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REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR

THE YEAR 1977-78

UNION GOVERNMENT (CIVIL)

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REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL
OF INDIA

FOR

THE YEAR 1977-78

UNION GOVERNMENT (CIVIL)

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PREFATORY REMARKS

This Report has been prepared for submission to the President under Article 151 of the Constitution. It relates to matters arising from the Appropriation Accounts of the Union Government (Civil) for 1977-78 prepared (with a few exceptions) by the Controller General of Accounts and test checked in audit and other points arising from audit of the financial transactions of the Civil Departments of the Union Government.

2. In June 1978, the Comptroller and Auditor General of India was relieved of the responsibility for the preparation of the Finance Accounts of the Union Government for the year 1977-78 onwards and this responsibility was entrusted (July 1978) to the Controller General of Accounts.

3. The Report also includes in Chapter I certain points of interest arising from the Finance Accounts of the Union Government for 1977-78 under consolidation by the Controller General of Accounts and based on the information furnished by the Controller General of Accounts/Controllers of Accounts.

4. The cases mentioned in the Report are among those which came to notice in the course of test audit during the year 1977-78 as well as those which came to notice in earlier years but could not be dealt with in previous Reports ; matters relating to the period subsequent to 1977-78 have also been included, wherever considered necessary. These include, among others, paragraphs on Salal Hydro-Electric Project, Beas Project, Madras Port Trust, Tea Board, Indian Council of Social Science Research and Cash assistance for export of certain products.

5. 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 1977-78 are shown below with the corresponding figures for the preceding two years :

		Budget estimates	Actuals	Variation	Percentage of variation
(Crores of rupees)					
Revenue Receipts*	1975-76	@7913.84	8932.12	+1018.28	+12.9
	1976-77	@9188.57	9749.27	+560.70	+6.1
	1977-78	@10645.60	10904.91	+259.31	+2.4
Expenditure met from revenue	1975-76	@7265.42	8045.24	+779.82	+10.7
	1976-77	@8653.56	9468.94	+815.38	+9.4
	1977-78	@10578.56	10475.90	-102.66	-1.0
Expenditure on Capital Account	1975-76	1532.75	2250.45	+717.70	+46.8
	1976-77	1889.28	1850.51	-38.77	-2.1
	1977-78	2280.15	2243.02	-37.13	-1.6

*Excludes payments to States of their share of divisible proceeds of taxes on income and estate duty and to Union Territory Governments of their share of estate duty on agricultural land which are taken as reduction of revenue receipts. Such payments to State/Union Territory Governments during the three years were:

	1975-76	1976-77	1977-78
(Crores of rupees)			
Taxes on Income	734.10	652.24	675.44
Estate Duty	8.21	9.52	9.39

@Budget estimates for revenue receipts shown above include Rs. 46.84 crores, Rs. 5.15 crores and Rs. 12.65 crores during 1975-76, 1976-77 and 1977-78 respectively 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.

NOTE.—The figures for 1977-78 contained in this Chapter are those furnished by the Controller General of Accounts (CGA)/Controllers of Accounts; these could not be verified in audit from the Union Government Finance Accounts for 1977-78 under preparation by the C.G.A. (March 1979) (Prefatory Remarks may also be referred to).

During 1977-78, the revenue receipts exceeded the budget estimates by Rs. 259.31 crores. The expenditure met from revenue and the expenditure on capital account were, however, less than the budget estimates by Rs. 102.66 crores and Rs. 37.13 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. 438.29 crores and Rs. *120.66 crores respectively.

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

II—OVERALL EXPENDITURE (REVENUE AND CAPITAL)

2. The following table compares the expenditure on revenue account during 1977-78 under broad heading with the provision of funds made thereunder :—

Head of Expenditure	Budget estimates	Actuals	Variation
			(Crores of rupees)
Organs of State	76.68	68.27	—8.41
Fiscal Services	330.67	316.50	—14.17
Interest payment and Servicing of Debt	1600.25	1521.38	—78.87
Administrative Services	409.79	409.29	—0.50
Pensions and Miscellaneous General Services	191.10	193.74	+2.64
Social and Community Services	712.66	656.04	—56.62
General Economic Services	382.70	427.65	+44.95
Agriculture and Allied Services	790.48	774.79	—15.69
Industry and Minerals	384.26	370.93	—13.33
Water and Power Development	108.73	95.27	—13.46
Transport and Communications	109.35	115.34	+5.99
Grants-in-aid and Contributions	3005.63	3140.75	+135.12
Defence Services	2476.26	2385.95	—90.31
TOTAL	10578.56	10475.90	—102.66

*Excludes Rs. 220 crores being the notional provision made for conversion of loans to Bokaro Steel Limited into equity.

3. The expenditure during 1977-78 compared with that during the previous two years is shown below :

	1975-76	1976-77	1977-78
	(Crores of rupees)		
Organs of State	74.77	80.40	68.27
Fiscal Services	189.17	321.39	316.50
Interest payment and Servicing of Debt .	1228.16	1374.44	1521.38
Administrative Services	388.77	389.97	409.29
Pensions and Miscellaneous General Services	196.07	138.84	193.74
Social and Community Services	519.76	609.04	656.04
General Economic Services	203.58	337.78	427.65
Agriculture and Allied Services	365.28	718.05	774.79
Industry and Minerals	251.57	253.98	370.93
Water and Power Development	78.63	86.92	95.27
Transport and Communications	97.07	102.72	115.34
Grants-in-aid and Contributions	2201.27	2708.21	3140.75
Defence Services	2251.14	2347.20	2385.95

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

	1975-76	1976-77	1977-78
(a) Fiscal Services :	(Crores of rupees)		
Collection of Taxes on Income and Expenditure	38.81	39.29	41.46
Customs	19.09	21.74	20.48
Union Excise Duties	30.63	30.40	33.10
Currency, Coinage and Mint	70.94	81.50	66.49
Other Fiscal Services	6.49	120.74	131.47

The increase is mainly due to larger payment of interest on deposits under Compulsory Deposit (ITP) Scheme, 1974 and Additional Dearness Allowance Deposits Account (New).

Other Heads	23.21	27.72	23.50
TOTAL	189.17	321.39	316.50

1975-76 1976-77 1977-78

(Crores of rupees)

(b) Administrative Services :

Police	209.10	207.06	224.45
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The increase is mainly due to (i) larger purchase of wireless equipment for Central Reserve Police Communication Centres and motor vehicles, (ii) larger expenditure on ration money and (iii) larger expenditure on expansion including training reserve of the Central Industrial Security Force.

Public Works	24.62	16.02	14.76
External Affairs	49.05	59.62	54.57
Other Administrative Services	32.52	28.72	27.89
Other Heads	73.48	78.55	87.62
TOTAL	388.77	389.97	409.29

(c) Social and Community Services :

Education	175.77	195.35	211.93
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The increase is mainly due to larger grants to the University Grants Commission, Kendriya Vidyalaya Sangathan, Indian Institute of Technology and National Council of Educational Research and Training.

Scientific Services and Research	134.08	155.93	170.65
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The increase is mainly due to (i) larger grants to Council of Scientific and Industrial Research and (ii) larger expenditure on National Laboratories and Department of Space.

Medical	37.17	42.40	49.76
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The increase is mainly due to (i) larger grants to All India Institute of Medical Sciences and Municipal Bodies in Delhi and (ii) larger expenditure on the Central Government Health Scheme and the Cancer Research.

Public Health, Sanitation and Water

Supply	11.38	13.56	15.04
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The increase is mainly due to larger expenditure on various schemes relating to prevention and control of diseases.

Broadcasting	29.61	47.66	47.41
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Labour and Employment	31.90	42.29	49.47
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The increase is mainly due to (i) larger share of Government contribution to the Deposit Linked Insurance Scheme for industrial workers and coal miners and (ii) larger expenditure on Iron Ore Mines Labour Welfare, training of highly skilled craftsmen and supervisors and training of apprentices.

Social Security and Welfare	53.22	50.35	50.94
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Other Heads	46.63	61.50	60.84
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TOTAL	519.76	609.04	656.04
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The expenditure at (c) above does not include grants to State Governments and Union Territory Governments for development purposes which are booked under 'Grants-in-aid and Contributions'.

	1975-76	1976-77	1977-78
	(Crores of rupees)		
<i>(d) Grants -in-aid and contributions :</i>			
Payments to States of their share of Union Excise Duties	856.71	1027.98	1112.81
Grants to State Governments and Union Territory Governments :			
(i) Under proviso to Article 275(i) of the Constitution	38.35	57.42	70.96
(ii) Grants under (Distribution of Revenue) Order	503.12	500.44	583.01
(iii) Grants in lieu of Tax on Railway passenger fares	16.25	16.25	16.25
(iv) Grants to Union Territory Governments	70.74	74.19	83.98
(v) Other Grants and Contributions	716.10	1031.93	1273.74
TOTAL	2201.27	2708.21	3140.75
<i>(e) General Economic Services :</i>			
Secretariat-Economic Services	14.09	15.84	16.93
Foreign Trade and Export Promotion	160.69	288.61	346.87
The increase is mainly due to larger expenditure on marketing development and technical credits extended to foreign governments under bilateral Trade and Payments Agreements.			
Other Heads	28.80	33.33	63.85
TOTAL	203.58	387.78	427.65
<i>(f) Agriculture and Allied Services:</i>			
Agriculture	44.06	132.19	188.76

The increase is mainly due to (i) payment of larger subsidy on phosphatic fertilizers, (ii) larger grants to small Farmers Development Agencies and Indian Council of Agricultural Research and (iii) contributions to the World Food Council on account of India's participation.

1975-76 1976-77 1977-78
(Crores of rupees)

Animal Husbandry	8.22	8.67	11.09
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The increase is mainly due to larger expenditure on cattle, poultry, sheep breeding, fodder and feed development programmes.

Dairy Development	29.26	26.80	29.74
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The increase is mainly due to (i) larger expenditure due to increase in the quantity as well as price of milk procured by Delhi Milk Supply Scheme and (ii) grant to Indian Dairy Corporation for setting up new dairy projects.

Other Heads	283.74	550.39	545.20
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TOTAL	365.28	718.05	774.79
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(g) Industry and Minerals :

Industries	171.66	169.78	261.78
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The increase is mainly due to (i) larger payments under Fertilizer Retention Price Scheme, (ii) subsidy to Cotton Corporation of India for reimbursement of losses on sale of imported cotton, Steel Authority of India and Indian Iron and Steel Company for meeting interest liability, (iii) larger payment to Oil Industry Development Board from cess on indigenous crude and (iv) larger expenditure on Nuclear Fuel Complex, Hyderabad.

Village and Small Industries	26.74	35.18	44.95
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The increase is mainly due to larger grants to Khadi and Village Industries Commission.

Mines and Minerals	53.17	49.02	64.20
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The increase is mainly due to (i) larger subsidy to Bharat Gold Mines Ltd. and Hindustan Copper Ltd., (ii) larger grants to Steel Authority of India Ltd., and (iii) larger subsidy for transport of coal and Geological Survey of India.

TOTAL	251.57	253.98	370.93
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(h) Water and Power Development :

Water and Power Development Services	15.40	29.62	39.38
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The increase is mainly due to larger expenditure on Power Research Institute, Bangalore.

	1975-76	1976-77	1977-78
	(Crores of rupees)		
Other Heads	63.23	57.30	55.89
TOTAL	78.63	86.92	95.27

(f) Transport and Communications :

Ports, Light—houses and Shipping	24.94	25.91	30.31
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The increase is mainly due to (i) larger expenditure on management, operation maintenance of light-houses and light-ships, Konkon Shipping Services and Haj Services and (iii) grants to Shipping Development Fund.

Civil Aviation	16.53	16.13	15.54
Roads and Bridges	41.55	43.55	50.72

The increase is mainly due to larger expenditure on maintenance of National Highways and strategic and border roads.

Other Heads	14.05	17.13	18.77
TOTAL	97.07	102.72	115.34

5. The saving in expenditure on capital account as compared with the budget estimates of 1977-78 was mainly made up of savings under the following heads :—

Head	Budget estimates	Actual expenditure	Saving
	(Crores of rupees)		
Currency, Coinage and Mint	216.29	2.48	213.81
Defence Services	275.27	247.70	27.57
Petroleum, Chemicals and Fertilizers Industries	390.67	272.78	117.89
Railways	304.95	274.20	30.75
Posts and Telegraphs	42.35	20.98	21.37

The savings under the above heads were partly offset by excesses under other heads resulting in a net saving of Rs. 37.13 crores.

6. The following table shows the expenditure on capital account during the three years ending 31st March 1978 and also progressive capital outlay upto the end of 1977-78 :—

	1975-76	1976-77	1977-78	Total capital outlay up to the end of 1977-78
	(Crores of rupees)			
Currency, Coinage and Mint	232.92	73.57	2.48	1084.94
Public Works	11.39	15.94	25.75	191.32
Defence Services	221.15	215.34	247.70	2868.87
Scientific Services and Research	35.82	33.12	31.19	147.08
Housing	18.62	30.20	37.07	182.83
Broadcasting	12.21	14.30	8.63	90.24
Social Security and Welfare	5.85	6.38	7.58	88.64
Co-operation	13.34	23.10	23.52	158.63
Investments in General Financial and Trading Institutions	60.08	2.25	—2.25	206.25
Investments in International Financial Institutions	0.15	0.56	7.61	169.92
Agriculture	255.88	62.85	—37.03	765.89
Machinery and Engineering Industries	53.01	33.17	56.15	539.20
Petroleum, Chemicals and Fertilizers Industries	329.66	380.62	272.78	1895.21
Aircraft and Ship-building Industries	2.10	2.10	1.90	103.78
Consumer Industries	27.68	104.71	96.61	307.70
Atomic Energy Development	35.89	44.98	45.34	466.32
Mining and Metallurgical Industries	269.56	304.49	805.89	3358.03
Irrigation, Navigation, Drainage and Flood Control Projects	8.14	9.61	12.16	182.51
Ports, Light-houses and Shipping	23.14	20.61	13.74	222.50
Civil Aviation	10.08	13.54	7.39	236.66

	1975-76	1976-77	1977-78	Total capital outlay up to the end of 1977-78 of rupees)
				(Crores
Roads and Bridges	72.60	84.05	90.48	1116.16
Railways	250.87	190.03	274.20	(a)4830.78
Posts and Telegraphs	79.41	25.44	20.98	574.19
Other Items	220.90	159.55	193.15	1325.63
TOTAL	2250.45	1850.51	2243.02	21113.28

7. The total investment of Government in statutory corporations, Government companies, other joint stock companies, co-operative banks and societies, etc. up to March 1978 was Rs. 7204.86* crores. Against this investment, the amount brought to account during 1977-78 by way of dividend was Rs. 62.79 crores. The dividend in the two preceding years was Rs. 34.44 crores (1976-77) and Rs. 21.35 crores (1975-76). 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 1977-78 are as under :

	1975-76	1976-77	1977-78
			(Crores of rupees)
Railways	-11.49	-14.86	-17.05
Posts and Telegraphs	1.05	0.93	0.53

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; Rs. 1.73 crores, Rs. 2.00 crores and Rs. 1.99 crores paid by the Railways during 1975-76, 1976-77 and 1977-78 respectively as contribution towards safety works are also not included in the figures shown above.

(a) The balance has been arrived at after incorporating *pro forma* correction

*The figure includes value of bonus shares, gift material treated as investment, shares transferred on consideration other than cash, etc. Please see statement no. 13 of Finance Accounts—Union Government, 1977-78.

**Interest received by Government from Railways and Posts and Telegraphs during three years ending 1977-78 was:

	1975-76	1976-77	1977-78
			(Crores of rupee)
Railways	191.65	(b)232.94	253.57
Posts and Telegraphs	24.34	27.63	29.42

(b) This includes erroneous adjustment of Rs. 27.28 crores pertaining to the head "Other receipts".

RECEIPT AND DISBURSEMENT 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 1978 :—

	1975-76	1976-77	1977-78
	(Crores of rupees)		
(a) Receipts			
<i>Consolidated Fund—</i>			
(i) Miscellaneous Capital Receipts	243.74	0.30	..
(ii) Internal Debt (Other than treasury bills and <i>ad hoc</i> treasury bills)*	995.86	1282.00	1415.96
(iii) External Debt	1415.52	1376.71	803.32
(iv) Repayment of loans and advances by State Governments, etc.	1485.52	1287.22	2288.27
<i>Contingency Fund—</i>			
Contingency Fund . . . . .	..	20.00	..
<i>Public Account—</i>			
Small Savings, Provident Funds, etc. (Net)	974.41	1482.83	1430.71
Reserve Funds (Net)	-47.28	113.23	100.50
Deposits and Advances (Net)	-187.48	-71.07	113.64
Suspense and Miscellaneous (Net)	-107.07	209.94	-360.54
Remittances (Net)	-1.01	4.01	-97.56
Total receipts outside the revenue account	4772.21	5705.17	5694.30
<i>Add—Debt raised by issue of treasury bills and ad hoc treasury bills (Net)</i>	745.65	-441.80	3250.69
GRAND TOTAL	5517.86	5263.37	8944.99
(b) Payments			
Capital Outlay—Civil	1699.02	1419.70	1700.14
Capital Outlay—Railways	250.87	190.03	274.20
Capital Outlay—Posts and Telegraphs	79.41	25.44	20.98
Capital Outlay—Defence	221.15	215.34	247.70
TOTAL	2250.45	1850.51	2243.02
Loans and Advances by Central Government	3151.37	3517.40	4155.01
Appropriations to Contingency Fund . . . . .	..	20.00	..

*The receipts shown against this head include Rs. 100 crores each during 1975-76, 1976-77 and 1977-78 on account of conversion of *ad hoc* treasury bills into dated securities (c.f. paragraph 10).

	1975-76	1976-77	1977-78
	(Crores of rupees)		
<i>Repayment of debt—</i>			
Internal Debt (Other than treasury bills and <i>ad hoc</i> treasury bills)	212.74	281.70	128.89
External Debt	343.77	370.03	429.19
Inter-State Settlement	(a)	..	0.21
Total expenditure outside the revenue account	5958.33	6039.64	6956.32
Total receipts as in sub-paragraph (a) above	5517.86	5263.37	8944.99
Excess of expenditure over receipts (—)/ Excess of receipts over expenditure (+) pertaining to heads outside the revenue account	—440.47	—776.27	+1988.67
Revenue Surplus (+)	+886.88	+280.33	+429.01
Net Surplus (+)/Deficit (—)	+446.41	—495.94	+2417.68

It will be seen that if net expansion of treasury bills and conversion of *ad hoc* treasury bills of Rs. 100 crores into dated securities during each year are taken into account the overall deficit was Rs. 399.24 crores, Rs. 154.14 crores and Rs. 933.01 crores during 1975-76, 1976-77 and 1977-78 respectively.

(c) The year 1977-78 closed with a deficit of Rs. 933.01 crores against the anticipated deficit of Rs. 84.38 crores (budget) and Rs. 874.78 crores (revised estimate exclusive of conversion of *ad hoc* treasury bills for Rs. 100 crores into dated securities). The table below gives the analysis of the deficit :

	Budget	Actuals	Variation
	(Crores of rupees)		
Treasury bills and <i>ad hoc</i> treasury bills (Net)	+82.66	+3250.69	—3168.03
Conversion of <i>ad hoc</i> treasury bills into dated securities	..	+100.00	—100.00
Increase of Cash Balance	+1.72	—2417.68	+2419.40
TOTAL	84.38	+933.01	—848.63

(a) The actual amount is Rs. 2,272.

III—DEBT

9. (A) The following table indicates the outstanding under 'Public Debt' and 'Small Savings, Provident Funds, etc.' at the end of 1955-56, 1976-77 and 1977-78 :—

	31st March 1956	31st March 1977	31st March 1978
Public Debt—			(Crores of rupees)
(a) Internal Debt—			
(i) Market Loans	1569	8052	9337
(ii) Treasury Bills	595	1777	5167
(iii) <i>Ad hoc</i> Treasury Bills		(a)3591	3451
(iv) Other Internal Debt	189	1038	1039
(b) External Debt	111	(a)8611	8985
(c) Small Savings, Provident Funds, etc.—			
(i) Small Savings Collections	576	4358	4903
(ii) Provident Funds	169	1722	(b)1905
(iii) Other Accounts	13	1629	2322
TOTAL	3222	30778	37109

(B) The net balances at the credit of reserve funds and deposit 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.

	31st March 1956	31st March 1977	31st March 1978
			(Crores of rupees)
Reserve Funds bearing interest		593.52	(b)682.02
Reserve Funds not bearing interest		424.73	446.67
Deposits bearing interest	(x)188.96	436.57	564.32
Deposits not bearing interest	(y)233.14	1375.12	1370.38

(a) Differs from the figure shown in the Report of the Comptroller and Auditor General of India for the year 1976-77—Union Government† (Civil) due to subsequent correction.

(b) Includes effect of *pro forma* correction.

(x) Includes amount under Reserve Funds bearing interest.

(y) Includes amount under Reserve Funds not bearing interest.

(C) Details of debt transactions during 1977-78 are given below :

	Receipts	Payments	Net Increase (+) decrease (-)
	(Crores of rupees)		
(a) Internal Debt—			
(i) Market Loans	1409.99	124.55	+1285.44
(ii) Treasury Bills	12448.74	9058.05	+3390.69
(iii) <i>Ad hoc</i> Treasury Bills	3740.00	3880.00	-140.00
(iv) Other Internal Debt	5.97	(a)4.34	+1.63
(b) External Debt	803.32	429.19	+374.13
(c) Small Savings, Provident Funds, etc.—			
(i) Small Savings Collections	2020.21	1475.56	+544.65
(ii) Provident Funds	484.41	291.55	+192.86
(iii) Other accounts	762.70	69.50	+693.20
TOTAL	21675.34	15332.74	+6342.60

10. (A) **Market Loans.**—The following are the details of the receipts during 1977-78 from market loans :—

	In cash	By conversion of loans maturing during the year	By conversion of <i>ad hoc</i> treasury bills held by the Reserve Bank of India	Total
	(Crores of rupees)			
5½ per cent Loan, 1985 (II Issue)	40.64	..	..	40.64
6 per cent Loan, 1993 (IV Issue)	67.68	4.62	25.00	97.30
6 per cent Loan, 1994(II Issue)	128.54	..	25.00	153.54
6½ per cent Loan, 1997	75.00	..	..	75.00
6¼ per cent Loan, 1998	114.42	4.05	25.00	143.47
6½ per cent Loan, 2003	25.00	..	..	25.00
6½ per cent Loan, 2004	411.77	..	..	411.77
6½ per cent Loan, 2005	408.41	29.86	25.00	463.27
TOTAL	1271.46	38.53	100.00	1409.99

(a) Includes erroneous adjustment of Rs. 0.07 crore; being rectified in 1978-79 accounts.

(B) Treasury Bills, Securities and Bonds.—These include :—

- (a) *Ad hoc* Treasury bills issued to the Reserve Bank of India. Rupees 3451.41 crores were outstanding on 31st March 1978.
- (b) Treasury bills issued to State Governments, Banks and other parties. Rupees 5167.39 crores were outstanding on 31st March 1978. These were held by the Reserve Bank of India (Rs. 4267.05 crores), State Governments (Rs. 746.50 crores) and other parties (Rs. 153.84* crores).
- (c) Non-negotiable, non-interest bearing securities issued to the International financial institutions (Rs. 1018.56** crores) and compensation and other bonds (Rs. 20.88** crores) as on 31st March 1978.

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

	1975-76	1976-77	1977-78
	(Crores of rupees)		
(i) Interest paid by Government on debt and other obligations	1228.16	1374.44	1521.38
(ii) Deduct.—			
(a) Interest received on loans to State and Union Territory Governments	456.39	390.14	596.16
(b) Interest received on other loans from investment of cash balances and other items [excluding the receipts mentioned at item (iv) below]	88.00	109.14	129.65
(iii) Net amount of interest charges	683.77	875.16	795.57
(iv) Interest from Departmental Commercial Undertakings, Public Sector Undertakings and other Undertakings including Railways and Posts and Telegraphs	389.35	606.17	716.66
(v) Net amount of interest charges after deducting the receipts shown at item (iv) above	294.42	268.99	78.91

*Includes unreconciled difference of Rs. 0.02 crore; the matter is under correspondence.

**Excludes erroneous adjustment of Rs. 0.07 crore. Also refer footnote(a) on page 13.

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

	1975-76	1976-77	1977-78
	(Crores of rupees)		
Interest on Market Loans	338.51	376.97	442.19
Discount on Treasury Bills	251.59	260.17	245.38
Payment to Reserve Bank for management of debt	1.88	1.62	2.32
Interest on External Debt	190.39	207.63	209.12
Interest on Provident Funds	98.71	112.96	128.30
Interest on Savings Certificates	83.74	85.03	86.98
Other items	263.34	330.06	407.09
	1228.16	1374.44	1521.38
TOTAL			

IV—GRANTS AND LOANS FROM FOREIGN SOURCES

12. (a) Upto 31st March 1978, Rs. 16150.86 crores were received as grants (Rs. 3396.56 crores) and loans (Rs. 12754.30 crores)* from foreign countries, International Bank for Reconstruction and Development, International Development Association, etc. In addition, contributions in the shape of technical services etc. which are not reflected in Government accounts, have been received from UNTAA, UNESCO, etc. and certain international philanthropic organisations. Certain contributions received upto 1973-74 in the shape of materials, equipment, etc. were also not reflected in Government accounts. From 1974-75 onwards, value of all materials, equipment, etc. received as aid from foreign sources is accounted for in Government accounts.

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

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

Programme	Source	Grants Received		Earliest period from which grants have been received	Remarks
		During 1977-78	Up to the end of 1977-78		
1	2	3	4	5	6
(Crores of rupees)					
Indo-U.S. Technical Co-operation aid programme	U.S.A.	Nil	136.25	1952-53	Assistance received in the form of technical services is not reflected in Government Accounts.
Grants under P. L. 480 and other Funds, 1974	U.S.A.	Nil	2071.37	1960-61	
Colombo Plan	Australia	Nil	17.56	1951-52	
	Canada	Nil	344.90	1952-53	
	Newzealand	Nil	3.51	1951-52	
	United Kingdom	Nil	2.12	1954-55	
Debt Relief	Denmark	Nil	1.00	1975-76	
	Netherlands	Nil	7.53	1975-76	
	Sweden	Nil	1.02	1975-76	
	United Kingdom	Nil	20.43	1975-76	

Assistance for Imports	E.E.C.	Nil	45.79	1975-76	
	Netherlands	Nil	11.59	1975-76	
	Sweden	45.07	69.14	1975-76	
	United Kingdom	Nil	27.13	1975-76	
Assistance for development of Coal Mining Capacity	United Kingdom	Nil	4.56	1975-76	
Assistance for Mixed projects	United Kingdom	Nil	14.01	1975-76	
Development of fisheries	Norway	Nil	3.92	1953-54	In the form of fishing equipment.
	Netherlands	3.91	3.91	1977-78	
Assistance for purchase of food grains under the emergency operation programme of United Nations	U.N.O.	Nil	38.45	1975-76	
Assistance under United Nations Fund for population activities	U.N.O.	Nil	2.02	1975-76	
Assistance towards Cost of D. T. Vaccine	U.N.O.	Nil	0.13	1975-76	
Assistance for special social service programme	Netherlands	0.35	2.59	1975-76	
Assistance under Indo-Swedish Development credit	Sweden	Nil	31.93	1975-76	
Assistance for Family Planning Programme	Sweden	Nil	7.28	1974-75	
	UNICEF	Nil	0.20	1976-77	
	U. N. Fund	Nil	0.16	1976-77	
	Denmark	Nil	0.20	1976-77	
	Germany	Nil	0.10	1976-77	
	United Kingdom	0.92	0.92	1977-78	

1	2	3	4	5	6
Value of paper received as gift	Sweden	Nil	1.36	1974-75	
	Norway	Nil	0.79	1976-77	
Food aid under International Grain Arrangement Programme	Australia	Nil	23.13	1975-76	
	Belgium	Nil	3.87	1975-76	
	Canada	Nil	95.38	1975-76	
	E.E.C.	Nil	23.94	1975-76	
	Netherlands	Nil	2.12	1975-76	
	Sweden	Nil	6.25	1975-76	
	United Kingdom	Nil	10.05	1975-76	
	France	Nil	3.75	1976-77	
Grant for Computers	Netherlands	Nil	1.22	1975-76	
Assistance for Equipment for Bombay— Poona T. V. Centre	Federal Republic of Germany	Nil	1.58	1975-76	
Value of gift fertilizers	Denmark	Nil	0.72	1975-76	
	F.A.O.	Nil	7.00	1975-76	
	Norway	Nil	7.61	1975-76	
	Sweden	Nil	6.38	1975-76	
	U.N.O.	Nil	2.11	1975-76	
	Federal Republic of Germany	Nil	1.17	1976-77	
	Netherlands	5.42	5.42	1977-78	
Assistance for postmortem Programme	Norway	Nil	2.33	1976-77	

Multipurpose Workers Schemes	UNICEF	Nil	0.06	1976-77
Strengthening of Health Administration	W.H.O.	Nil	0.09	1976-77
Assistance for advanced training institute for Electronics and Process Instrumentation, Hyderabad	Sweden/I.L.O.	Nil	0.11	1976-77
Assistance for Foreman Training Institute, Bangalore	Federal Republic of Germany	Nil	0.01	1976-77
Equipment of Doordarshan Kendra, Delhi	Federal Republic of Germany	Nil	2.28	1976-77
T. B. Control Programme	UNICEF	Nil	0.28	1976-77
Development of agriculture sub-system and nutrition aspect of food policy	Ford Foundation	Nil	0.01	1976-77
Salt Fortification Project	UNICEF	Nil	0.01	1976-77
Tool Room Project	Denmark	Nil	0.22	1976-77
Special social services programme of the Calcutta Metropolitan Development Authority	Netherlands	1.58	3.98	1976-77
Maintenance Grant	United Kingdom	88.35	169.66	1976-77
Sectoral Grant	United Kingdom	Nil	2.41	1976-77

1	2	3	4	5	6
Subsidy towards 1975 Oil Facility . . .	I.M.F.	Nil	7.38	1976-77	
Assistance for development of certain projects	United Kingdom	46.47	59.00	1976-77	
Assistance for financing foreign exchange cost of goods and services for Power and Coal Sectors	United Kingdom	6.46	9.71	1976-77	
Debt Refinancing Grant	United Kingdom	6.34	24.85	1976-77	
	Sweden	1.22	2.68	1976-77	
	Netherlands	4.91	18.84	1976-77	
	Denmark	1.12	1.97	1976-77	
Population Grant	Sweden	1.24	2.20	1976-77	
Drought Prone Area Project	E.E.C.	2.17	2.17	1977-78	
Procurement of equipment and foreign Consultancies	I.B.R.D.	0.04	0.04	1977-78	
Obra Sultanpur Lucknow Power Station	Switzerland	0.02	0.02	1977-78	
Other Programme/purposes	Ford Foundation	Nil	*12.68	1951-52	
	TOTAL	215.59	3396.56		

*Information about programmes for which assistance was received, is not readily available.

13. The foreign loans outstanding at the end of 1977-78 were Rs. 8984.74 crores. The details of these loans are given below :

Source	Amount authorised	Received		Repaid		Out-standing at the end of 1977-78**	Rate of interest
		During 1977-78	Up to the end of 1977-78*	During 1977-78	Up to the end of 1977-78*		
(Crores of rupees)							
1	2	3	4	5	6	7	8
U.S.A.	4219.66	34.20	4150.29	58.49	2403.43	(a)2368.69	3/4 per cent to 6 per cent.
U.S.S.R.	1150.31	24.85	903.03	123.38	796.35	264.27	2½ per cent.
Federal Republic of Germany	970.55	82.40	1096.93	73.46	599.07	629.14	1 per cent to 6½ per cent.
Canada	413.78	30.57	350.93	8.61	58.68	303.25	4½ per cent to 6 per cent.
Japan	699.82	68.25	765.33	44.16	267.96	551.65	4 per cent to 6 per cent.
U.K.	1199.75	11.31	1232.01	35.37	338.50	1013.76	(A)
International Bank for Reconstruction and Development	688.50	75.03	388.45	35.59	288.90	199.54	4 per cent to 6½ per cent.
International Development Association	3542.23	287.67	2555.34	9.12	30.13	2646.11	No interest is charged. A service charge of 3/4 per cent is payable on the amount outstanding.

1	2	3	4	5	6	7	8
Iraq	134.14	8.65	119.21	..	..	119.21	(B)
Iran . . . . .	..	..	31.60	..	..	31.60	(B)
Netherlands	207.32	51.63	222.88	3.89	18.34	210.35	2½ per cent to 5½ per cent.
Czechoslovakia	166.10	6.49	91.01	5.07	67.95	30.78	2½ per cent.
France	393.31	42.86	339.52	19.01	73.18	266.34	3 per cent to 3½ per cent.
Others (including Denmark, Austria, Belgium, Norway, Poland, Sweden, Switzerland, Yugoslavia, Italy, Hungary, Bahrain and other Trucial States in connection with retirement of Indian Currency etc.)	584.60	79.41	507.77	13.04	189.37	350.05	(C)
TOTAL	14370.07	803.32	12754.30	429.19	5131.86	8984.74	

*Figures up to 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.
 (a) Includes Rs. 0.19 crore adopted *pro forma* in the accounts of 1976-77.
 (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) Information is awaited.
 (C) Interest rate varies from country to country.

V—LOANS AND ADVANCES BY UNION GOVERNMENT

14. Details of loans and advances outstanding against State Governments, Foreign Governments, etc. at the end of 1976-77 and 1977-78 are given below :

To whom lent	Amount out- standing on 31st March 1977	Loans paid during 1977-78	Loans repaid during 1977-78	Amount out- standing on 31st March 1978
	(Crores of rupees)			
State Governments . . .	10466.46	1907.90	875.86	11498.50
Union Territory Governments	136.39	48.33	5.49	179.23
Foreign Governments . . .	189.29	522.41	374.47	337.23
Government Corporations, Non-Government Institutions, Local Funds, Cultivators, etc.	*7014.70	1606.42	973.02	7648.10
Government Servants . . .	113.34	69.95	59.43	123.86
TOTAL	*17920.18	4155.01	2288.27	19786.92

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 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 that losses on loans granted upto 31st March 1964 to displaced persons from erstwhile East Pakistan

*Differs from the figures shown in the last year's Report due to subsequent correction.

would be borne fully by the Union Government. All such loans outstanding against each State Government on 31st March 1974 have been consolidated and the terms and conditions of recovery have been further revised from 1st April 1974. The Union Government has so far (up to 31st March 1978) remitted or written off (Rs. 26.29 crores) of such loans.

16. During 1977-78, Rs. 162 crores were paid as Ways and Means advances to State Governments for clearance/avoidance of overdrafts from the Reserve Bank of India. The entire amount was recovered within that year.

17. The terms and conditions of the following loans to State and Union Territory Governments have not yet (March 1979) been settled :—

Ministry sanctioning the loan	Name of the State Government to which loan was paid	No. of loans	Total amount of loans	Earliest period to which the loans relate
(Crores of rupees)				
Ministry of Industry	Jammu and Kashmir	1	0.02	1977-78
(Department of Industrial Development)	Pondicherry	3	0.02	1977-78
	Bihar	1	0.20	1977-78
	Orissa	2	0.10	1977-78
	Haryana	2	0.12	1977-78
	Kerala	1	0.11	1977-78
	Goa, Daman and Diu	2	0.02	1977-78
	Nagaland	1	0.01	1977-78
	Rajasthan	1	0.08	1977-78
	Himachal Pradesh	1	0.02	1977-78
	Mizoram	2	0.05	1977-78
Arunachal Pradesh	2	0.03	1977-78	

18. (a) Details of loans and advances to State Governments, in which recovery of principal and interest remained in arrear at the end of 1977-78 are shown below :

Ministry sanctioning the loan	Name of the State Government	Amount Outstanding on 31st March 1978		Earliest period to which the arrears relate
		Principal	Interest	
1	2	3	4	5
		(Lakhs of rupees)		
Ministry of Agriculture and Irrigation (Department of Agriculture)	Andhra Pradesh	2.96	0.78	1976-77
	Assam	0.05	0.04	1976-77
	Bihar	0.35	26.57	1976-77
		(Rs. 0.06 lakh towards interest recovered in 1978-79)		
	Haryana	0.03	0.15	1977-78
	Jammu and Kashmir	8.45	0.59	1977-78
	Karnataka	1.59	1.20	1976-77
	Madhya Pradesh	5.98	3.65	1977-78
	Maharashtra	1.67	1.31	1977-78
		(Since recovered in 1978-79)		
	Orissa	0.50	0.39	1976-77
		(Rs. 0.33 lakh and Rs. 0.24 lakh towards principal and interest respectively recovered in 1978-79)		
	Pondicherry	..	0.01	1977-78
	Punjab	..	0.03	1977-78
	Rajasthan	1.01	0.85	1976-77
	West Bengal	0.23	0.16	1976-77
Ministry of Agriculture and Irrigation (Department of Food)	Jammu and Kashmir	0.40	0.10	1976-77
		(Rs. 0.20 lakh and Rs. 0.06 lakh towards principal and interest respectively recovered in 1978-79)		
Ministry of Energy (Department of Power)	Jammu and Kashmir	6.22	8.12	1977-78
	Uttar Pradesh	1.60	0.34	1977-78
Ministry of Finance (Department of Economic Affairs)	Jammu and Kashmir	903.01	1445.59	1977-78
		(Rs. 133.95 lakhs towards principal recovered in 1978-79)		

1	2	3	4	5
		(Lakhs of rupees)		
Ministry of Home Affairs				
(Department of Personnel and Administrative Reforms)	Jammu and Kashmir	0.42	0.22	1977-78
	Madhya Pradesh	0.36	0.20	1977-78
	Orissa	0.13	0.07	1977-78
Ministry of Home Affairs	Jammu and Kashmir	22.73	1.82	1977-78
Ministry of Supply and Rehabilitation				
(Department of Rehabilitation)	Andhra Pradesh	9.08	7.87	1976-77
	Bihar	2.04	9.37	1976-77
	Kerala	..	0.06	1976-77
	Manipur	..	0.05	1977-78
	Meghalaya	..	0.35	1976-77
	Tamil Nadu	1.83	55.47	1976-77
	Uttar Pradesh	0.25	1.12	1977-78
	West Bengal	..	9.15	1976-77
Ministry of Shipping and Transport	Punjab	1.45	1.90	1977-78
		(Rs. 1.32 lakhs and Rs. 1.73 lakhs towards principal and interest respectively recovered in 1978-79)		
	Jammu and Kashmir	1.49	1.89	1977-78
Ministry of Works and Housing	Madhya Pradesh	..	1.08	1977-78

(b) Details of loans and advances to Government Corporations, Non-Government Institutions, Local Funds, etc. in

which recovery of principal and interest remained in arrear at the end of 1977-78 are shown in Appendix II.

(c) During 1977-78, the Department of Atomic Energy sanctioned a fresh loan of Rs. 30.75 lakhs to the Indian Rare Earths Ltd., Bombay for payment of arrears of interest accrued for the period from 9th March 1977 to 8th March 1978 on the loan of Rs. 300 lakhs sanctioned in 1977 for financing the capital outlay on the Orissa Complex Project.

19. Assistance to various countries.—Government of India has been rendering assistance to various countries under the Colombo Plan and Special Commonwealth African Assistance Plan. The aid rendered under the Colombo Plan was Rs. 8.91 crores during 1977-78 and Rs. 141.09 crores up to 1977-78 of which Rs. 133.66 crores were to Nepal (for national highways, hydro-electric projects, minor irrigation works, village development programme, training of technical personnel and services of Indian experts). The aid rendered under the Special Commonwealth African Assistance Plan was Rs. 14 lakhs during 1977-78 and Rs. 177 lakhs up to the end of 1977-78.

