Export Oriented Industries	877.56	635.05	242.51	27.6
8.	92—Department of Culture .	671.21	535.70	135.51	20.2
	Capital				
9.	61—Information and Publicity	106.50	1.52	104.98	98.6
10.	95—Department of Science and Technology . .	20.48	4.36	16.12	78.7
11.	94—Department of Electronics	64.90	23.00	41.90	64.6
12.	3—Fisheries . . .	90.30	32.47	57.83	64.0
13.	26—Education . . .	106.19	40.20	65.99	62.1
14.	33—Stamps . . .	78.76	39.72	39.04	49.6
15.	7—Department of Food .	893.11	482.35	410.76	46.0
16.	43—Family Planning . .	478.40	302.42	175.98	36.8
17.	9—Department of Co-operation	3660.56	2426.78	1233.78	33.7
18.	49—Police	252.50	189.26	63.24	25.0
19.	84—Aviation . . .	2022.50	1536.92	485.58	24.0
20.	65—Power Schemes . .	6758.48	5236.81	1521.67	22.5
21.	14—Ministry of Communications	193.00	150.00	43.00	22.3
22.	64—Irrigation and Flood Control Schemes . .	841.60	655.79	185.81	22.1

APPENDIX V

(Vide Paragraph 28)

Earth work done in different years by different agencies

(Quantities in crores cft)

Item of work	When allotted	Estimated quantity	Allotted quantity	Up to working season 1965-66	Up to working season 1966-67	Up to working season 1967-68	Up to working season 1968-69	Up to working season 1969-70	Up to working season 1970-71	Up to working season 1971-72	Up to working season 1972-73	Total quantity done up to working season 1972-73	Balance quantity remaining to be done beyond 1972-73 working season with reference to allotted quantity	Balance quantity remaining to be done beyond 1972-73 working season as assessed subsequently (April 1974) by the Project
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
		Working season normally from middle of November to middle of June (7 months)												
Departmental RD 0 to 10		14.82	14.82	3.59	3.28	0.59	0.43	2.45	1.20	3.18	0.10	14.82	—	—
Contractor A RD 13 to 68	January 1965	76.62	75.00	14.69	18.15	14.11	11.09	8.96	1.95	—	2.70	71.65	3.35	1.62*
RD 97 to 103	April 1969	6.61	6.61	—	—	—	0.01	1.54	0.25	4.69	—	6.49	0.12	0.08
RD 103 to 126	January 1971	26.25	22.35	—	—	—	—	—	5.10	5.74	9.80	20.64	1.71	1.45
Total Contractor A			103.96	14.69	18.15	14.11	11.10	10.50	7.30	10.43	12.50	98.78	5.18	3.15

*1.85 According to the Ministry (December 1974.)

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Contractor B RD 68 to 97	December 1967	31.14	32.26	—	—	0.80	4.90	6.03	1.69	7.38	8.28	29.08	3.18	1.53**
Contractor C RD 103 to 126	December 1967	26.25	21.50	—	—	0.42	0.84	—	—	—	—	1.26	(Contract terminated and remaining work allotted to contractor A)	
Other petty contractors RD 8 to 48 (Works closed)			9.52	2.23	—	—	—	—	—	—	—	2.23	(Work closed)	(Work closed)

** 0.08 According to the Ministry (December 1974)

APPENDIX VI

(*Vide Paragraph 29*)

India's Leather Exports

Year	E.I.Tanned Leather	Chrome Tanned Leather Wet Blue	Finished Leather	Leather Footwear (in pairs)	Leather Goods and Leather Manu-factures	Furs	Reptile skin	Footwear Components	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		(Quantity in lakh Kgs.)			(Value in lakhs of rupees)				
1969-70									
Quantity	196.16	131.83	7.06	60.29	—	—	26.93	—	—
Value	4,975.84	2,719.64	215.29	703.36	125.30	22.63	140.02	42.31	8,944.39
Unit Value (Rs.)	25.36	20.63	30.43	11.66	—	—	—	—	—
1970-71									
Quantity	195.94	137.93	7.62	67.90	—	—	21.69	—	—
Value	4,474.53	2,449.80	157.96	909.19	136.12	1.24	76.25	15.38	8,220.47
Unit Value (Rs.)	22.83	17.76	20.73	13.39	—	—	—	—	—
1971-72									
Quantity	256.69	143.77	16.91	73.58	—	—	16.07	—	—
Value	6,426.73	2,177.13	359.96	858.09	199.00	2.91	50.35	15.16	10,089.33
Unit Value (Rs.)	25.03	15.14	21.29	11.66	—	—	—	—	—
1972-73									
Quantity	302.86	287.31	138.88	75.02	—	—	18.12	—	—
Value	10,109.84	5,203.76	1,663.63	978.26	360.40	283.55	66.95	48.53	18,714.92
Unit Value(Rs.)	33.38	18.11	11.98	13.04	—	—	—	—	—
1973-74									
Quantity	181.81	191.40	43.99	79.53	—	—	20.86	—	—
Value	8,560.22	6,238.40	1,647.64	1,041.85	617.36	286.78	138.42	87.60	18,618.27
Unit Value (Rs.)	47.08	32.58	37.45	13.10	—	—	—	—	—