In addition Government has also given loans to foreign countries; the amount outstanding on that account at the close of 1977-78 was Rs. 337.23 crores.

20. Guarantees given by the Union Government.—Under Article 292 of the Constitution, the Union Government may give guarantees within such limits, if any, as may be fixed by Parliament by law. No maximum limit for giving guarantees has been fixed as yet. The information about the guarantees given by the Union Government and outstanding as on 31st March 1978 was awaited (March 1979).

21. Contributions to International Organisations.—The total amount of contributions to international bodies made during 1977-78 was Rs. 2025.35 lakhs. The more important

contributions made during each of the three years ending 1977-78 are indicated below :

To whom paid	1975-76	1976-77	1977-78
		(Lakhs of rupees)	
<i>Ministry of Education and Social Welfare—</i>			
United Nations Educational Scientific and Cultural Organisation	93.13	(a)90.46	(A)48.93
United Nations International Children's Emergency Fund	100.00	118.00	(A)131.00
<i>Ministry of External Affairs—</i>			
United Nations Organisation	*284.36	(b)565.72	(A)207.38
<i>Ministry of Finance—</i>			
United Nations Development Programme	359.52	369.84	(A)564.90
<i>Ministry of Agriculture and Irrigation—</i>			
Commonwealth Agricultural Bureau	9.62	(c)	(c)
Food and Agricultural Organisation	**	113.59	(B)160.44
<i>Ministry of Health and Family Welfare—</i>			
World Health Organisation	110.98	(d)190.13	160.45
<i>Ministry of Labour—</i>			
International Labour Organisation	97.49	86.90	58.04
<i>Ministry of Communications—</i>			
International Telecommunications Union	30.39	(e)32.03	(C)34.34
<i>Department of Atomic Energy—</i>			
International Atomic Energy Agency	***25.51	(f)78.05	30.52

* Includes Rs. 272.57 lakhs paid during 1974-75 and excludes Rs 14.11 lakhs paid in 1975-76 but not adjusted during the year.

** Rupees 74.20 lakhs paid during 1975-76; this amount has been] adjusted in the accounts for 1977-78.

*** Excludes Rs. 34.91 lakhs paid during 1975-76 but adjusted in the accounts for 1976-77.

(a) Excludes Rs. 3.31 lakhs paid during 1976-77 but adjusted in the accounts for 1977-78.

(b) Includes Rs. 228.27 lakhs and Rs. 14.11 lakhs paid during 1972-73 and 1975-76 respectively.

(c) Rupees 14.80 lakhs and Rs. 9.43 lakhs paid during 1976-77 and 1977-78 respectively were stated to have been accounted for in the accounts of the Indian Council of Agricultural Research, a grantee institution of Government. The matter was under correspondence (March 1979).

(d) Includes Rs. 37.91 lakhs paid during 1972-73.

(e) Excludes Rs. 2.55 lakhs paid during 1976-77 but adjusted in the accounts for 1977-78.

(f) Includes Rs. 34.91 lakhs paid during 1975-76.

(A) Details of contributions actually paid during 1977-78 and of the adjustments/non-adjustments in the accounts for 1977-78 of contributions paid in 1977-78 and earlier years were awaited (March 1979).

(B) Includes Rs. 74.20 lakhs paid during 1975-76.

(C) Includes Rs. 2.55 lakhs paid during 1976-77.

CHAPTER II
APPROPRIATION AUDIT AND CONTROL OVER
EXPENDITURE

Results of appropriation audit

22. 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 1977-78.

		Total grants/ appropriations	Actual expenditure	Saving—	
				Amount	Per-centage
		(Crores of rupees)			
<i>Voted Grants—</i>					
Revenue					
Original	4931.95	5319.69	4958.95	360.74	6.8
Supplementary	387.74				
Capital					
Original	4602.10	5464.79	4711.06	753.73	13.8
Supplementary	862.69				
<i>Charged Appropriations—</i>					
Revenue					
Original	3354.34	3376.17	3295.56	80.61	2.4
Supplementary	21.83				
Capital					
Original	12291.00	15690.35	15406.93	283.42	1.8
Supplementary	3399.35				
GRAND TOTAL		29851.00	28372.50	1478.50	5.0

The overall saving of Rs. 1478.50 crores represents about 5 per cent of the total amount of voted grants and charged appropriations; it was the net result of savings of Rs. 447.85 crores in 130 grants/appropriations in the revenue section and Rs. 1070.07 crores in 80 grants/appropriations in the capital section and excess of Rs. 6.50 crores in 7 grants/appropriations in the revenue section and Rs. 32.92 crores in 2 grants in the capital section. The savings in 1977-78 have been analysed in paragraph 25.

23. **Supplementary grants/appropriations.**—During the year supplementary provision of Rs. 387.74 crores and Rs. 862.69 crores were obtained under 38 and 27 grants in the revenue and capital sections respectively. Supplementary appropriations of Rs. 21.83 crores and Rs. 3399.35 crores were also obtained for charged expenditure under 11 and 13 appropriations in the revenue and capital sections respectively.

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

Year	(Crores of rupees)	
	Voted	Charged
1974-75	1380.38 (in 85 cases)	516.18 (in 25 cases)
1975-76	1411.76 (in 97 cases)	348.28 (in 34 cases)
1976-77	1338.47 (in 89 cases)	1682.74 (in 35 cases)

In 23 cases* supplementary provision of Rs. 44.96 crores (revenue Rs. 26.15 crores and capital Rs. 18.81 crores) proved unnecessary as the expenditure did not even come up to the original grant/appropriation. In these cases, supplementary provision of Rs. 11.58 crores (revenue Rs. 6.17 crores and capital Rs. 5.41 crores) was obtained in March 1978.

*Details of these cases are given in Appendix III

24. Excess over grants/appropriations

(a) *Excess over grants.*—There were excesses of Rs. 6.49 crores in 6 grants in the revenue section and Rs. 32.92 crores in 2 grants in the capital section; these excesses require regularisation under Article 115 of the Constitution; the details of the excesses are given below :

Sl. No.	Grant	Revenue Section		
		Total grant Rs.	Actual expenditure Rs.	Excess Rs.
Ministry of Agriculture and Irrigation				
(1)	9—Payments to Indian Council of Agricultural Research	58,56,09,000	58,65,51,850	9,42,850

Excess occurred mainly under 'A.—Agriculture : A. 1—Assistance to Indian Council of Agricultural Research : A. 1(3)—Administration' (expenditure Rs. 186.03 lakhs; provision Rs. 176.60 lakhs) and was due to adjustment of debit for payment of India's membership contribution for 1977-78 to the Commonwealth Agricultural Bureau for meeting which an equivalent grant was paid to the Council during the year.

Ministry of Education and Social Welfare

(2)	28—Department of Education	1,57,59,000	1,59,02,073	1,43,073
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Excess occurred under 'A.—Secretariat—Social and Community Services : A. 1—Secretariat' (expenditure Rs. 157.87 lakhs; provision Rs. 155.94 lakhs) and was mainly due to incurring of expenditure in excess of provision owing to overlapping of allotment of such provision amongst spending units of the Department and non-provision of funds inadvertently for a committed liability.

Ministry of External Affairs

(3)	34—Ministry of External Affairs	1,03,23,37,000	1,05,04,97,333	1,81,60,333
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Excess occurred mainly under 'C.—External Affairs : C. 7—Other Expenditure : C. 7(3)—Other Schemes' (expenditure

Rs. 628.58 lakhs; provision Rs. 326.22 lakhs) and was due to visit of more delegations to United Nations and fluctuations in rates of exchange.

Ministry of Health and Family Welfare

(4) 48—Ministry of Health
and Family Welfare 84,51,000 87,13,458 2,62,458

Excess occurred under 'A.-Secretariat—Social and Community Services : A. 1—Secretariat : A. 1(1)-Department of Health' (expenditure Rs. 64.35 lakhs; provision Rs. 59.90 lakhs) and was mainly due to more expenditure on telephones and newly created Rural Health Scheme Division and departmentalised Accounting Organisation.

Ministry of Planning

(5) 78—Survey of India 18,68,00,000 18,73,10,080 5,10,080

Excess occurred mainly under 'A-Scientific Services and Research—Survey of India : A.3-Development Project Surveys' (expenditure Rs. 607.14 lakhs; provision Rs. 487.55 lakhs) and was mainly due to re-fixation of pay of Grade II staff under Central Civil Services (Revised Pay) Rules, 1973, purchase of instrument for field work and payment of freight charges of photo equipment.

Ministry of Works and Housing

(6) 95—Public Works 69,85,08,000 74,34,17,536 4,49,09,536

Excess occurred mainly under 'A-Public Works : A. 7—Suspense : A. 7(1)—Stock' (expenditure Rs. 1850.77 lakhs; provision Rs. 1480.00 lakhs) and 'A. 7(2)—Purchases' (expenditure Rs. 2742.76 lakhs; provision Rs. 2506.42 lakhs) and was mainly due to increase in cost of materials and labour, procurement of more quantity of steel and cement for new works and adjustment of old debits.

Capital Section

Ministry of Commerce

(1) 16—Foreign Trade and
Export Production 5,49,65,58,000 5,82,50,65,635 32,85,07,635

Excess occurred mainly under 'MM-Advances to Foreign Governments : MM. 5-Loans to Government of U.S.S.R. : MM. 5(1)-Technical Credits incorporated in Trade Agreements'

(expenditure Rs. 39980.00 lakhs; provision Rs. 30318.77 lakhs) and was mainly due to more requirement of technical credits under trade agreements with U.S.S.R.

Ministry of Home Affairs

(2) 54—Police	6,50,00,000	6,56,91,636	6,91,636
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Excess occurred under 'AA.—Capital Outlay on Public Works : AA. 1-Construction : AA. 1(1)-Police' (expenditure Rs. 656.92 lakhs ; provision Rs. 650.00 lakhs) and was due to higher cost of materials and labour.

(b) *Excess over charged appropriations.*—There was excess of Rs. 0.01* crore in 1 appropriation in the revenue section. This excess also requires regularisation under Article 115 of the Constitution. The details are :—

Revenue Section

Ministry of Finance

45—Union Excise Duties	88,000	1,31,235	43,235
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Excess occurred mainly under 'A—Union Excise Duties : A. 2-Collection Charges : A.2(1)-Collectorate—Headquarters' (expenditure Rs. 1.30 lakhs; provision Rs. 0.88 lakh) and was due to payment of decretal cost not anticipated.

25. Savings in voted grants and charged appropriations.—The overall saving of Rs. 1478.50 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	367.23 (in 94 grants)	786.65 (in 51 grants)	6.49 (in 6 grants)	32.92 (in 2 grants)	360.74	753.73
<i>Charged Appropriations</i>	<i>80.62</i> (in 36 <i>appro- pria- tions</i>)	<i>283.42</i> (in 29 <i>appro- pria- tions</i>)	<i>0.01*</i> (in 1 <i>appro- pria- tion</i>)	..	<i>80.61</i>	<i>283.42</i>

*Rs. 43,235 only.

It would be seen from Appendix IV that in 35 grants (16 grants in the revenue section and 19 grants in the capital section), the savings (more than Rs. 5 lakhs in each case) exceeded 20 *per cent* of the funds; in 20 grants (revenue 6 and capital 14) of these cases, the savings exceeded 30 *per cent*.

Out of the final saving of Rs. 1153.88 crores (Rs. 367.23 crores in revenue section and Rs. 786.65 crores in capital section) under voted grants, savings in 8 grants, particulars of which are given below, accounted for savings of Rs. 714.05 crores (Rs. 73.31 crores in revenue section and Rs. 640.74 crores in capital section) :

Revenue Section

Ministry of Agriculture and Irrigation

Sl. No.	Grant	Saving
(1)	2—Agriculture	Rs. 41.11 crores

Saving occurred mainly under (i) 'A.-Agriculture : A. 5-Manures and Fertilizers : A. 5(2)-Subsidies' (Rs. 17.55 crores), (ii) 'A. 9-Extension and Farmers' Training : A. 9(5)-Adaptive Research' (Rs. 1.00 crore), (iii) 'G.-Aid Materials and Equipments : G.1-Assistance from the Government of Federal Republic of Germany : G. 1(1)-Value of Gift Fertilizers, etc. for Agricultural Development at Mandi, Almora, etc.' (Rs. 1.60 crores), (iv) 'H.-Grants-in-aid to State Governments : H.2-Grants for Central Plan Schemes : H. 2(1)-Agriculture : H. 2(1)(3)-Land Reforms : H. 2(1)(3)(1)-Assistance to New Assignees of Land on Imposition of Ceiling on Agricultural holdings' (Rs. 0.94 crore), (v) 'H. 2(1)(4)-Agricultural Engineering : H. 2(1)(4)(3)-Popularisation of Selected Improved Agricultural Implements' (Rs. 0.99 crore), (vi) 'H. 2(3)-Area Development : H. 2(3)(1)-Dry Land Development : H. 2(3)(1)(1)- Command Area Development Programme' (Rs. 2.35 crores), (vii) 'H. 3-Grants for Centrally Sponsored Plan Schemes : H. 3(1)-

Agriculture : H. 3(1)(4)-Commercial Crops : H. 3(1)(4)(2)-Package Programme for Development of Cashewnut' (Rs. 1.03 crores), (viii) 'H. 3(1)(4)(4)-Intensive Cotton District Programme' (Rs. 1.02 crores), (ix) 'H. 3(1)(4)(6)- Development of Oilseeds' (Rs. 1.36 crores), (x) 'H. 3(1)(5)-Extension and Farmers' Training : H. 3(1)(5)(2)-Strengthening of Machinery on extension and Agricultural Administration in States' (Rs. 1.00 crore) and (xi) 'H.3(3)-Minor Irrigation : H.3(3)(1)-Strengthening of Ground Surface Water' (Rs. 1.18 crores).

Saving was mainly due to (i) less payment of subsidies to Ministry of Chemicals and Fertilizers, (ii) non-implementation of schemes, (iii) non-receipt of gift fertilizers from abroad, (iv) less assistance to State Governments and (v) post-budget decision to make capital investments in Agricultural Financial Institutions than assistance by way of grants-in-aid through State Governments.

Ministry of Commerce

(2) 16—Foreign Trade and Export Production

Rs. 32.20 crores

Saving occurred under (i) 'A.-Foreign Trade and Export Promotion : A. 7-Assistance for Export Promotion and Market Development : A. 7(8)-Export Subsidy on Sugar' (Rs. 7.28 crores), (ii) 'B.-Co-operation : B. 2-Consumer's Co-operatives : B. 2(1)-Subsidy to National Co-operative Consumer's Federation on Controlled Cloth' (Rs. 8.00 crores) and (iii) 'C.-Industries : C. 1-Large and Medium Industries : C. 1(1)-Consumer Industries : C.1(1)(1)—Textiles : C.1(1)(1)(6)-Subsidy to Cotton Corporation of India for Import of Cotton' (Rs. 19.00 crores) and was mainly due to less payment of subsidy to State Trading Corporation, National Co-operative Consumer's Federation on Controlled Cloth and Cotton Corporation of India owing to less export of sugar, shortfall in production of controlled cloth and less import of cotton respectively.

*Capital Section***Ministry of Agriculture and Irrigation**

(1) 2—Agriculture Rs. 52.65 crores

Saving occurred mainly under 'AA.-Capital Outlay on Agriculture : AA. 3-Manures and Fertilizers :AA. 3(1)-Purchase of Fertilizers' (Rs. 46.20 crores) and was mainly due to less import of fertilizers, adjustment of handling charges against reimbursement made previously to Food Corporation of India and less payment of compensation owing to reduction in price.

Ministry of Chemicals and Fertilizers

(2) 12—Chemicals and Fertilizers Industries Rs. 34.82 crores

Saving occurred under (i) 'BB.-Loans for Petroleum, Chemicals and Fertilizers Industries : BB. 3-Fertilizers : BB. 3(1)-Loans to Public Sector and Other Undertakings : BB. 3(1)(1)-Fertilizer Corporation of India Limited' (Rs. 41.04 crores) and (ii) 'BB. 3(1)(2)-Fertilizers and Chemicals, Travancore Ltd.' (Rs. 43.95 crores).

Saving was mainly due to (i) less requirement of loan owing to slippage in the delivery of equipment, slow progress in the erection of Plant and Machinery and availability of funds under the Fertilizer Retention Prices Scheme and (ii) non-payment of certain taxes relating to foreign technicians and slippages in the commissioning of NPK Plant of Cochin Phase-II.

Ministry of Energy

(3) 32—Power Development Rs. 71.20 crores

Saving occurred mainly under 'BB.-Capital Outlay on Power Projects : BB.1-Thermo Electric Schemes : BB.1(4)-Other Expenditure : BB. 1(4)(1)-Investment in National Thermal Power Corporation of India' (Rs. 12.32 crores) and 'BB. 2-Hydro-Electric Schemes : BB. 2(7)—Other Expenditure : BB.2(7)(1)-Investment in National Hydro-Electric Power Corporation of India' (Rs. 50.15 crores).

Saving was mainly due to less investment in National Thermal Power Corporation of India and National Hydro-Electric Power Corporation of India owing to procurement of equipment at lesser price than anticipated and non-transfer of Salal Hydro-Electric Project to the Corporation.

Ministry of Finance

- (4) 41—Other Expenditure of the Ministry of Finance Rs. 328.08 crores

Saving occurred mainly under (i) 'AA.-Department of Economic Affairs : AA. 1-Capital Outlay on Currency, Coinage and Mint : AA. 1(1)-Subscription to International Monetary Fund' (Rs. 211.00 crores) and (ii) 'AA. 3-Loans to Railways : AA. 3(2)-Loans to Railway Revenue Reserve Fund' (Rs. 102.43 crores).

Saving was mainly due to non-payment of India's subscription to the Fund and less requirement of loans by Railways.

Ministry of Petroleum

- (5) 73—Petroleum and Petro-Chemicals Industries Rs. 128.35 crores

Saving occurred under 'AA.-Capital Outlay on Petroleum, Chemicals and Fertilizers Industries : AA. 1-Petroleum : AA.1(1)—Oil and Natural Gas Commission' (Rs. 133.57 crores).

Saving was mainly due to less requirement of funds by the Commission owing to improved internal resources, procurement of Euro-dollar loan and postponement of certain activities.

Department of Atomic Energy

- (6) 100—Atomic Energy Research, Development and Industrial Projects Rs. 25.64 crores

Saving occurred mainly under (i) 'AA.-Capital Outlay on Scientific Services and Research—Atomic Energy Research : AA. 1-Bhabha Atomic Research Centre' (Rs. 4.62 crores),

(ii) 'AA. 4-Reactor Research Centre' (Rs. 4.90 crores),
 (iii) 'DD.-Capital Outlay on Atomic Energy Development :
 DD. 4-Heavy Water Plants : DD. 4(2)- Heavy Water Project,
 Kota' (Rs. 3.27 crores) and (iv) 'DD. 4(7)-Purchase of Heavy
 Water' (Rs. 11.60 crores).

Saving was mainly due to (i) slow progress and delay in commencement of civil and electrical works, delay in delivery of machinery and equipment, non-finalisation of consultancy agreement for fuel Reprocessing Plant, non-filling up of vacant posts and economy measures, (ii) delay in procurement and fabrication of machinery, equipment and stores, postponement of certain works and slow progress of civil and electrical works and (iii) less expenditure on purchase of heavy water from abroad owing to restricted availability and reduced rates of foreign exchange.

(ii) The rest of the saving under voted grants of Rs. 439.83 crores (Rs. 293.92 crores in revenue section and Rs. 145.91 crores in capital section) largely occurred in the revenue and capital sections of the following grants :—

<i>Revenue Section</i>		
<i>Grant</i>		<i>Controlling Ministry</i>
4—Animal Husbandry and Dairy Development	(Rs. 12.50 crores)	Agriculture and Irrigation
7—Department of Rural Development	(Rs. 19.04 crores)	Agriculture and Irrigation
32—Power Development	(Rs. 12.14 crores)	Energy
40—Transfers to State and Union Territory Governments	(Rs. 15.66 crores)	Finance
41—Other Expenditure of the Ministry of Finance	(Rs. 17.28 crores)	Finance
50—Family Welfare	(Rs. 13.95 crores)	Health and Family Welfare
56—Other Expenditure of the Ministry of Home Affairs	(Rs. 11.16 crores)	Home Affairs

Capital Section

<i>Grant</i>		<i>Controlling Ministry</i>
22—Ministry of Defence	(Rs. 13.57 crores)	Defence
82—Ports, Light-Houses and Shipping	(Rs. 18.80 crores)	Shipping and Transport
92—Aviation	(Rs. 14.02 crores)	Tourism and Civil Aviation
101—Nuclear Power Schemes	(Rs. 10.11 crores)	Department of Atomic Energy

CHAPTER III
CIVIL DEPARTMENTS
MINISTRY OF COMMERCE, CIVIL SUPPLIES AND
CO-OPERATION

(Department of Commerce)

26. **Cash assistance for export of cottonseed oilcakes.**—Oil can be extracted from cottonseed by two processes, *viz.* (i) mechanical expeller process and (ii) chemical solvent extraction process. The residual by-product in the expeller process is known as “expeller cakes” and that in the extraction process as “extractions”. In India the ‘extraction process’ has been adopted recently and is generally restricted to extracting oil from expeller cakes. Both the processes can be applied either to whole cottonseed without delinting and dehulling it (in which case the cottonseed is said to be undecorticated) or to the kernel after separating the linter and hulls in appropriate machines (in which case the seed is said to be decorticated). When the decortication method is adopted, additional by-products are obtained in the form of linter and hulls.

The oil yield is 17 *per cent* of the weight of the cottonseed by the decorticated extraction process, 12 *per cent* by decorticated expeller process, 13 *per cent* by undecorticated extraction process and up to 8 *per cent* by undecorticated expeller process. The residual oil in the decorticated expeller cakes is about 6 *per cent* of the weight of the cottonseed and that in decorticated extractions is less than one *per cent*.

Although oilcake is a by-product in the production of oil, it has become a significant item in the export trade, as it is a major source of high protein for feeding livestock in most developed countries. In India the whole cottonseed was traditionally fed to livestock and while there is a market for undecorticated cakes and extractions, that for decorticated extractions is negli-

gible. On the other hand, the export demand is essentially for decorticated extractions/expellers.

The exports of decorticated cottonseed cakes for the last five years were as follows:—

Year	Extractions		Expeller cakes		Total	
	Quantity (Tonnes)	Value (Rs. in crores)	Quantity (Tonnes)	Value (Rs. in crores)	Quantity (Tonnes)	Value (Rs. in crores)
1973-74	1,80,555	21.35	28,422	3.60	2,08,977	24.95
1974-75	1,24,408	10.24	1,655	0.16	1,26,063	10.40
1975-76	1,76,590	13.07	27,887	2.56	2,04,477	15.63
1976-77	1,21,027	15.16	69,165	9.40	1,90,192	24.56
1977-78	1,29,215	18.85	23,636	3.27	1,52,851	22.12

(Source : All India Cottonseed Crushers' Association, Bombay).

Cottonseed is processed in India both in the organised and the small scale sectors. In April 1977, there were 89 units (organised sector) registered with the Director General of Technical Development (DGTD) for producing cottonseed oil through expeller method with an annual licensed/registered capacity of 13.75 lakh tonnes in terms of cottonseed. Of these, 30 units are composite ones with facilities for solvent extraction as well.

2. Prior to the devaluation of the rupee in 1966, under the erstwhile export promotion scheme, one tonne of copra or palm oil was allowed as import entitlement against the export of 3.5 tonnes of decorticated cottonseed oilcakes to make up losses on exports. After devaluation, cash assistance on the export of decorticated cottonseed oilcakes was sanctioned with effect from 6th June 1966 and was in force till March 1973 when it was withdrawn as a result of cost study made by the Ministry of Finance. The rates of cash assistance in force from 1966-67 to 1972-73 were as follows:—

Period	Extractions Rate (in percentage of f.o.b. value of export)	Period	Expeller cakes Rate (in percentage of f.o.b. value of export)
6-6-1966 to 31-12-1967	25	6-6-1966 to 9-8-1967	20
1-1-1968 to 12-5-1968	Nil	10-8-1967 to 31-3-1969	Nil
13-5-1968 to 31-3-1971	12.5	1-4-1969 to 31-3-1971	7.5
1-4-1971 to 14-11-1972	Nil	1-4-1971 to 23-3-1973	Nil
15-11-1972 to 23-3-1973	10		

3. *Re-introduction of cash assistance in 1975.*— In August 1975, the main committee of the Marketing Development Fund (hereafter referred to as MDF committee) considered granting cash assistance on decorticated cottonseed extractions alone and decided to re-introduce it at 20 per cent of the f.o.b. value of exports during 1975-76 in excess of the first one lakh tonnes, provided the total exports were not less than two lakh tonnes during that financial year. The cash assistance was to have prospective application and the volume of exports effected from April 1975 to the date of decision (12th August 1975) was not eligible for cash assistance though it was to be counted for determining the export performance.

The main reason adduced for granting the cash assistance was that while the decorticated process was preferable because it yielded 4 per cent more oil, producers tended to prefer the undecorticated process for the reason that whereas cottonseed oil fetched the same price, the cost of the undecorticated process was lower and the cakes got higher prices in the domestic market than extractions did in international markets.

The decision of the MDF committee was based on a projection by the Ministry of Commerce, which envisaged a progressively increasing export target as follows:—

1975-76	2.00 lakh tonnes
1976-77	2.50 lakh tonnes
1977-78	3.00 lakh tonnes

Thus, the cash assistance was intended to be an inducement to reach a higher level of performance and it had been classified under the budget head "Commodity Development".

On 5th September 1975, Government issued a sanction conveying the above decision. It was laid down that cash assistance would be admissible only to exporters registered with and on exports routed through the All-India Cottonseed Crushers' Association, Bombay (hereafter referred to as AICOSCA). The latter was required to submit a single consolidated application for the cash assistance to the Joint Chief Controller of Imports and Exports (JCCIE), Bombay, by 30th June 1976 along with the prescribed documents in respect of each consignment.

Three months later, however, Government issued another sanction (5th December 1975) extending cash assistance at 15 per cent of the f.o.b. value on export of decorticated cottonseed expeller cakes also from 1st November 1975 to 31st March 1976. The qualifying annual target of two lakh tonnes was to be applied to the total exports of both decorticated [extractions and expeller cakes; this was also clarified by Government in May 1976.

The industrial licences issued to the expeller units in the organised sector generally contain a condition that cottonseed should be delinted and decorticated before being crushed. The DGTD clarified (June 1978) that only in the case of a few registration certificates issued during the 1950's such a condition might not have been stipulated. Thus, it would appear that Government had sanctioned (5th September 1975) cash assistance on the export of cottonseed oilcakes mainly to encourage the adoption of the decorticated process with the object of higher recovery of oil resulting in saving of foreign exchange on imports of oil. The Ministry of Commerce stated (March 1979) that "cash assistance on export of cottonseed oilcakes has an additional and more important role than a simple export promotion measure. The scheme is designed to induce larger production of cottonseed oil in the country and reduce the gap between internal production and requirements."

4. *Extension of target period.*—On 18th March 1976, Government issued another sanction extending the target period of 1975-76 by one month so as to include April 1976 also for fulfilling the prescribed export target of two lakh tonnes subject to which alone the cash assistance was admissible.

On 23rd June 1976, Government specifically extended cash assistance on the exports of decorticated extractions and expeller cakes made during April 1976 also, at the same rates (*viz.* 20 and 15 per cent respectively) as were applicable for exports made during 1975-76.

Explaining the decision to extend the target period Government clarified (August 1978) as follows :—

“There was late arrival of cotton crop in 1976 and the commencement of purchase operations by the Government of Maharashtra was also delayed. It was, therefore, not possible for the industry to procure cottonseed for extraction purposes from the new crop till March-end. Consequently, it was not possible for the industry to achieve the target of 2 lakh tonnes by the end of March 1976. At the beginning of February 1976, the industry approached Government to extend the time limit. It was feared that if the industry is not given any cash incentive, they might stop further processing and the purpose of sanctioning the cash assistance would be defeated. In order to avert such a situation it was decided, in consultation with the Ministry of Finance, that the time limit for achieving the target [should be extended by one month, *i.e.* up to 30th April 1976”.

As against the projected low expectations, however, 1.68 lakh tonnes (extractions 1.54 lakh tonnes and expeller cakes 0.14 lakh tonnes) had already been exported by the end of January 1976, and before the end of February 1976 over 1.80 lakh tonnes had actually been exported and further commitments for progressive export of 2.01 lakh tonnes by 31st March 1976 had been made by the industry in the contracts already concluded as could be seen from the entries made in the relevant registers of contracts maintained by AICOSCA. It would appear that the above details were not ascertained by Government from the AICOSCA at the time of taking the decision to extend the period from 12 to 13 months for 1975-76.

Only 3,550 tonnes (extractions 2,950 tonnes and expeller cakes 600 tonnes) were contracted for in March 1976 for shipment during that month. The actual exports made from 1st April 1975 to 31st March 1976 were 2.04 lakh tonnes (extractions 1.76 lakh tonnes and expeller cakes 0.28 lakh tonnes) according to the statistics supplied by AICOSCA. Thus, it would be seen that before the end of February 1976 the industry was already

in a position to achieve the prescribed target of two lakh tonnes for the financial year in spite of the constraints arising out of the delay in the arrival of the cotton crop or in cotton procurement.

Exports made during April 1976 were 32,050 tonnes (extractions 21,466 tonnes and expeller cakes 10,584 tonnes) on which cash assistance of Rs. 51.05 lakhs was paid along with the claims for 1975-76.

For the purpose of eligibility of cash assistance on the exports of decorticated cottonseed oilcakes during 1975-76, a target of 2 lakh tonnes was to be achieved during the period April 1975 to March 1976. A consolidated claim for cash assistance was to be made by AICOSCA by 30th June 1976. Exports made during April 1976 should normally have been counted against the exports during the subsequent year (1976-77). By taking into account the exports of April 1976 against the target of 1975-76, cash assistance to the extent of Rs. 51.05 lakhs was paid on them one year in advance. As explained in sub-paragraph 5 below, the actual exports during 1976-77 fell short of the target of 2.5 lakh tonnes fixed for that year. If the exports during April 1976 had not been taken into account in the exports of 1975-76, no cash assistance would have been payable on them.

Government were requested (August 1978) to clarify, *inter alia*, the precise basis for their reaching the conclusion that the target would not be fulfilled by March 1976. Government stated (March 1979) that "when the industry represented in February 1976 for extension of the target, the possibility of the target being achieved had not been ruled out but there was an element of uncertainty and the industry wanted to be assured that they would get the promised cash assistance to continue with the processing".

As mentioned earlier, the re-introduction of cash assistance on exports of cottonseed oilcakes in September/December 1975 was governed by the concept of a progressively increasing annual target and the incentive had been classified under the head "Commodity Development". Government were requested

(June/August 1978) to clarify how they had considered that the underlying purpose of development assistance would be served by extending the originally stipulated period for achieving the prescribed target. Government stated (March 1979) that "if the target was not extended, there was a possibility of no cash assistance being admissible for 1975-76 also. The idea then was not to disentitle the industry of the assistance on some technical ground but to see whether the objectives could be achieved by slightly modifying the scheme".

5. *Sanctions of cash assistance in 1976-77 and 1977-78.*—In a sanction issued on 27th March 1976, Government sanctioned cash assistance on decorticated cottonseed extractions and expeller cakes for the period 1st May 1976 to 31st March 1977 at the increased rates of 22.5 and 17.5 per cent of f.o.b. value respectively, subject to the following basic conditions:—

- (a) A higher export target of 2.5 lakh tonnes (for total of both items) should be fulfilled during the above period; and
- (b) exports of the first one lakh tonnes of the two items would not qualify for cash assistance.

The export performance during the above period fell far short of the target of 2.5 lakh tonnes. From May 1976 to January 1977 only 82,028 tonnes were exported, the monthly figures ranging from 3,371 to 12,186 tonnes between May and December 1976. Although the exports picked up in January, February and March 1977 (21,539/28,722/47,392 tonnes respectively), the total exports from May 1976 to March 1977 came to 1.58 lakh tonnes (extractions 99,561 tonnes and expeller cakes 58,581 tonnes).

Government issued a sanction on 4th April 1977 under which:

- (a) no export target for the year 1977-78 (2/2.5 lakh tonnes as adopted in the preceding two years) was prescribed;
- (b) cash assistance for 1977-78 on extractions alone was sanctioned, on a graded scale for exports above one lakh tonnes; and

- (c) the sanction dated 27th March 1976 for 1976-77, which had virtually become inoperative because of shortfall in performance, was substituted by a fresh sanction in respect of extractions alone, covering the month of March 1977 on the same graded pattern as for 1977-78 (reduced *pro rata* by one-twelfth) for exports above 8,333 tonnes made during that month.

This sanction was followed by another one dated 20th April 1977 in which Government sanctioned cash assistance on export of decorticated cottonseed expeller cakes also, at rates which were 5 per cent lower than those for extractions. It was also clarified that the quantities indicated in the graded scales were to be worked out taking the exports of extractions and expeller cakes together. The graded scales were as follows:—

Rates of cash assistance (percentage of f.o.b. value)		Quantities of export qualifying for cash assistance (tonnes)	
<u>Extractions</u>	<u>Expeller cakes</u>	<u>1977-78</u>	<u>March 1977</u>
Nil	Nil	Up to 1 lakh	Up to 8,333
15	10	Above 1 lakh and up to 1.5 lakh	Above 8,333 and up to 12,500
17½	12½	Above 1.5 lakh and up to 2 lakh	Above 12,500 and up to 16,666
20	15	Above 2 lakh and up to 2.5 lakh	Above 16,666 and up to 20,833
22½	17½	Above 2.5 lakh	Above 20,833

6. *Export targets.*— In reply to an audit query asking why no export target (which had governed the projection made in 1975 by the Ministry of Commerce in the context of the MDF committee's decision to re-introduce cash assistance and had also been incorporated in the sanctions in the two

preceding years) was prescribed for 1977-78, Government stated (August 1978) as follows:—

“The targets fixed in 1975-76 and 1976-77 were found to be unrealistic. The tendency of the processors was to wait and watch the performance till the late period in the year and make an effort only if there was reasonable chance of the target being achieved. If there was even a slight shortfall in the target, there would have been a loss to the processors but there would be a profit if the target is achieved. This was in the nature of a gamble which is not normally taken by the industry. The better alternative was to devise a formula whereby there is no loss if the export falls short of the target but there is a profit when there are higher exports. A graded target with higher incentives for larger processing and exports was therefore thought of.”

During 1973-74 and 1974-75 when there was no cash compensatory support on this item, the annual export had amounted to 2.09 lakh tonnes and 1.26 lakh tonnes respectively and consequently it would appear that it was unrealistic to have fixed the qualifying floor-level for 1977-78 at one lakh tonnes even below the minimum performance in 1974-75 without cash assistance.

In reply to another specific query as to why no export target was fixed when the main object of grant of development assistance was to promote exports, Government stated (August 1978) that “.....commodity development does not necessarily involve quantitative increase in the export of any particular item.....” Government was requested (August 1978) to clarify what precise results such assistance was expected to achieve if not a progressive increase in the volume of exports. Government stated (March 1979) that “development assistance becomes necessary where domestic market is weak as in the case of cottonseed oilcakes”. Government, however, also added that in the light of the recommendations of Dr. Alexander Committee, the pattern of cash assistance on the export of cottonseed extractions and expellers had been reviewed and it had been decided

“to reintroduce cash assistance subject to achievement of a minimum target”.

7. *Cash assistance for March 1977.*—Explaining the circumstances in which the *de novo* scheme of cash assistance for March 1977 was announced in April 1977, Government stated (August 1978) that the sanction dated 4th April 1977 (dealing solely with extractions) was in pursuance of a decision taken by the Cash Assistance Review Committee on 23rd February 1977, and that the subsequent sanction dated 20th April (bringing expeller cakes also within the scope of the sanction) had been issued “by way of clarification” with the approval of the above committee conveyed in its meeting held on 4th April 1977.

During a scrutiny in audit of the relevant consolidated cash assistance claims in the office of the Joint Chief Controller of Imports and Exports (JCCIE), Bombay, it was noticed that out of the total quantity of 47,392 tonnes actually exported during March 1977 as much as 38,773 tonnes pertained to contracts already executed up to January 1977 (41,435 tonnes against contracts concluded up to 10th February 1977). As against these commitments for March 1977 shipments, the exports made during the month of March in the three preceding years had been as follows:—

	(tonnes)
March 1974	23,539
March 1975	11,821
March 1976	24,062

It would, thus, appear that well before Government took a decision (on 23rd February 1977) to give an incentive on a graded pattern for encouraging the exports during March 1977, the exporters had booked for shipment during that month quantities which not only constituted the bulk of the exports actually made in March 1977 but exceeded (a) the exports during March in each of the three preceding years and (b) the level prescribed by Government (*viz.* 20,833 tonnes) above which maximum rate of cash assistance was applicable.

It would appear that while taking a decision on 23rd February 1977 to grant cash assistance on exports in March 1977, Government did not ascertain from AICOSCA up-to-date details of relevant contracts already concluded.

In spite of special sanction of cash assistance, only 3089 tonnes of extractions and 105 tonnes of expeller cakes as against the total of 37,434 and 9,958 tonnes respectively exported in March 1977, pertained to contracts entered into after 23rd February 1977. Cash assistance to the extent of Rs. 115.03 lakhs had been paid against the exports made during March 1977 (Rs. 95.96 lakhs in respect of extractions, and Rs. 19.07 lakhs in respect of expeller cakes).

Government had not so far (February 1979) replied specifically to an audit query (August 1978) asking for clarification of the precise reasons justifying the graded scales as envisaged by them for the exports in 1977-78, to cover those in March 1977, also *pro rata*.

8. *Profitability of exports in March 1977.*— The average cottonseed prices in India, the average prices of undecorticated expeller cakes in India and unit value realisations per tonne on exports of decorticated extractions and expeller cakes are given below :

Month	Average cottonseed price in India	Average price of undecorticated expeller cakes in India	Average unit-value realisation on exports	
			Decorticated extractions	Decorticated expeller cakes
(Rupees per tonne)				
	(A)	(B)	(C)	(D)
1	2	3	4	5
April 1975	NA	NA	825	NA
May 1975	NA	NA	689	966
June 1975	1168	731	659	NA
July 1975	1133	663	706	NA
August 1975	1285	768	637	NA
September 1975	1136	746	685	886

1	2	3	4	5
October 1975	1215	794	819	983
November 1975	1120	867	773	926
December 1975	1132	897	751	942
January 1976	1219	871	717	930
February 1976	1096	695	777	930
March 1976	1026	780	827	907
April 1976	1168	859	880	904
May 1976	1134	888	961	920
June 1976	1259	1021	997	882
July 1976	1392	1075	1067	1151
August 1976	1453	1134	1243	973
September 1976	1513	1184	1294	1204
October 1976	1463	1210	1284	1183
November 1976	1564	1228	1231	1415
December 1976	1666	1116	1430	1492
January 1977	1774	1222	1218	1511
February 1977	1826	1236	1516	1748
March 1977	1762	1253	1461	1513

(Sources.—(A) and (B): "Oilseeds and Oil Review" published by Bombay Oilseeds and Oils Exchange Ltd; (C) and (D): AICOSCA)

It would be seen from the above that :

- (i) towards the end of 1976-77 the average unit value per tonne realised by exports of decorticated extractions, which had ranged from Rs. 637 to Rs. 827 in 1975-76, had gone above Rs. 1,200 from August 1976, and above Rs. 1,400 in December 1976, February-March 1977. Similarly, the average unit value per tonne realised by exports of decorticated expeller cakes, which had ranged from Rs. 886 to Rs. 983 in 1975-76, had gone above Rs. 1,400 in November 1976 and above Rs. 1,500 from January 1977;

- (ii) the prices for expeller cakes, in particular, had become so profitable around this time that in January/February 1977 the quantities of decorticated expeller cakes exported were unusually high (12,286/15,936 tonnes against the monthly average of 5764 tonnes in 1976-77), fetching realisations of Rs. 1.86/2.79 crores at an average unit value of Rs. 1,511/Rs. 1,748 per tonne and surpassing unlike ever before even the quantities of extractions exported during those months (9,253/12,786 tonnes);
- (iii) the increase in the average unit value realisations per tonne of extractions and expeller cakes was in greater proportion than the increase in the average price of cottonseed; and
- (iv) as against the above, the monthly average prices of unde-corticated cottonseed cakes in the domestic market, which had ranged from Rs. 663 to Rs. 897 per tonne in 1975-76, had increased only to Rs. 1222/1236/1253 per tonne in January/February/March 1977.