(Source : Monthly Statistics of the Foreign Trade of India, published by the Director General, Commercial Intelligence and Statistics, Calcutta)

APPENDIX VII

(*Vide paragraph 30*)

Statement showing the obligation of mills to produce controlled cloth, how much was actually produced, the rates of incentive and compensation, the amounts paid as incentive, the amounts due as compensation and actually recovered

Period	Percentage	Obligation Quantity (in million square metres)	Actual production (in million square metres)	Rate of incentive (paise per square metre)	Rate of compensation (paise per square metre)	Amount of incentive paid (Lakhs of rupees)	Amount of compensation due (Lakhs of rupees)	Amount of compensation recovered (Lakhs of rupees)	Remarks
1	2	3	4	5	6	7	8	9	10
October 1964 to April 1968	40 to 50 (October 1964—45 April 1965—50 October 1966—40)	..	5937 (million metres)	—	6*	—	15.22	5.34	*Not actually provided in Cotton Textiles Control Order-Adopted as an alternative to prosecution.
May 1968 to May 1971	25	.. (3248 linear metres)	1397.70 (1572 linear metres)	⅛ to 6	6	163.59	544.18	520.12	
June 1971 to March 1974	12	1133	1000.48	50 to 20 (50–June 1971 35-December 1971 30-March 1972 20-June 1972)	25 upto December 1972 100 from January 1973	(A)—	(B)—	(B)—	(A) Rs.1.89 crores were paid to ICMF during January 1972 to March 1973. (B) Compensation was recovered by ICMF
April 1974 to October 1974	24	400	388	—	250	—	300	—	

APPENDIX IX

(*Vide* paragraph 38)

STATEMENT SHOWING LOSSES, IRRECOVERABLE REVENUE, DUTIES, ADVANCES, ETC. WRITTEN OFF/WAIVED AND EX-GRATIA PAYMENTS MADE DURING THE YEAR

In 2401 cases, Rs. 79.09 lakhs representing mainly losses due to theft, fire, etc. irrecoverable revenue, duties, advances, etc. were written off/waived and in 37 cases ex-gratia payments aggregating Rs. 1.33 lakhs were made during 1973-1974 as detailed below:—

Name of the Ministry/Department	Writes off of losses, irrecoverable revenue, duties, advances etc.		Waiver of recovery		Ex-gratia payments	
	No. of cases	Amount (Rs.)	No. of cases	Amount (Rs.)	No. of cases	Amount (Rs.)
	2	3	4	5	6	7
Agriculture	154	36,43,409	..	..	..	..
Commerce	4	4,141	..	..	..	..
Education and Social Welfare	5	19,366	..	..	..	..
External Affairs	34	23,944	..	..	..	..
Finance	16	5,12,740	1	658	..	..
Home Affairs	35	92,049	3	2,198	1	1,000
Health and Family Planning	14	11,783	..	..	..	..
Information and Broadcasting	19	61,430	1	21	..	..
Irrigation and Power	423	3,97,930	44	20,113	2	2,028
Industrial Development	52	31,032	3	312	..	..

1	2	3	4	5	6	7
Labour and Rehabilitation	124	63,748	..	..	..	..
Supply	2	2,36,026	..	..	..	..
Shipping and Transport	1375	17,06,226	3	942	34	1,30,099
Steel and Mines	81	10,74,642	..	..	..	..
Works and Housing	8	5,993	..	..	..	..
Total	2346	78,84,459	55	24,244	37	1,33,127

APPENDIX X

(*Vide* Paragraph 46)

GRANTS-IN-AID TO STATUTORY BODIES, NON-GOVERNMENT INSTITUTIONS OR BODIES AND INDIVIDUALS

Ministry/Department	Amount (Lakhs of rupees)
Agriculture	46,58.58
Atomic Energy	3,84.92
Culture	2,19.97
Commerce	27,53.04
Communications	11.75
Defence	9.50
Education and Social Welfare	72,26.26
Electronics	77.76
Finance	1,30.24
Health and Family Planning	11,58.10
Home Affairs	16,40.17
Heavy Industries	59.61
Industrial Development	4,88.22
Information and Broadcasting	27.25
Irrigation and Power	24.01
Labour and Rehabilitation	1,23.35
Law Justice and Company Affairs	8.43
Petroleum and Chemicals	2,14.69
Science and Technology	26,23.32
Shipping and Transport	12,49.57
Steel and Mines	14,99.34
Space	15,02.73
Tourism and Civil Aviation	2,18.14
Works and Housing	1,41.41
Others	0.99
Total	2,64,51.35

APPENDIX XI

[*Vide* Paragraph 50(4)]

FOREST DEPARTMENT

ANDAMAN AND NICOBAR ISLANDS

BALANCE SHEET (ABRIDGED) AS ON 31ST MARCH 1972.