In reply to an audit query asking whether this increasing trend in unit value realisations had been taken into account while deciding the grant of cash assistance on exports during 1977-78 and especially in March 1977, Government stated (August 1978) as follows:—

“While taking a decision in February 1977 to grant cash assistance on exports in March 1977, Government could not anticipate that the f.o.b. realisation during March 1977 or in the subsequent months would be of any particular level. We cannot suspend cash assistance when the international price rises as decision taken is applicable at least for a period of one year. In actual fact, however, there has been a fall in the international prices of cottonseed meal and also a rise in prices of cottonseed in the internal market beyond March 1977.”

The situation following March 1977 was as follows:—

Month	Average cotton-seed price in India	Average price of undecorticated expeller cakes in India	Average unit value realisation on exports	
			Decorticated extractions	Decorticated expeller cakes
(Rupees per tonne)				
April 1977	1650	1278	1509	1544
May 1977	1744	1356	1593	1707
June 1977	1845	1361	1608	1759
July 1977	1771	1295	1702	1681
August 1977	1753	1246	1676	1484
September 1977	1602	1239	1637	1517
October 1977	1477	1233	1760	NA
November 1977	1561	1173	1240	1014
December 1977	1650	1102	1232	1167
January 1978	NA	1045	1122	1176
February 1978	1536	1000	1101	1181
March 1978	1541	996	1091	1156
April 1978	1450	1005	1142	1295
May 1978	NA	996	1181	1234
June 1978	NA	1040	1151	1263
July 1978	NA	1008	1137	1245
August 1978	NA	988	1093	1171

(Source: Same as in preceding table).

The following facts emerge from the above:—

- (a) the average unit value realisation per tonne on exports of decorticated extractions and expeller cakes rose further up to September/October 1977 and were higher than those of undecorticated cakes in the domestic market;

- (b) although there was a fall in unit value realisations from November 1977, these still continued to be higher than those of undecorticated cakes in the country; and
- (c) the domestic cottonseed prices, which had risen in May—July 1977, also fell from August 1977 to levels below those prevailing in December 1976—February 1977.

The information available in the contract register maintained by AICOSCA revealed that contracts for export of extractions/expeller cakes (14558/1325 tonnes) for shipments in March 1977 had been booked in December 1976 and January 1977 at f. o. b. prices ranging from Rs. 1425/1624 to Rs. 1775/1774 per tonne.

It would, thus, appear that high export performance had been achieved in March 1977 mainly because of high profits accruing therefrom and the special sanction of cash assistance for that month merely had the effect of adding substantial amounts (Rs. 115.03 lakhs) to those profits. It was significant to note that 26,559 tonnes, out of 47,392 tonnes exported in March 1977, qualified for cash compensatory support at the maximum rates (extractions, 22½ per cent; expeller cakes, 17½ per cent) prescribed under the new scheme which normally would have been reckoned as relating to the ensuing year.

9. *Cash assistance for 1978-79.*—On 1st April 1978, Government issued a sanction continuing the cash assistance on decorticated cottonseed extractions and expeller cakes during the year 1978-79, with the same graded scale and subject to the same conditions as had been prescribed in the preceding year.

10. *Cash assistance on expeller cakes.*—It was noticed that policy regarding cash assistance on export of expeller cakes had also been changing from time to time. During certain spells in the past (August 1967 to December 1967; May 1968 to March 1969; November 1972 to March 1973) the cash assistance on expeller cakes was withdrawn while that

on extractions was continued. But during other spells (June 1966 to August 1967; April 1969 to March 1971) it was sanctioned on exports of both the items. In August 1977, Government had abolished the cash assistance on exports of cottonseed expeller cakes specifically in order to encourage the production of oil by the domestic solvent extraction units because the extraction process would yield a greater quantity of oil.

Cash assistance for exports of expeller cakes sanctioned up to April 1976 amounted to Rs. 45.86 lakhs. In a meeting held on 4th April 1977 the CARC decided to sanction cash assistance for exports of expeller cakes already made in March 1977 (9958 tonnes; cash assistance paid Rs. 19.07 lakhs). It may be mentioned that since these exports had already taken place this assistance could not have had the effect of inducing greater exports of expeller cakes in March 1977. The considerations on which the Ministry thus gave retrospective effect to a decision taken in April 1977 to March 1977 exports are not on record. The point was taken up (August 1978) with the Ministry; their specific remarks were awaited (February 1979).

11. *Distribution of benefit among exporters.*—In the sanctions for cash assistance on export of oilcakes issued from September 1975, Government had laid down that the cash assistance would be drawn by the All India Cottonseed Crushers' Association, Bombay, through a single consolidated claim. However, Government had not laid down any guidelines regarding the actual manner of distributing the cash assistance among the exporters and AICOSCA had generally been allowed to adopt its own devices in the matter.

On 22nd January 1976 when AICOSCA issued a circular to its members to put forth extra efforts to achieve the prescribed target, it announced that the quantum of cash assistance for 1975-76 against (a) exports made up to 20th January 1976 and (b) exports made after that date up to 31st March 1976 (changed to 30th April 1976 subsequently) would be distributed *pro rata* quantity-wise among all the concerned exporters of (a) and (b) respectively.

The pattern of distribution actually made in terms of the above formula was as follows:—

	Quantity exported	Corres- ponding cash assis- tance claimed by AICOSCA	Cash assistance distributed to members
	1	2	3
	(In lakh tonnes)	(Rs. in lakhs)	(Rs. per tonne)
<i>Extractions</i>			
1-4-1975 to 20-1-1976	1.53	86.58	57
21-1-1976 to 30-4-1976	0.45	74.40	166
<i>Expellers :</i>			
1-4-1975 to 20-1-1976	0.11	10.04	96
21-1-1976 to 30-4-1976	0.28	37.68	134

(Source : AICOSCA, Bombay).

Government were requested (August 1978) to clarify why no precise criteria or even broad guidelines had been prescribed by them in the matter of actual distribution of the cash assistance drawn by AICOSCA. Government stated (March 1979) that introduction of suitable safeguards for ensuring proper distribution for the future had been considered and a decision taken to allow cash assistance on every tonne of export.

12. Summing up, the following main points emerge:—

- (a) The concept of an export target envisaged in the projection made by the Ministry of Commerce, while justifying the re-introduction of cash assistance in 1975 and actually adopted in the sanctions for 1975-76 and 1976-77 (*viz.* 2 and 2.5 lakh tonnes), had been given up from 1977-78.
- (b) Cash assistance on exports of decorticated expeller cakes, in particular, had been allowed by subsequent sanctions both for 1975-76 and 1977-78 including March 1977. By allowing cash assistance on exports of expeller cakes, the object of encouraging the production of oil by the domestic solvent extraction units with a view to yielding greater quantity of oil, was, to some extent, defeated.

- (c) By extending the period of exports for cash assistance from 12 to 13 months for 1975-76 by including April 1976, extra cash assistance of Rs. 51.05 lakhs became payable. Similarly, by giving *pro rata* benefit of cash assistance on exports in March 1977 only (though the target for 1976-77 as a whole was not fulfilled and the exports during 1976-77, thus, did not qualify for cash assistance), Rs. 115.03 lakhs became payable as cash assistance on exports during March 1977.
- (d) No appropriate criteria or guidelines in the matter of actual distribution of the cash assistance among the members of AICOSCA were laid down by Government.
- (e) While evaluating special proposals for revisions in policy involving substantial financial liabilities, all relevant up-to-date trade information was not taken into consideration.

27. Cash assistance for export of steel tubes and pipes

1. Mild Steel Welded Tubes and Pipes (hereafter referred to as STP) are an important item of exports of engineering goods from India. These are produced mainly according to British Standard Specification (BSS) 1387/67, or Indian Standard Specification (ISS) 1239/73, or American Standard Specification ASTM : A 120—73. Zinc-coated STP are known as galvanised STP ; ungalvanised STP are commonly known as black STP. Both galvanised and black STP are produced in light, medium and heavy varieties in diameters varying from 1/2 inch to 8 inches, either with "screwed and socketed ends" (SS) or with "plain ends" (PE). The SS variety is also known as threaded and coupled (TC).

According to the Ministry of Industry and Civil Supplies (Annual Report for 1975-76), "the industry is self-sufficient as most of the machinery required are available indigenously The industry is capable of exporting technical know-how and expertise" The production of STP increased from 2.97 lakh tonnes in 1966 to 3.72 lakh tonnes (1975), 4.50 lakh tonnes (1976) and 5.22 lakh tonnes (1977). In 1977-78 there

were 39 units in the private sector with a total licensed capacity of 16.7 lakh tonnes. In 1977, 4.03 lakh tonnes were produced by 11 units, annual licensed capacity of which was 12.48 lakh tonnes, *viz.* 74.73 per cent of the total licensed capacity. These units were the major exporters of this item.

The main raw materials required for the production of STP are hot-rolled mild steel strips/skelp and zinc. According to the norms fixed by the Director General, Technical Development (DGTD), the material content of one tonne of galvanised STP is 92 per cent steel and 8 per cent zinc. While steel was fully available indigenously, the requirements of zinc were met partly from the imports by the Minerals and Metals Trading Corporation (MMTC).

2. *Exports.*—The exports of STP increased from 35,636 tonnes (value : Rs. 3.31 crores) in 1966-67 to 1,99,515 tonnes (value : Rs. 56.24 crores) in 1976-77, of which the export of black STP accounted for Rs. 4.77 crores. The major export markets in recent years were in the Middle East. The exports of STP during the last five years were as follows :—

	Galvanised		Black		Total	
	Quantity (Tonnes)	Value (Rs. in crores)	Quantity (Tonnes)	Value (Rs. in crores)	Quantity (Tonnes)	Value (Rs. in crores)
1973-74	67,892	15.70	14,899	2.85	82,791	18.55
1974-75	70,746	27.49	31,497	10.67	102,243	38.16
1975-76	52,303	15.85	8,971	2.69	61,274	18.54
1976-77	181,729	51.47	17,786	4.77	199,515	56.24
1977-78 (upto January 1978)	95,498	27.95	19,024	5.38	114,522	33.33

[Source : Statistics compiled by the Director General, Commercial Intelligence and Statistics, (DGCIS), Calcutta.]

3.0 *Export incentives.*—Following devaluation of the rupee on 6th June 1966, export incentives in the form of import replenishment and cash assistance for export of STP (along with a number of other items of engineering goods) were introduced by Government.

3.1 *Import replenishment.*—On the export of galvanised STP, the rate of import replenishment was 20 per cent of the f.o.b. realisation from 6th June 1966, except for 1975-76 and 1978-79 when it was 10 per cent. For black STP, the rate was 5 per cent of the f.o.b. realisation up to 1977-78, but from 1978-79 this incentive was withdrawn.

3.2 *Cash assistance rates.*—The rate of cash assistance for both galvanised and black STP was 20 per cent of f.o.b. realisation from 6th June 1966. It was raised to 25 per cent with effect from 1st September 1967. Additional assistance of 5 per cent was admissible from 1st March 1968 if an exporter increased his exports beyond a specified level. From 1st April 1970, the additional assistance was merged with the basic rate and it became 30 per cent up to 8th January 1974. It was withdrawn with effect from 9th January 1974. Explaining the reasons for its withdrawal, the Ministry of Commerce intimated the Public Accounts Committee (Paragraph 1.53 of 10th Report 1977-78, 6th Lok Sabha) that towards the later part of 1973, it came to the notice of Government that f.o.b. realisation on export of steel tubes had gone up consequent on the increase in international price of steel and comparison of the latest f.o.b. cost and f.o.b. realisation showed that there was no loss on export of steel tubes. The cash compensatory support, which was then 30 per cent, was, therefore, withdrawn.

The Ministry of Commerce re-introduced cash assistance (cash compensatory support) at 10 per cent of the f.o.b. realisations on the exports of STP from 1st October 1975, raised it to 15 per cent from 1st July 1976 to 31st March 1977 and further continued (October 1976) it up to 31st March 1979.

3.3 *Duty drawback.*—Duty drawback was also admissible on the exports of STP at varying rates depending on the wall thickness and the variety of steel (strips/skelp) used in their manufacture. The rates of duty drawback from 1975 to 1978 were as follows :—

	(Rs. per tonne)			
	1975	1976	1977	1978
Galvanised STP	521—876	569—956	540—879	533—868
Black STP	367—682	367—682	337—614	359—644

4. *Floor prices.*—The system of fixing floor prices for export of STP in respect of various destination-ports grouped into various zones has been in force for more than 10 years. These prices are fixed (since 1974) by the “Steel Pipes, Tubes and Fittings thereof (SPTF) Panel” formed by manufacturer-exporters and merchant-exporters of STP who are registered with the Engineering Export Promotion Council (EEPC). The EEPC was entrusted, *inter alia*, with the task of advising Government on policies connected with the exports of engineering goods including incentives for promoting their exports. Prior to May 1975, the floor prices were being announced in terms of f.o.b. values. Since 10th May 1975 they were announced in c and f values (generally US \$ or £ per tonne). The floor prices, below which no exports could be made, were binding on the exporters and the Customs authorities were empowered to disallow shipments where they found that the floor prices were not being adhered to. Exporters were also not eligible for export incentives where they violated the floor prices. The Monitoring Cell in the Ministry of Commerce keeps a watch on the floor prices and their implementation.

5. *Re-introduction of cash assistance in October 1975.*—In September 1975, the Cash Assistance Review Committee in the Ministry of Commerce reviewed the policy of cash assistance in respect of a number of items of engineering goods. Based on the Committee's recommendations, Government announced (1st October 1975) cash assistance rates for the exports of various items for the period October 1975 to March 1976. But no recommendation was made by the Committee in respect of STP since certain cost data submitted by four leading exporters of STP (through the EEPC) in 1975 were under examination of the Cost Accounts Branch of the Ministry of Finance.

Soon after (16th October 1975) the cash assistance already sanctioned on all steel-based items was stepped up by 5 per cent of f.o.b. realisation; and in respect of steel-based items, on which no cash assistance had been specified in the sanction of

1st October 1975 (including STP), the cash assistance was sanctioned at 10 *per cent* of the f.o.b. realisations of exports from 1st October 1975 to 31st March 1976. The Ministry stated (August 1978) that this decision was taken in consultation with the Ministry of Finance but that the matter was not placed before the Cash Assistance Review Committee.

Clarifying the basis for the above decision, the Ministry of Commerce stated (August 1978) as follows :—

“The entire scheme of export assistance for an upward thrust in our exports had been the subject of examination at the level of the Cabinet Committee on Exports, who finally decided upon introduction of cash assistance or increase in the prevalent rates of cash assistance, where called for, as a promotional measure, taking into account the various factors, such as export prospects, production capability in the country, the competitive strength of our products *vis-a-vis* the international prices and other relevant factors.”

The floor prices for galvanised STP had been reduced from 1st July 1975 by US \$ 47 per tonne. A test-check (June—August 1978) of the records of the Joint Chief Controller of Imports and Exports (JCCIE), New Delhi, Bombay, Calcutta and Ahmedabad had revealed several instances where leading exporters had entered into contracts in July and August 1975 at rates far below the reduced floor prices. Exports of over Rs. 60 lakhs effected in October 1975 or later at such low prices (and against which cash assistance of over Rs. 6 lakhs had been paid) were noticed during test-check and reported by Audit in October 1978 to the concerned JCCIEs.

As just prior to the re-introduction of cash assistance in October 1975 certain export contracts had been concluded even at prices lower than the reduced floor prices, it would appear that

such prices obtained were not unremunerative and that the need for cash assistance was not apparent. The extent of profitability, however, could not be ascertained.

6.0 *Enhancement of cash assistance in 1976.*—The Ministry of Commerce sanctioned (27th March 1976) continuance of cash assistance on export of STP at 10 per cent of f.o.b. realisation from 1st April 1976 to 30th June 1976; on 22nd May 1976 in a meeting of the Inter-Ministerial Committee, it was decided to enhance the rate of cash assistance to 15 per cent of f.o.b. realisation from 1st July 1976 to 31st March 1977 and the enhanced rate was sanctioned by the Ministry on 22nd June 1976.

Around January 1976, Government decided that the rates of cash compensatory support on exports were to be determined by a balanced judgement of the following criteria :—

- (a) export potential and domestic availability as well as supply elasticity of the product ;
- (b) import content and domestic value development ;
- (c) approximate implicit subsidy, if available, under the import replenishment scheme ;
- (d) compensation for irrecoverable taxes and levies ;
- (e) difference between the domestic cost and international price of indigenous inputs and raw-materials ; and
- (f) cost of entry into new markets.

On the basis of the above criteria, the EEPC submitted (1st May 1976) a note indicating, *inter alia*, that the non-reimbursable levies in the case of STP amounted to 8.74 per cent of f.o.b. value and that the Indian STP exports also suffered from an

inland freight disadvantage of 6 per cent of f.o.b. value *vis-a-vis* some competing countries which had their industries located near their ports. In this note, the EEPC also disclosed the f.o.b. value of the floor prices as US \$ 303 and US \$ 240 per tonne for galvanised and black STP respectively. Further, as per cost data furnished by the EEPC, shortfall in realisation was 30.53 per cent for ungalvanised and 14.53 per cent for galvanised STP. These cost data were not accepted by the Cost Accounts Branch of the Ministry of Finance because the shortfalls were not worked out on the basis of actual f.o.b. realisations but only on quotations.

While taking the above decision (May 1976) apart from the factors mentioned above, the Ministry stated (August 1978) that "... Markets X, Y and Z were considered as new prospective markets for entry of this item". In earlier years Country X had been a sizable market for Indian STP, although exports of STP to that country had declined from 11,855 tonnes (1972-73) to 512 tonnes (1974-75).

The f.o.b. equivalents of floor prices for all sizes of STP of BSS 1387/67 for Country X were US \$ 294/295/290 per tonne (galvanised) and US \$ 231/240/235 per tonne (black) during the 25-month period from January 1976 to February 1978, except for eight months from July 1976 to January 1977 when they were US \$ 325/305 per tonne (galvanised) and US \$ 270/250 per tonne (black). Thus, it would appear that a price of about US \$ 334/339 per tonne (*viz.* US \$ 290/295 plus 15 per cent cash assistance) in the case of galvanised STP and of about US \$ 266/276 per tonne (*viz.* US \$ 231/240 plus 15 per cent) in the case of black STP, constituted a fair return for increasing exports to Country X.

However, in accordance with a floor-price circular issued by the EEPC on 28th April 1976, the floor prices fixed in respect

of India's leading markets from 1st May 1976 were as shown below :

Destination country	Sizes	C and f floor prices effective from 1st May 1976	F.o.b. equivalents (approximate)	Excess of actual f.o.b. values of floor prices from 1st May 1976 over the assumed f.o.b. value of US \$303/240	Relative size of markets (volume of exports in 1975-76)
1	2	3	4	5	6
	(Inches)	galvanised/black (US \$ per tonne)	galvanised/black (US \$ per tonne)	galvanised/black (US \$ per tonne)	galvanised/black (tonnes)
A (Port-1)	$\frac{1}{2}$	435/380	394/339	91/99	} 14225/2946
	$\frac{1}{2}$ —4	405/350	364/309	61/69	
	5—8	415/360	374/319	71/79	
A (Port—2)	$\frac{1}{2}$	400/345	371/316	68/76	
	$\frac{1}{2}$ —4	370/315	341/286	38/46	
	5—8	380/325	351/296	48/56	
B	$\frac{1}{2}$	425/370	384/329	81/89	} 7799/100
	$\frac{1}{2}$ —4	390/335	349/294	46/54	
	5—8	400/345	359/304	56/64	
C and D	$\frac{1}{2}$	379*/324*	350/295	47/55	} C 3676/688
	$\frac{1}{2}$ —2	349/294	320/265	17/25	
	$2\frac{1}{2}$ —4	352/297	323/268	20/28	
	5—8	367/312	338/283	35/43		D 4296/654

*In the case of D (Port—2), c and f prices were US \$ 3 or 4 more, on account of higher freight.

The above floor prices were generally higher than the aforesaid derived prices of US \$ 334/339 per tonne (galvanised) and US \$ 266/276 per tonne (black) for exports of STP to Country X and, therefore, profitable. Thus, the continuance of cash assistance on exports of STP to all the markets from May 1976 did not

seem to be justified even if there was a need for it to make a breakthrough in new markets like X, Y and Z. The actual exports of STP to Country X were 2,297 tonnes (value : Rs. 67.17 lakhs) in 1976-77 and 2,271 tonnes (value : Rs. 63.70 lakhs) in 1977-78 (up to January 1978) ; there were no exports to Countries Y and Z during these years. Thus, the anticipated breakthrough in these markets was not achieved.

Further as the f.o.b. floor prices of US \$ 303 per tonne (galvanised) and US \$ 240 per tonne (black) indicated by the EEPC in its note dated 1st May 1976 formed the basis for increase in the rate of cash assistance to 15 per cent, it would appear that f.o.b. prices of US \$ 348 per tonne (galvanised) and US \$ 274 per tonne (black), arrived at after adding 15 per cent to the above mentioned f.o.b. floor prices, would have been profitable. The f.o.b. values of floor prices from 1st May 1976 as given in the above table were generally higher than US \$ 348 per tonne (galvanised) and US \$ 274 per tonne (black) and hence more profitable obviating the need for any cash assistance. It was stated by the Ministry (February 1979) that while taking the decision on 22nd May 1976 to increase the rate of cash assistance to 15 per cent and while issuing the sanction on 22nd June 1976, the increases in the floor prices effective from 1st May 1976 had not been taken into account.

6.1 *Comparison of prices of raw materials.*— In April and May 1976, Indian exporters of STP had a relative advantage in the matter of raw material prices, as shown below :

<i>Steel</i>	April 1976 (Rs. per tonne)	May 1976 (Rs. per tonne)
<i>Hot rolled strips :</i>		
Net JPC price :	1,547	1,547
ECM export price :	2,136	2,145
USA domestic price :	1,626	1,634
<i>Skelp</i>		
Net JPC price :	1,504	1,504
ECM export price :	1,575	1,581

Zinc

April/May 1976
(Rs. per tonne)*Electrolytic high grade*

Net MMTC price :	6,725
London Metal Exchange Price :	7,090

NOTE :—Net JPC price and net MMTC price are exclusive of duties.

JPC—Joint Plant Committee

ECM—European Common Market

The Ministry was requested (September 1978) to clarify how exactly the basic criterion of raw material prices had been interpreted and applied when it took the decision in May 1976 to continue and enhance the rate of cash assistance on exports of STP and in what precise manner the basic criteria (a), (b) and (c) mentioned in sub-paragraph 6.0 above were interpreted and were found to justify the continuance and enhancement of cash assistance on export of STP in May 1976; a specific reply was awaited (February 1979).

As stated in sub-paragraph 6.0, one of the reasons for increasing the cash assistance was stated to be the internal freight disadvantage *vis-a-vis* some other competing countries at 6 per cent of the f.o.b. value reckoned at US \$ 303 and which worked out to about US \$ 18 or about Rs. 160. But according to a floor-price circular issued by the EEPC in March 1976 covering supplies of STP to IDA-aided projects in India, the uniform internal freight from any factory to any destination in India plus the insurance element amounted only to Rs. 125 per tonne. The Ministry was requested (September 1978) to clarify how internal freight disadvantage in India *vis-a-vis* any competing country could exceed this figure. The Ministry stated (February 1979) that “it is admitted that the alleged disadvantage in regard to domestic freight did not exist”.

It would appear from the foregoing that the Indian exporters had the advantage of prices of raw materials and no disadvantage in the matter of internal freight as adduced.

7.0 *Long-term sanction issued in October 1976.*—Although the sanction dated 22nd June 1976 was valid up to 31st March 1977, the Ministry reviewed the existing cash assistance rates on exports of various items of engineering goods including STP in October 1976 and sanctioned (18th October 1976) its continuance up to 31st March 1979. Explaining the reason for this decision in regard to cash assistance for export of transmission line towers, the Ministry had stated (January 1978) that "a conscious decision had also been made that a measure of stability in the rates should be brought about."

The floor prices for the galvanised STP (which constituted the bulk of the STP exports) had been increased by US \$ 15 or more for all markets except market B since July 1976. But in markets A and B, where there were temporary spurts in freight rates on account of congestion surcharges, the floor prices were sufficiently high to absorb them without affecting the overall profitability. In respect of markets C and D, which had grown into major markets in 1976-77, there were no significant freight increases, but the floor prices for galvanised STP had gone up in their cases also. It would be evident from the table given below that the floor prices continued to be profitable in September-October 1976 and their f.o.b. equivalents were far higher than the assumed f.o.b. floor prices of US \$ 303 per tonne (galvanised) and US \$ 240 per tonne (black) on the basis of which decision to enhance cash assistance was taken on 22nd May 1976.

Destination country	Sizes	C and f floor prices prevailing in September/October 1976	F.o.b. equivalents (approximate)	F.o.b. values exceeding US \$ 303/240 by :	Relative size of markets (volume of exports in 1976-77)
	2	3	4	5	6
	(Inches)	galvanised/black (US \$ per tonne)	galvanised/black (US \$ per tonne)	galvanised/black (US \$ per tonne)	galvanised/black (tonnes)
(A Port—1)	½	465/395	395/325	92/85	}
	¾—4	435/365	365/295	62/55	
	5—8	445/375	375/305	72/65	

1	2	3	4	5	6
A (Port—2)	$\frac{1}{2}$	415/345	365/295	62/55	23,437/3,775
	$\frac{1}{2}$ —4	385/315	335/265	32/25	
	5—8	395/325	345/275	42/35	
B	$\frac{1}{2}$	425/370	363/308	60/68	24,764/1,825
	$\frac{1}{2}$ —4	390/335	328/273	25/33	
	5—8	400/345	338/283	35/43	
C and D	$\frac{1}{2}$	394*/324*	364/294	61/54	C—24,360/3,030 D—45,517/938
	$\frac{1}{2}$ —2	364/294	334/264	31/24	
	2 $\frac{1}{2}$ —4	367/297	337/267	34/27	
	5—8	382/312	352/282	49/42	

*In the case of D (Port—2), c and f prices were US \$ 3 to 4 more, on account of higher freight.

Meanwhile, the prices of steel in India had remained the same since April 1976 and although the zinc price in India registered an increase in September 1976, it accounted for US \$ 8 only (which could be absorbed by the above floor prices) in the cost of galvanised STP per tonne, as shown below :

	April 1976	October 1976
	Rs.	Rs.
<i>Prices per tonne :</i>		
HR strips/skelp	1547/1504	1547/1504
Zinc	6725	7610
<i>Raw material cost in STP per tonne</i>		
HR strips/skelp	1494/1452	1494/1452
(920 kgs. plus 5 per cent wastage)		
Zinc	565	639
(80 kgs. plus 5 per cent wastage)		
	<u>2059/2017</u>	<u>2133/2091</u>

Rise in raw material costs (galvanised only) :

Using strips/skelp Rs. 74 or US \$ 8

Notwithstanding the above facts, the cash assistance on export of STP was not only continued up to March 1977 but also extended up to March 1979.

7.1 *Situation in April 1978.*—In April 1978 the f.o.b. equivalents of floor prices for the major markets, *vis-a-vis* the assumed f.o.b. floor prices of US \$ 303 per tonne (galvanised) and US \$ 240 per tonne (black) were as follows :—

Destination country	Sizes	C and f floor prices effective from 5th April 1978	F.o.b. equivalents (approximate)	F.o.b. values exceeding US \$ 303/240 by :	Relative size of markets (volume of exports in 1977-78) (Up to January 1978)
1	2	3	4	5	6
	(Inches)	galvanised/black (US \$ per tonne)	galvanised/black (US \$ per tonne)	galvanised/black (US \$ per tonne)	galvanised/black (tonnes)
A (Port—1)	$\frac{1}{2}$	425/360	391/326	88/86	8,972/4,299
	$\frac{1}{2}$ —4	395/330	361/296	58/56	
	5—8	405/340	371/306	68/66	
A (Port—2)	$\frac{1}{2}$	410/345	381/316	78/76	
	$\frac{1}{2}$ —4	380/315	351/286	48/46	
	5—8	390/325	361/296	58/56	
B	$\frac{1}{2}$	460/405	430/375	127/135	11,200/2,736
	$\frac{1}{2}$	420/365	390/335	87/95	
	1	380/325	350/295	47/55	
	1 $\frac{1}{2}$ —4	350/295	320/265	17/25	
	5—8	360/305	330/275	27/35	
C and D	$\frac{1}{2}$	414*/344*	386/316	83/76	C—9,382/2,036 D—6,437/2,204
	$\frac{1}{2}$ —2	384/314	356/286	53/46	
	2 $\frac{1}{2}$ —4	387/317	359/289	56/49	
	5—8	402/332	374/304	71/64	

*In the case of D (Port—2), c and f prices were US \$ 3 to 4 more, on account of higher freight.

It would be seen from the above table that the floor prices were profitable in almost all the major markets. The prices of steel in India had remained the same since April 1976 and the price of zinc, which had increased slightly in September 1976, had actually fallen from July 1977 below the April 1976 level. Accordingly, the overall cost of raw materials was actually lower

by US \$ 10 in April 1978 as compared to April 1976, in the case of galvanised STP per tonne, as shown below :

Prices per tonne	April 1976	April 1978
	Rs.	Rs.
HR strips/skelp	1,547/1,504	1,547/1,504
Zinc	6,725	5,612
<i>Raw material cost in STP per tonne</i>		
HR strips/skelp	1,494/1,452	1,494/1,452
(920 kgs. plus 5 per cent wastage)		
Zinc	565	471
(80 kgs. plus 5 per cent wastage)		
	2,059/2,017	1,965/1,923

Fall in raw material cost : (galvanised only) :

Using strips/skelp Rs. 94 or US \$ 10

In sub-paragraph 5, mention had been made of considerable exports taking place in 1975-76 at levels below the floor prices. A circular was issued by the EEPIC in May 1976 to its members to desist from such practices. Nevertheless, during a test-check (June—August 1978) of the records of the JCCIEs, New Delhi, Bombay, Calcutta and Ahmedabad, instances of violation of floor prices by leading exporters in 1976-77 and 1977-78 had also come to light, in respect of exports of over Rs. 26.17 lakhs, on which cash assistance of over Rs. 3.54 lakhs had been paid. These cases, which had been referred to the concerned JCCIEs by Audit (October and November 1978) indicated that the floor prices fixed were profitable and need for providing cash assistance did not exist.

Although, as is evident from the preceding sub-paragraphs, the floor prices continued to be profitable and the Indian exporters continued to enjoy the relative advantage of prices of raw materials, the cash assistance on export of STP had been continued without any review during 1976-77 to 1978-79. The Ministry was requested (September 1978) to clarify whether the criterion of "stability of rates" could be stretched to dispense with the review mechanism ; a specific reply was awaited (February 1979).

8. *Developments in June 1978.*—In June 1978, the prices of steel in India had risen steeply (from Rs. 1,547/1,504 to Rs. 2,169/1,997 per tonne in the case of hot/rolled strips and skelp respectively). Following this, on 23rd June 1978 the EEPC conveyed the Panel's decision to increase the floor prices from 20th June 1978 in respect of all destinations except for Country P by US \$ 100/70 per tonne for different size groups. (In the case of Country P the increase was US \$ 50 for all sizes).

The international steel prices, which were already higher than Indian steel prices, did not go up correspondingly as indicated below :

	May 1978	June 1978
	HR strips/skelp	HR strips/skelp
	(Rs. per tonne)	
Net JPC price	1,547/1,504	2,169/1,997
USA domestic price	2,458/NA	2,458/NA
UK price	2,825/3,124	2,920/3,256

(Source : Ministry of Steel)

The above steep increases in the floor prices (June 1978) would thus appear to be related mainly to increases in the domestic prices of steel rather than to any alterations in the STP prices prevailing in any specific markets abroad. In view of this and since one of the main objectives of the floor price system was to ensure the maximum possible realisations, the floor prices could have possibly been fixed even prior to June 1978 at levels higher than those at which they were actually fixed. The omission to do so would indicate that the floor prices prior to June 1978 were not being always related to the existing market conditions abroad, but fixed at unrealistically low levels (possibility of under-invoicing being not ruled out).

9.0. *Procedure of fixing floor prices.*—According to the EEPC (April 1978) and Government (August 1978) the main

factors governing the fixation of floor prices were :

- (a) ensuring maximum possible f.o.b. realisations;
- (b) developing a particular market on a systematic and scientific basis and avoiding confusion in the minds of overseas buyers from varied quotations;
- (c) encouraging selectivity and sale of quality products;
- (d) avoiding anti-dumping measures in some foreign countries; and
- (e) avoiding *inter se* competition among exporters.

The floor prices for STP were worked out by a floor prices sub-committee consisting of nine leading manufacturers/exporters in the EEPC, and were usually got approved by the SPTF Panel of the Council. In the meetings of the Panel, the members of the sub-committee constituted the majority of the STP exporters represented. Officials of the EEPC also participated in the Panel meetings, but there was no representative of Government either in the sub-committee or in the Panel.

In reply to a query made by Audit regarding the reasons for leaving the fixation of floor prices entirely to the EEPC's Panel, the Ministry stated (August 1978) as follows :—

“There are a number of panels of EEPC, each handling a group of products and it had been felt that the members of the panels who are exporters themselves could normally be expected to make the best appreciation of the market conditions abroad. It is for this reason that in the case of steel pipes and tubes as also in the case of other steel based items, the fixation of floor prices has been left to the concerned panels of EEPC. Government, however, have reserved to themselves a supervisory role so that directions, if necessary, can be given in cases where appreciation of any of the panels is found to be inadequate.”

In regard to the functioning of the Monitoring Cell in the Ministry of Commerce, the EEPC clarified (September 1978) that the Cell was "to consider and decide about the floor prices wherever there is a difference of opinion in a particular panel in regard to fixation of floor prices for a particular item, or to fix floor prices wherever Government feels it necessary and the panel is not agreeable to do so". It would appear that the Monitoring Cell did not in the normal course review the floor prices fixed unless there was some difference of opinion among the members of the panel.

Explaining the assessment procedure adopted by the concerned panel, the EEPC clarified to Audit in September 1978 that the relevant factors considered were as follows :—

- “(i) Individual members’ booking position and the rate at which the orders are being booked from specific markets;
- (ii) the international prices prevailing in a particular market relayed by the agents of the exporters abroad and the market intelligence that is gathered by the prominent members through various sources;
- (iii) market studies as and when conducted by the individual members with the help of the EEPC’s foreign offices;
- (iv) raw-material cost, manufacturing cost, ocean freight and other incidentals.”

From the above clarification, it would appear that in actual practice complete reliance was usually placed on the data produced by the exporters themselves as well as on actual bookings made by the exporters, and that no market intelligence was obtained from Government’s commercial representatives abroad or from any other independent source.

Though the floor prices were the minimum guiding prices, it was noticed that in many cases they were calibrated to a fine degree. There were wide variations in the manner in which floor prices were specified for different destinations. The size-wise groupings were not uniform for all zones and were altered

from time to time even in respect of any given zone. In certain cases, all sizes were grouped together and a common floor price was indicated. In others, different patterns of size-wise groupings were adopted.

9.1 *Functioning of floor price system.*—A study of the various circulars issued by the EEPC fixing floor prices from time to time as well as the documents accompanying cash assistance claims scrutinised during test-check (June—August 1978) of vouchers in the licensing offices in New Delhi, Bombay, Calcutta and Ahmedabad revealed the following peculiar features :—

(a) Clarifying the reasons why STP floor prices were usually fixed for very short periods, the Ministry explained (August 1978) to Audit that this was being done in the light of the changing conditions in the foreign markets. However, in certain cases the floor prices were altered downward even before the expiry of the short periods stipulated in the floor-price circulars as in the instances given below :

(i) In a circular dated 5th September 1975, the EEPC announced floor prices for all zones up to 31st December 1975. However, on 15th October 1975 the floor prices for a particular zone (in which the exports were taking place mainly to a single Country X), were reduced by US \$ 10 to 17 per tonne.

(ii) Certain floor prices for the above zone were declared valid up to 31st March 1976 in a circular issued by the EEPC on 29th December 1975. However, reductions of US \$ 16 to 20 per tonne in respect of a category of STP were announced in a circular dated 16th February 1976 which was effective from the same date.

- (iii) In a circular dated 4th November 1976, the EEPC announced floor prices for all zones up to 31st December 1976. However, from 19th November 1976 the floor prices only for the zone mentioned above were reduced by US \$ 20/25 per tonne, and this was circulated on 6th December 1976 but made applicable retrospectively. The reasons for such interim downward revisions were not apparent.
- (b) According to the terms and conditions governing the STP floor prices, commission could be paid to the exporters' agents abroad at prescribed percentages of f.o.b. realisations. Generally STP consignments were sold to the actual buyers, and commission was paid to agents abroad wherever they existed. It was, however, observed from the vouchers and other documents in the office of the JCCIE, Calcutta, that the exporting firm in respect of Country X was consigning its supplies finally to a single firm there, which appeared to be a sister concern acting as agent and drawing commission.

From the papers available in the office of the JCCIE, Bombay, it was seen that a certain exporting firm had entered into an agreement in March 1977 with a party in Country D (acting as agent and drawing commission) for a minimum business of 8,000 tonnes *per annum*, with a condition that it would make no exports to any other party in that country or a group of adjoining countries, either directly or through any other exporter in India.

This practice of making final sales to agents did not disclose the actual sale proceeds secured in the destination countries, in the absence of which information it was not possible to ascertain whether the floor prices fixed really represented the actual market conditions and whether the floor-price mechanism secured the maximum foreign exchange earnings.

- (c) On 5th April 1978, floor prices for all destinations were increased and fixed up to 31st May 1978, but no floor prices were determined for Country P. Even on 5th June 1978

when the same floor prices in all cases were extended up to 19th June 1978, the EEPC announced that no floor prices had been fixed for Country P and that no booking should be done by exporters till these were fixed.

Further, when STP floor prices for all other destinations were raised by US \$,100/70 per tonne for different size groups from 20th June 1978, following increase in the prices of steel in India, the increase in the floor prices for Country P was only US \$ 50 (all sizes) over the previously existing levels (April 1978).

The reasons for not fixing any floor price at all for Country P from 5th April to 19th June 1978 and stalling the exports to that country during this period and for not raising the floor prices for Country P from 20th June 1978 to the same extent as for other countries were not apparent.

- (d) Zinc (which was far costlier than steel) accounted for 8 per cent of the weight of galvanised STP. Accordingly at any given time in respect of the same destination, the floor prices for galvanised STP had been higher than those for black STP of the same size by US \$ 70/65/55/50/43 per tonne. However, during the period from 1st July 1975 to 10th November 1975 even in respect of identical sizes the prices for galvanised STP were higher than those for black STP only by US \$ 9 per tonne in respect of all markets.

It was during this period that the prices for galvanised STP were reduced by US \$ 47 per tonne and also the cost data were submitted by four leading exporters (through the EEPC) to Government for consideration of granting cash assistance on the export of STP.

Further the floor prices even for the lowest priced size of galvanised STP had generally been higher than those of the highest priced size of black STP by US \$ 40/35 per tonne. Even in June 1978 when this margin

was narrowed considerably in all cases, the differential between the lowest price of galvanised STP and the highest price of the black STP amounted to US \$ 10/5 per tonne in favour of the former. However, in case of Country B, in 1978 the floor prices for the highest priced size of black STP exceeded those for the lowest priced sizes of galvanised STP at the same point of time by US \$ 25/45/55 per tonne in April 1978 and US \$ 55/75/85 per tonne in June 1978 as shown below :

<i>Sizes</i> (Inches)	<i>3-2-1978</i> galvanised/ black (US \$ per tonne)	<i>5-4-1978</i> galvanised/ black (US \$ per tonne)	<i>26-6-1978</i> galvanised/ black (US \$ per tonne)
$\frac{1}{2}$	420/365	460/405	560/505
$\frac{3}{4}$	390/335	420/365	520/465
1	360/305	380/325	450/395
$1\frac{1}{2}$ —4	350/295	350/295	420/365
5—8	360/305	360/305	430/375

A similar phenomenon had been constantly existing in the case of floor prices for Country P. To give an example, the following were the floor prices per tonne in March 1977 :—

<i>Sizes</i> (Inches)	<i>Galvanised</i> Light/SS (US \$ per tonne)	<i>Black</i> Light/SS (US \$ per tonne)
$\frac{1}{2}$	582	447
$\frac{3}{4}$	458	352
1	398	360
$1\frac{1}{2}$	406	356
$1\frac{3}{4}$	383	334
2	412	361
$2\frac{1}{2}$	422	374
3	435	386
4	474	420

The reasons for such anomalies in price-structures in the above cases were not apparent.

- (e) Moreover, during test-check of vouchers in the offices of the JCCIE, New Delhi, Calcutta and Ahmedabad, some instances, as indicated below, were noticed [where although the actual prices secured for galvanised STP by certain exporters conformed to the floor prices in force, they were disproportionately low in relation to the

prices secured by other exporters for black STP of the same size in respect of the same country during the same floor-price period.

Destination country and floor-price period	Sizes (Inches)	Floor prices per tonne		Actual prices secu- red per tonne		Excess of price of galva- nised over that of black		Exporters
		galvanised/ black	galvanised/ black	As per floor prices	As per actual prices secured	galvanised/ black		
		US\$	US\$	US\$	US\$			
E (11-11-75 to 31-3-76)	$\frac{1}{2}$	341/298	341/332	43	9	Q R**		
	$1\frac{1}{4}$	341/298	341/332	43	9			
(1-4-76 to 30-4-76)	6	340/297	340/316*	43	24	S Q		
D(Port-2) (1-7-77 to 9-12-77)	$2\frac{1}{2}$	371/301	371/335*	70	36	S T		
	$\frac{3}{4}$	371/301	371/334*	70	37			
	4	371/301	371/327*	70	44			
	5	386/316	386/362*	70	24			
		£	£	£	£			
P (1-7-76 to 31-10-76)	$\frac{1}{2}$	238/203	238/232	35	6	Q R		
	$\frac{3}{4}$	227/183	227/209	44	18			
	1	205/168	205/192	37	13			
	$1\frac{1}{4}$	203/171	203/193	32	10			
	$1\frac{1}{2}$	196/169	196/194	27	2			
	2	196/169	196/194	27	2			

* Price secured here is for PE, which was lower than that for SS (floor prices indicated are for SS.)

** Location of exporters—Q and T—New Delhi, R—Calcutta, S—Ahmedabad.

From the above instances it would be seen that even when the floor price structure itself had provided for a reasonable differential between the two varieties, adequate prices were not always being secured by exporters of galvanised STP *vis-a-vis* those of black STP. When some exporters of black STP could obtain the prices indicated above, the reasons for other exporters not getting correspondingly higher prices for galvanised STP from the same markets during the same floor-price periods were not apparent.

The precise reasons for such peculiar comparative price structures enumerated in (d) and (e) above could not be ascertained. From the various facts enumerated in (a) to (e) above, it would appear that the STP floor-prices were not being fixed on the basis of an independent assessment of the precise conditions prevailing in various markets but on an *ad hoc* basis.

9.2 As mentioned earlier, it was clarified by the EEPC and Government that the floor-price system was meant, among other things, for discouraging *inter se* competition among the exporters. But having regard to the facts that (a) Government had no representation either in the floor prices sub-committee (which was constituted solely by the nine leading exporters) or in the SPTF Panel (in the meetings of which the sub-committee members usually predominated), and (b) the exporters who decided the floor prices, relied on market information obtained by themselves or on individual members' booking position and the rates at which the orders were being booked from specific markets, the possibility of the leading exporters fixing floor prices at such levels so as to prevent other exporters from emerging in the long run was not ruled out. The Ministry stated (February 1979) that "the structure of the tubes industry is such that there are about 8 to 10 units which have large capacity and have to depend on the export market to the extent of 20 to 25 *per cent* of their capacity".

9.3 The Ministry of Commerce was requested (September 1978) to clarify the following points specifically :—

- (a) how in the absence of their representative in the panel and an independent market intelligence machinery, the

existing system ensured that the floor prices were always being fixed in such a way that the actual sale proceeds secured by the exporters, either directly or through agents, were fully repatriated to India; and

- (b) what value did Government see in authorising a procedure whereby the floor prices were allowed to be determined virtually by the exporters themselves, when the whole purpose of the floor price mechanism was to control and check the propensity of the same parties to indulge in undesirable trade practices, *viz.* quoting prices which were lower than what they could and might actually obtain in foreign markets.

The Ministry stated (February 1979) that “the competing Indian firms sitting together to fix floor prices, do see it that no individual firm is able to get away with a lower floor price than that justified by the information base available to all”.

10. Summing up, the following are the main points that emerge :—

- (i) Prior to the re-introduction of cash assistance on exports of STP in October 1975, the floor prices had been reduced by US \$ 47 per tonne in July 1975 and certain contracts were entered into by leading exporters in July and August 1975 even at prices lower than such reduced floor prices. Exports of value of Rs. 60 lakhs took place in October 1975 and later against contracts concluded (July and August 1975) below the floor prices; similar exports (value : Rs. 26.17 lakhs) took place during 1976-77 and 1977-78 at prices below the floor prices; and cash assistance of Rs. 9.54 lakhs was irregularly paid on these exports.
- (ii) Having regard to the fact that the floor prices of STP continued to be profitable and that the Indian exporters had the relative advantage of prices of raw material, it would appear that neither the re-introduction of cash

assistance from October 1975 nor, particularly, enhancement of its rate (from 10 to 15 per cent of f.o.b. value) from July 1976 and its continuance up to March 1979 seemed to be justified.

- (iii) There were numerous anomalies in the fixation of floor prices; floor prices were, in effect, fixed by the SPTF Panel in which the leading exporters predominated and in which there was no representative of Government; and these showed that the floor prices were not being fixed on the basis of an independent assessment of market conditions abroad and thus the floor-price mechanism did not secure the intended benefits.
- (iv) Exports valued at Rs. 98.58 crores took place from 1st October 1975 to 31st January 1978 (last date up to which official statistics were available), attracting cash assistance payments to the extent of Rs. 13.92 crores.

28. Cash assistance for export of cotton textiles

1. *Introductory.*—Cash incentives on exports of cotton textiles were disbursed to various manufacturers, processors and exporters of cotton textile products between 1959 and 1976 by the Indian Cotton Mills' Federation (ICMF), a private organisation, established in March 1958 by the Regional Mill Owners' Association to represent the industry's interests to Government. In March/October 1977, Government decided that cash incentive from April 1977 onwards would be disbursed by the following three agencies :—

- (a) ICMF in respect of exports of mill-made cotton textiles, garments (both mill-made and handloom) and made-ups (excluding handloom) effected by mills (other than the National Textile Corporation (NTC) mills) and merchant exporters;
- (b) Handloom Export Promotion Council (HEPC) in respect of exports of handloom fabrics and made-ups

effected by mills (other than the NTC mills) or merchant-exporters;

- (c) NTC in respect of exports of cotton textiles, garments, (mill-made and handloom) made-ups and handloom fabrics and made-ups of the NTC mills.

The ICMF had set up an Export Promotion Fund in March 1959 for financing its export promotion schemes. Till 1967, this Fund was solely fed by voluntary contributions from the industry by way of premium on imported cotton, fee on inter-mill transfer of imported cotton by way of sale, spindle/loom/turnover levy on spinning and composite mills, penalties for non-fulfilment of export obligations under the industry's voluntary export obligation scheme, etc. The quantum of contributions was determined by the ICMF in consultation with the Textile Commissioner from time to time. Although no direct contribution was initially made by Government to this Fund, Government's export promotion scheme for cotton textiles provided for issue of entitlement for import of raw cotton, chemicals, dyes, dye intermediaries and textile machinery. With the devaluation of the Indian rupee from 6th June 1966, all export promotion schemes then in force for cotton textiles were abolished and a new import policy for registered exporters introduced instead from August 1966 to provide for import of chemicals and dyes on actual user basis to the extent of 5 per cent of f.o.b. value of exports. Other incentives allowed to the industry from time to time included supply of raw/scarcce material at international prices, rebates on railway freight, facilities for modernisation of exporting mills, supply of concessional credit on exports, duty drawback, etc.

2. *Government contribution to Export Promotion Fund.*— From April 1968, Government also decided to contribute to the Export Promotion Fund at the rate of 5 per cent of f.o.b. value of all exports of cotton textiles. This assistance was sanctioned to supplement the contributions made by mills themselves under ICMF's "self-supporting incentive scheme" then in existence subject to industry's own contribution to the Fund. This

assistance, which was initially sanctioned for one year, was extended on a year to year basis. For the period June 1972 to March 1973, Government paid contribution at 6 *per cent* to enable the ICMF to pay enhanced incentives on exports to Country 'A'. Government had agreed to contribute to the Export Promotion Fund additional funds over and above 5 *per cent* of the f.o.b. value of exports for 1973-74 in order to enable the industry to adjust itself to the situation arising out of imposition of 40 *per cent ad valorem* duty on import of cotton from 1973-74 and had accordingly released 'on account' grants totalling Rs. 11.30 crores for exports made in 1973-74. From July 1975, the rate of cash assistance itself was increased from 5 to 15 *per cent*. For 1976-77 and 1977-78, cash assistance was paid on graded scales ranging from 7.5 to 17.5 *per cent* depending upon the categories of textiles exported.

2.1 The actual payments of cash incentives to exporters by the ICMF had, however, always been regulated by a different set of graded scales. These scales ranged from 3 to 47 *per cent* of f.o.b. value of exports during 1968-69 to 1972-73; 5 to 20 *per cent* during 1973-74 to 1975-76 and 5 to 17.5 *per cent* during 1976-77 and 1977-78. During 1968 to 1971, the incentive rates were approved by the Textile Commissioner on the joint recommendation of the ICMF and Cotton Textiles Export Promotion Council, but from 1972 the rates were fixed by a Cash Assistance Panel, headed by the Textile Commissioner, consisting of representatives of the Ministry of Commerce, ICMF, Cotton Textiles Export Promotion Council (TEX-PROCIL), Mill-Owners' Association of India, etc. Up to 1976 the Ministry of Finance was also represented on the Panel, but out of twelve meetings held during December 1972 to April 1976, only four were attended by the Finance Ministry's representative. In March 1977, the Ministry of Finance withdrew its representative from the Panel, as explained in sub-paragraph 2.3.

2.2. The table below indicates the position, as at the end of August 1978, of f.o.b. value of exports, cash incentives payable thereon according to rates fixed by the ICMF/Cash Assistance

Panel, contributions sanctioned by Government and Industry's share from year to year :

Year of export	F.o.b. value of exports	Total cash incentives payable to exporters		Government contribution		Industry's share
		Amount (Rs. in crores)	Average* rate	Amount (Rs. in crores)	Average* rate	Amount (Rs. in crores)
1	2	3	4	5	6	7
1968-69	94.20	9.6	9.06	5.0	4.71	4.35
1969-70	112.92	12.6	14.26	5.0	5.65	8.61
1970-71	115.62	17.6	20.33	5.0	5.78	14.55
1971-72	129.26	24.9	32.13	5.0	6.46	25.67
1972-73	177.27	21.5	38.16	5.8	10.45	27.71
1973-74	303.26(A)	15.1	45.83	5.0	33.46(A)	12.37
1974-75	338.32(B)	N.A.	7.58	5.0	6.17	1.41
1975-76	407.77	17.3	70.66	13.8	56.33	14.33
1976-77	632.95	13.9	87.50	14.0	88.66(C)	1.48
1977-78(D)	447.72	12.1	54.13	11.8	52.78	1.35

*As percentage of f.o.b. value of exports.

N.A. Not available.

- (A) Figures relating to 1973-74 are according to estimates furnished by the ICMF. Its claim based on exports totalling f.o.b. value of Rs. 267.44 crores only had been admitted by the Textile Commissioner so far (October 1978). Against Government contribution of Rs. 33.46 crores claimed by the ICMF, Government had released Rs. 26.67 crores (August 1978) (Rs. 13.37 crores being 5 per cent of f.o.b. value of exports of Rs. 267.44 crores plus Rs. 13.30 crores (including Rs. 2 crores referred to in Sub-paragraph 4(i) below) additional grant). As regards the balance of Rs. 6.79 crores, the Ministry stated (July 1978) that it was pending because there was wide variation between the figures of imports of cotton during 1973-74 as furnished by ICMF and the DGCIS, Calcutta. It was also noticed in audit that while calculating the claim of Rs. 33.46 crores from Government, the ICMF had taken its own contribution as Rs. 5 crores on spindle/loom levy against the correct amount of Rs. 6.41 crores and thus, the claim was overstated by Rs. 1.41 crores on this account.
- (B) Government contribution for 1974-75 was paid in respect of exports for Rs. 123.38 crores only as Government decided not to pay any cash assistance for exports of mill-made fabrics and made-ups during April to September 1974 and mill-made fabrics, made-ups and garments during October to December 1974. The ICMF, however, paid out of collections from industry, certain cash incentives to exporters during April to December 1974 details of which were awaited (December 1978) from it.
- (C) Government's contribution of Rs. 88.66 crores includes an overpayment of Rs. 2.64 crores to the ICMF as explained in sub-paragraph 4 (iv).
- (D) Figures for 1977-78 did not include the cash incentives disbursed through the HEPC and the NTC.

2.3. Except for 1974-75 when Government contribution was restricted to Rs. 6.17 crores, the contribution had risen from Rs. 4.71 crores in 1968-69 to Rs. 88.66 crores in 1976-77. For 1977-78 contributions by Government up to August 1978 were Rs. 52.78 crores. The rise in Government contribution was due to increase in the quantum of exports as well as the percentage rate of assistance from time to time.

As against the increase in Government contribution, the industry's own contribution, which went up to Rs. 27.71 crores in 1972-73, declined significantly in subsequent years (Rs. 1.48 crores in 1976-77 and Rs. 1.35 crores in 1977-78) as would be seen from the above table. Drawing attention to the inadequacy of ICMF's own contribution, the Ministry of Finance informed the Textile Commissioner (March 1977) that ".....ICMF are hardly making any contribution of consequence to the Export Promotion Fund in recent years. It seems even against their commitment to contribute Rs. 2 crores to Export Promotion Fund for 1976-77, they have contributed only Rs. 1 crore. The Panel has been fixing, mainly on the recommendations of ICMF and TEXPROCIL, varying rates of cash assistance on different exportable items for different destinations and in some cases higher than the rates of Government contribution. In the light of the fact that the ICMF are making very insignificant or token contributions to the Fund, the justification for continuance of the Cash Assistance Panel for fixing cash compensatory rates, different from those fixed by Government for giving its own contribution, needs to be carefully examined".

In a subsequent meeting of the Panel held in April 1978 to consider the fixation of incentive rates for 1978-79, the ICMF stated that "it would not be possible for them to contribute anything this year (1978-79) for payment of cash assistance". The Chairman of the Panel, however, observed that "....Government contribution is to augment the Export Promotion Fund of the ICMF.If there is no contribution from the

ICMF, the resultant effect will create embarrassment to Government". Nevertheless, Government agreed to extend cash assistance to ICMF for 1978-79.

It would appear that while Government assistance had increased from year to year, industry's own contribution declined significantly with the result that cash incentives for exports were paid mainly out of Government grants rendering the whole concept of "the self-supporting incentive scheme" as inoperative though it was outwardly retained through the continuing mechanism of the Cash Assistance Panel (in which the industry was represented) and the ICMF's control over the distribution of the benefits.

3. *Recoveries of ICMF's dues from members.*—It was also seen that instead of recovering its dues (on account of fee on foreign cotton, spindle/loom levy, etc.) from its members in cash promptly, the ICMF had been generally recovering the dues by adjustment out of the cash incentives payable to members from time to time. The extent to which recoveries from members were effected in cash and by adjustment out of cash incentive payments during 1975-76 to 1977-78 is indicated below:

Year	Contributions agreed to be collected by ICMF from industry	Amount collected			Remarks
		In cash	By adjustment against claims for cash incentives	Total collections	
1	2	3	4	5	6
					(in crores of rupees)
1975-76	15.50	4.54	5.35	9.89	This included recoveries of Rs. 1.89 crores towards fees for non-fulfilment of export obligations, spindle/loom/turnover levy, etc. for the period prior to June 1974.

1	2	3	4	5	6
1976-77	4.00	1.40	4.26	5.66	This included recoveries of Rs. 4.30 crores towards fee on packing of cloth and fee on yarn delivery for the year 1975; and Rs. 0.27 crore towards fee for non-fulfilment of export obligations, spindle/loom/turnover levy for the period prior to June 1974.
1977-78	2.00	0.48	6.22	6.70	This included recoveries of Rs. 2.44 crores and Rs. 3.13 crores towards fee on packing of cloth, fee on yarn deliveries, etc. pertaining to 1975 and 1976 respectively.

Not only was the ICMF recovering its own dues out of the exporters' claims, it was also helping other organisations like TEXPROCIL, Cotton Development and Research Association, etc. to recover their dues out of these claims. Recoveries on behalf of other bodies amounted to Rs. 9.60 lakhs, Rs. 3.28 lakhs and Rs. 68.08 lakhs during 1975-76, 1976-77 and 1977-78 respectively.

In October 1973, the ICMF itself informed Government that "the collection of premium from mills is not by means of direct cheques from the mills to the Federation. The recoveries are effected either from the disbursements due to the mills from the Federation or by realising the amounts by discharging the guarantees given by the mills. The procedure, though cumbersome in nature, is found to be the best method in ensuring the collection and at the same time the mills are given relief in the sense that huge amounts are not locked up.....".

Thus, the members delayed payment of their dues to the Export Promotion Fund until some cash incentives became payable to them from the ICMF. In April 1976, arrears for 1975-76 alone were of the order of Rs. 8 crores. The ICMF was requested by Audit to intimate the present position of arrears and steps taken or proposed to be taken to effect the necessary recoveries; its reply was awaited (December 1978).

Government did not object to such adjustments of arrears being made out of cash incentive payments till November 1977 when the Ministry decided that funds sanctioned by Government for promotion of cotton textile exports should be solely utilised by the ICMF for the same purpose in accordance with the approved scheme and that the dues of the ICMF, TEXPROCIL, etc. should not be adjusted out of these funds. Again, in August 1978, referring to certain complaints received from the industry about such adjustments, the Ministry made it clear that "Government funds given for the specific purpose of cash assistance should not and cannot be used to adjust ICMF's dues". However, on further representation from the ICMF, Government reviewed its decision in September 1978 and permitted the ICMF to adjust its dues relating to voluntary contributions to the Export Promotion Fund out of the industry's own share of cash incentives payable to exporters.

4. *Avoidable payments of cash assistance.*—The following points were noticed in a test-check in audit:—

- (i) On 6th January 1975, the Ministry of Commerce issued a sanction addressed to the Textile Commissioner, Bombay, stating that it had been accepted that Government contribution from the Marketing Development Fund to the ICMF's Export Promotion Fund for the period 1968-69 to 1972-73 was in arrears by not less than Rs. 2 crores and that the amount might be released to the ICMF without any stipulation that it had to be used to discharge only Government's share of cash assistance, viz. 5 per cent or 6 per cent of the f.o.b. value of exports, as the case may be. The Textile Commissioner accordingly straightway paid Rs. 2 crores to the ICMF on 8th January 1975. It was, however,

seen in audit that Government contribution was not actually in arrears at the time of issue of this sanction as all claims submitted by the ICMF from time to time for assistance for exports during 1968-69 to 1972-73 had already been paid in full by the Textile Commissioner. In January 1977, the Textile Commissioner informed the ICMF that the Ministries of Commerce and Finance were of the definite view that there was nothing payable by Government against exports during the period in question and asked it to render account for Rs. 2 crores to Audit without any further delay. This had not been done by the ICMF so far (December 1978). However, in its accounts, the ICMF had shown the amount of Rs. 2 crores as part of the additional assistance sanctioned by Government to meet "deficit" for 1973-74. In fact, additional assistance released by Government for 1973-74 amounted to Rs. 11.30 crores; the ICMF, however, showed this as Rs. 13.30 crores in its accounts.

- (ii) Pending study of certain cost data furnished by the ICMF and the HEPC in respect of mill-made and handloom textiles respectively, the Cash Assistance Panel decided (December 1972) that the rates of cash incentives (average rate 21.5 per cent of f.o.b. value of exports) applicable from April 1972 should be continued up to 30th September 1973.

Unlike in the past, the average cotton prices in India during 1973-74 were lower than those of the comparable foreign varieties. According to ICMF's Annual Report for 1973-74, "this boom was the result of world-wide inflationary conditions, fanned by the petroleum oil crisis. World cotton prices sky-rocketed on account of a tight supply position". In comparison with this, the rise in the prices of Indian cotton was relatively modest and, almost throughout 1973, Indian cotton prices were below the world prices. This factor was mainly responsible for enabling the Indian cotton textile industry to achieve a strident increase in its exports. Consequently,

the f.o.b. realisation per unit of Indian textile exports had also considerably gone up, as for example piece-goods in which case the f.o.b. realisation per square metre, which stood at Rs. 1.88 in 1972, rose to Rs. 2.18 in 1973 and Rs. 3.41 in 1974.

In May 1973, the ICMF proposed reduction in cash incentive rates from the average of 21.5 *per cent* to roughly 9 *per cent* of the f.o.b. value of exports. While the Cash Assistance Panel, in its meeting held on 31st May 1973, agreed with the proposed reduction, it decided to make the revised rates applicable only from 1st October 1973 without recording any reasons for not making these rates applicable immediately; this resulted in the continuance of undue benefit to exporters for another four months from June to September 1973.

Had the reduced cash incentive rates been applied at least from June 1973, cash incentives payable at the average rate of 9 *per cent* of f.o.b. value on exports of Rs. 100.29 crores effected during June to September 1973 would have been only Rs. 9.03 crores against Rs. 17.77 crores actually disbursed. Failure to reduce the rates from June 1973, thus, resulted in extra expenditure of Rs. 8.74 crores.

- (iii) It was also seen that the higher rates of cash incentives were allowed in respect of goods which were lying ready for export on 25th September 1973, but could not be shipped by 30th September 1973 on account of lack of sailings or non-availability of space therein up to December 1973, although according to Government sanction, payments for exports, effected from October 1973 onwards were to be made at the reduced rates. The additional payments made for such exports from October to December 1973 at the higher rates amounted to Rs. 5.44 crores (This is included in the figure of Rs. 45.83 crores, representing total cash assistance payable for the exports in 1973-74). Although

in July 1974, the Ministry had advised the Textile Commissioner to investigate thoroughly and establish the bonafides of each such claim (for exports during October to December 1973) at the higher rates, no such investigation was actually made by the Textile Commissioner before the ICMF was allowed to incur this additional expenditure.

- (iv) The Cash Assistance Panel recommended on 22nd September 1973 that the revised rates of cash incentives applicable from 1st October 1973 should remain in force up to September 1974. Without getting these rates approved by Government, the HEPC and the ICMF announced the same to exporters in their circulars dated 12th October 1973 and 22nd March 1974 respectively. However, the Finance Ministry's representative in the Cash Assistance Panel informed the Textile Commissioner in July 1974 that basic information required for taking a purposeful decision was not brought out in the notes circulated for the meetings with the result that decisions had to be taken based on certain broad factors like competition in the international market, increase in price of yarn, wages, etc. from a particular date without bringing in total cost of production compared to f.o.b. realisation. He insisted that any proposal for the revival, increase or continuance of cash assistance on cotton textiles including handlooms should be supported by detailed data relating to f.o.b. cost of production on the principle of marginal costing for different varieties, current f.o.b. realisations, current cotton international price, forecast regarding indigenous cotton prices during the next six months, etc. Nevertheless, no cost data were submitted to the Ministry of Finance except for eleven handloom and mill-made items like jeans, shirts, blouses, safari jackets, etc.; cost sheets in respect of which were submitted by the Clothing Manufacturers' Association of India, Bombay, in August 1974.

On an examination of the cost data, the Ministry of Finance representative on the Panel felt (August 1974) that except for one item (men's denim jeans) no loss was sustained by exporters and that, as such, there was no case for grant of cash assistance.

In 1975 and 1976, certain exporters represented to Government that they had actually made exports during April to September 1974, taking into account the cash incentives announced by the HEPC and ICMF in their circulars dated 12th October 1973 and 22nd March 1974 respectively and that, in doing so, not only had they paid heavy interest on loans taken by them from banks but had also made advance payments of income-tax on the incentives due from those bodies. The Ministry inquired (August 1976) of the HEPC:

- (a) whether the exporters had actually suffered any loss in respect of the exports effected during April to September 1974; and
- (b) how the benefit of cash assistance, if paid, would be shared by them with the weavers.

In reply, the HEPC informed the Ministry (January 1977) that the exporters had expressed difficulty in furnishing complete information required at that late stage; according to the exporters, the cost of production in 1974-75 had increased to the extent of about 40 per cent whereas the f.o.b. realisation of exports had not gone up to that extent and as such, payment of cash incentives for exports effected during April to September 1974 was justified. As regards sharing of cash incentives with the weavers, the HEPC stated that the weavers would get the benefit indirectly by way of increase in wages and by having continuous employment. The HEPC added (January 1977) that "rightly or wrongly, both the Indian Cotton Mills' Federation and this Council had issued circulars announcing the scheme of cash assistance

from 1st April 1974 to 30th September 1974 based on the recommendations of the Panel.....It is very embarrassing to us that having invited applications and also made recommendations to the Indian Cotton Mills' Federation for grant of cash assistance, we are unable to ensure that they get their money." Government, thereupon, released (September 1977) Rs. 3.31 crores to the HEPC, representing 5 *per cent* of the f.o.b. value of exports (Rs. 66.16 crores) of cotton handloom fabrics and made-ups and handloom as well as mill-made cotton garments, although no detailed justification for cash incentives was furnished by the HEPC and the Finance Ministry's representative had also earlier held (August 1974) that there was no case for grant of cash assistance.

As regards actual disbursement of the incentives to exporters, the rates already announced by the HEPC in October 1973 being considerably higher (up to 15 *per cent* in some cases) than the rate of Government assistance (5 *per cent*) the Ministry directed the ICMF to pay Rs. 1.43 crores as the industry's share towards cash incentives to exporters. The total amount of Rs. 4.74 crores still being inadequate to pay cash incentives to the exporters at the rates already announced, the HEPC had to disburse incentives at lower rates.

In reply to an audit query about release of cash assistance by Government without going into the cost of production of textiles exported, the Ministry stated (January 1975) that:

"Government have not separately gone into the cost of production on the one hand and the international realisation on the other for specific items while agreeing to contribute to ICMF's Export Promotion Fund, only an overall assessment had been made about the need for export assistance. The fact that prices of Indian cotton have almost invariably been higher than international prices

during the period under review, coupled with India's comparatively higher conversion cost on account of lack of modernisation in the cotton textile industry, as brought out in GATT's study on textiles, would *prima facie* suggest the need for an element of export subsidisation.

It has also to be recognised that the cotton textile industry caters to a very large internal demand and prices realised in the home market have almost invariably been more favourable compared to export prices.

Marketing of handloom products, even in the domestic market, has had to be supported by schemes of rebate/subsidy. The application of the principle of the marginal costing for export promotion of handloom products is, therefore, rendered impossible.

The rates of incentives considered appropriate by the Cash Incentive Panel headed by the Textile Commissioner, Bombay, have differed from item to item and from destination to destination as well as at different shipment periods, ranging from 0 to 47 *per cent*. Any export subsidisation of such a high order by the Government would have attracted counter-actions by the importing countries under GATT Anti-Dumping provisions. It was on these broader considerations that Government decided to provide a grant at the flat rate of 5 *per cent* of the f.o.b. value of export of cotton textiles towards ICMF's Export Promotion Fund, irrespective of whether, on exports of any particular item, any cash assistance was payable or not."

However, from July 1975 Government raised the rate of contribution to the Export Promotion Fund from 5 to 15 *per cent* of the f.o.b. value of exports

(5 per cent on account of duty adjustments and 10 per cent on account of differential between Indian and foreign cotton prices) although in January 1975 Government had felt that any export subsidy of a high order would attract counter-actions by the importing countries under the GATT Anti-Dumping provisions.

According to ICMF's Annual Report for 1976-77, although as a result of decline in cotton production in 1976 prices of Indian cotton were higher as compared to those prevailing in 1975, prompt steps were taken by Government to supplement the available supply of raw material with imports from abroad of cotton and man-made fibres alike. As world cotton prices were higher than those of comparable indigenous varieties, Government not only removed the duty on foreign cotton but even made them available at subsidised prices on par with domestic prices. Nevertheless, Government made contribution to the Export Promotion Fund at an average rate of 14 per cent of f.o.b. value of exports during 1976-77 simultaneously with the other concessions mentioned above.

Further, according to the rates fixed by the Cash Assistance Panel in its meeting held on 7th April 1976, cash incentives for exports of readymade garments were payable at different rates of 12.5 per cent, 15 per cent and 17.5 per cent of f.o.b. value of exports, depending upon the different varieties of garments exported. Government, however, had agreed to release to the ICMF, cash assistance at the flat rate of 15 per cent of f.o.b. value of exports of garments subject to the condition that any saving out of Government assistance would not be available for utilisation by the ICMF for giving cash incentives on exports of items other than garments. According to the information supplied by the ICMF in July 1978, exports of readymade garments during 1976-77 amounted to Rs. 243.85 crores, attracting cash incentives amounting to Rs. 33.94 crores. Although

the incentives payable to exporters (Rs. 33.94 crores) were clearly indicated by the ICMF in its bills submitted to the Textile Commissioner from time to time, the latter released Rs. 36.58 crores to the ICMF at the flat rate of 15 *per cent* of the f.o.b. value of exports. A sum of Rs. 2.64 crores was, thus, overpaid to the ICMF by the Textile Commissioner.

- (v) The Cash Assistance Panel had in December 1972, increased the rate of cash incentives on exports of lungies and sarongs to Malaysia and Singapore from 15.5 to 20 *per cent* of the f.o.b. value of exports for the period January 1973 to September 1973 subject to floor prices being fixed by the HEPC for these items. In September 1973, the Panel further clarified that in cases where the f.o.b. value of exports was less than the floor prices, no cash assistance would be admissible to exporters.

The Council fixed floor prices for four varieties of textiles in January 1973, for seven varieties in November 1973 and for two varieties in March 1974. Not only in nine cases had the floor prices been fixed after September 1973, up to which time the rate of cash incentive was 20 *per cent*, but these prices were also fixed in consultation with the exporters themselves instead of after carrying out an independent review of the conditions prevailing in the export markets. Further, despite the Panel's decision not to pay cash incentives where the f.o.b. value of exports was less than floor prices, the HEPC paid cash incentives at the rate of 15.5 *per cent* in such cases, the irregular payment involved being Rs. 1.18 lakhs.

- (vi) In June 1972, the TEXPROCIL informed Government that Country 'A' "is scheduled to become a member of the European Economic Community (EEC) from 1st January 1973 and soon thereafter, the authorities of the

expanded EEC may take in hand the question of refixation of import quotas for textile items. The export performance in 1972 is likely to be the basis for considering the quota levels to be granted to various countries in the expanded EEC". The TEXPROCIL, therefore, requested Government for *ad hoc* additional assistance at the rate of 10 per cent of f.o.b. value of exports to Country 'A', stating that if such extra assistance was granted "it would be possible to bring about additional exports of about 100 million square yards worth Rs. 10 crores, entailing additional grant of Rs. 1 crore from the MDF". In June 1972, the Textile Commissioner also recommended payment of the additional assistance of Rs. 1 crore to the ICMF for this purpose. However, instead of sanctioning a reasonable amount of additional assistance subject to a maximum of Rs. 1 crore asked for by the TEXPROCIL exclusively for exports to Country 'A', Government increased the rate of its contribution to the Export Promotion Fund from 5 to 6 per cent of f.o.b. value of exports to all countries during June 1972 to March 1973. The additional assistance paid by Government by increasing the rate of contribution by 1 per cent amounted to Rs. 1.58 crores.

- (vii) According to Government's instructions, the f.o.b. value of exports for purposes of cash incentive payments was to be determined on the basis of spot rates of exchange with effect from 1st October 1973. However, the ICMF and the HEPC calculated the f.o.b. value of exports at central rates of exchange up to 5th June 1974. As a result, parties which made exports to sterling areas stood to benefit, while those which exported to dollar areas stood to lose in the matter of receipt of cash incentives. In July 1975, Government directed the ICMF and the HEPC to review all cases of exports from 1st October 1973 in the light of spot rates and regularise the same by recoveries where the exporters had been

overpaid and by payment of difference where they had been paid less. After carrying out the review, the HEPC made further payment of Rs. 4.05 lakhs to the exporters, who had been underpaid earlier but did not effect recoveries from the exporters who had been paid in excess. The amount of overpayment involved was Rs. 1.15 lakhs.

The ICMF had not carried out the review so far (December 1978) in respect of exports other than handloom items.

5.0 The ICMF had not been maintaining the accounts of its Export Promotion Fund on an accrual basis. It was, therefore, not possible to ascertain the true state of affairs of the Fund at any stage. However, the actual receipts to and payments from the Fund for the period January 1968 to March 1978 were as under:

Period	Receipts		Payments		
	Government contribution	Industry's contribution	Cash incentives to exporters	Other payments	Closing Balance
	(In crores of rupees)				
January 1968 to December 1968	1.90	6.46	3.59	2.86	5.08*
January 1969 to December 1969	5.13	7.86	11.59	0.25	6.23
January 1970 to December 1970	5.46	13.75	15.12	0.19	10.13
January 1971 to March 1972	6.92	18.33	31.01	0.31	4.06
April 1972 to March 1973	7.75	27.56	33.98	0.70	4.69
April 1973 to March 1974	13.55	14.03	28.73	0.27	3.27
April 1974 to March 1975	11.00	7.25	23.84	0.25	(-)2.57
April 1975 to March 1976	34.01	9.89	41.66	..	(-)0.33
April 1976 to March 1977	84.65	5.66	57.84	0.07	32.07
April 1977 to March 1978	74.34	6.70	96.53	0.06	16.52

*Rs. 5.08 crores include the opening balance of Rs. 3.17 crores as on 1st January 1968.

The surplus balances in the Fund were being invested by the ICMF in fixed deposits with banks. Such deposits as at 31st December 1968, 31st December 1969, 31st December 1970, 31st March 1972 and 31st March 1973 stood at Rs. 5.00 crores, Rs. 5.85 crores, Rs. 7.30 crores, Rs. 3.90 crores and Rs. 4.50 crores respectively. It was noticed that interest of Rs. 1.71 crores, that accrued on these deposits up to 1976-77, was credited to the "income and expenditure account" of the ICMF, but in 1972-73 administrative expenses of Rs. 40 lakhs were met from the Export Promotion Fund instead of from the aforesaid account.

5.1 *Consumer Subsidy Fund*.—A part of the premium on foreign cotton (Rs. 12.27 crores) and spindle/loom levy (Rs. 2.50 crores) which was earlier credited entirely to the Export Promotion Fund was credited (1971-72 to 1975-76) by the ICMF to its "Consumer Subsidy Fund", which was created by it to finance another voluntary scheme introduced from June 1971 for regulating production, pricing and packing of controlled cloth. Government had also contributed Rs. 1.89 crores to this Fund during 1971-72 and 1973-74.

Prior to June 1971, the controlled cloth scheme was administered on a statutory basis and from June 1971 to March 1974 was operated by the ICMF on a voluntary basis. From April 1974 again this scheme was placed on a statutory basis and Government imposed penalty of Rs. 2.50 per square metre of cloth on mills for shortfall in production of cloth up to certain prescribed limits. However, there being no statutory provision to collect the penalty and credit it to the Consolidated Fund of India, Government allowed the ICMF, as an 'informal arrangement', to collect penalty and utilise the amount so collected for making up the shortfall in production of controlled cloth from other mills. However, from 1st January 1976, the penalty provision itself was deleted from the controlled cloth scheme.

After payment of certain subsidies in connection with the controlled cloth scheme, the balances in the Consumer Subsidy Fund as at the end of 1974-75, 1975-76, 1976-77 and 1977-78

were Rs. 3.47 crores, Rs. 4.39 crores, Rs. 4.12 crores and Rs. 4.28 crores respectively (including penalties of over Rs. 3 crores collected by the ICMF under the above informal arrangement). In November 1974, the ICMF had requested Government that since its Export Promotion Fund was running into difficulties, it might be permitted to utilise the balance in the Consumer Subsidy Fund for paying cash incentives to exporters. No decision in this behalf had been taken by Government (December 1978). However, because of its failure to raise sufficient voluntary contributions from the industry, the ICMF had been utilising the amount in the Consumer Subsidy Fund for payment of cash incentives to exporters, the total amount utilised up to March 1978 being Rs. 3.83 crores.

5.2 While agreeing (July 1973) to pay the additional assistance, Government had not taken into account the opening balance (Rs. 4.69 crores) in the Export Promotion Fund as on 1st April 1973 and the arrears recoverable by the ICMF from the industry on that date on account of premium on foreign cotton, spindle/loom levy, etc. (such arrears in respect of spindle/loom levy alone were over Rs. 1 crore).

Earlier (February 1972), Audit had enquired of Government whether the ICMF would be required to refund surpluses (*i.e.* excess of receipts over expenditure) to Government or it would be permitted to utilise the same for any specified purposes approved by Government. In reply, the Ministry had stated (May 1973) that "since the Government has contributed to the Export Promotion Fund, it would be reasonable to make a reckoning at the end of a reasonable period and to provide for sharing the surplus fund in the proportion in which Government contribution and collections of premium by ICMF have been made". However, in January 1975, Government stated "... Obviously, it is impossible to expect the revenue and the expenditure to balance each other from year to year. It is from such considerations that after making as best estimates as one could possibly make, the industry tried to collect more than what was required so that any surpluses that might be built could help to tide over any unforeseen deficits which could have arisen in future years".

Although, Government had, thus, conceded that surpluses would be used to meet deficit in future years, the ICMF was not called upon to meet even part of its deficit for 1973-74 from the surplus available with it as on 1st April 1973.