Capital & Liability	1971-72	1970-71	Property & Assets	1971-72	1970-71
Government Capital			Fixed Assets (Net)	37,28,829	40,48,750
At the close *of* the year	9,59,12,401	9,91,89,896	Elephants	1,81,375	2,04,736
Less loss for the year	50,57,108	86,84,828	*I. Current Assets*		
			(*a*) Timber	72,46,688	56,38,951
	9,08,55,293	9,05,05,068	(b) Ration Stores & ammunition	26,33,619	20,72,681
Reserve for the death of Elephants	99,510	1,04,838	(c) Loose Tools	1	1
Outstanding liabilities	1,11,24,019	90,94,598	(d) Mathematical Instruments :	1	1
			II. Sundry Debits		
			(a) M/s. P. C. Ray & Co.	82,65,501	82,65,501
Undischarged liabilities Audit fee	7,02,389	6,45,246	(b) Bill issuable A/cs. of		
Suspense Account	1,23,487	1,23,487	P.C. Ray & Co.	7,71,60,117	7,71,60,117
			(c) Others	20,49,333	17,00,853
G.P.F. Contribution	5,19,061	4,56,709	(d) Advances	9,08,975	9,24,591
			(e) Cash and other balances	31,685	174
Reserve for bad and doubtful debts.	51,165	51,165	Development Expenditure	11,32,579	8,28,534
			Other Debtors	1,36,221	1,36,221
	10,34,74,924	10,09,81,111		10,34,74,924	10,09,81,111

FOREST DEPARTMENT, ANDMAN & NICOBAR ISLANDS

CONSOLIDATED TRADING AND PROFIT AND LOSS ACCOUNTS FOR THE YEAR ENDING 31ST MARCH, 1972

1970-71	Particulars		1971-72	1970-71	Particulars	1971-72
51,83,619	To Opening Balance		56,39,502	1,36,23,924	By sale of timber	1,71,55,827
	To Expenditure on Depttl. extraction.			5,91,854	By departmental consumption of timber.	5,19 465
29,06,985	(1) Expenditure on labour	35,08,027			*Royalty*	
3,66,898	(2) Expenditure on Stores	2,81,282		—	(1) From M/sP.C. Ray & Co.	—
14,58,010	(3) Expenditure on Upkeep of livestock, Tramline, Tractors and Locomotives	13,77,218		9,01,055	(2) From Revenue Range expenses	11,22,173
				3,87,211	By other Receipts	8,15,491
14,33,257	(4) Upkeep of launches	11,53,292	63,19,819			
3,42,714	To Timber supplied by contractors		6,05,657	31,386	By previous year adjustments	*3.264
				*56,39,502		
50,30,654	To Royalty		55,04,111	3,62,493	By closing stock	72,47,158
7,84,394	To depreciation		4,80,838			
76,32,533	To General overheads		84,16,418	86,84,828	By loss transferred to Govt. Capital account.	50,57,108
	Charges of export of timber					
16,70,657	To Freight charges		17,09,481			
1,72,009	Agency Commission charges		2,25,521			
24,52,599	Other charges		22,09,066			
7,77,973	Expenses of North Andaman lease		8,00,780			
9,957	To Developmental expenses		9,293			
3,02,22,252			3,19,20,486	3,02,22,253		3,19,20,486

FOREST DEPARTMENT

ANDAMAN & NICOBAR ISLANDS

STORES AND STOCK ACCOUNT FOR THE YEAR ENDING 31ST MARCH 1972

Stores	Amount	Mathematical instrument		Loose tools	
	Rs. P				
Opening Balance	18,60,465.73	Opening Balance	1.00	Opening Balance	1.00
Receipts during the year	25,36,400.07	Addition	—	Total	1.00
		(—) Depreciation	—	(—)Depreciation	—
	43,96,865.80				
Issue during the year	20,31,998.87	Closing Balance	1.00	Closing Balance	1.00
Closing stock	23,64,866.93				

Details of closing stock

Main Store Godown	15,67,772.04
Long Island Store Godown	5,04,958.09
North Andaman Store Godown	52,519.18
Mannarghat & Baratang Store Godowns	2,34,521.32
Creosoting Oil	5,096.30
Total :	23,64,866.93

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