Had the opening balance of Rs. 4.69 crores and the arrears of over Rs. 1 crore recoverable from the industry as on 1st April 1973 been taken into account, the amount of about Rs. 3 crores collected by the ICMF as penalties been diverted from the Consumer Subsidy Fund and the rates of cash incentives been reduced from June 1973 (which would have afforded a saving of Rs. 14.18 crores), the additional assistance of Rs. 13.30 crores paid by Government would have been completely avoided.

5.3 Under the sanction letters issued by Government, the ICMF was required to submit to the Textile Commissioner (i) a certificate of utilisation of the cash assistance and (ii) monthly statements, duly countersigned by Chartered Accountant, showing the amounts collected from the industry towards its Export Promotion Fund, assistance received from Government and the amounts disbursed by it as cash incentives.

No utilisation certificate had been submitted (December 1978) by the ICMF to the Textile Commissioner for Government assistance from January 1973 onwards. Although it had been submitting monthly statements, these were incomplete as certain receipts and payments were not exhibited therein as in the instances given below:

Year	Nature of receipts/payments	Amount (Rs. in crores)
1975-76 and 1976-77	Receipts on account of fees on imported cotton, penalties for non-fulfilment of export obligations, spindle/loom levy, etc.	11.41
	Payment of cash incentives to exporters for exports prior to April 1973 and pertaining to October 1973 to December 1973, bank charges, legal charges and internal auditing fee	11.54

6.0 *Summing up.*—The following are the main points that emerge:—

- (i) While Government contribution to the Export Promotion Fund of the ICMF had increased considerably from Rs. 4.71 crores (1968-69) to Rs. 88.66 crores (1976-77), industry's own contribution declined from Rs. 27.71 crores (1972-73) to Rs. 1.48 crores (1976-77). Cash incentives for exports were, thus, paid mainly out of Government grants. The concept of the industry's self-supporting incentive scheme, in the context of which Government had agreed to extend a marginal aid to the ICMF for these traditional items of exports in 1968 was, thus, not largely followed.
- (ii) The practice of ICMF's realising the members' contributions by making adjustments from cash incentives payable to the members when Government contribution was received seemed to have become an integral part of the incentive scheme itself; this meant that bulk (if not whole) of the financing had actually been done by Government even in earlier years (1968-69 to 1972-73) when members' contributions were supposed to be the predominant element in the Export Promotion Fund of the ICMF.
- (iii) While during 1968 to 1971, the rates of cash incentives to exporters were approved by the Textile Commissioner on the joint recommendation of the ICMF and TEXPROCIL, from 1972 these rates were being fixed by a Cash Assistance Panel on which the industry was represented. Although the Ministry of Finance was also represented on this Panel their representative did not attend most of its meetings held up to February 1977 after which the representative was altogether withdrawn from the Panel.

- (iv) Despite repeated requests by the representative of Ministry of Finance, cost data for the principal items of export were not submitted to him by the industry except for eleven handloom and mill-made items in 1974. An examination of this data (August 1974) showed that there was no case for grant of cash assistance for the period April to September 1974; nevertheless Government released Rs. 3.31 crores in September 1977 to the HEPC for disbursement of incentives for that period.
- (v) In January 1975, Government released Rs. 2 crores to the ICMF as arrears of Government contribution for 1968-69 to 1972-73 although no arrears were actually payable.
- (vi) For the exports effected during 1973-74, Government released Rs. 11.30 crores as additional cash assistance to meet ICMF's "deficit". The additional payment by Government would have been avoided if (a) the opening balance (Rs. 4.69 crores) in the Export Promotion Fund and the arrears of over Rs. 1 crore recoverable from the industry as on 1st April 1973 had been taken into account; (b) the rates of cash incentives had been reduced soon after 31st May 1973 (when the need for such reduction was felt by the ICMF) instead of from 1st October 1973; and (c) Rs. 3 crores had been diverted from the "Consumer Subsidy Fund" to the Export Promotion Fund.
- (vii) For 1976-77, Government paid contribution at the average level of 14 per cent of f.o.b. value of exports although prices of Indian cotton were lower than those of comparable foreign varieties and Government had not only removed the import duty on foreign cotton but also made it available to the industry at subsidised prices at par with domestic prices. Further, although the incentives payable to exporters amounted to Rs. 33.94 crores,

Rs. 36.58 crores were paid to the ICMF resulting in excess payment of Rs. 2.64 crores.

29. Ex gratia payments for properties seized by Pakistan Government

1. *Introductory.*—For giving relief to Indian nationals and companies, whose assets in Pakistan were seized by the Government of Pakistan during and after the Indo-Pakistan conflict of September 1965 and who had notified their losses to and filed claims with the Custodian of Enemy Property for India, the Government of India decided (15th March 1971) that “an *ad hoc* interim relief in the form of *ex gratia* grants from the Consolidated Fund of India at the rate of 25 per cent of the value of the verified claims restricted to a maximum of Rs. 25 lakhs in each case may be made to all Indian nationals and Indian companies against a bond to be executed by the recipients. However, if in any case, this limit exceeds, it may be decided on merit”.

Government decided (February 1972) that payment in excess of Rs. 25 lakhs should be made only to such of the companies as satisfied either of the following criteria:—

- (i) Companies which had only their registered offices in India but the entire assets of which (factories, lands, buildings, etc.) were situated in Pakistan; and
- (ii) Companies which had units in India where these units were in the “red” and where any additional payment on account of *ex gratia* grant would put the Indian units in order.

2. *Claims.*—In response to notices issued by Government on 25th September 1965, 27th December 1965, 25th January 1966 and 15th January 1972, 3,944 compensation claims were received by the Custodian of Enemy Property for India, Bombay (hereafter referred to as Custodian). As a number of Indian nationals

and companies were reported to have not filed their claims by the due date, Government extended (2nd September 1976) the date for filing claims to 31st December 1976; this date was further extended up to 31st July 1977. During the extended period, 53,290 further claims were received by the Custodian. Out of the total of 57,234 claims received, 2,792 claims were settled and 1,306 claims were rejected between 1971-72 and 1977-78, leaving a balance of 53,136 claims as on 31st March 1978. *Ex gratia* payments made up to March 1978 in respect of 2,792 claims settled amounted to Rs. 18.47 crores.

3. *Verification of claims.*—Final verification of all claims with reference to available evidence had been entrusted to the Custodian except in cases where the claims exceeded Rs. 1.00 lakh and the claimants were unable to produce any documentary evidence of the ownership of properties in the form of title deeds etc. For verification of claims on the basis of oral evidence in such cases, Government constituted (July 1974) a Panel consisting of the Custodian, a Judge of the Industrial Tribunal (West Bengal Government) and a retired Officer of the West Bengal Civil Service. After verification of the claims, recommendations of the Custodian or of the Panel, as the case may be, were submitted to the Ministry which issued the sanctions for payment of *ex gratia* grants in favour of the claimants concerned. Prior to June 1975, the recommendations of the Custodian and of the Panel were scrutinised by the Internal Finance Division of the Ministry which suggested reductions, where considered necessary, in the amounts recommended for payment by the Custodian or the Panel. However, Government decided (June 1975) that the decisions of the Panel regarding verification of claims in respect of lands and buildings would be accepted *in toto* without any further review by Government. In May 1976, the Ministry of Commerce further decided that the Panel's recommendations with regard to shares of co-sharers, areas of properties, nature of properties and land entitlements under the various laws of Governments of Pakistan and India would also not be subjected to further examination by the Ministry and the Internal Finance Division.

4.0 A test-check of the *ex gratia* payments and connected records maintained by the Custodian conducted during May—August 1977 revealed the following:—

4.1 *Disparities in valuation of claims.*—The table below indicates net value of assets of companies according to their latest available balance sheets, amounts of claims submitted by companies, amounts verified by the Custodian and *ex gratia* grants sanctioned by the Ministry in some cases. In certain cases payments were made in excess of Rs. 25 lakhs in view of the criteria decided in February 1972.

Name of company	Date of last available balance sheet	Net worth of properties as per balance sheet	Claim preferred	Claim verified	<i>Ex gratia</i> grants sanctioned/ date of sanction	Remarks
(In lakhs of rupees)						
1	2	3	4	5	6	7
'A'	31st December 1964	100.68	138.56	100.68	25.00 (17th July 1972)	
'B'	31st December 1965	115.25	209.60	100.85	25.00 (31st December 1974)	Rs. 14.40 lakhs on account of prepaid income-tax etc. was excluded from net worth of properties.
'C'	30th September 1964	167.76	167.76	162.81	25.00 (14th February 1974)	Claim was verified on the basis of sale price of assets (Rs. 162.81 lakhs) offered by a Pakistani firm to this company before the Indo-Pakistan conflict.

'D'	Not available	Not available	517.40	251.95	25.00 (7th November 1975)	Claim was verified on the basis of (i) sale price of assets (Rs. 212.65 lakhs) offered by a Pakistani firm to this company in September 1964 and (ii) interest (Rs. 39.30 lakhs) due thereon up to September 1965.
'E'	31st March 1966	122.24	305.25	108.16	27.04 (16th February and 27th June 1972)	Rs. 13.68 lakhs on account of prepaid income-tax were excluded from net worth of properties.
'F'	30th June 1965	179.72	708.37	179.72	44.93 (16th February 1972 and 1st July 1977)	The amount of Rs. 44.93 lakhs included Rs. 19.93 lakhs sanctioned but not yet paid (January 1979).
'G'	31st December 1964	241.11	553.60	553.60	138.40 (16th February 1972 and 19th December 1975)	

Claims of Companies A, B, E and F were verified on the basis of the net value of their assets (after making some adjustment in cases of B and E) as shown in their balance sheets; those of Companies C and D, which had negotiated sale of their assets to certain Pakistani companies but had not been able to

realise the sale proceeds from the purchasers prior to the outbreak of hostilities, were verified on the basis of the agreed sale value. However, the claim of Company G, for the sale of whose assets also negotiations were in progress in Pakistan in 1965, was verified neither on the basis of book value of the assets, as shown in its balance sheet, nor on the basis of the sale price offered by a purchaser in Pakistan, but on the basis of a higher amount actually claimed by the company.

4.2 *Company 'G'*.—Company 'G', which was having certain tea estates in Pakistan, had submitted its claim for Rs. 553.60 lakhs, as against the net book value of its assets of Rs. 241.11 lakhs only, as detailed below:

	Book value (In lakhs	Claim preferred of rupees)
Land	21.66	192.81
Other fixed assets (buildings, machinery, etc.)	74.99	116.54
Investments and liquid assets	269.44	259.71
Estimated profit from January to August 1965	..	48.00
	<hr/>	<hr/>
	366.09	617.06
Less liabilities	124.98	63.46
	<hr/>	<hr/>
	241.11	553.60
	<hr/>	<hr/>

The table shows that the company had adopted value of its assets higher than that shown in its balance sheet to the extent of Rs. 250.97 lakhs and understated its liabilities to the extent of Rs. 61.52 lakhs, thereby claiming Rs. 312.49 lakhs in excess of the net worth of its properties according to the balance sheet.

In August 1965 (*i.e.*, before the Indo-Pakistan conflict), the Government of Pakistan had agreed to the sale of the company's assets to another company at Dacca for Rs. 4 crores to be repatriated to India in six instalments. Nevertheless, the Custodian verified the claim for Rs. 5 crores on 25th October 1971 on the ground that "if the Pakistan Government were prepared to allow a remittance of the sale proceeds of Rs. 4 crores, the intrinsic value of the tea gardens must be definitely more". Subsequently on 17th November 1971, he revised his assessment to

Rs. 553.60 lakhs, thereby admitting the entire claim of the company including the estimated profit of Rs. 48 lakhs for the period January to August 1965 although in settling claims of other 9 companies (whose claims were test-checked in audit) such estimated profits after the dates of the latest available balance sheets were not taken into account by him.

A sum of Rs. 25 lakhs representing the maximum *ex gratia* grant admissible in terms of the Government decision of March 1971 was sanctioned to Company 'G' in February 1972. It, however, represented for payment of 25 *per cent* of its entire claim of Rs. 553.60 lakhs. The Ministry of Finance to which additional payment in relaxation of the limit of Rs. 25 lakhs was recommended, rejected (23rd June 1972) it on the following grounds :—

- (i) The share-holders of this company had never got any dividends after 1954 and as such the 1965 conflict did not really create any hardship to them.
- (ii) As against the company's paid up capital of Rs. 36 lakhs the share-holders had already received Rs. 51.50 lakhs as dividends up to 1954 and also *ex gratia* payment of Rs. 25 lakhs from the Consolidated Fund of India.
- (iii) The company did not have any industry or office in India employing any labour force.
- (iv) "The difference between the assets and liabilities (according to the company's balance sheet in 1964) is only Rs. 2.41 crores to which even if the gross profit for the year 1965 is added, the total would come only to Rs. 2.89 crores. It would, therefore, be desirable to get verification of the claim checked by the Cost Accounts Branch of the Ministry of Finance and the Company Law Board".

While the Custodian agreed with the Finance Ministry's suggestion to get the verification of the claim checked by the Cost Accounts Branch and the Company Law Board, he sought (30th

June 1972) to justify the reasonableness of the company's claim for Rs. 553.60 lakhs as under :

	Amount assessed (In lakhs of rupees)
Net book value of assets	241.11
Plus appreciation in price of land, bushes, etc. 12,550 acres at Rs. 2,000 per acre	251.00
Estimated profit from 1st January 1965 to 31st August 1965	48.00
Goodwill	15.00
Net value of claim	555.11

The book value of land included in the figure of Rs. 241.11 lakhs was Rs. 21.66 lakhs only. Adding thereto the appreciation in price of Rs. 251.00 lakhs as assessed by the Custodian the total value of land would work out to Rs. 272.66 lakhs which was far in excess of the amount (Rs. 192.81 lakhs) claimed for land by Company 'G' itself. These were only leased lands and according to a note in the company's balance sheet "leases in respect of the company's estates, which are all in Pakistan, have expired but petitions for renewal have been submitted and in the opinion of the Directors the renewal will be granted subject to the East Pakistan State Acquisition and Tenancy Act, 1950". The basis on which the company's goodwill, and profit were assessed and included were not known; Company 'G' had not claimed any amount on account of goodwill. The assessment of this company's claim by the Custodian was, thus, on the high side.

Eventually without getting the claim checked by the Cost Accounts Branch and the Company Law Board, the entire claim for Rs. 553.60 lakhs was accepted and an *ex gratia* payment at the rate of 25 per cent thereof, amounting to Rs. 138.40 lakhs sanctioned by Government in February 1972 and December 1975. The main consideration on which this was done was that in the case of Company 'E' the limit of Rs. 25 lakhs had been relaxed on the basis of the criteria laid down in February 1972, and that no discrimination should be made between parties fulfilling the said criteria. After

adjusting Rs. 25 lakhs already paid to the company in February 1972 and Rs. 4.45 lakhs towards proportionate share of non-Indian share-holders, the remaining amount of Rs. 108.95 lakhs was credited by Government to the company's account with the Central Bank of India in December 1975 after obtaining an undertaking from the company that it would invest this amount in the formulation of a major project in India and/or investment in India in a large productive unit for its improvement and that proposals in this behalf would be submitted to Government for approval.

The net assets of Company 'G' (according to its balance sheet as at 31st December 1964) amounted to Rs. 241.11 lakhs and after adding to it the Company's own valuation of appreciation in price of land, viz. Rs. 171.15 lakhs the actual value of the claim for the purpose of *ex gratia* compensation would have worked out to Rs. 412.26 lakhs only (which was almost equal to the sale price agreed to by Pakistan Government to be repatriated to India). The *ex gratia* payment at the rate of 25 per cent of this amount (less : 9.5 per cent towards foreign share-holdings) would work out to Rs. 93.27 lakhs, as against the actual payment of Rs. 133.95 lakhs. A sum of Rs. 40.68 lakhs was, thus, paid in excess. The Ministry of Commerce stated (January 1979) that the amount of Rs. 108.95 lakhs paid over and above the sum of Rs. 25 lakhs stood in a "blocked bank account" and that the Ministry in consultation with the Ministry of Law was examining the question of recovery of the amount from the blocked account. The Ministry added, however, that the payment in excess of Rs. 25 lakhs was made on the basis of well defined criteria approved at the highest level.

4.3 *Company 'F'*.— Assets of Rs. 179.72 lakhs of Company 'F', on the basis of which its claim was settled included bad debts amounting to Rs. 15.01 lakhs. As these debts had already become irrecoverable before the Indo-Pakistan conflict, these should have been excluded in verifying the claim. Had this been done, the *ex gratia* payment to Company 'F' would have been Rs. 41.18 lakhs as against Rs. 44.93 lakhs actually sanctioned. The excess amount, thus, worked out to Rs. 3.75 lakhs. The

Ministry of Commerce stated (January 1979) that the question of withdrawal of sanction in excess of Rs. 25 lakhs was being considered.

4.4 *Company 'A'*.—In settling claims of Companies 'B' and 'E', Rs. 14.40 lakhs and Rs. 13.68 lakhs representing prepaid income-tax etc. were excluded from the net values of their assets of Rs. 115.25 lakhs and Rs. 122.24 lakhs respectively. However, no such deduction of prepaid income-tax etc. of Rs. 10.21 lakhs was effected from the net value of assets of Rs. 100.68 lakhs of Company 'A'. This resulted in an over-payment of Rs. 2.38 lakhs to Company 'A'.

4.5 Out of 200 cases test-checked in audit, in 8 cases the claimants revised their claims, near about the dates of hearing of their cases by the Panel and the valuation of properties in these cases was done by the latter on the basis of the revised claims. Six cases where the claimants enhanced their claims substantially are mentioned below :

Name of claimant	Amount of original claim and the month in which preferred	Amount of claim and the month of revision	Extent to which the claim was enhanced	Amount verified by the Panel and the month of hearing	Payment made	Remarks
	(In lakhs of rupees)			(In lakhs of rupees)		
1	2	3	4	5	6	7
H	92.17 (July 1971)	351.38 (August 1974)	281 <i>per cent</i>	287.22 (August 1974)	71.80	According to the claimant, when the original claim was filed, he was not in possession of entire facts relating to the family properties and had also valued the properties according to prices prevailing in 1957-58 instead of those in 1965.

1	2	3	4	5	6	7
I	50.00 (July 1971)	153.50*	207 <i>per cent</i>	699.25 (August 1974)	25.00	The claimant informed the Panel on 12th August 1974 that due to a typographical mistake, the claim in respect of agricultural land, forests, jewellery, cash, gold coins, etc. was omitted by her to be included in the original claim. The revised claim was verified on the same date.
J	41.52 (July 1971)	1849.83 (May 1974)	4355 <i>per cent</i>	100.00 (December 1974)	25.00	The claimant was originally a national of Pakistan and had acquired Indian nationality only in 1968, <i>i.e.</i> , about 2½ years after the Indo-Pakistan conflict. The revised claim was filed by the claimant's son who intimated in May 1974 that at the time of submitting the original claim his father was on death bed as a result of which he had failed to present the claim properly.

*Excluding value of forests stated to be covering about 64,000 acres.

1	2	3	4	5	6	7
K	11.94 (July 1971)	50.98 (November 1974)	327 <i>per cent</i>	36.38 (December 1974)	9.10	The claimant stated that the original claim was prepared by his clerk who had indicated the prices of properties as prevalent in 1945-46.
L	14.32 (July 1971)	47.08 (June 1974)	228 <i>per cent</i>	35.16 (August 1974)	8.79	The claimant stated (June 1974) that through an oversight certain properties were not included in the original claim.
M	1.05 (July 1971)	10.81 (January 1974)	929 <i>per cent</i>	5.25 (August 1974)	1.31	The claimant informed (May 1974) that originally she had indicated only an approximate area of land left in East Pakistan and had also valued it at the rates obtaining in 1946 instead of those in 1965.

The following further points were observed in audit :—

- (a) claimant 'H', while submitting the original claim for Rs. 92.17 lakhs, had also indicated that :
- (1) a sum of Rs. 21.06 lakhs was payable by him to the Government of Pakistan on certain account; and
 - (2) a sum of Rs. 3.13 lakhs had been received by him from the Government of Pakistan towards compensation of one of his palaces acquired by that Government.

After excluding amounts of Rs. 21.06 lakhs and Rs. 3.13 lakhs and disallowing certain other items, the claim was originally verified for Rs. 20.81 lakhs and an *ex gratia* payment at 25 per cent thereof, amounting to Rs. 5.20 lakhs, was sanctioned by Government.

The revised claim (Rs. 351.38 lakhs) submitted by the claimants in August 1974 was verified by the Panel for Rs. 287.22 lakhs, including Rs. 49.80 lakhs for the palace referred to above. As this palace had already been acquired by the Government of Pakistan before the Indo-Pakistan conflict on payment of compensation of Rs. 3.13 lakhs, as stated by the claimant himself in his original claim, inclusion of its value of Rs. 49.80 lakhs and its acceptance by the Panel was not justified. Besides this, the loan and interest of Rs. 21.06 lakhs payable by the claimant to the Government of Pakistan, as indicated in the claimant's original claim were also not taken into account by the Panel and the Ministry. Had the valuation of the palace been omitted and the liability of Rs. 21.06 lakhs deducted, the value of the verified claim, even at the rates allowed by the Panel for other items, would have been Rs. 216.36 lakhs only, as against Rs. 287.22 lakhs actually accepted.

The claimant, while submitting the revised claim, had stated that besides himself, his elder brother and heirs of his deceased brother were co-sharers of the properties and that for purposes of the maximum of *ex gratia* grant payable, each share should be treated separately. While considering this matter, the Panel observed that "if this claim is considered to be a single claim in respect of a single property under a single title, then, however, high the verified value of the property might be, the claimants would be entitled to only Rs. 25 lakhs.....If unity of title and possession and the relative value of the property covered by a separate title be the criterion for determining the highest ceiling of compensation to be paid,.....

the present claim would possibly be considered rightly to be three claims rolled into one, each claimant having separate title share and possession in the property on the relevant date of the seizure thereof as enemy property."

The Internal Finance Wing of the Ministry observed (April 1976) that there was no division of the property of the estates before the conflict of 1965 and three brothers owned the estate jointly and, therefore, this had to be treated as a single case to which there were three claimants and the *ex gratia* payment was to be restricted to Rs. 25 lakhs in accordance with the Government decision of 15th March 1971 and that review of the case would create an unhealthy precedent since most of the similar cases had been decided and paid at 25 *per cent* of the verified amount in each case. It was also suggested that if it was considered necessary to review the case, the Ministry of Finance might be consulted.

However, without consulting the Ministry of Finance, the Ministry of Commerce decided (May 1976) to accept the claim for Rs. 287.22 lakhs and also to split it into three parts to enable each of the co-sharers to receive 25 *per cent* of his respective share even though the total *ex gratia* payment, thus, involved was Rs. 71.80 lakhs (Rs. 46.80 lakhs more than the maximum limit of Rs. 25 lakhs).

The actual value of the revised claim was Rs. 216.36 lakhs only. The total *ex gratia* grant even after splitting of the claim into three parts, worked out to Rs. 54.09 lakhs only as against Rs. 71.80 lakhs actually paid by Government. A sum of Rs. 17.71 lakhs was, thus, paid in excess.

It was also noticed that no such splitting was done while verifying the claim of claimant 'I' for Rs. 699.25 lakhs although there were three co-sharers in that case as well.

- (b) Among other items, the verified claims of claimants I, J and K included compensation for certain forest properties. Details of the claims originally preferred, revised and verified by the Panel in respect of these properties are given below :

Name of claimant	Original claim		Revised claim		Claim verified		Rate allowed by panel (rupees per acre)
	Area (acres)	Value (in lakhs of rupees)	Area (acres)	Value (in lakhs of rupees)	Area (acres)	value (in lakhs of rupees)	
1	2	3	4	5	6	7	8
I	Nil	Nil	64,000	Not indicated	64,000	640.00	1,000
J	Not indicated	0.25	4,202	630.00	3,833	38.33	1,000
K	1,070 (at Rs. 300 per acre)	3.21	1,070	21.40 (at Rs. 2,000 per acre)	1,070	21.40	2,000

In allowing a rate of Rs. 2,000 per acre in the case of claimant K, the Panel, in its report dated 27th December 1974 had observed as under :

“From material available to the Panel in respect of the value of forest land in the area concerned in about 1965, the reasonable rate was Rs. 2,000 per acre. This rate has been decided upon by the Panel in respect of forest land upon consideration of facts revealed in a number of cases, wherein claims of forest lands were made. Even though, therefore, the party has in the original claim application placed a rate of Rs. 300 per acre, which was, however, increased to Rs. 2,000 per acre in the latest affidavit, the Panel is of the opinion that in order to maintain justifiable parity among different claimants, the decided rate of Rs. 2,000 per acre should be adopted in this case also for assessing compensation for forest land.”

Actually, however, no parity was maintained inasmuch as in the first two cases the rate allowed was Rs. 1,000 per acre as against Rs. 2,000 allowed in the third case. In fact, in some cases (e.g. compensation case Nos. 3684, 3737, 3738 and 3744), the rate allowed by the Panel was still lower, viz. Rs. 600 per acre. No uniform norms were, thus, applied by the Panel in valuation of the forest land.

5.0 *Valuation of land.*—In verification of claims, value of land was based on the rates indicated in a communication of November 1971 from the Chief Accountant of the United Bank of India to the Custodian. This communication indicated the minimum and maximum rates per acre/bigha of land (agricultural, homestead, etc.), which according to the Bank, were prevalent at various places in East Pakistan in 1965. These rates were compiled by the Bank during the course of its operations in East Pakistan on the basis of reports available about sale and purchase of land in the respective areas. In an inter-ministerial meeting held in September 1972, the Ministry of Finance did not agree to accept the valuations given by the Bank but suggested that orders of the Committee of Secretaries should be obtained in the matter. Subsequently, in May 1973, however, the Ministry of Commerce in consultation with the Ministry of Finance decided that, since it was difficult to verify the correctness of the rates communicated by the Bank and to be on the safe side, valuation of land should be done on a graded basis as given below :

- (i) at 80 per cent of the value indicated by the Bank where a claim was up to Rs. 4 lakhs; and
- (ii) at 60 per cent of the value where a claim exceeded Rs. 4 lakhs.

A number of compensation cases were finalised on this basis which, in the Ministry's records, was referred to as 'U.B.I. Formula'. In another inter-ministerial meeting held for simplification of procedure for verification of claims on 4th June 1975

in which the Ministry of Finance also participated, it was decided that the Panel should adhere to the parameters laid down in the 'U.B.I. Formula' and that "wherever, the Panel finds it necessary to exceed the value under the 'U.B.I. Formula' adequate justification should be adduced and the Custodian should bring this fact to the notice of the Ministry". In May 1976, the Ministry of Commerce further decided that while making recommendations for *ex gratia* payments, the Custodian should furnish a certificate that the claim had been examined in accordance with the guidelines laid down by Government and the verification was within the parameters of the 'U.B.I. Formula' and that once this certificate was furnished, the Ministry would not subject the claim to further examination and the sanction would be issued straightway.

After 4th June 1975, the valuation of lands was generally done on the basis of rates indicated in the Bank's communication of November 1971 without making any reduction therein, although the decision taken in the inter-ministerial meeting held on that date did not specifically provide that the valuation of land was not to be done on the graded basis as earlier decided by the Ministry of Commerce (in consultation with Ministry of Finance) in May 1973.

5.1 In 9 cases valuations done by the Panel are indicated in the table below :

Name of claimant	District in which located	Type of land	Area verified (in bighas)	Rate as communicated by Bank (rupees per bigha)	Rate allowed by Panel	Value assessed by Panel (in lakhs of rupees)
1	2	3	4	5	6	7
1	Raj shahi	Agricultural (double crop)	370	2,000 to 3,000	2,500	9.25
J	Mymensingh, Pabna and Bagura	Agricultural (good crop)	2,130	2,000 to 3,000	1,500	31.95
M	Mymensingh	Home- stead	21	20,000 to 30,000	25,000	5.25

1	2	3	4	5	6	7
N	Jessore and Khulna	Agricultural (triple crop)	375	2,000 to 3,000	2,000	7.50
O	Jessore and Khulna	Agricultural (double crop)	203	} 375 2,000 to 3,000 20,000	2,000	4.06
		Non-agricultural	172		to 1,00,000	25,000	43.00
P	Jessore and Khulna	Agricultural (good crop)	375	2,000 to 3,000	3,000	11.25
Q	Jessore	} Agricultural (one crop)	412	500 to 1,000	1,000	4.12
R	Bakherganj		708	—do—	1,000	7.08
S	Mymensingh village Santosh		Homestead (Santosh estates I and II)	170	5,000 to 10,000	50,000	85.60
TOTAL						209.06

It would be seen from the above table that the rates actually allowed by the Panel were different from and in some cases higher than the rates communicated by the Bank and the prescribed 'U.B.I. Formula' was not followed. The following points were also noticed:—

- (a) Although, the areas for which compensation was claimed by claimants N, O and P were more than 375 bighas, verification of land was restricted to 375 bighas only in each case on the ground that under the East Pakistan State Acquisition and Tenancy Act, 1950, the claimants were not entitled to retain more than 375 bighas. However, in the cases of claimants J, Q and R whose claims were for more than 375 bighas of land, the compensation was allowed without applying the afore-mentioned limit, on the ground that properties in excess of 375 bighas could not vest in the Government of Pakistan, unless compensation rolls regarding the same had been

prepared and published by that Government as required under Sections 41 to 44 of the Act.

- (b) Agricultural lands of claimants J, N, O, I and P were valued at different rates, varying from Rs. 1,500 to Rs. 3,000 per bigha although, in each of these cases, it was agricultural land yielding double, triple or good crop. Even for lands in the same district, viz. Jessore and Khulna, the rate applied in the case of claimant 'N' was Rs. 2,000 per bigha while that in the case of claimant 'P' was Rs. 3,000 per bigha.
- (c) The homestead land situated in village Santosh (estates I and II) covering 170 acres of claimant 'S' was valued at the rate of Rs. 50,000 per bigha although the rate communicated by the Bank for rural homestead land ranged from Rs. 5,000 to Rs. 10,000 per bigha only. Even if the maximum rate of Rs. 10,000 per bigha communicated by the Bank were applied in this case, the value of the land would have been Rs. 17 lakhs, as against Rs. 85.60 lakhs assessed by the Panel. As a result of overvaluation of this land, a sum of about Rs. 17.15 lakhs was paid in excess.

Thus, no rational and consistent method was adopted in the matter of valuation of land.

6. Summing up, the following are the main points that emerge :—

- (i) Valuations of claims of different companies for *ex gratia* grants were made on different basis; in some cases the valuation was based on figures of assets and liabilities shown in the latest available balance sheets while in others on the agreed negotiated sale value prior to the outbreak of hostilities. In one case (Company 'G') valuation was done on an *ad hoc* basis by accepting net value of assets as Rs. 553.60 lakhs against Rs. 241.11 lakhs as per its balance sheet and Rs. 400 lakhs as per the negotiated agreed value prior to the Indo-Pakistan

conflict. Even with reference to the latter, the excess payment made was over Rs. 40.68 lakhs.

- (ii) By including Rs. 15.01 lakhs of bad debts in the assets of Company 'F', Rs. 3.75 lakhs were sanctioned in excess.
- (iii) By not excluding Rs. 10.21 lakhs of prepaid income-tax etc. from the assets, (as done in other cases) Company 'A' was overpaid Rs. 2.38 lakhs.
- (iv) Against original claim of Rs. 92.17 lakhs of claimant 'H' (July 1971), claim of Rs. 287.22 lakhs was verified (August 1974) and Rs. 71.80 lakhs paid against the maximum limit of Rs. 25 lakhs (fixed by Government) by splitting the claim into three co-sharers. Further, by including inadmissible amounts, Rs. 17.71 lakhs were paid in excess to the three co-sharers.
- (v) Valuation of lands was not done on a uniform basis; in case of claimant 'S' alone, Rs. 17.15 lakhs were paid in excess.

MINISTRY OF INDUSTRY

(Department of Industrial Development)

30. Industrial Estates

(a) *Okhla Industrial Estate*.— For development of small industries in the Union Territory of Delhi, the National Small Industries Corporation Ltd. (NSIC) developed an industrial estate at Okhla covering an area of about 110 acres in 1956-57 and constructed 35 sheds (Phase I) at a total cost of Rs. 53.58 lakhs. These sheds (area ranging from 259.2 to 1,839.2 square metres each) were allotted to different parties on rental basis in 1957-58.

From April 1959, the control of the estate was transferred to Delhi Administration which paid Rs. 106.11 lakhs to the NSIC towards the cost of development of Phases I and II. Phases II and III of the estate comprising 46 sheds (area ranging from 511.7 to 831.9 square metres each) and 41 sheds (area ranging from 148.8 to 582.7 square metres each) were constructed through the

agency of the Central Public Works Department (CPWD) and the Bharat Sevak Samaj in 1961-62 and 1963-64 at a cost of Rs. 41.00 lakhs and Rs. 20.73 lakhs respectively. Allotment of sheds was made to small scale industrial units having investment in fixed assets (plant and machinery) not exceeding Rs. 7.50 lakhs (raised to Rs. 10 lakhs from May 1975). Besides the sheds, 75 plots (area ranging from 506.6 to 4,170.0 square metres each) were also developed by the Delhi Development Authority (DDA) on behalf of Delhi Administration at a cost of Rs. 18.80 lakhs and sold on perpetual lease to various small scale industrial units from 1966-67 onwards. The industrial units in the estate were also provided by the Delhi Administration various facilities such as technical assistance, loan assistance for development of industry, allocation of scarce raw material (both indigenous and imported) and workshop, marketing and training facilities.

Mention was made about arrears of rent and delay in finalisation of hire-purchase terms in respect of sheds in Okhla Industrial Estate in Audit Report (Civil), 1967. The Public Accounts Committee, while recommending early action in the matter *vide* paragraphs 2.33 to 2.36 of its 26th Report (4th Lok Sabha : 1967-68), desired to watch further progress through future Audit Reports. The following points were noticed (May 1978) in test-check in audit of the records relating to the industrial estate in the office of the Director of Industries.

- (i) In July 1969, the Government of India decided that the sheds, instead of being let out on rent, should be sold to the industrial units on hire-purchase basis so that after the expiry of period of hire-purchase, *viz.* 15 years, ownership of the sheds could be transferred to those units, the amount already paid by the allottees on account of rent being adjusted towards the hire-purchase premium. Although the time limit of 15 years had elapsed in many cases, the Administration had neither notified the exact amount of hire-purchase cost payable by the allottees nor finalised the hire-purchase agreements. The Delhi

Administration stated (November 1978) that hire-purchase could be made only after the services in the estate had been transferred to Municipal Corporation of Delhi, that this aspect of the matter had been overlooked earlier and that the services had been taken over by the latter in January 1978.

- (ii) According to the terms of the lease deeds and hire-purchase agreements, the rent or hire-purchase premium for the shed was payable on the first day of each calendar month failing which interest was leviable on the arrears at the prescribed rate of 6 or 9 *per cent* per annum from date of demand. The lease deed and the hire-purchase agreement could also be determined on failure to pay rent for a period of 2 months or any sum due to the owner under the agreement. It was, however, seen in audit that the recovery of rent or hire-purchase premium was not being made regularly and Rs. 164.41 lakhs were recoverable from 117 out of 122 allottees of sheds in Phases I, II and III towards rent or hire-purchase premium as on 31st March 1978. The amounts due as rental from the allottees were outstanding for 35 to 75 months.]

The lease deeds in respect of plots in Phase III stipulated that the allottees would make payment of yearly lease rent at the rate of two and a half *per cent* of the premium paid. The amount payable as lease rent up to June 1978 by 75 allottees worked out to Rs. 1.52 lakhs; out of this Rs. 0.32 lakh had been realised up to November 1978. Out of 75 plots, sheds had been constructed by the allottees on 45 plots till March 1978. The Delhi Administration had referred all the cases to the District Collection Officer for recovery of lease rent due (October 1978).

- (iii) The rent ledgers for the sheds leased to the allottees were found to have been maintained up to 1972-73 only and in a few cases, entries were made for 1973-74 also. Thereafter, no consolidated ledgers were kept and the

outstanding rent statements were being maintained in the respective files of the allottees. There was, thus, no central record to watch the progress of recovery from the parties. It was also seen that the figures of rent due and the rent paid were not authenticated and reconciled with the records of the Treasury or Pay and Accounts Office.

The Delhi Administration stated (November 1978) that a large number of allottees felt that they would like to know the position of their accounts *vis-a-vis* hire-purchase instalments, that they were not agreeable to pay amounts in excess of hire-purchase instalments and that since the position of hire-purchase instalment could not be worked out, preparation of accounts became complicated day by day with the result that recoveries suffered and in this situation several others also took advantage and started defaulting. As regards ledgers, the Administration stated that these would be posted only when the question, whether rent or hire-purchase instalment was due from allottees, was decided.

- (iv) The duration of leases under Phase I was 3 years and of those under Phases II and III was 5 years. It was seen that the lease agreements executed during 1957-59 under Phase I and during 1963-65 under Phases II and III had not been renewed (November 1978).

The Delhi Administration stated (November 1978) that the matter had to pend until the policy on hire-purchase was finalised.

- (v) The lease deed agreements provided that the units should keep the factory buildings insured against loss or damage by fire and all other risks and should deposit with the Director of Industries all these insurance policies. It was noticed that 101 out of 122 allottees had not been depositing the insurance policies of the factory buildings

regularly as per terms of lease deed. The position in this regard for periods upto June 1978 was as under :

<i>Period of default</i>	<i>Number of cases</i>
Up to 12 months	4
13-24 months	14
25-48 months	29
49-72 months	11
73 months onwards	39

Insurance policies in respect of 4 sheds allotted to industrial units during 1963-64 had not been received by the Director of Industries since inception.

The Delhi Administration stated (November 1978) that letters had already been sent to the defaulters and the matter would be followed up with them.

- (vi) A survey by the Director of Industries in early 1976 showed that only 1,69,791 square metres (38 *per cent*) out of 4,45,155 square metres of land had been put to industrial use as compared to 70 *per cent* utilisation in other industrial estates (Naraina and Mayapuri) developed by the DDA. In February 1977, the Director of Industries proposed to increase the plotted area up to about 50 *per cent* by carving out Phase IV comprising 36 additional plots, 72 sheds, some shopping area, etc. The Delhi Administration stated (November 1978) that a layout plan of Phase IV was ready and would be sent to the DDA for approval shortly and that according to the layout plan, 64 plots (36,278 square metres) and 63 sheds (3,876 square metres) would be offered for disposal.
- (vii) Phase III of the estate was developed as sports goods complex which had export potential and 41 small units manufacturing different items of sports goods were allotted factory sheds in 1964-65.

Since the sports goods units were handicapped due to lack of proper technical knowhow and equipment for production of quality products and could not introduce full mechanical process due to lack of finances, the Administration set up (November 1969) a common facility centre for the complex. The centre was manned by a supervisor, two skilled workers and a chowkidar. Machinery worth Rs. 0.15 lakh was also purchased for the centre. The centre was to provide services of machines on 'no profit no loss' basis. The centre was closed down on 28th February 1977 as out of 41 sports goods units, 34 units had either closed down or changed the line of business and only 7 units had continued. The expenditure on the maintenance of the centre during the period from November 1969 to February 1977 was Rs. 1.17 lakhs against receipts of Rs. 0.25 lakh in the same period. The running of the centre, thus, resulted in a loss of Rs. 0.92 lakh.

The Delhi Administration stated (November 1978) that it was unfortunate that sports goods industry could not thrive in Okhla as the workers were attracted by this industry thriving in Meerut and that there was no alternative but to close the centre which was not gainfully being utilised by the industry.

- (viii) According to progress report on the activities in the estate submitted by the Estate Manager to the Director of Industries for the half year ending March 1978, 64 allottees of sheds/plots had sub-let their premises (fully or partly) to one or more parties without obtaining the consent of the Director of Industries in contravention of the terms of lease agreements. In 2 cases, the allottees had sub-let the premises to other industrial units at rents ranging from Rs. 2,500 to Rs. 3,000 per month as against a rent of about Rs. 900 per month payable by them in each case. It was also seen that the arrears of rent outstanding against the original allottees as on

31st March 1978 stood at Rs. 1.30 lakhs and Rs. 2.04 lakhs respectively.

The Delhi Administration stated (November 1978) that these unauthorised occupants would neither pay rent nor hire-purchase premium and that a policy decision was to be taken soon to regularise possession by the occupants.

- (ix) A survey conducted by the Public Works Department (April 1978) at the instance of the Land and Building Department of Delhi Administration showed that 124 industrial units had encroached upon adjacent areas of 45,042 square metres.

It was also seen that 101 Jhuggi-Jhompri dwellers had built residential accommodation, tea stalls, dhabas, welding shops, etc. over an area of 3,226 square metres.

The Delhi Administration stated (November 1978) that in a large number of cases the encroachments were of a temporary character such as dumping of goods in open spaces and would be dealt with by the Municipal Corporation of Delhi to which municipal services had been transferred and that the other encroachments would be taken care of in Phase IV by allotting additional space and for genuine needs for expansion and diversification and by setting up of kiosks in place of tea stalls and dhabas.

Summing up, the following are the main points :—

- (i) The policy decision taken by the Government of India in July 1969 to transfer ownership of sheds to allottees on hire-purchase basis was yet (December 1978) to be implemented and Rs. 164.41 lakhs were outstanding for recovery from 117 out of 122 allottees of sheds as on 31st March 1978. Rent ledgers had not been maintained properly after 1972-73.
- (ii) In respect of plots developed and allotted to the industrial units from 1966-67 onwards construction had taken

place only on 45 out of 75 plots and Rs. 1.20 lakhs were due for recovery (November 1978) of lease rent from the allottees.

- (iii) The area put to industrial use was substantially less than that in other industrial estates developed by the DDA.
- (iv) Sixty-four allottees of sheds and plots had sub-let the premises without prior permission of the Director of Industries, and areas measuring 45,042 and 3,226 square metres had been encroached upon by the allottees of sheds and plots and Jhuggi-Jhompri dwellers respectively.
- (v) The sports goods complex developed as Phase III failed to thrive and the common facility centre set up in November 1969 had to be closed down in February 1977 after incurring a loss of Rs. 0.92 lakh.

(b) *Badli Rural Industrial Estate.*— In order to strengthen the economic base of rural areas of the Union Territory of Delhi the Directorate of Industries proposed in 1957 to set up a rural industrial estate, near village Badli and financial outlays of Rs. 23.25 lakhs and Rs. 14.00 lakhs were provided for Phase I and Phase II respectively. Land measuring 75.68 acres was acquired (2.51 acres in 1959 and 73.17 acres in 1961) at a cost of Rs. 6.70 lakhs. Seven sheds were built at a cost of Rs. 4.63 lakhs in 1964 as part of Phase I and allotted to different industrial units on rental basis; 145 plots (total area 38.47 acres) were also developed (through CPWD) under Phase I at a total cost of Rs. 24.66 lakhs in 1969. Phase II of the estate comprising 101 plots (total area 18.70 acres) was developed in 1975 at a total cost of Rs. 32.60 lakhs. An area of 16 acres was ear-marked for development of industrial housing as Phase III of the estate. A test-check in audit (May 1978) of the records of the Director of Industries disclosed the following points :—

- (i) According to the terms of the lease deed, rent for the sheds was payable by the lessees in advance on the first day of each calendar month failing which interest on the arrears of rent at the rate of 6 per cent per annum from

the date of demand was leviable and the lease could be absolutely determined for failure to pay rent.

The recovery of rent was, however, not made regularly and Rs. 1.45 lakhs were due as arrears in respect of 7 sheds as on 30th November 1978. This included Rs. 0.41 lakh from one allottee from whom the shed was got vacated in February 1972 under orders of the Court and Rs. 0.13 lakh from the Posts and Telegraphs Department to which a portion of the said shed was subsequently allotted in February 1976.

The Delhi Administration stated (November 1978) that all cases of arrears (except that of the Posts and Telegraphs Department) had been referred to District Collection Officer for recovery.

- (ii) The lease deed in respect of plots stipulated that the allottees would make payment of yearly lease rent at the rate of two and a half *per cent* of the premium paid. The amount due as lease rent up to June 1978 from 30 allottees worked out to Rs. 0.27 lakh. The Director of Industries stated (October 1978) that all the cases had been referred to the District Collection Officer for recovery of lease rent due.
- (iii) The duration of the leases of 7 factory sheds was 5 years. Though the lease agreements were executed on 4th February 1964, these were neither extended beyond 3rd February 1969 nor determined by the Director of Industries.

The Delhi Administration stated (November 1978) that this estate was yet to come up, that they did not have an estate manager and other staff on the spot and that administrative block had just been built which would be taken over by them soon when they would have field staff to keep a watch on the units.

- (iv) One hundred thirty six plots (out of 145 plots in Phase I) were allotted to various industrial units in 1968-69. Out of these, construction had been completed on 24 plots,

20 units had started functioning between 1973 and 1975, construction was in progress on 7 plots and construction on the remaining 105 plots had not been started (November 1978).

In regard to Phase II comprising 101 plots (increased to 121 in 1976), 38 plots were allotted to industrial units in 1971 but possession thereof was not handed over nor were lease deeds executed so far (November 1978). Industrial units for allotment of the remaining plots were approved in January and February 1977; no allotments had, however, been made so far (November 1978). The Delhi Administration stated (November 1978) that the entire policy regarding pricing and disposal of land in Phase II was being reviewed and that as soon as final policy decision was made, further action would be taken.

- (v) The sale price of developed plots was provisionally (1969) fixed at Rs. 12 per square yard pending completion of full development and the lessees were made liable to pay such additional sum as might become payable on account of enhancement of the expenditure at the time of final calculation of the expenses on development, etc. The sale price was finally fixed (May 1972) at Rs. 21 per square yard. The additional sum of Rs. 10.63 lakhs due from 136 allottees of Phase I had not been recovered so far (November 1978). The Delhi Administration stated (November 1978) that the additional liability of all the allottees had been worked out and notices were sent to them, but that the allottees had resisted the demand.
- (vi) According to the Master Plan, only cottage industry and such light industry which use agricultural and rural produce could be set up in this area. It was, however, noticed that 30 of the industrial units functioning in the estate would not come under this category.

In 1964, the DDA permitted this estate to be established in the agricultural green belt as a special case to provide employment to the rural population in an organised area. However, in March 1978, the DDA observed that the allottees in the estate were neither from the rural areas nor were the workers coming from the villages. The allottees were new entrepreneurs from urban Delhi. The Delhi Administration stated (November 1978) that they had been giving preference to entrepreneurs having rural background and that response from such entrepreneurs had been poor.

Summing up, the following are the main points that emerge:—

- (i) Recovery of rent for the 7 sheds allotted (1964) was not made regularly and Rs. 1.45 lakhs were outstanding for recovery in November 1978 and leases of 7 sheds executed in February 1964 were not renewed beyond February 1969.
- (ii) In respect of 136 plots (out of 145 plots) in Phase I allotted in 1968-69, construction had been completed on 24 plots only; Rs. 10.63 lakhs due from the allottees of plots on final determination of sale price were yet to be realised (November 1978).
- (iii) Out of 121 plots in Phase II which were developed in 1975, 83 plots had not been allotted (December 1978).
- (iv) The object of setting up of industries in the estate, based on agricultural and rural produce, was not achieved and few entrepreneurs from the rural areas had come forward.

31. Unauthorised occupation of salt land.—In August 1887, about 225 acres of Government land in Chembur village (Bombay), owned by the Central Government, were allotted to 'A' for construction of a salt work. According to the agreement, 'A' was required to prepare the land for manufacture of salt and pay ground rent to the Salt Department. A licence for manufacture of salt was also given to 'A', in terms of which

the use of land for any purpose un-connected with the manufacture of salt was prohibited. The agreement stipulated that he and his heirs to the estate would abide by the terms mentioned therein and that if they failed to do so, they would be bound by any order, including the order to resume the land, which the Collector might pass. The possession of the land was given to 'A' in March 1888. In a plan of the area prepared in 1907, the salt work was found to occupy an area of about 140 acres only. Sometime in 1890-1891, 'A' transferred the salt work to his elder brother, who by his 'Will' created a trust in respect thereof in February 1897.

In 1959, the trustees approached the Deputy Salt Commissioner, Bombay, for permission to show their names in the revenue record of rights. In December 1959, the Deputy Salt Commissioner informed one of the trustees that while there was no objection to the names of the trustees being shown in the revenue records as owners of the salt work, the land under salt manufacture would continue to remain in the name of the Salt Department. On being approached by the trustees for amendment of revenue records, the Revenue authorities erroneously entered the trustees' names in the revenue records as occupants of land instead of merely as owners of the salt works.

In 1959, a portion of the above land measuring 7 acres and 36 gunthas was acquired by the erstwhile Government of Bombay for construction of the Eastern Express Highway under the Land Acquisition Act, 1894 and compensation of Rs. 0.66 lakh was awarded by the State Government to the trustees in December 1963 under the belief that they were owners of the land. The Salt Department, which actually owned this land, did not lodge any protest against this.

In June 1964, the trustees sought permission of the Salt Department to sell the salt work to another party 'B'. Initially, the Salt Department issued (26th August 1964) a 'no objection certificate' to the trustees, but on 27th August 1964, the Department informed the trustees that the no objection certificate should be held in abeyance and that the sale of the salt work should

not be carried out until further orders as the conditions, on which the land (on which the salt work stood) was handed over by Government, would have to be verified. Subsequently in January 1965, the Deputy Salt Commissioner permitted the transfer of the licence to 'B' on the condition that "this transfer will not imply recognition of the right of the trustees over the land". In protest against the above condition, party 'B' stated that the land and salt work belonged to and were owned by the trustees, that it had agreed to purchase the land for building purposes and that large amounts would be spent by it on the development of the land to make it suitable for residential purposes. The Ministry of Law, to which the matter was then referred by the Department, advised (November 1966) that as the Central Government was concerned in giving permission for transfer of licence and not for transfer of land it would be proper to withdraw the condition mentioned in the Deputy Salt Commissioner's letter dated January 1965. The Ministry of Law further observed that even if the said condition was not attached and Government, in law, was entitled to the land, the mere grant of permission for transfer of the licence would not bar the Government from claiming the title to the property. On the basis of this advice, the Department withdrew the above condition on 18th November 1966. In doing so, however, the Department did not make it clear to the trustees or to party 'B' that the land should not be used for any purpose other than manufacture of salt till the title to the land was clearly established.

Party 'B' got the lay-out plans for residential purposes approved by the Bombay Municipal Corporation in March 1967. In December 1968, the executors of the last Will and testament of the lessee intimated the Deputy Salt Commissioner that they had completely stopped manufacture of salt in the whole of the land. The Inspector of Salt, Trombay, also informed the Deputy Salt Commissioner (December 1968) that the licensees were not manufacturing salt and that filling operations had been started in certain portions of the land. In July 1969, the Inspector of Salt further informed that building activities were going on on the land covered by the salt work. In December

1970, the trustees intimated the Deputy Salt Commissioner that they wanted to relinquish the licence for manufacture of salt and requested him to convey the Department's acceptance of the relinquishment. Nevertheless, the Department did not take any timely action to stop the unauthorised use of land and to resume it.

The matter regarding ownership of the land was considered by the Department in consultation with the Ministry of Law which stated (March 1973) that the title to the land all along vested in Government and that Government was entitled to resume the land if salt was no longer being manufactured thereon. Instead of taking action to initiate proceedings for resumption of land, the Bombay Municipal Corporation was requested in October 1973 not to grant permission to anyone to construct structures on the land as the salt work had not been closed down and no one was authorised to construct structures on this land. As the construction still continued, the Department requested the Corporation again in March 1977 not to sanction building plans for construction on the land. However, meanwhile, a big residential colony had already come up on this land. According to an assessment made by the Department in 1974, the area under salt works was 6.40 lakh square yards, valued at Rs. 5.10 crores at the market rates. In May 1978, there were 396 building plots on this land, of which 137 were fully built up. The constructions were done mostly by or on behalf of Co-operative Societies and a few by others.

In July 1977, the Ministry of Law to which the matter was again referred, advised the Department to accept the relinquishment of licence and resume the land under the Public Premises (Eviction of Unauthorised Occupants) Act, 1971. Government intimated Audit in May 1978 that the relinquishment of licence by the trustees had since been accepted and the order of resumption of land passed on 21st January 1978. In September 1978, Government further intimated that "The Central Government have since appointed the Assistant Salt Commissioner, Thana, as the Estate Officer under the Public

Premises (Eviction of Unauthorised Occupants) Act, 1971 in respect of the premises in question. The Assistant Salt Commissioner has already issued notices to various parties involved. The Trustees and the parties filed a petition in the Bombay High Court challenging among others the notices issued under the Public Premises (Eviction of Unauthorised Occupants) Act, 1971. The petition was, however, withdrawn at the admission stage on 1st August 1978 for filing a comprehensive suit. The High Court has stayed eviction proceedings for four months except for issue of notices”.

The case reveals the following lapses:—

- when the Revenue authorities of erstwhile Government of Bombay erroneously showed the names of the trustees in revenue records as occupants of land instead of merely as owners of salt works, the Salt Department did not take it up with them to indicate the correct position;
- no protest was made when the compensation for land acquired by the State Government was awarded to the trustees in December 1963;
- when the condition that the transfer of licence would not imply recognition of the right of the trustees over the land was withdrawn (November 1966) the Salt Department did not make it clear to the trustees or party B that the land should not be used for any purpose other than manufacture of salt; and
- non-resumption of land (value : Rs. 5.10 crores) when the manufacture of salt was stopped in December 1968.

32. Block loans.—In paragraphs 106 and 78(a) of the Audit Reports (Civil) 1965 and 1970 respectively, mention was made of certain aspects of loans granted by the Delhi Administration for establishment, promotion and development of industrial units. From 1970-71 to 1977-78, loans aggregating Rs. 263.25 lakhs

S/7 AGCR/78-10 were disbursed by the Delhi Administration to 3,784 units as shown below:

	Up to Rs. 1,000		Above Rs. 1,000 and up to Rs. 10,000		Above Rs. 10,000 and up to Rs. 25,000		Above Rs. 25,000	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
	(Amount in lakhs of rupees)							
1970-71	6	0.06	461	14.92	25	4.62	1	0.40
1971-72	53	0.53	530	22.33	84	16.68	7	3.04
1972-73	80	0.80	293	13.81	52	11.14	18	8.09
1973-74	54	0.54	199	11.97	76	16.74	17	8.25
1974-75	19	0.19	194	10.10	39	8.22	27	11.20
1975-76	17	0.17	288	20.71	44	10.02	19	8.78
1976-77	229	2.29	196	16.99	28	6.72	8	4.00
1977-78	445	4.45	275	25.49	..	..	..	..
TOTAL	903	9.03	2,436	136.32	348	74.14	97	43.76

The loans disbursed (Rs. 200.67 lakhs) to 2,617 units during 1972-73 to 1977-78 were exclusively for utilisation as working capital or for development of industry. No loans for purchase of machinery, plant and appliances, construction of factory building and godowns, purchase of raw materials and industrial research, etc., were granted by the Delhi Administration.

2. A test-check of the accounts records revealed the following:—

2.1 The applicants for loans generally produced hand written/typed accounts (comprising profit and loss accounts and balance sheets) for the year prior to the year of application

and this formed the basis of calculation of entitlement of loan to the applicant. The loanee units were not required to furnish the main sources of their income, the list of outstanding loans and copies of their accounts for three years as prescribed in Financial Rules of Government. In one case, a partnership firm obtained a loan of Rs. 0.21 lakh in March 1970 for shifting of industry from non-conforming to conforming area and the two partners separately obtained loans of Rs. 0.20 lakh and Rs. 0.25 lakh in March 1971 and March 1973 for expansion and development of industry respectively in the name of two separate firms. None of the firms repaid even one instalment of loan up to December 1978; and on reference to the Collector, it was noticed by him (February, May and June 1978) that none of the three firms was in existence at the addresses given by the loanees. The Delhi Administration stated (November 1978) that they had been constantly pursuing these cases with the Collector for recovery and a comprehensive reference was being made to him to ensure recovery in these three cases.

2.2 A scrutiny of the pace of disbursement of loans during 1970-71 to 1977-78 showed the following:—

Loans disbursed

(In lakhs of rupees)

Year	April to December	January to March	After close of the year	Total
1970-71	8.04	6.17	5.79	20.00
1971-72	11.67	8.04	22.87	42.58
1972-73	3.47	10.80	19.57	33.84
1973-74	27.56	3.30	6.64	37.50
1974-75	10.33	16.03	3.35	29.71
1975-76	4.13	26.87	8.68	39.68
1976-77	16.25	11.43	2.32	30.00
1977-78	10.98	14.28	4.68	29.94
TOTAL	92.43	96.92	73.90	263.25

Thus, 36.8 *per cent* of loans were disbursed between January and March of 1970-71 to 1977-78 and 28.1 *per cent* loans were disbursed in the subsequent financial year though the amounts were drawn in the preceding financial year. The Delhi Administration stated (November 1978) that at the time of submission of loan applications, it could not insist on submission of all the documents particularly those relating to the security and its acceptance, that these documents were called for after the sanction of the loan and that the delay in disbursement was mainly due to delay in submitting the required information and executing other legal formalities.

2.3 On a test-check of loans of amount exceeding Rs. 2,000 each (total number 322) approved during 1973-74, 1974-75 and 1975-76, it was noticed that delays had occurred in disbursement in 80 cases (amount : Rs. 14.86 lakhs) as shown below:

Period of delay	No. of cases
Up to 12 months	10
From 13 to 24 months	53
From 25 to 36 months	15
Over 36 months	2

The Director of Industries did not undertake any fresh examination of the entitlement of the applicant to the loan based upon the latest records and information. The Delhi Administration stated (November 1978) that if the re-examination of the account books was repeated, disbursement cases would result in change of loan entitlement and that this would require reconsideration by the Loan Advisory Board for sanction.

2.4 The Public Accounts Committee in paragraph 2.16 of its First Report (1971-72 : Fifth Lok Sabha) observed that the position regarding repayment of loans was not satisfactory and recommended that vigorous steps should be taken to recover the outstanding amount from the defaulters and special attention should be paid to the old cases.

The position of loans disbursed, the amounts overdue but not recovered as on 30th September 1969 (as reported in paragraph 78(a) of the Audit Report (Civil) 1970) and as on 30th November 1977 was as follows:—

Year	Position of loans								
	Loans disbursed		Loans outstanding and overdue as on 30th September 1969				Loans outstanding and overdue as on 30th November 1977		
	No.	Amount	No.	Amount		No.	Amount		
				Principal	Interest		Principal	Interest	
	(Amount in lakhs of rupees)								
1952-53 to 1967-68	3042	144.06	640	4.34	2.08	535	4.37	Not known	
1968-69 to 1976-77	3846	272.50	..	..	..	1145	10.30	Not known

NOTE.—The Director of Industries could not furnish the amount of interest overdue on the outstanding loan as on 30th November 1977.

Thus, Rs. 4.37 lakhs were outstanding as principal overdue in respect of loans sanctioned up to 1967-68 which were due for full repayment by March 1978.

2.5 During evidence before the Public Accounts Committee, it was stated that the Director of Industries was pursuing the recovery cases vigorously by issuing personal call letters to the loanees followed by reminders, writing to District Collectors to effect recoveries as arrears of land revenue, sending cases to Zonal Officers concerned to persuade the loanees in their respective areas to clear off the dues and making references to police authorities and also to Zonal Officers to trace out the untraced loanees.

A test-check of 155 cases of default (total amount: Rs. 7.36 lakhs) showed that no personal call letters were issued in 54 cases and that in the remaining 101 cases, the personal call letters were issued after lapse of considerable period from the date of default, as shown below:

Period of delay	No. of cases
Up to 6 months	37
From 7 to 12 months	27
Over 12 months	37

It was also seen that no reminders were issued in 34 of the above cases.

In 155 cases of default, referred to above, it was, however, noticed that references were made to the Collector after lapse of considerable period from the date of default as may be seen from the following table :—

Period of delay	No. of cases
Up to 12 months	14
Above 12 to 24 months	62
Above 24 to 36 months	39
Over 36 months	40
TOTAL	155

The Director of Industries stated (July 1978) that the number of loanees had increased considerably in the last few years and that the strength of the staff had not increased correspondingly; he also stated that efforts were made to recover the loans but it took time. The Delhi Administration stated (November 1978) that 1973, 385 and 902 cases involving Rs. 20.80 lakhs, Rs. 5.65 lakhs and Rs. 6.88 lakhs were referred to the Collector in 1976, 1977 and 1978 (up to 31st October 1978) respectively. An examination in audit (December 1978) of 945 cases referred to the Collector in 1976 revealed that 663 cases were still pending with the Collector, in 217 cases full recovery was effected, 32 cases were withdrawn by the Director of Industries without recovering the full amount mentioned in the recovery certificate and in 33 cases reference to Collector was not necessary.

2.6 In accordance with the conditions of the grant of loan, a loanee was required to utilise the loan for the purpose for which it was granted within a period of 3 months. During evidence before the Public Accounts Committee (July 1971) Government informed the Committee that out of 1998 cases of loans granted from 1959-60 onwards misutilisation was reported in 138 cases involving Rs. 3.96 lakhs. The Committee recommended that reasons for misutilisation of loans by parties should be analysed and investigated and necessary correctives applied. The Director of Industries informed the Committee (November 1971) that instructions had been issued to the Utilisation Cell for periodical check up of the running of the industry.

It was, however, noticed that the Utilisation Cell, though in existence, was mainly concerned with the checking of raw material utilisation and was not performing the function of periodical checking (once a year) of the functioning of the loanee units during the currency of repayment of the loans particularly after 1972-73. The Director of Industries was, therefore, not aware of the number of cases where loans were misutilised.

2.7 Initial verification of utilisation of loans was stated to have been carried out till 1972-73. The following points were noticed in audit :—

(a) In 168 cases detailed below, no such verification was ever made by the Director of Industries (March 1978).

Year	No. of units	Amount (In lakhs of rupees)
1968-69	2	0.07
1969-70	21	0.73
1970-71	20	0.53
1971-72	22	2.79
1972-73	103	10.27
TOTAL	168	14.39

154 out of above cases, the repayment of loan (Rs. 6.05 lakhs) was irregular; and no instalment had at all been paid by the loanees in 8 cases (Rs. 0.62 lakh).

- (b) A test-check of 174 cases of loans disbursed between 1970-71 and 1972-73 showed that delays ranging from 9 months to over 37 months had occurred in taking up the certification of utilisation of loans whereas the grantee was required to utilise the loan within three months of disbursement.

Year	<i>Period of delay</i>							
	9 to 12 months		13 to 24 months		25 to 36 months		37 months and above	
	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
	(Amount in lakhs of rupees)							
1970-71 . . . . .	..	..	19	0.53	17	0.46	4	0.16
1971-72	1	0.02	45	1.92	21	1.41	7	0.57
1972-73	1	0.02	45	3.88	14	1.22	..	..
TOTAL	2	0.04	109	6.33	52	3.09	11	0.73

2.8 Verification of utilisation of loans (Rs. 166.83 lakhs) disbursed to all the units (2174) during the period from 1973-74 to 1977-78 had not been taken up at all by the Director of Industries (June 1978).

The Delhi Administration stated (November 1978) that the utilisation check up of loans could not be carried out earlier due to shortage of field staff and that the Utilisation Cell which hitherto was confined to the checking of utilisation of import assistance and controlled raw materials had now been entrusted with the checking of utilisation of loan assistance as well.

2.9 The rules provide that each borrower shall within three months from the date of receipt of the loan get all the properties (mortgaged by him to Government) insured against loss or damage

by fire and burglary and furnish the insurance policies to the Delhi Administration. Mention was made in paragraph 78(a) of the Audit Report (Civil), 1970 that in 102 cases (Rs. 8.50 lakhs) insurance policies had not been received/renewed up to 30th September 1969. The Public Accounts Committee in paragraph 2.18 of its First Report (1971-72 : Fifth Lok Sabha) recommended that prompt action should, in future, be taken against the units which did not furnish the insurance policies within the prescribed period of three months of [the receipt of loans. Government informed the Public Accounts Committee in November 1971 that they were insisting on the submission of insurance policies before the loan was actually disbursed to the parties.

It was, however, noticed in audit that the Director of Industries was not insisting on the submission of the insurance policies before the loans were actually disbursed to the loanees. The number of defaulters increased from 102 cases up to September 1969 to 177 cases (Rs. 36.80 lakhs) as on 31st December 1978.

The percentage of default in the submission of policies varied between 24.2 and 79.0 in the period from 1970-71 to 1976-77 as under:

Year	Cases in which policies were due		Cases in which policies not received		Percentage
	Number	Amount	Number	Amount	
	(Amount in lakhs of rupees)				
1970-71	19	3.78	15	2.90	79.0
1971-72	63	13.90	19	4.36	30.0
1972-73	59	16.75	22	5.77	37.3
1973-74	73	19.73	30	7.87	41.1
1974-75	61	18.34	19	5.57	31.1
1975-76	62	18.25	15	4.43	24.2
1976-77	36	10.56	14	4.24	38.5
	373	101.31	134	35.14	

In 106 cases involving Rs. 29.13 lakhs given below the parties had not submitted insurance policies even once since taking loans from the Director of Industries :

Year	Number	Amount (In lakhs of rupees)
1971-72	5	0.92
1972-73	21	5.27
1973-74	27	6.84
1974-75	19	5.95
1975-76	19	5.41
1976-77	15	4.74
TOTAL	106	29.13

MINISTRY OF PLANNING

(Department of Statistics)

33. **Short accounting of stationery.**—During local audit (October 1978) of the Department of Statistics, it was noticed that there were numerous over-writings and erasures in the records relating to the receipt and issue of duplicating paper and other stationery articles used for cyclostyling purposes for 1975-76 and 1976-77. A scrutiny of the records from 1st January 1974 to 31st August 1978 revealed that the quantities of duplicating paper (9,836 reams) shown as consumed in the cyclostyling process by the machine operator did not tally with those (24,078 reams) shown as issued to the operator in the stock register. Thus, 14,242 reams of duplicating paper valued at Rs. 1.27 lakhs remained unaccounted for.

It was also noticed that certain articles of stationery valued at Rs. 1.49 lakhs had been entered in the stock register as loaned to certain other Ministries and Departments from 1975-76 to June 1978. Confirmation obtained (September 1978) from the concerned Ministries and Departments at the instance of Audit indicated that the articles had not been received by them in full. The value of the articles which remained, thus, unaccounted for was Rs. 1.25 lakhs.

Besides, the accounting of stationery articles worth Rs. 0.62 lakh shown as having been loaned to the Director General of Employment and Training during the year 1974-75 could not be verified as the Director General stated (November 1978) that the records had been destroyed by them in terms of the record retention schedule.

Thus, stationery articles valued at Rs. 3.14 lakhs remained unaccounted for. The Department of Statistics stated (December 1978) that due to non-maintenance of proper accounts by the machine operators who were semi-literate or illiterate, their registers could not be accepted as reflecting the quantities of duplicating paper actually consumed and that, therefore, while there could be some unaccountability, the same could not be precisely determined. The Department, however, agreed that the maintenance of registers left much to be desired and stated that appropriate remedial action including the transfer of the concerned personnel had been taken. As regards the short accounting of stationery articles loaned to other Ministries and Departments, the Department agreed that articles of the order of Rs. 1.25 lakhs had not been accounted for and matter required further investigation (December 1978).

MINISTRY OF SUPPLY AND REHABILITATION

(Department of Rehabilitation)

34. **Resettlement of refugees in Dandakaranya Project.**—Mention was made in paragraph 49 of the Audit Report (Civil) 1969 about certain aspects of the Dandakaranya Project started in 1958 with the twin objectives of resettlement of displaced persons from East Pakistan and integrated development of the area, particularly non-preparation of the project report beyond March 1961 and the actual expenditure of Rs. 12,760 *per* displaced family (12,418 families) up to June 1968 as against Rs. 6,000 *per* family envisaged in the preliminary project report. The Public Accounts Committee (1969-70) observed in its 118th Report (Fourth Lok Sabha) that the project had been allowed to grow, year after year, without any kind of long range planning

and recommended that action be taken by Government to draw up a long-term perspective plan clearly spelling out the objectives and estimated outlay for the completion of the project on the basis of definite targets. The Ministry of Labour, Employment and Rehabilitation, stated (December 1970) that such a plan could be prepared only after the position of release of further lands by the State Governments became clear and final decision regarding the ultimate number of families to be settled was also taken and that the Town and Country Planning Organisation of the Ministry of Health, Family Planning, Works, Housing and Urban Development, had agreed to take up the preparation of master plan for the Dandakaranya sub-region. The Ministry of Supply and Rehabilitation stated (January 1979) that the Town and Country Planning Organisation prepared and submitted the perspective plan of the Dandakaranya Region to the Planning Commission in August 1975. The Task Force of the Planning Commission considered (October 1975) the perspective plan and decided that a small working group consisting of representatives of the Planning Commission, Central Ministries and State Governments concerned, Dandakaranya Development Authority and the Town and Country Planning Organisation should go into the question of development of the region and the details of pre-requisites for development. The working group (constituted in March 1976) met in July 1976 and requested the Chief Planner, Town and Country Planning Organisation, to draw up a note on the strategy and pre-requisites for the development of the region which was submitted to the Planning Commission in October 1978. The master plan had not so far been finalised (January 1979).

An overall project report indicating the programme of rehabilitation beyond 1961, prepared by the project authorities in November 1962 was yet to be approved (January 1979) by Government. The Ministry stated (February 1979) that the influx of migrants from former East Pakistan had been of an uncertain and intermittent character with the result that it was not practicable to evolve a long range plan. In the absence of a

long-term perspective plan, estimated financial outlay and well-defined targets for various components of the programme for overall implementation of the project from time to time, even after the position of release of lands by Governments and the number of refugees to be rehabilitated was known (1971-72/1973-74), no proper comparison of objectives and achievements could be made.

2. The allotment of funds and the expenditure incurred up to 1977-78 were as under:

Period	Allotment		Expenditure	
	For execution of the project	For loans to displaced persons (In crores of rupees)	Execution of the project	Loans to displaced persons
1958 to 1961	16.20	1.50	7.23	0.05
1961 to 1966	28.61	1.42	16.37	1.76
1966 to 1969	13.68	0.85	8.94	1.11
1969 to 1974	22.71	1.49	18.63	1.77
1974 to 1978	44.00	1.87	42.88	0.85
TOTAL	125.20	7.13	94.05	5.54

The total expenditure of Rs. 99.59 crores (till 1977-78) was on general development (Rs. 29.08 crores), tribal welfare (Rs 20.12 crores), resettlement of displaced persons (Rs. 44.22 crores) and relief (Rs. 6.17 crores).

Till March 1978, 30,163 displaced families (agriculturist : 28,771, non-agriculturist : 1,392) including those deserted from time to time were settled; the actual direct expenditure on resettlement *per* displaced family worked out to Rs. 14,660 as against Rs. 6,000 *per* family estimated in the preliminary project report. This would further increase when all the families are fully settled and further allocation of the other ancillary expenditure on general development etc. is made.

The value of fixed assets created by way of irrigation facilities, hospitals, houses, schools, roads and developed lands up to March 1978, amounted to Rs. 49.92 crores on (a) reclamation of 1.62 lakh acres (out of 2.31 lakh acres released by the State Government) of land including land survey and soil conservation

(Rs. 7.81 crores), (b) 375 villages (14,892 village houses) including internal roads, tanks and community buildings (Rs. 5.92 crores), (c) roads (1624 kms.) and bridges (Rs. 5.10 crores), (d) project buildings [hospitals (17), schools (287), office buildings, etc.] (Rs. 5.99 crores) and (e) dams, minor irrigation schemes and tanks (Rs. 25.10 crores).

Out of 1.62 lakh acres of reclaimed land, 1.01 lakh acres were allotted to 21,265 families, 0.30 lakh acres released to the State Governments towards 25 per cent tribal quota, 0.24 lakh acres were used for roads, buildings, etc., 0.05 lakh acres were reserved for further utilisation and 0.02 lakh acres were unfit for agriculture. Of the lands allotted (1.01 lakh acres) for agricultural purposes, only 0.14 lakh acres were irrigated and 0.47 lakh acres were expected to be covered by the irrigation works under construction. Zone-wise details of displaced families in position, land reclaimed and land allotted, as on 1st February 1978 were as follows:

Zone	Area reclaimed (In lakhs of acres)	Families to which land was allotted (numbers)	Area allotted for agriculture (In lakhs of acres)	Families in <i>Karmishibirs</i> * (num bers)
Malkangiri	0.62	8,334	0.40	4,204
Umerkote	0.40	4,297	0.23	..
Paralkote	0.50	7,631	0.37	370
Kondagaon	0.10	1,003	0.01	..
TOTAL	1.62	21,265	1.01	4,574

3.0 The preliminary project report (1959) provided for an investment of Rs. 1.75 crores up to 31st March 1961, for irrigating 60,000 acres. The revised project report (prepared in 1962

**Karmishibirs* : *Karmishibirs* are transit centres for accommodating displaced persons pending their rehabilitation.

but not approved) envisaged an investment of Rs. 5.94 crores for irrigating 1.61 lakh acres. Till 1977-78, Rs. 25.10 crores were spent on three major irrigation projects, viz. (i) Bhaskal Dam (completed in June 1966), (ii) Paralkote Dam where work on canals remained to be completed, (iii) Satiguda Dam in progress and 44 minor irrigation schemes (40 completed and 4 in progress). By the end of 1977-78, 13,710 acres of land were only provided with irrigation. The progress of execution of these works is mentioned below :

(a) *Bhaskal dam*.—Mention was made in paragraph 56 of the Audit Report (Civil), 1969 about the construction of this dam across Bhaskal nallah in Umerkote zone. The dam was completed in June 1968 at a total cost of Rs. 1.35 crores as against the original estimate of Rs. 1 crore. The project was transferred free of cost to the Government of Orissa on 1st May 1973. As against the estimated irrigation of 1,115 acres of settlers' land, 675 acres only had been irrigated. The shortfall of 440 acres was attributed by the project authorities (September 1978) mainly to defects in distributory system.

(b) *Paralkote dam*.—Construction of the dam across the Deodah river in Paralkote Zone was approved by Government in February 1966 at an estimated cost of Rs. 1.78 crores for providing irrigation to about 7,800 acres of settlers' land by June 1970. The construction was started in October 1966. The estimate was revised to Rs. 5.27 crores in June 1977 for completion in June 1979; up to 1977-78 an expenditure of Rs. 4.29 crores was incurred. According to the project authorities (September 1978), the main dam and canals in the major reaches had been completed and work on the extension of the canal system was in progress. The slow progress was attributed (September 1978) to certain technical changes in design and constraints of funds.

(c) *Satiguda dam*.—Construction of the dam across the Satiguda river in Malkangiri zone was approved by Government

in October 1962 at an estimated cost of Rs. 2.02 crores for completion by June 1967 for irrigating 33,607 acres of land. Till 1977-78, Rs. 4.27 crores were spent, 80 per cent of earthwork on the dam was done and work on spillway and diversion structure was in progress. The works on canal system and distributories have not yet been started. According to the project authorities (September 1978), the dam was expected to be completed in 1981-82. In the meantime, its estimate had been revised five times, the latest (October 1974) being Rs. 11.05 crores. The escalation in cost was attributed (September 1978) by the project authorities to (a) steep rise in cost of labour and materials, (b) changes in design to suit actual site conditions and (c) inadequate provision in original estimate in some items of work.

The project authorities attributed (September 1978) the delay in completion mainly to technical examination of the schemes in relation to other proposed irrigation projects in the area to avoid overlapping, delays in acquisition of land and constraints of funds. Delay in providing irrigation facilities to the agricultural lands and poor rainfall in two consecutive years (1976 and 1977) in the zone affected the principal crop (paddy).

(d) Besides the three irrigation projects, irrigation facilities for 22,000 acres of lands allotted to the settlers in Malkangiri zone were expected to be provided by the Potteru Irrigation Project undertaken by the Government of Orissa on its completion by 1982-83.

(e) *Minor irrigation schemes.*—Out of 44 minor irrigation schemes undertaken in 1965 at an estimated cost of Rs. 97 lakhs for irrigating 0.05 lakh acres of settlers' land, 40 minor irrigation schemes with a culturable command area of 0.04 lakh acres had been completed during 1965 to 1978 at a cost of Rs. 22.98 lakhs and the remaining 4 schemes were in progress (November 1978).

3.1 Zone-wise details of land allotted, land under cultivation and land irrigated at the end of 1977-78 were as follows :

	Malkan-giri	Umer-kote	Paral-kote	Konda-gaon	Total
	(Areas in lakhs of acres)				
Land allotted for agriculture	0.40	0.23	0.37	0.01	1.01
Land under agriculture	0.36	0.23	0.33	0.01	0.93
Land covered by irrigation	0.01	0.01	0.12	*	0.14

*65 acres.

Although 21,265 families had been moved to the four zones and each family allotted 3 to 7 acres of land for agricultural purposes, the land covered by irrigation by the end of 1977-78 was 0.14 lakh acres only.

3.2 On a study of records it was noticed by Audit that the rainfall in the project area during 1968 to 1977 ranged from 700 to 2200 mm. Average yield of paddy in the area was generally below that of the State as shown below :

Average yield in quintals per acre

Year	For Orissa State		For project area			
	Irrigated area	Non-irrigated area	Malkan-giri	Umer-kote	Konda-gaon	Paral-kote
1972-73	6.9	5.8	3.46	2.78	1.94	3.88
1973-74	7.0	6.1	4.99	4.76	5.29	7.00
1974-75	6.4	4.5	2.96	1.45	5.10	3.88
1975-76	7.5	6.4	7.50	6.50	12.50	7.50
1976-77	Not available		1.45	3.69	5.45	3.57

According to the statistics compiled by the project authorities (September 1978), the average annual income from agriculture *per* family during the three years 1975 to 1977 ranged from Rs. 1,329 to Rs. 5,688.

3.3 Even in respect of lands allotted to families, the ownership rights had not been conferred (November 1978) on the

settlers by grant of *pattas*. According to the project authorities (November 1978), *pattas*, which were ready in two zones (in one zone re-survey had to be done due to desertion, induction of new families and reduction of holdings), would be distributed as soon as the decision of Government on the recommendation of the Dandakaranya Development Authority regarding period of recovery of loans and distribution of excess lands was received. The project authorities added (November 1978) that the survey and settlement operations would be completed in the third zone by June 1980 and those in the fourth zone would be initiated shortly.

4.0 In accordance with the scheme of rehabilitation contemplated in the revised project report (1962), the displaced families were to be moved to permanent rehabilitation sites within one or two working seasons. As on 1st February 1978, 21,265 families were in position in village sites, but only 14,892 families were provided with houses. The remaining families (6,373) in village sites were yet (November 1978) to be provided with housing facilities. Besides, 4,574 families in *Karmishibirs* were given cash doles by the project authorities.

4.1 Movement of families to settlement sites, construction of houses for settling them and provision of irrigation facilities were not simultaneous or even in close sequence despite the recommendation of the Public Accounts Committee in its 118th Report (4th Lok Sabha) for a co-ordinated implementation of the various programmes, *viz.* reclamation of land, provision of accommodation, drinking water, roads and other living amenities, which was accepted by the Ministry which stated (December 1970) that the project administration were taking suitable remedial measures to ensure better co-ordination between the works of various executing agencies so that different processes of rehabilitation were dovetailed and the entire procedure was streamlined. The project authorities stated (November 1978) that the pace of construction depended on the availability of raw material in sufficient quantity and the programme of construction of

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houses was being tackled on an emergent basis so as to clear the backlog.

5. *Desertion of families.*—Displaced families had been deserting from the project area from time to time. The Public Accounts Committee in its 118th Report (4th Lok Sabha) desired a close study of the causes of desertion and suitable remedial measures. The Ministry of Labour, Employment and Rehabilitation stated (December 1970) that significant desertions had been subject to close and careful study and appropriate remedial measures were being taken wherever necessary. Nevertheless, the desertions continued. By the end of March 1977, 15,929 families (8,693 from village sites and 7,236 from *Karmishibirs*) had left the project area since the inception of the project. During February 1978 to August 1978 large scale desertions of 14,345 families (both settled in villages and in *Karmishibirs*) took place from the project area.

From July 1978, the return of the deserted families was arranged and during July 1978 and August 1978, 8,732 deserted families returned, besides 1,765 families which had returned earlier. The details are as follows :

	Malkan- giri	Umer- kote	Konda- gaon	Paral- kote	Total
Families in position on 1st February 1978	12,538	4,297	1,003	8,001	25,839
Desertions from February 1978 to August 1978	10,103	408	6	3,828	14,345
Returnees after initial desertion (up to August 1978)	x	x	x	x	10,497
Redesertions out of returnees (up to August 1978)	x	x	x	x	932
Net returnees	6,158	378	11	3,018	9,565
Families in position (August 1978)	8,593	4,267	1,008	7,191	21,059

In later part of 1977, the project authorities noticed unrest among settlers in the area followed by sales by the families of their belongings including bullocks, agricultural implements, etc. According to the project authorities (September 1978), while the main reasons for the mass exodus (which was not only

from Dandakaranya but also from many resettlement and relief camps all over the country) was the hope held out of the scope of resettlement in Sunderbans and other areas of West Bengal, the deserters indicated many other reasons for their desertions—primarily complaints about poor quality of land, drought during two successive years, harassment by tribals, indifference of police, local administration and inability to get adequate return for agricultural produce.

Based on *per capita* cost of rehabilitation of Rs. 11,729 *per* family as worked out by the project authorities for the period ending March 1977, the investment on the families deserted between 1st February and 15th August 1978 but not returned (4780 families) amounted to Rs. 5.60 crores. A sum of Rs. 2.35 lakhs was also sanctioned by Government in June 1978 for watch and ward of properties left behind by the deserters; expenditure incurred up to October 1978 was Rs. 0.42 lakh.

In order to facilitate return of deserters and their rehabilitation, renewed assistance of Rs. 1,600 by way of grants (Rs. 350) for purchase of rice and loans (Rs. 1,250) for purchase of bullocks, fertilisers, etc. was sanctioned (June 1978) by Government to each family which deserted and returned and also to each of those which had prepared themselves for desertion. In addition, fresh doles of Rs. 60 and grant of Rs. 25 for kitchen hut were also sanctioned (June 1978) for each returnee family. Fresh allocation of Rs. 1.46 crores for resettlement was provided during June 1978 towards additional assistance for resettling the families in the project as a whole; of this Rs. 1.03 crores had been sanctioned by the project authorities so far (October 1978). Expenditure incurred up to October 1978 amounted to Rs. 43.00 lakhs. This excluded expenditure on transportation of the returnee families which had not been worked out so far (January 1979).

The project authorities stated (November 1978) that the project had also taken up large work programmes comprising irrigation works, house construction, road works, manual

reclamation and bunding of lands, etc. which would generate adequate employment opportunities and provide subsidiary income to the returnee families.

6. Summing up, the following are the main points that emerge:—

- (i) The project had grown year after year without any precise long-range plan spelling out the objectives and estimated outlay for the completion of the project for full rehabilitation of all displaced persons. In the absence of a detailed project report, well-laid out targets—physical and financial—and detailed programme for execution of the various components of the integrated project for proper implementation of the scheme of rehabilitation of displaced families within a reasonable time, the achievements could not be properly evaluated.
- (ii) By the end of March 1978, total expenditure incurred by the project was Rs. 99.59 crores; 21,265 displaced families (excluding deserters) were settled in the project; 14,892 families were provided with houses; 6,373 families were living in kitchen huts; 4,574 families were in *Karmishibirs* living on cash doles from the project; 21,265 families have been provided with 1.01 lakh acres of land for cultivation, but irrigation facilities existed for 0.14 lakh acres only. Movements of families to settlement sites were made without creating facilities of houses and providing irrigation facilities to cultivate agricultural lands.
- (iii) During February to August 1978, 0.14 lakh families deserted from the area. As a result of the various measures taken by the project authorities, 0.10 lakh families returned to the project; while the investment on the deserted families worked to Rs. 5.60 crores, an additional outlay of Rs. 1.46 crores had been provided towards additional assistance to the returnees and the settlers for their rehabilitation.

MINISTRY OF TOURISM AND CIVIL AVIATION

35. **Avoidable expenditure on maintenance and operation of aircraft.**—For carrying out periodic calibration of radio and navigational aids installed at various air ports in the country and also for imparting radar training to Air Traffic Control Officers, the Civil Aviation Department has been maintaining and operating two Dakota aircraft (one from October 1950 and the other from April 1952). The department, however, did not have details of the source from which the two aircraft were acquired and their cost price. The staff sanctioned for operation of these aircraft consisted of one pilot and one co-pilot. At times when both these aircraft had to be put into use or when any of the personnel employed against the sanctioned posts was unable to undertake flights for specific reasons, the Civil Aviation Department had to borrow services of the crew from other air companies. From June 1962 to March 1974, the Department obtained services of the crew from the Indian Airlines Corporation (IAC) at rates agreed to from time to time. The pilots for operating these aircraft required endorsements for Dakota aircraft only but it was noticed that the IAC, on many occasions, provided crew with endorsements for Boeing, Caravelle, etc. for which higher charges had to be paid by the Civil Aviation Department involving extra expenditure to the department.

In January 1970, a suggestion was made by the Internal Finance Wing of the Ministry for employment of crew on a regular basis instead of borrowing the services of crew from IAC. No action was, however, taken to sanction posts on regular basis and to recruit pilots and co-pilots. As the IAC was not in a position to provide crew having Dakota endorsements only, the department concluded (May 1974) an agreement with a private air company of Bombay on the basis of competitive rates for obtaining services of the crew as and when necessary. The sanctioned posts of one pilot and co-pilot also remained vacant during 1974 to 1978 except for the period from April 1975 to August 1976. During March 1974 to March 1978, the department obtained the

services of crew from the private air company and paid Rs. 7.83 lakhs as against expenditure of about Rs. 1.47 lakhs that would have been incurred if the department had its own crew.

Of the two aircraft, one engaged on radar training of Air Traffic Control Officers, was based at Bombay. Although one Maintenance Engineer remained in position during 1968 to October 1972, the work of maintenance and certification was got done by the private company at Bombay since 1968 at a rate of Rs. 5,000 per month. The department paid Rs. 5.20 lakhs to the company for maintenance of the two aircraft from November 1970 to February 1978 as against Rs. 2.26 lakhs which would have been incurred by the department on the employment of its own Maintenance Engineer. Government stated (January 1979) that the Maintenance Engineer who was in position during 1968 to October 1972 was "not fully qualified to certify the maintenance of Dakota aircraft although he met the laid down qualifications for the post of licensed Engineer at the time of recruitment".

The Department was responsible for undertaking flight inspection of navigational aids in respect of 89 airports (4 international, 12 major and 73 intermediate and minor airports). As per international standards, flight inspection of international airports was to be conducted at least once in four months while in respect of others, at least once a year. The other aircraft was being operated on this service. During 1976 and 1977, the calibration flight programme could not cover 72 and 78 airports even though heavy expenditure was being incurred on maintenance and operation of aircraft by utilising services of a private company.

Government stated (January 1979) that "with the limited flight check capacity available to the Department, the flight calibration programme was undertaken with a view to maximum utilisation of aircraft and checking of all aids to ensure safety of flights.....it was not possible to adhere to the requirements recommended by International Civil Aviation Organisation". Government added that "realising the inadequacy of aircraft and personnel, the Civil Aviation Department had originated a proposal to augment the calibration

facilities. Two more aircraft have already been acquired and action is in advanced stage to acquire necessary avionic equipment and laboratory and ground tracking equipment. The scheme also envisages augmentation of personnel with necessary training".

The second aircraft met with an air accident on 19th May 1978. The department reported in July 1978 that the replacement value of the electronic flight check equipment, fitted and carried on board of the illfated aircraft was about Rs. 10 lakhs but that the depreciated value of existing equipment was practically nil at the time of mishap. The report of Commission of Inquiry on the mishap of the aircraft was stated to be under consideration of the Government of India (January 1979).

The case reveals that :

- the department did not employ its own crew on regular basis for operating the two aircraft and they had to borrow crew from other air companies at higher rates resulting in extra cost of Rs. 6.36 lakhs from March 1974 to March 1978 ;
- the Maintenance Engineer employed by the department was not fully qualified to certify the Dakota aircraft and Rs. 5.20 lakhs had to be paid from November 1970 to February 1978 to a private air company for maintenance of two aircraft ; and
- the flight calibration programme could not be undertaken by the department according to international standards.

36. Delay in commissioning of transmitters at Aeronautical Communication Stations.—With the object of improving reliability and efficiency of communication circuits and thereby enhancing the safety and regularity of aircraft operations, the Director General of Civil Aviation decided (February 1973) to convert the following manually operated communication circuits into radio tele-type (RTT) operated circuits :—

- (i) Delhi-Kathmandu RTT circuit—2 Nos.
- (ii) Calcutta-Kathmandu RTT circuit—2 Nos.
- (iii) Madras-Colombo RTT circuit—2 Nos.

It had also earlier been decided (September 1972) to provide a speech circuit between Madras and Singapore for ensuring safe aircraft operation along this route. These circuits were required to be implemented by 1974. Accordingly, sanction of Government for purchase of eight 5 KW transmitters was communicated in November 1973. An order for supply of 7 transmitters along with the accessories costing Rs. 31.02 lakhs was placed on firm 'A' (a public sector undertaking) in March 1974 through the Director General, Supplies and Disposals (DGSD) for completion of deliveries by 31st March 1975. The transmitters (cost: Rs. 30.63 lakhs) received during June 1974—February 1975 were installed (cost : Rs. 0.70 lakh) at Aeronautical Communication Stations at Madras, New Delhi and Calcutta between April 1976 and May 1978, but these could not be commissioned so far (December 1978) due to non-supply of matching transformers and coaxial cables by firm 'A' despite extensions of time granted from time to time, the last one being up to 15th November 1978, for the reasons mentioned below :

In September 1976, firm 'A' informed the department that the matching transformers were ready for supply, but it was unable to arrange electrical tests for want of 5 KW transmitters with it and requested for their acceptance by the DGSD after visual inspection and measurement of impedance and reflection co-efficient. The department accepted this proposal and necessary amendment to acceptance of tender was issued in December 1976 by the DGSD. In January 1977, however, firm 'A' expressed difficulty in manufacture of indigenous transformers to the specification of voltage standing wave ratio (VSWR) from 1.5 MHZ (Mega Hertz) to 30 MHZ and sought relaxation in the specification at the lowest frequency, namely, 1.5 MHZ to 1.7 MHZ. The department agreed (January 1977) to the relaxation on the consideration that since the transmitters covered the frequency range from 3 to 30 MHZ only, this relaxation would not materially affect the performance of transmitters. Since then, firm 'A' had been attributing delay in supply of transformers to difficulties in procurement of suitable core material from abroad.

Despite extensions in delivery period and relaxation in specification, the department had not been able to get the matching transformers from firm 'A' so far (January 1979) though the original stipulated delivery date was 31st March 1975. This had not only caused delay in commissioning of transmitters but also resulted in blocking of Government funds to the extent of Rs. 30.63 lakhs (since February 1975). Further, due to delay in commissioning of circuits, the intended object of enhancing safety on an international route and regularity of aircraft operations also could not be realised (January 1979).

The Ministry of Tourism and Civil Aviation stated (January 1979) that the non-commissioning of the equipment had no doubt resulted in the Civil Aviation Department not being able to honour its international commitment, but that the reasons for the delay were beyond the control of the Civil Aviation Department. The Ministry also stated that firm 'A' had asked for extension of time upto March 1979 and that it was hoped that the firm would complete supply by that time.

37. Nugatory Payments.—With the object of providing radio communication and navigational facilities to all aircraft and also of exchanging aeronautical traffic with various airports in India and abroad for meeting the requirements of flight safety, 62 pairs of non-exchange lines between transmitting station (Moti Bagh) and Safdarjung Airport and 48 pairs between a remote receiving station (behind Safdarjung Hospital) and the Safdarjung Airport were laid by the Posts and Telegraphs Department between 1950 and 1970 at the instance of Civil Aviation Department.

In July 1973, the Department of Civil Aviation reported to the Posts and Telegraphs Department that out of 62 pairs of lines laid between transmitting station and Safdarjung Airport, 14 had remained unserviceable and 28 under repairs for 3 to 4 months. The Posts and Telegraphs Department admitted in March 1978 that 28 pairs of lines had remained unserviceable since August 1974. From the reports made by the Department to the Posts and Telegraphs Department during 1973 to 1975, it appeared that unserviceability of these lines had affected adversely aeronautical

communication operations and caused serious disruption of traffic. These cables were also reported by the Department to have been damaged beyond economical repairs, requiring complete replacement. Though these 28 pairs of lines were unserviceable, the Department paid rental charges amounting to Rs. 2 lakhs to the Posts and Telegraphs Department for the period from 1st August 1974 to 31st March 1977. The Department informed Audit in August 1978 that the rentals for the unserviceable pairs were paid "for fear of disconnection of the serviceable pairs by the Posts and Telegraphs Department due to non-payment of bills". Government stated (January 1979) that since the Department was deprived of the use of 28 pairs of unserviceable non-exchange lines, it was decided not to make payment for these lines from April 1977 onwards. The Posts and Telegraphs authorities had, however, informed the Department in July 1977 that as per their departmental rules, no refund was permissible for unsatisfactory service of cables. The Department was in correspondence with the Posts and Telegraphs Department for refund of rental paid for these 28 pairs of lines from August 1974 to March 1977.

In June 1977, the Controller of Communications, New Delhi, reported to the General Manager, Delhi Telephones, that as against 48 pairs of lines between the Safdarjung Airport and the remote receiving station, only 40 pairs were physically available. The non-availability of 8 pairs was noticed by the Department in 1976. The rental charges paid for these 8 non-utilised pairs of lines for 1976-77 amounted to Rs. 0.13 lakh.

The case reveals that :

- though the unserviceability of the lines since 1974 had affected adversely aeronautical communication operations and safety of aircraft, the matter was not effectively pursued by the Department ; and
- rupees 2.13 lakhs were paid by way of rental to the Posts and Telegraphs Department for the unserviceable/non-available lines.

**38. Losses and irrecoverable dues written off/waived and
ex gratia payments made**

A statement showing losses and irrecoverable revenue, duties, advances, etc. written off/waived and also *ex gratia* payments made during 1977-78 is given in Appendix V to this Report.

CHAPTER IV
WORKS EXPENDITURE
MINISTRY OF AGRICULTURE AND
IRRIGATION

(Department of Irrigation)

39. **Collapse of a bridge across Najafgarh drain.**—For remodelling and realignment of Najafgarh drain from Bharat Nagar in Delhi up to out-fall into the river Yamuna, two water supply lines running on the ground and passing through the area were required to be shifted and placed on a bridge to be constructed across the drain. Accordingly, the work of construction of steel truss bridge (about 13 feet wide) with an effective single span of 105 feet across Najafgarh drain near Timarpur was awarded (June 1974) by the Chief Engineer to a firm on a lump sum contract for Rs. 1.80 lakhs against the estimated cost of Rs. 1.50 lakhs. The firm was registered as class 'A' contractor with the Public Health Engineering Department, Government of Rajasthan. According to the letter of acceptance of tender dated 3rd June 1974, the work was to be completed in six months, *i.e.* by December 1974, but the agreement was executed only in December 1974 as the firm did not turn up earlier to sign the agreement.

The schedule of work to be done under the agreement prescribed, *inter alia*, adequate investigation to be carried out by the firm, of the foundation conditions and other field data as required and preparation of complete detailed working designs. The designs to be submitted by the firm were to indicate clearly the quality and strength of steel sections to be used, the type of joints to be provided, the type of bearings, etc. It was also provided in the agreement that the reinforcements, bearings, steel sections, etc. used in the construction of bridge should be as

specified in the relevant Indian Road Congress (IRC) and Indian Standards Institution (ISI) Codes and a test certificate for the materials used was to be given by the firm to the satisfaction of the Engineer-in-charge.

The designs and drawings for the super-structure portion were submitted by the firm on 29th October 1974 specifying among other things, the steel sections to be used; these were approved by the Chief Engineer on 24th December 1974. The drawings for foundation and sub-structure portion were submitted by the firm on 28th February 1975 and approved on 5th March 1975. Rupees 0.45 lakh were paid to the firm for construction of sub-structure on 26th March 1975.

Structural steel for the construction of bridge was brought by the firm to site in May 1975 and secured advance amounting to Rs. 0.16 lakh was paid to it on 16th June 1975 on the certificate by the Assistant Engineer that all the angle irons supplied carried the stamp of standard steel manufacturers. However, the firm did not furnish the required test certificate nor was the steel got tested departmentally at this stage to verify whether it conformed to the approved specifications. When the firm was asked (September 1975) for the test certificate, it stated (October 1975) that all structural members were brought from the main producers and that these bore the mark of the concerned producer. It also stated that only tested quality of steel was stamped, that test result sheets were given by the main producers only at the time of sale and that it had procured steel from small dealers. In order to meet the contractual obligation, the firm suggested that the steel samples could be got tested from any Government laboratory at its risk and cost. The requisite number of samples required for testing by the Central Public Works Department (CPWD) laboratory as well as by the National Physical Laboratory were, however, not made available by the firm.

An amount of Rs. 0.54 lakh was paid to the firm on 31st October 1975 and a further amount of Rs. 0.36 lakh was paid on 31st December 1975 for fabrication of trusses.

The platform over the bridge became ready for loading in January 1976 and according to the procedure approved by the Chief Engineer in March 1976 for conducting the load test, the bridge was to be loaded for a test load of 141 tonnes and the corresponding deflection was to be 4.65 inches. The load testing was started by the firm on 4th March 1976 and on 13th March 1976 when the load of 95 tonnes had been placed against the design load of 110 tonnes and the test load of 141 tonnes, the bridge collapsed due to shearing of the gusset plate. On 18th March 1976, the firm undertook to remove the damaged bridge and reconstruct it at its cost. On chemical analysis of a sample of sheared gusset plate by the National Physical Laboratory in May 1976, it was found that the steel used was high carbon steel (carbon content 0.33 *per cent* against maximum of 0.23 *per cent* as specified in the approved design) which was more brittle and ordinary quality mild steel.

In January 1977, the firm submitted an alternative design which was sent (January 1977) to the Indian Institute of Technology, New Delhi, (IIT) for checking. The IIT, however, asked (February 1977) for the design details with regard to the connections, etc. which the firm failed to furnish (April 1977) despite reminders by the concerned Executive Engineer. On 23rd April 1977, the concerned Executive Engineer rescinded the contract and sold (23rd May 1977) the steel structure of the collapsed bridge for Rs. 0.10 lakh. An arbitrator was appointed by the Chief Engineer on 17th December 1977 and a claim was filed (March 1978) with the arbitrator for recovery of Rs. 1.63 lakhs from the firm including Rs. 1.35 lakhs paid in running bills with 12 *per cent* interest thereon.

The notice regarding arbitration sent (February 1978) by the arbitrator to the firm and the statement of facts sent (April 1978) by the Executive Engineer to the firm were received back undelivered. Further action was yet (December 1978) to be taken in the matter.

The work of reconstruction of bridge was awarded (March 1978) to another firm 'N' (a Government undertaking)

and was expected to be completed at a cost of Rs. 1.71 lakhs approximately.

Government stated (January 1979) that the Delhi Administration was taking necessary action to recover the loss incurred on the work from the contractor through contractual and legal procedure and that an enquiry committee was being constituted.

The case revealed that :

- although the work was required to be completed by December 1974, the agreement for the work was not executed till December 1974 and the designs and drawings were not approved till March 1975;
- the department neither enforced the requirement of furnishing the required test certificate for the steel brought for use nor did it get the steel tested departmentally to verify that it conformed to the approved specifications whereas payments amounting to Rs. 1.35 lakhs were made to the firm;
- the bridge collapsed in March 1976 but the arbitration case against the firm was filed in March 1978; and
- the committee to enquire into the causes of failure was yet (December 1978) to be constituted.

MINISTRY OF ENERGY

(Department of Power)

40. Salal Hydro-Electric Project

1.0 *Introductory*.—The Salal Hydro-Electric Project is a 'run-of-the river' scheme (*i.e.* without any storage reservoir) on the river Chenab located at Dhyangarh loop near Reasi, about 100 kilometres from Jammu. Investigations for the project were started by the Government of Jammu and Kashmir in 1961 and continued till August 1970 when the project was taken over by the Government of India for execution. The project envisages

an ultimate installed capacity of 690 megawatts (MW) of power and is to be implemented in two stages, the second stage being dependent on storage schemes to be executed in the upper reaches of the river Chenab. The first stage of the project which is under execution, provides for an installed capacity of 345 MW of power. It consists of the following major components :—

- (a) a diversion tunnel 184 metres long with a diameter of 9.14 metres;
- (b) a concrete dam 106 metres high and 451 metres long comprising 25 blocks, of which 12 blocks constituting the spillway, 6 blocks the power dam and the remaining 7 blocks the non-overflow dam ;
- (c) a rockfill dam 115 metres high and 615.7 metres long at the top;
- (d) six penstock pipes each of diameter 5.23 metres;
- (e) a power house on the right bank of the river below the natural surface to gain an additional head of 10.8 metres and three generating units, each of 115 MW;
- (f) a tail race tunnel 2.4 kilometres long and of diameter 11 metres to discharge water from the power house into the river down-stream; and
- (g) four 220 kv transmission lines of a total circuit length of 462 kilometres for transmission of power from the project to the northern grid.

1.1 *Organisation.*—The construction organisation for the project was set up in August 1970 when the construction of the project was taken over by the Government of India. An independent Chief Engineer for the project was posted in January 1971. The overall control of the project, along with other central hydro-electric projects, was entrusted to the Central Hydro-Electric Projects Control Board, with the Secretary, Department of Power as Chairman, which was set up in 1970 by

the Government of India. There was a Standing Committee to assist the Board; the Standing Committee had three committees, viz. the Tender Committee, the Technical Advisory Committee and the Purchase Committee to assist it. The Chief Engineer stated (December 1978) that only skeleton staff was in position between 1970 and 1973 and that even after sanction of more posts, paucity of suitable personnel led to delays in getting officers in position.

The control of the project, along with its assets and liabilities, was transferred on 'agency' basis to the National Hydro-Electric Power Corporation from 15th May 1978.

The powers of the Chief Engineer included :

- acceptance of the lowest tenders in respect of works up to Rs. 50 lakhs without the approval of the Control Board, tenders for works in excess of Rs. 25 lakhs being accepted in consultation with the Financial Adviser and Chief Accounts Officer (FA and CAO) of the Control Board;
- acceptance of single tenders or award of work by acceptance of a tender other than the lowest up to Rs. 30 lakhs without the approval of the Control Board, such tenders in excess of Rs. 15 lakhs being accepted in consultation with the FA and CAO;
- award of work without call of tenders on work orders up to Rs. 2 lakhs under certain conditions;
- award of contracts against "split-up" sub-heads of work up to Rs. 0.50 lakh in consultation with the FA and CAO; and
- full powers for accord of technical sanction to detailed estimates.

1.2 A project accounts office, headed by a Project Accounts Officer was set up from April 1973 for exercising pre-check of S/7 AGCR/78—1.

payments and keeping the accounts of the project. Cases requiring consultation with the FA and CAO were to be referred to him at Delhi till June 1977 when a Deputy Financial Adviser and Chief Accounts Officer was posted at Salal.

1.3 The accounts of the project until 31st March 1978 were test-checked in audit. Subsequent developments, wherever considered appropriate, have also been referred to.

2.0 *Project estimates.*—The original project estimate of Rs. 55.15 crores for the first stage was prepared by the Directorate of Designs and Planning, Government of Jammu and Kashmir, in October 1968 on the basis of analysis of rates prepared in April 1968 for some items and the rates of Ramganga project estimate (1965-66) for other items. The project originally envisaged an installed capacity of 270 MW (3×90 MW) in the first stage with an ultimate capacity of 540 MW (6×90 MW); this was revised in June 1971 to have an installed capacity of 345 MW (3×115 MW) in the first stage and an ultimate capacity of 690 MW (6×115 MW) by increasing the head for the turbines from 81 metres to 93 metres by depressing the location of the power house below the bed of the river and constructing a tail race tunnel to discharge the water into the river at the next loop downstream. The project estimate was accordingly revised in March 1974 to Rs. 112.98 crores. The rates adopted in this estimate were based on the analysis of rates prepared in 1973. None of the major works had by then been put to tender and, as such, the costs were tentative. The Ministry of Energy (Department of Power) did not approve the revised estimate (1974) but desired (March 1976) that the estimate should be revised on the basis of the latest indication of prices and rates. The estimate was further revised to Rs. 222.13 crores in September 1976 after taking into account changes in the design of the diversion arrangement, escalation of prices, increase in the scope and cost of electrical works, etc. The revised estimate was approved by Government for Rs. 222.15 crores in May 1978.

2.1 The following table shows the revised estimates for different items of work as compared to the original estimates and the expenditure incurred up to December 1978 :—

Items of work	Original sanctioned estimate 1968	Revised estimate		Expenditure up to December 1978
		1974 (not sanctioned)	1976 (sanctioned)	
(Rupees in lakhs)				
Direction and administration	375.70	735.67	1,904.35	423.76
Machinery and equipment	312.11	5.86	1,375.89	2,259.47
Stock suspense/receipts and recoveries on capital account	(—)206.89	(—)8.00	(—)679.01	589.43
Dams :— (i) Rockfill dam	1,451.63	2,289.31	4,028.70	8,669.37
(ii) Concrete dam	1,693.14	2,300.17	3,959.36	
(iii) Diversion tunnel	47.14	288.60	595.48	
(iv) Maintenance during construction	30.55		85.83	
Water conductor system, penstocks, etc.	110.85	183.56	641.55	100.23
Power house	173.32	163.43	1,201.32	366.60
Generating plant and machinery	772.11	3,188.69	3,276.70	1,014.96
Transmission and distribution	269.12	316.13	1,361.03	23.40
Communications and buildings	257.52	824.55	1,187.55	948.16
Ancillary works	107.06	133.21	938.65	368.01
Other expenditure, etc.	121.57	203.89	506.51	186.86
Tail race tunnel	..	672.81	1,831.07	190.13
TOTAL :	5,514.93	11,297.88	22,214.98	8,090.81

2.2 *Reasons for increase in cost.*—The increase in cost of Rs. 167 crores as compared to the original estimate has been broadly classified in the second revised estimate (1976) as under :

	(Rupees in lakhs)
(i) Increase in cost due to change in location of power house from left to right bank (Rs. 571.12 lakhs), provision of tail race tunnel (Rs. 1,831.07 lakhs), provision for concrete coffer dam between penstocks and spillway (Rs. 101 lakhs) and additional length of penstocks (Rs. 53 lakhs) and other factors :	2,592.68
(ii) Increase in cost due to changes in design and quantities as per latest drawings of Central Water Commission (CWC) :	3,363.37
(iii) Increase in cost of electrical works due to increase in total length of transmission lines from 150 kms. to 462 kms :	480.57
(iv) Increase in cost on account of items not provided or inadequate provisions made in the original estimate :	1,406.69
(v) Increase in cost due to escalation in labour and material cost :	
Civil works	4,190.31
Electrical works	3,416.43
(vi) Increase in provision for direction and administration due to increase in wages and departmental execution of rockfill dam :	1,250.00
TOTAL	16,700.05

Increase in the cost of various components of the project has been discussed at appropriate places in this review.

3.0 *Progress of work.*—The progress of work on the main components of the project up to December 1978 was as under :

(i) *Diversion tunnel*—

Out of 3.16 lakh cubic metres, excavation of 2.92 lakh cubic metres had been completed ; concreting had been completed for 0.35 lakh cubic metres out of 0.36 lakh cubic metres. The entire work including grouting and erection of gates was expected to be completed in 1980.

(ii) *Concrete dam—*

Out of 18.99 lakh cubic metres, excavation of 16.50 lakh cubic metres had been completed; concreting had been completed for 0.73 lakh cubic metres out of 13.97 lakh cubic metres, grouting had been completed to the extent of 22.5 per cent.

(iii) *Rockfill dam—*

Out of 11.85 lakh cubic metres, excavation and stripping of 6.83 lakh cubic metres had been completed; "fillplacement" of 3.25 lakh cubic metres had been done out of 74.94 lakh cubic metres.

(iv) *Power house—*

Hill side excavation of 10.69 lakh cubic metres had been completed but construction of the building had not (December 1978) been taken up.

(v) *Access roads to site—*

Two site roads (27 kms. long), link roads (8 kms. long) and pre-stressed bridge at Dhyangarh had been completed.

(vi) Out of 3,347 residential houses, 2,652 had been completed.

3.1 *Commissioning.*—According to the Project Report of 1968, it was anticipated that the three units of 90 MW each would be commissioned in June 1975, June 1976 and June 1979 respectively. In the first revised estimate (1974) envisaging an installed capacity of 345 MW (3×115 MW), the target dates of commissioning of the three units of 115 MW each were shifted to March 1979, September 1979 and May 1980. In the second revised estimate (1976) the target dates of commissioning the three units were indicated as February 1982, June 1982 and August 1982. According to the progress report of March 1978, these units were expected to be commissioned in November 1984,

January 1985 and March 1985. According to the latest construction schedule (as intimated by the Chief Engineer in December 1978), river diversion is to take place in October 1980 and the first unit is to be commissioned in 1985-86.

The reasons for delay in completion of the project were stated by the project authorities to be :

- (i) frequent changes in the design of the diversion tunnel resulting in delay in its completion. The work awarded initially in March 1972 for completion by August 1973 had not been completed (December 1978);
- (ii) change in the location of the power house from the left to the right bank and construction of tail race tunnel;
- (iii) delay in finalisation of designs of major structures, viz. rockfill dam and concrete dam;
- (iv) more shear zones in the concrete dam site noticed during execution and longer time required in deciding method of grouting and foundation treatment; and
- (v) delay in allotment of major works like concrete dam, power house and tail race tunnel.

Tenders for the concrete dam were first invited in December 1973 but no decision was taken as negotiations with the lowest tenderer, firm 'C', failed on the question of compensation to be paid to the firm in the event of delays in the progress of work attributable to the department and in the event of shortfalls in the matching progress of rockfill dam. Fresh bids were called in June 1975 and the work was awarded to firm 'H' in July 1976. Tenders for the construction of the first stage power house sub-structure, etc. were invited in June 1977 and the work was awarded to firm 'N' in June 1978. Likewise, for the tail race tunnel, tenders were invited in October 1975 and the work was awarded in August 1977.

Delay in finalisation of designs, etc. had been attributed (December 1978) by the Chief Engineer to unanticipated technical and geological factors which came to light only during construction though investigations had covered a period of 9 years from 1961 to 1970. As regards delay in awarding of major works, repeated negotiations, examination and approval of complicated conditions put forth by tenderers, etc. were stated to be the main reasons.

Points noticed in audit of the various tenders and works are mentioned in the succeeding paragraphs.

4. *Diversion tunnel*

4.0 *Award of contract.*—In response to notice inviting tenders for the diversion tunnel and coffer dam issued in October 1971, a single tender from firm 'N' was received for Rs. 176.62 lakhs. As a result of negotiations held by the tender committee, firm 'N' agreed to reduce its rates for some of the items, the total reduction amounting to about Rs. 1.74 lakhs, on the basis of advertised quantities, but the firm stipulated additional conditions demanding price escalation in the cost of labour and material and extra payment for dewatering. Without settling the afore-said conditions, the contract was awarded to firm 'N' in March 1972 at the negotiated cost of Rs. 170.23 lakhs for the diversion tunnel including coffer dam. The schedule of quantities in respect of the coffer dam was not worked out. The additional conditions of firm 'N' were discussed by the tender committee in October 1974. Based on its recommendations, sanction of Government was issued in February 1975 accepting the additional conditions regarding (i) price escalation and (ii) extra payment for dewatering limited to Rs. 7 lakhs for the whole work including coffer dam.

Meanwhile, a number of changes were effected (March 1973 onwards) in the design of the tunnel including construction of adit and shaft for installation of gates, necessitating remodelling of the section of the tunnel already bored (mentioned in paragraph 4.1) and a longer and more elaborate downstream

exit structure. The alignment of the tunnel which was originally designed to be straight, was given a turn in the middle in the revised design due to the geological conditions met with. The work of adit and shaft was also awarded (March 1975) to firm 'N' for an estimated cost of Rs. 50.72 lakhs. Thus, the total value of the contract increased to Rs. 220.95 lakhs.

In November 1976, an increase of Rs. 187.17 lakhs over the sanctioned contract amount was reported to the Control Board for approval. The increase in cost was attributed to increase in quantities and extra items.

Since, in the meantime, the execution of the project had been transferred to the National Hydro-Electric Power Corporation (May 1978), the Corporation accorded (July 1978) sanction for Rs. 365.14 lakhs against the total contract amount of Rs. 408.12 lakhs (*i.e.* Rs. 220.95 lakhs + Rs. 187.17 lakhs) for which sanction was sought, the difference being due to price escalation included in the project proposal but not included in the sanctioned amount. The sanction also stipulated payment of dewatering charges at the contract rate up to Rs. 14 lakhs plus escalation on dewatering charges subject to an overall ceiling of Rs. 18 lakhs.

As against the sanction of Rs. 365.14 lakhs, Rs. 348 lakhs had been paid to firm 'N' up to August 1978. This included Rs. 33.78 lakhs on account of price escalation and Rs. 10.50 lakhs for dewatering charges.

In respect of a number of items, the payment made to the contractor as per the last running bill (*i.e.* 37th paid in September 1978) had exceeded the amount sanctioned by the Corporation owing to increased quantities/extra items. The excess still (December 1978) to be regularised worked out to Rs. 13.67 lakhs.

4.1 *Dismantling of portions of work done.*—The alignment of the diversion tunnel was finalised by Central Water and Power Commission (CWPC) in September 1971 on the basis of which

tenders had been invited and work awarded. The alignment was, however, changed in August 1972 on geological considerations, the change also resulting in reduction of the length of the tunnel. On the basis of the revised alignment, the work was started in August 1972. As per original designs, the gate structure was to be located at the inlet of the tunnel. The detailed progressive geological mapping of the tunnel excavation commenced in November 1972, however, indicated that the rock at the inlet was not sound enough for locating the gate structure of the type designed. After considering alternative proposals, the Technical Advisory Committee approved (March 1973) construction of the gate chamber in the centre of the tunnel involving construction of an underground shaft, hoist chamber with a suitable approach adit tunnel opening on the downstream side. By this time, the tunnel had been bored and permanently supported with steel ribs and RCC laggings. The revised designs necessitated dismantling of a portion of work done. The expenditure on dismantling was stated (July 1977) to be Rs. 2.67 lakhs and the cost of the portion dismantled was Rs. 5.78 lakhs. The project authorities stated (December 1978) that the geological features necessitating the change in the design could not be foreseen by the preliminary investigations.

The flood level of the river was EL 422 metres and the tunnel invert was at EL 405.4 metres. As against this, the top level of the coffer dam was at EL 417.7 metres and that of its foundation at EL 406.1 metres. The project authorities stated (July 1977) that it was impossible to found the coffer dam at a lower level at the inlet portal and that due to inadequate foundations, it could not be raised above the flood level of EL 422 metres. As a result, the tunnel had to be plugged with a concrete wall every year in June and the wall had to be dismantled in October. On this work, Rs. 3.81 lakhs were spent from 1974 onwards, *i.e.* after the expiry of the original stipulated date (August 1973) of completion of the tunnel. The project authorities stated (December 1978) that the sequence of construction of the tunnel was such that it involved dismantling and rebuilding of the up-stream plug wall year after year.

4.2 Damage to downstream coffer dam.—For facilitating the work of construction of diversion tunnel, the downstream coffer dam designed to withstand a discharge of 4 lakh cusecs of water, was constructed in February 1972 at a cost of Rs. 24.20 lakhs. In August 1976, a portion of the coffer dam, about 30 metres in length, was washed away owing to floods in the river. The river discharge during the flood was reported to be 2.78 lakh cusecs. The extent of damages was Rs. 6.20 lakhs.

On restoration and protection of the coffer dam, Rs. 13.53 lakhs were spent (March 1977). An enquiry officer appointed by Government to look into the reasons for the damage to the coffer dam reported (June 1977) that the coffer dam, being a temporary structure, was meant for a short duration of three years during which period the diversion tunnel was to have been completed and the coffer dam dismantled. But due to delay (as explained below) in completion of diversion tunnel, it was not dismantled. It was stated in the report that the coffer dam served its purpose satisfactorily for 4 rainy seasons, viz. 1972-75.

Nevertheless, the fact remains that the tunnel had not yet been completed (December 1978) and the coffer dam did not serve the intended purpose fully.

4.3 Delay in completion.—The work awarded in March 1972 was to have been completed by August 1973. It was still (December 1978) in progress and extensions of time had been sanctioned up to September 1978 on the following grounds :—

- (a) increase in the quantities of the work;
- (b) alterations in the alignment, section, design and location of the tunnel and inlet as well as outlet structures during execution;
- (c) award of additional works of difficult nature, such as, adit, shaft, hoist chamber, etc. ;
- (d) delay in finalisation of drawings, last revised drawing of the shaft finalised in February 1975 by CWC;

- (e) delay in placing orders for the supply of gates and liners;
- (f) delay in finalisation of designs of hoists; and
- (g) hold-ups due to shortage of steel, collapse of downstream coffer dam, etc.

The delay was also attributed (September 1977) by the Superintending Engineer, Civil Circle No. I, to lack of adequate efforts on the part of firm 'N'. The delay in completion of the diversion tunnel resulted in—

- (i) payment for price escalation (Rs. 33.38 lakhs up to August 1978) and increase in limit of dewatering charges from Rs. 7 lakhs to Rs. 18 lakhs (Rs. 10.50 lakhs paid up to August 1978);
- (ii) an expenditure of Rs. 13.53 lakhs on the restoration of the coffer dam which was washed away ;
- (iii) nugatory expenditure on repeated dismantling and reconstructing the plug wall (Rs. 3.81 lakhs); and
- (iv) delay in diversion of the river without which post-diversion works in rockfill dam and concrete dam could not be done.

4.4 *Purchase of steel.*—To meet the urgent requirements of steel for the diversion tunnel, the Chief Engineer placed (January 1973) an order on the lowest tenderer, firm 'A', for the supply of 800 tonnes of tor steel at the rates of Rs. 2,062 per tonne for 160 tonnes (20 mm) and Rs. 2,095 per tonne for 640 tonnes (28 and 32 mm). Government approval was not obtained for placing the order outside the Joint Plant Committee (JPC) rates. The Standing Committee of the Board, however, ratified the purchase in its meeting held on 21st May 1974 subject to the Chief Engineer certifying that the material was according to specifications.

Against 782 tonnes of tor steel despatched by the firm (according to despatch documents) between 5th February 1973 and 25th October 1973, the project received 720 tonnes and

Rs. 14.68 lakhs (being 95 per cent of the price of the quantity despatched except 55 tonnes of which payment had been withheld) were paid to the firm through a bank. In February 1974, when the steel was used, the Assistant Engineer, Dam Sub-Division No. I, reported to the Executive Engineer that the steel bars broke on bending. Samples of the steel bars were then got tested (April 1974) in the Delhi College of Engineering. According to the test report, one sample out of five failed in bend test. Elongation test could not be conducted on five out of seven samples mainly because the samples fractured outside the gauge length marked. In one case, the test report indicated that the steel seemed to be very brittle. Notwithstanding this test report, most of the steel was used on the work as the Chief Engineer considered that the failure of a sample in bend test was a stray case.

Against Rs. 15.10 lakhs payable to the firm for the quantity of 720 tonnes actually received, after adjusting Rs. 0.37 lakh on account of demurrage and wharfage recoverable from it, Rs. 14.71 lakhs (including Rs. 0.03 lakh being part of 5 per cent price) were paid.

5. Concrete dam

5.0 Increase in cost.—The increase in the estimated cost of concrete dam from Rs. 1,693.14 lakhs in the original estimate (1968) to Rs. 3,959.36 lakhs in the second revised estimate (1976) was attributed mainly, besides escalation in cost of labour and material, to the following :—

- (i) increase in cost of spillway due to lowering of some blocks for diversion arrangement and concreting (Rs. 177.50 lakhs);
- (ii) increase in cost of shear zone treatment and grouting including chemical grouting (Rs. 344.41 lakhs);
- (iii) increase in the number of crest gates and their cost as well as the cost of hydraulic hoists (Rs. 332.39 lakhs);

- (iv) non-provision of abutment drainage and grouting in the earlier estimates (Rs. 66.25 lakhs); and
- (v) elimination of a saving of Rs. 296 lakhs anticipated in the original project estimate on account of re-use of the material excavated from the concrete dam in the rockfill dam. The amount of saving was shown as Rs. 424 lakhs in the first revised estimate (1974— not sanctioned) on account of increased quantity of excavation. The saving had, however, been eliminated in the second revised estimate (1976) on the ground that excavation for concrete dam had to precede construction of rockfill dam and the two works could not be executed simultaneously to permit such direct utilisation of excavated material.

Against 21.20 lakh cubic metres of re-usable material for which credit of Rs. 424 lakhs was anticipated in the first revised estimate (1974), the quantity stockpiled was 5.12 lakh cubic metres only. The project authorities explained (July 1978) that (a) the entire quantity could not be stored for want of adequate space, (b) stockpiling by the side of the river bank by use of crates tried in early 1973 did not succeed, and (c) the material was washed away in the floods of August 1973. Of 5.12 lakh cubic metres of material that was stockpiled for re-use, 2 lakh cubic metres were to be used in the main concrete dam as per contract with firm 'H' and the remaining 3.12 lakh cubic metres were meant for re-use in the rockfill dam. The second revised estimate of rockfill dam, however, did not provide for any credit for the re-use of this material nor had the material been taken over (December 1978) by the Construction Facilities Division for the rockfill dam.

5.1 *Consolidation grouting.*—The work of 'consolidation grouting of formation rock below spillway' was awarded to firm 'N' (a Government Undertaking) at its tendered cost of Rs. 32.65 lakhs in December 1974. The work was started on 10th December 1974 on the basis of drilling and grouting parameters adopted after conducting trial grouting through another

firm. The results of the grouting were not very effective and a note on the evaluation of results was sent to the Central Water Commission (CWC) in July 1975. The matter was discussed by the CWC in September 1975 and detailed parameters/specifications were laid down. Grouting work was continued thereafter on the basis of the revised parameters. As the effectiveness of the grouting, when reviewed for the second time, was still not satisfactory, the matter was referred by the CWC to the Technical Advisory Committee who considered it in April 1976 and suggested further trial grouting with different parameters. As firm 'N' did not have the requisite experience for the job and the contract with it did not cover the changed items, the contract was terminated by the Chief Engineer in August 1976 when Rs. 16.06 lakhs had been spent.

It would thus appear that the trial grouting on the basis of which the parameters had been evolved was not adequate enough to derive dependable results and thus, the main work itself (cost : Rs. 16.06 lakhs) became a continuation of the experiment.

5.2 Treatment of shear zone in block nos. 4 to 8 of spillway portion.—Detailed estimate for the work of treatment of shear zone involving excavation, drilling, concreting, placing of re-inforcement bars, grouting, etc. was sanctioned by the Chief Engineer in January 1975 for Rs. 43 lakhs on the basis of parameters indicated in the study drawings of another reach (block nos. 9 to 11), the drawings of blocks 4 to 8 having not been received from the CWC. After inviting tenders, the work was awarded by the Chief Engineer to firm 'T' in January 1975 for Rs. 22.12 lakhs (labour items only). The study drawings of the relevant reach were received from the CWC in September 1975 wherein the depth of the plug was increased from 8 metres to 19 metres. In July 1975, firm 'T' requested the project authorities to revise the rates for the increase in quantities. The approved drawings were received between February 1976 and December 1976. In the approved drawings, the depth of the plug was further increased to 24 metres in certain locations.

The increased quantities beyond the stipulated deviation limit of 50 per cent of contract quantities were got done by firm 'T' at fresh negotiated rates. Up to 16th running bill (May 1977) the contractor had been paid Rs. 21.50 lakhs in all. The following points were noticed in audit :—

- (a) Up to 16th running bill, excavation of 23,150 cubic metres beyond the stipulated deviation limit was paid at Rs. 30 per cubic metre (composite rate for excavation by controlled blasting including wedging and barring) against the original rate of Rs. 15 per cubic metre for excavation by wedging and barring. Had the work been awarded after receipt of study drawings, the benefit of competitive rates for the whole work would have been obtained and the increased quantities would have been covered within the permissible deviation limit.
- (b) In terms of the contract, the rates of excavation, concreting and concrete grouting included "cost of all other operations necessary for the execution of work". No separate payment for enabling works like dewatering was contemplated. While demanding increased rates for extra quantities, the contractor had also asked for payment of dewatering charges over and above the increased basic rates. The department agreed to pay dewatering charges at the rate of Rs. 1.75 per kwh; rupees 6.04 lakhs had been paid up to September 1978 to the contractor for dewatering. The department had accepted the extra liability for dewatering charges without any ceiling.

6. Rockfill dam

6.0 Increase in cost.—The increase in the estimated cost of rockfill dam and the coffer dam for diversion arrangement, from Rs. 1,451.63 lakhs in the original estimate (1968) to Rs. 4,028.70

lakhs in the second revised estimate (1976) had been attributed mainly to, besides escalation in cost of labour and material, the following :—

- (i) increase in quantities of material from 2.90 million cubic metres to 7.73 million cubic metres on account of changed section and length and increase in rates of hire of machinery (Rs. 2,381.39 lakhs);
- (ii) increase in rates of drilling and grouting (Rs. 89.06 lakhs); and
- (iii) increase in cost of dewatering (Rs. 37 lakhs).

Technical sanction for the rockfill dam was accorded by the Chief Engineer in March 1974 for Rs. 2,439.67 lakhs on the basis of a provision of Rs. 2,289.31 lakhs in first revised estimate (1974). Further revised detailed estimates had not been prepared (December 1978) for technical sanction.

6.1 *Execution of work departmentally.*—In February 1974, the Standing Committee decided that construction of the rockfill dam be carried out departmentally by the project organisation with the help of surplus men and machinery available from Beas Project. This decision necessitated the following :—

- (i) establishment of organisational set-up together with infrastructure facilities, such as workshops, laboratories, etc.;
- (ii) procurement of equipment in bulk including import of equipment worth about Rs. 16 crores; and
- (iii) delegation of enhanced powers to the Chief Engineer and other executive officers of the project.

For maintenance, repair and overhaul of equipment, field and base workshops were stated (December 1978) to be practically completed. Heavy earth-moving equipment and machinery worth about Rs. 1.83 crores were procured from Beas Project between June 1975 and June 1976 (mentioned in sub-paragraph 11.2). Orders for most of the required equipment and spares

(worth Rs. 2,137 lakhs), both indigenous and imported, had been placed by December 1978. Of this, machinery worth Rs. 1,312 lakhs had been received and that worth Rs. 330 lakhs was in transit. Powers of the Chief Engineer for purchase of machinery spares, etc. and to make advance payments to suppliers, among others, were also enhanced after February 1974.

6.2 Area grouting and grout curtain.—To reduce the seepage from reservoir and to provide an effective barrier in the path of percolation, the foundation beneath the rockfill dam was required to be grouted and a grout curtain provided along the core trench. The total drilling involved was 65,000 metres. The experimental grouting in core trench of main rockfill dam from RD 1,350 to RD 1,450 was allotted (February 1975) to firm 'RH'. The work was started in February 1975 and completed in October 1975 at a cost of Rs. 3.43 lakhs. Subsequently, tenders for the main work were invited in October 1975 and the work (labour cost : Rs. 18.77 lakhs) was awarded (December 1975) to the same firm 'RH' which had earlier done the experimental grouting. The entire work involving about 12,000 metres of drilling was to be completed by the middle of June 1976. The work was, however, suspended in April 1976 when, on the basis of check holes provided to test the efficacy of grouting, it was noticed that the grouting of the foundation was not effective and no improvement in checking the permeability of the rock mass could be attained. It would thus appear that in spite of the known heterogenous geology of the area, the grouting experiments were not broad-based enough to produce dependable results for enabling the production works to be started.

In its meeting held in April 1976, the Technical Advisory Committee advised a number of tests to be carried out to determine the parameters to be adopted for future grouting. The results of the test grouting were discussed and evaluated in a meeting with the CWC held on 31st January 1977 when the parameters were finalised and it was decided that the grouting work might be resumed on the basis of modified parameters.

Firm 'RH' resumed the work in June 1977 and completed it in March 1978, at a cost of Rs. 22.37 lakhs (quantity : 14,968 metres) against the amount of Rs. 18.77 lakhs (quantity : 12,094 metres) provided in the agreement.

The remaining work of drilling and grouting in the rockfill dam of about 50,000 metres was (December 1978) being done departmentally. Information regarding rates at which drilling was being done departmentally was awaited from the project authorities (December 1978). The Chief Engineer stated (December 1978) that considering the limited time available for drilling and grouting and the job being a specialised one, part of the work would have to be got executed through contractors.

6.3 *Construction of a haul road.*—For haulage of fill material to the rockfill dam, detailed estimate for the construction of a haul road (3,500 feet long) leading to quarry site at Khad Nallah was sanctioned (January 1974) by the Chief Engineer for Rs. 2.62 lakhs. The road was to have a width of 30 feet in straight reaches and 35 feet at sharp curves. Tenders for the work were invited in December 1973 by the Executive Engineer, Building Division and the earthwork was awarded (March 1974) to firm 'S' at the rate of Rs. 4.50 per cubic metre for completion by May 1974. In October 1974 when the road was stated to have been constructed up to a width of 20 feet approximately, the Superintending Engineer sanctioned a revised estimate for Rs. 3.67 lakhs based on a width of 40 feet in straight reaches and 46 feet at curves. The increase in width was attributed to 'new proposals' (details not recorded). The work was, however, completed in March 1975 at a cost of Rs. 3.25 lakhs and the width achieved according to subsequent (December 1976) reports of Rockfill Dam Circle was only 17 to 20 feet.

In December 1976, the Superintending Engineer sanctioned a revised estimate for Rs. 12.54 lakhs to widen the road to a width of 59 feet. The increase in width was considered necessary for heavy hauling and movement of earth-moving equipment.

The work was divided into four sections of which three sections were allotted (January 1977) to two firms at rates of Rs. 12.35 and Rs. 12.65 per cubic metre (fourth section was taken up departmentally). The work was completed by these firms in May 1977 at a cost of Rs. 3.51 lakhs. Information regarding the cost at which the work was completed departmentally was awaited (December 1978). In reply to an audit observation, the project authorities stated (May 1977) that widening of the road had to be done on receipt of the decision to execute the rockfill dam works departmentally, to accommodate movement of dumpers of heavy capacity and that the size and capacity of dumpers had not been finalised when the work was originally taken up. The decision to construct the rockfill dam departmentally was taken in February 1974 and the road work for a width of 30 feet was allotted to the contractor in March 1974.

The road width was not correctly estimated keeping in view the requirement of movement of heavy earth-moving equipment before the allotment of the work in March 1974. The advantage of competitive composite rates for the whole work was thus forgone.

7. Power house

7.0 *Increase in cost.*—The increase in estimated cost of power house from Rs. 173.32 lakhs in original estimate (1968) to Rs. 1,201.32 lakhs in the revised estimate (1976) was attributed mainly, besides escalation in cost of labour and material, to the following :—

- (i) change in location of the power house from the left to the right bank of the river Chenab and depressing it to gain additional head of about 10.8 metres resulting in increased quantities of hill excavation (Rs. 571.12 lakhs); and
- (ii) provision for a platform to accommodate 220 kv switchyard adjacent to the power house (not envisaged earlier) (Rs. 120 lakhs).

7.1 *Excavation for the power house.*—Tenders for the work 'excavation for the power house' were invited (December 1974) by the Executive Engineer in anticipation of technical sanction which was accorded by the Chief Engineer in January 1975 for Rs. 133.63 lakhs.

Three tenders were received. The rates after evaluation of the special conditions mentioned by the firms were worked out as under :

Name of firm	As tendered	As evaluated
	(Rupees in lakhs)	
N	291.48	295.05
J	209.85	245.62
T	145.26	190.32

In its meeting held on 15th February 1975, the tender committee rejected the lowest offer of firm 'T' as the rates quoted by it were considered unworkable and the special conditions mentioned by it impracticable. Besides, the tender committee noted that firm 'T' had not executed any earth-moving job in the past and the value of any work done by it did not exceed Rs. 15 lakhs. The committee recommended award of the work to the second lowest tenderer, firm 'J', subject to negotiation of the special conditions on the following points :—

- (a) withdrawal or modification of the special conditions to bring them as close to those in the notice inviting tenders as possible; and
- (b) reduction in the rate of dewatering.

After negotiations, the rate of dewatering was reduced from Rs. 2 to Rs. 1.75 per kwh and certain special conditions were modified or withdrawn. As a result, the reduced value of the tender came to Rs. 209.10 lakhs (and Rs. 233.28 lakhs after evaluation of special conditions).

In March 1975, Government approved award of work to firm 'J' for completion by December 1976. As per agreement,

out of 9.60 lakh cubic metres of excavation, 8.60 lakh cubic metres of earth were to be carried to distances ranging from 50 metres to one kilometre. The work was started by firm 'J' in March 1975. Revised detailed estimate for Rs. 268.83 lakhs was sanctioned by the Chief Engineer in November 1976. In January 1977, the department asked firm 'J' to restrict the excavation up to EL 383 metres instead of EL 378 metres in the Power House stage-I and up to EL 400 metres instead of EL 380 metres in the service bay. The work, thus, modified was completed in March 1977 at a cost of Rs. 207.38 lakhs.

The first revised project estimate (1974—not sanctioned) which was prepared after the decision (July 1971) to shift the power house to the right bank, provided for a saving of Rs. 255.06 lakhs for the re-use in the rockfill dam of the excavated material obtained from the power house excavation. This saving was, however, eliminated from the second revised project estimate (1976) without recording any reason. The detailed estimate of the power house excavation sanctioned by the Chief Engineer in January 1975, (*i.e.* after the receipt of tenders but before the award of the work) provided for a lead up to 500 metres only for the carriage of the excavated material. There was nothing in the sanctioned estimate to show whether the lead of 500 metres was for stocking the material for re-use or for facilitating its disposal in the river. The agreement executed with the contractor in April 1975, however, provided for extra leads ranging up to 1 km. for 8.60 lakh cubic metres of excavated material. For the remaining one lakh cubic metres of material, no lead was provided as it was to be disposed of within 50 metres. In the revised detailed estimate sanctioned in November 1976 extra leads up to 1 km. for 11.76 lakh cubic metres were provided and about 0.94 lakh cubic metres were to be disposed of within 50 metres. It was for the first time made clear in the revised sanctioned estimate (November 1976) that dumping was being done only to facilitate washing away of the material in the river.

According to the final bill, Rs. 36.57 lakhs were paid to the contractor for extra leads up to 1 km. for dumping 9.88 lakh

cubic metres of material. Out of this, 1.26 lakh cubic metres of material were carried beyond 500 metres up to 1 km. for which Rs. 8.80 lakhs were paid. If the intention of dumping the material in the river had been made clear in the very beginning, Rs. 8.80 lakhs could have been saved by dumping the material in the river within 500 metres as per the lead provided in the original sanctioned estimate (January 1975). Besides, the quantity of material disposed of within 50 metres was 0.62 lakh cubic metres as against one lakh cubic metres provided in the agreement. Had the quantity of one lakh cubic metres been disposed of within 50 metres, a further amount of Rs. 1.90 lakhs could have been saved.

8. Tail race tunnel

8.0 Increase in cost.—In the first stage of the project, it had been proposed to construct one tail race tunnel (2.4 kms. long) and 30 metres of the second tunnel for the second stage. The increase in the estimated cost of the tail race tunnel from Rs. 672.81 lakhs in the first revised estimate (1974) to Rs. 1,831.07 lakhs in the second revised estimate (1976) was attributed mainly, besides escalation in cost of labour and material, to the following :—

- (a) increase in quantity of excavation from 2.84 lakh cubic metres to 3.486 lakh cubic metres and increase in tendered rates from Rs. 126.43 to Rs. 175 per cubic metre (Rs. 250.99 lakhs);
- (b) increase in quantity of steel required for ribs from 2,000 to 6,000 tonnes (Rs. 119.60 lakhs);
- (c) provision of reinforcement not provided in the first revised estimate (Rs. 106.25 lakhs);
- (d) increase in quantity of plain cement concrete (Rs. 317.20 lakhs); and
- (e) increase in length of the tunnel from 2.2 to 2.4 kms.

8.1 *Award of contract.*—Tenders for the tail race tunnel were invited in October 1975 with date of opening as 31st December 1975. This date was extended from time to time and the tenders were finally opened in September 1976. Of five firms which tendered, the lowest offer (Rs. 11.48 crores) was from firm 'J'. The offers were valid up to 31st March 1977. The proposal with comparative statement was sent to the Control Board in December 1976. Since no decision was taken by the Control Board till March 1977, the tenderers were requested (March 1977) to extend the validity of their offers up to 31st May 1977. In the meantime, the lowest tenderer, firm 'J', revised its offer by incorporating a number of additional conditions involving extra expenditure. Thereupon, the tender committee decided (May 1977) to obtain fresh tenders from all the five tenderers.

Fresh tenders from four of the five firms (except firm 'J') were received and opened on 30th June 1977. The lowest offer (Rs. 9.48 crores) was from firm 'G'. The offers were valid up to 31st August 1977. The tender committee recommended (18th July 1977) the award of work to firm 'G' subject to certain stipulations which were further discussed with firm 'G' and finalised on 9th August 1977. Government approved award of the work to firm 'G' on 26th August 1977 with the stipulation that the special conditions to be included in the agreement be got vetted by the Ministry of Law before incorporating them in the agreement. On 27th August 1977, the Chief Engineer communicated acceptance of offer to firm 'G'. While Government agreed to the payment of interest-free secured advance on presentation of documents to the extent of 90 *per cent* of the cost of new plant and machinery purchased by firm 'G' and 75 *per cent* of the cost of old plant and machinery subject to a ceiling of Rs. 150 lakhs, firm 'G' instead, requested (August-September 1977) that the advance might be paid against bank guarantee without proof of purchase of new plant and machinery and valuation of old plant and machinery. The matter was discussed by the tender committee on 9th, 20th and 21st September 1977 with firm 'G' and the grant of interest-free

advance up to Rs. 150 lakhs against bank guarantees without linking it with the value of plant and machinery was recommended on the following considerations :—

- (a) negotiations with the second lowest tenderer (firm 'N'—a Government undertaking) would involve an additional burden of Rs. 1.20 crores;
- (b) invitation of fresh tenders would delay award of the work and might result in increased rates; and
- (c) equipment valued at about Rs. 150 lakhs would actually be required and the only benefit to the contractor was of about Rs. 40 lakhs, being the amount of interest at 12.5 *per cent* per annum for three years.

Government approved (November 1977) payment of advance on the condition that interest at the rate of 8 *per cent* per annum be charged until documents showing the value of the plant and machinery were produced. Firm 'G' finally accepted the terms on 2nd December 1977.

The draft agreement, as redrafted by the Ministry of Law after discussions with the Control Board, was approved on 28th December 1977. Firm 'G', however, declined (January 1978) to sign the agreement on the plea that 'the draft was not in consonance with the terms and conditions mutually agreed earlier'. While the terms of the draft contract remained under dispute, interest-free advances totalling Rs. 50 lakhs had already been paid (February-March 1978) to firm 'G'.

Computed with reference to the rate of 12.5 *per cent* per annum (at which the tender committee had worked out the financial implications) firm 'G' had got an unintended benefit of Rs. 2.81 lakhs, being the amount of interest on Rs. 50 lakhs till July 1978. The agreement was signed in August 1978.

Due to delay in commencement of works on tail race tunnel, out of 1,001 tonnes of steel costing Rs. 36.70 lakhs, purchased

during January to June 1975 for the tail race tunnel, 561 tonnes were still unutilised (December 1978), 440 tonnes having been consumed on the diversion tunnel.

9. *Generating plant and machinery*

9.0 *Purchase of generating equipment.*—A letter of intent for the supply of 3 generating sets of 90 MW each was placed on Bharat Heavy Electricals, Hardwar (BHEL) in March 1970. Consequent upon change in specifications of generators from 90 MW to 115 MW each (July 1971), CWPC worked out the landed cost of three sets at Rs. 604 lakhs and Rs. 752 lakhs based on two alternative considerations. The price was again reviewed by a committee consisting of representatives of the Bureau of Public Enterprises, the Central Electricity Authority and BHEL, on the recommendations of which the price of three sets was revised (February 1976) to Rs. 1,417.68 lakhs (at Rs. 472.56 lakhs each). In March 1976, Government sanctioned the purchase of three sets from BHEL for Rs. 1417.68 lakhs f.o.r. manufacturer's works with a provision for price escalation on labour and material. Fifty *per cent* price was to be paid in three instalments before despatch of equipment and the remaining 50 *per cent* after despatch of the last substantial component. Between February 1971 and March 1978, Rs. 848.84 lakhs had been paid to BHEL. Up to November 1978, supply of the first set had almost been completed with the last substantial component expected in December 1978 and parts of the second and third sets had also been received.

For 1978-79, BHEL had demanded a further sum of Rs. 900 lakhs including price escalation. No contract had been executed (December 1978) with BHEL. The project authorities wrote to BHEL (July 1978) to take up the manufacture of the third set at a later stage as the erection work was not likely to be started in the next three years. Delay in completion of project had led to increase in cost of three generating sets from Rs. 604 lakhs (1971) to Rs. 1,748.84 lakhs (December 1978).

10.0 *Communications*.—A lump sum provision of Rs. 120 lakhs (excluding work-charged establishment, contingencies, etc.) was made for communications in the original project estimate of 1968. It was intended mainly for the following :—

- (a) left bank road from the 8th kilometre of Reasi-Arnas Road to the site of the dam; and
- (b) bridge near the site of the dam and a road from the bridge to power house along the right bank of the river.

The second revised estimate (1976) provided Rs. 480.19 lakhs for "communications". The increase in cost was attributed to the following :—

- (i) increase in the scope of the works owing to provision of a road 11 metres wide, 11 kms. long along the right bank of the river from Talwara to Dhyangarh, road from power house to rockfill dam (right bank) and from rockfill dam to concrete dam (left bank) not provided originally; and
- (ii) increase in cost of material and labour.

10.1 *Road from Baradari bridge (Talwara) to Dhyangarh (right bank road)*.—According to the original project report, the left bank road was to be treated as the main project road; it was taken up for construction in August 1970 and completed in January 1972. In September 1973, the proposal for the construction of the right bank road from Baradari bridge to Dhyangarh was made and its parameters approved (December 1973) by the Technical Advisory Committee. The construction of the road was commenced in December 1973 and completed in March 1977. The delay in completion was mainly due to slow progress of work by certain contractors and problems arising from termination of their contracts (mentioned in subparagraph 10.3).

Since it was decided in June 1971 to locate the power house on the right bank of the river and the rockfill dam works were also on the right bank, early construction of the right bank road

connecting the major work sites at Dhyangarh to Reasi-Jammu Road at Baradari bridge would have reduced the distance by 18 kms. from Baradari bridge to Dhyangarh as compared to the left bank road. Moreover, had the right bank road been completed before calling for tenders for major works like power house excavation, excavation for spillway and power dam blocks, the main concrete dam, etc. it was likely that more favourable rates could have been obtained. Besides, if the right bank road had been taken up for construction soon after the decision (June 1971) to locate the power house on the right bank, there would have been saving in the cost of transport of departmental material, machinery, etc. which had to be transported by left bank road and then ferried across to the right bank for works on that side.

The Chief Engineer stated (December 1978) that before deciding to construct the right bank road, detailed studies had to be conducted in consultation with the geologists of the Geological Survey of India on various alternatives. These studies could not be completed earlier than September 1973.

Nevertheless, the fact remains that advance planning of this road was not done and the time taken in these studies was over 2 years; the work commenced in December 1973 was completed in 3½ years in March 1977.

10.2 (a) *Avoidable expenditure.*—In anticipation of technical sanction, tenders for the earthwork in respect of the first four kilometres of the right bank road divided into six groups were invited by the Executive Engineer, Quality Control Division in October 1973. The quantities advertised in the notice inviting tenders were based on a proposal (September 1973) to construct the road 7.5 metres wide for one-way traffic. There was also a proposal to construct another road 7.5 metres wide along the left bank of the river as well from Baradari bridge to Debri Nallah.

Tenders were opened in November 1973. While these were being processed, the Technical Advisory Committee, in its meeting held at Reasi on 31st December 1973, decided that the width of the road be increased to 11 metres enabling it to take

two-way traffic and the proposed road along the left bank be taken up to Numbal Shoal (a point ahead of the original terminal). On 1st January 1974, the Executive Engineer issued letters of intent to successful tenderers informing them that their tenders had been approved by the Chief Engineer for the construction of 11 metres wide road and asking them to start the work for 11 metres final formation instead of 7.5 metres as verbally agreed to by them during negotiations with the Executive Engineer.

The revised quantities were computed by 29th January 1974 when the revised estimate for Rs. 59.07 lakhs was sent by the Executive Engineer to the Chief Engineer for sanction. The Chief Engineer, however, sanctioned (18th February 1974) the original estimate (for Rs. 36.41 lakhs submitted by the Executive Engineer in December 1973) which had, by then, become obsolete and approved the allotment of works on road 7.5 metres wide to the lowest tenderers in each group. Agreements were also executed with the contractors on 21st February 1974 on the basis of the original quantities in spite of the fact that in terms of the letters of intent, the contractors had been offered the road works for 11 metres width. These agreements contained two provisions regarding deviations; according to one, the contractors were bound to execute additional quantities up to 50 *per cent* of the original quantities at the agreed rates and according to the other, the permissible deviation in individual items to be executed at the original rates was not to exceed 25 *per cent* of the value of the contract as a whole. Apparently, the latter provision was meaningful only in a contract comprising numerous items and not in a contract substantially consisting of only one item, *viz.* earthwork (the value of earthwork, according to the estimate sanctioned in February 1974 was Rs. 34.22 lakhs out of Rs. 34.25 lakhs being the total value of the only two items, *viz.* excavation and 'jungle' clearance in the work as a whole).

On 4th March 1974, the Executive Engineer sought the Chief Engineer's approval to get the revised quantities executed through the original contractors at the original rates on the

consideration that these rates were quite moderate and financially sound and that in case the contractors were not assured of the continuity of the work, they might disengage their labour and their procurement later on would become difficult. The Chief Engineer, however, approved (6th June 1974) the execution of additional quantities through the original contractors at the rates and on the conditions already approved 'to the extent of percentage provided in the agreement'. In terms of the contract, in the event of deviation in quantities exceeding the permissible limit (*i.e.* 25 per cent/50 per cent as mentioned above), the Engineer-in-charge was to order the contractor to carry out even such extra quantities and the contractor could, within 7 days of the receipt of order, claim revision of the rates supported by proper analysis in respect of the additional quantities beyond the permissible limit. The Engineer-in-charge could, then, either revise the rates having regard to prevailing market rates or get the deviations carried out in such manner as he deemed fit. However, no such order was issued and thus, the willingness or otherwise of the contractors to carry out the entire additional quantities at the original rates could not be ascertained.

In the meantime, the Chief Engineer ordered (29th March 1974) the transfer of administrative control of the road work from Quality Control Division to Civil Division. Details of quantities of earthwork stipulated in the agreements, the revised quantities and the quantities executed at the original rates through the original contractors are given below :

Group number	Quantity as per agreement	Quantity as revised	Quantity executed at the original rates	Percentage deviation executed at the original rates	Remarks
(Cubic metres)					
1	34,000	27,454	22,128	(-)35	Works completed in Quality Control Division.
2	34,000	44,511	46,535	(+)37	
3	17,000	17,491	18,091	(+)6	
4	40,000	1,16,507	54,501	(+)36	Works in progress transferred to Civil Division.
5	40,000	1,90,525	53,394	(+)33	
6	40,000	1,72,818	42,800	(+)7	

From the fact that deviations exceeding 25 per cent had been got executed by Quality Control Division through the original contractors, it seemed that the original rates continued to be acceptable to the contractors. In Civil Division, however, fresh tenders were called and the left-over works (quantities of which in groups 4 and 5 were found more than the revised ones) were allotted (September-October 1974) to the lowest tenderers. Particulars are given below of the quantities and the rates at which these works were allotted as compared to the rates of the original contractors :

Group number	Quantity allotted (Cubic metres)	Rates at which allotted (Rupees per cubic metre)	Rates of the original contractors	Extra cost involved (Rupees in lakhs)
4	1,52,075	7.20	6.20	1.52
5	1,69,000	7.49	5.75	2.94
6	1,25,800	7.70	5.25	3.08

From the letter of intent issued on 1st January 1974 to the original contractors, it was clear that they had agreed to execute 11 metres wide road at their tendered rates. Non-incorporation of the revised quantities in the agreement, therefore, resulted in an extra cost of Rs. 7.54 lakhs. As the quantity actually executed was even more than the quantity allotted in each of the three groups 4 to 6, the extra cost with reference to the quantity executed worked out to Rs. 8.02 lakhs.

(b) There were substantial variations between the quantities estimated and those executed as given below :

Group number	4	5	6
Quantity as per revised sanctioned estimate (cubic metres)	1,16,507	1,90,525	1,72,818
Quantity executed by Quality Control Division (cubic metres)	54,501	53,394	42,800
Balance to be executed (cubic metres)	62,006	1,37,131	1,30,018
Quantity allotted by Civil Division (cubic metres)	1,52,075	1,69,000	1,25,800
Quantity actually executed in Civil Division (cubic metres)	1,67,488	1,82,261	1,29,425
Total quantity executed by both the divisions (cubic metres)	2,21,989	2,35,655	1,72,225
Excess over sanctioned estimate (cubic metres) and percentage	1,05,482 (90 per cent)	45,130 (24 per cent)	—

The Chief Engineer attributed the difference in quantities to the original estimated quantities being based on the end cross-sections only and the increased quantities necessitated by shear zones and the increased length of the road due to its curvilinear alignment.

10.3 *Payment of unpaid wages of contractor's labour under an award.*—Particulars of certain road works (earthwork only) awarded to two contractors are given below :

Name of the contractor	AK	BS	
Particulars of works	Road from bridge site at Dhyangarh to exit portal of tail race tunnel (RD 0 to 1,500) divided into three sections (hereafter referred to as work A)	Road from Dhyangarh bridge to the site of the dam (RD 1,250 to 1,920) (hereafter referred to as work B)	Road from Baradari bridge to tail race tunnel (RD 3,500 to 3,700) (hereafter referred to as work C)
When awarded	December 1973	June 1974	October 1974
Contract quantity (cubic metres)	1,68,704	1,00,060	71,600
Rates per cubic metre (rupees)	Between 6.31 and 7.13	8.00	7.70
Contract amount (rupees in lakhs)	11.26	8.00	5.51
Stipulated date of completion	June 1974	June 1975	April 1975

The progress of the works was not in accordance with the stipulated construction schedule. The contracts were, therefore, rescinded by the Executive Engineer in November 1974 (Work A) and May 1975 (Works B and C) after issuing show cause notices to the contractors and the quantities left over were as under :

	Work A	Work B	Work C
	(cubic metres)		
Quantity completed	1,09,821	39,959	14,899
Quantity left over	58,883	60,101	56,701

After inviting fresh tenders, the left-over works were awarded (at the risk and cost of the original contractors) at higher rates involving extra cost of Rs. 3.66 lakhs as per details given below :

	Work A	Work B	Work C
When awarded	January 1975	August 1975	July 1975
Rate per cubic metre (rupees)			
Original	6.31 to 7.13	8.00	7.70
Revised	6.69 to 8.31	10.23	11.00
Extra cost involved (rupees in lakhs)	0.45	1.34	1.87

On a complaint filed by the contractor's labour, the Assistant Labour Commissioner, Udhampur (Court of Authority under the Payment of Wages Act, 1936), passed an award in January 1975 (in respect of contractor AK) for Rs. 1.04 lakhs and requested Sub-Judge, Reasi to recover the amount from the principal employer, viz. the Executive Engineer. The amount of award represented unpaid wages of the contractor's labour from June 1974 to October 1974, i.e. during the currency of the contract. The project authorities did not seek competent legal advice immediately after receipt of the award in January 1975. It was only in May 1975—after the labourers resorted to agitation and after another award for Rs. 0.91 lakh was issued in respect of contractor BS—that the Chief Engineer referred the matter to the Control Board to obtain approval of Government for payment of the amount of the two awards. The amount was paid in June 1975 after obtaining the advice of the Standing Government Counsel and clearance from the Control Board but before receiving the advice of the Ministry of Law to which the matter had been referred on 4th June 1975.

According to the Ministry of Law (November 1975) ".....the contractor failed and/or neglected to comply with his obligation cast by Sub-Section (1) of Section 21 of the Contract Labour (Regulation and Abolition) Act, 1970. In the premises, Central Government as principal employer became liable to make payment of the wages in full or the unpaid balance due thereof. It was open to the contract labour,

therefore, to compel the Central Government under Sub-Section (4) of Section 21, to make payment of the unpaid balance of the wages due to the contract labour which the contractor failed and/or neglected to pay. The contract labour, however, did not compel the Central Government by taking action under Sub-Section (4) of Section 21 of the Act, but went to the Labour Court and obtained an award. The award is against the contractor and not against the Central Government.....

.....In the premises, Central Government is not responsible to make payment of the amount mentioned in the award”.

Meanwhile, the Chief Engineer appointed (July 1975) a Superintending Engineer of the Project as the sole arbitrator to settle disputes between the department and the contractors. The arbitration award in respect of the dispute with contractor AK issued in September 1976 stipulated that the contractor was to pay Rs. 1.24 lakhs to the department in settlement of all claims and counter-claims and the department was to release the dues of the contractor amounting to Rs. 1.11 lakhs. In respect of the contractor BS, the award issued in January 1978 required the contractor to pay Rs. 3.75 lakhs to the department and receive his dues, deposits, etc. amounting to Rs. 0.25 lakh from the department. The arbitrator accepted the contractor's liability to reimburse to the department the unpaid wages earlier paid by the department on behalf of the contractors as well as their liability to compensate the department for the actual loss arising from the retendering of the works.

Against net sum of Rs. 3.62 lakhs awarded by the arbitrator in both the cases, no recovery had been made so far (December 1978) as the award had not been made a rule of law by the High Court, one of the contractors having filed objections.

According to the provisions contained in Contract Labour (Regulation and Abolition) Act, 1970, the principal employer should nominate a representative to be present at the time of S/7 AGCR/79-14

disbursement of wages by the contractor and the representative should certify the amount paid. Further, in terms of the contracts executed with the contractors, they were required to furnish fortnightly labour returns and to keep a register of unpaid wages. Had the fulfilment of these provisions been ensured by the project authorities, the question of non-payment of wages to the labourers by the contractor would not have arisen.

10.4 *Delay in construction of bridge.*—(a) In order to provide access to the labour colony located on the right bank of the river (construction of the main bridge connecting left and right bank having not been started), a suspension bridge was constructed in June—September 1972 at a cost of Rs. 2.43 lakhs (including cost of material). The deck of the bridge was, however, washed away in August 1973 due to floods. An estimate for Rs. 1.96 lakhs was sanctioned by the Chief Engineer in April 1974 for the restoration of the bridge. The bridge was reconstructed by July 1974 at a cost of Rs. 1.94 lakhs. On 5th August 1976, the right abutment of the bridge collapsed rendering it unusable again. The bridge was not reconstructed thereafter. The transportation of labour across the river was done by trolley ropes and boats during the period.

(b) The work of construction of a bridge across the river near the work site to link major construction works on both banks of the river was awarded by the Chief Engineer to firm 'N', a Government undertaking, in December 1973 for a lump sum amount of Rs. 40 lakhs. The work to be started on 15th January 1974, was to be completed by March 1975; the work was completed in November 1977 (cost: Rs. 40 lakhs). The delay in completion was attributed to the following:—

- (i) The location of the right side pier was not suitable owing to adverse geological conditions. In March 1974, after the site was inspected by the Chairman, CWC, it was decided to shift the right pier

towards the hill side and increase the central span to 95 metres.

- (ii) The geologists suggested in March 1974 to undertake consolidation grouting and anchoring of pier-foundations. This work was done from October 1974 to December 1974.
- (iii) After piers and abutments had been completed by March 1975, the work remained suspended as the designs for the superstructure and bearings had not been finalised. The designs were finalised in September 1975 but bearings were procured later in January 1976.
- (iv) The steel gantry and shutterings manufactured by the firm had been assembled at site in August 1976 when construction from the left side was taken up; construction from the right side was taken up only in October 1976 because the road on the right side had not been completed and the material being heavy (about 45 tonnes) could be transported across the river by trolley ropes only after the monsoon.

Construction of the main bridge, which was an essential infra-structure, provided in the original estimate was thus commenced two years after the decision to locate certain major works like power house at the right bank and completed about six years thereafter.

11.0 *Machinery and Equipment*.—Against a gross estimate of Rs. 941.32 lakhs (1968) on the purchase of machinery and equipment, the second revised project estimate (1976) provided for a gross estimate of Rs. 3,370.31 lakhs. The increase in cost by Rs. 2,428.99 lakhs was attributed to the following :—

- (i) change in the agency for the construction of the rock-fill dam from contractors to departmental execution; and
- (ii) steep rise in the cost of machinery.

11.1 *Machinery purchased and their performance.*—An expenditure of Rs. 2,259.47 lakhs was booked on machinery and equipment up to December 1978. Particulars of major items of equipment procured till June 1978 were as under :

Particulars of the machinery	Number of machines as per revised project estimate	Number procured up to June 1978	Cost (Rupees in lakhs)
Traxcavators	6	4	19.20
Excavators/shovels	14	5	59.78
Dozers/dozer shovels	40	24	265.82
Dumpers	84	50	212.50
Motor graders	6	3	3.67
Vibratory rollers	19	8	12.29

As the progress of work had remained slow as compared to the construction schedule anticipated in the original and revised project estimates, the machinery was largely unutilised.

11.2 *Machinery procured from Beas Project.*—In November 1974, the Standing Committee authorised the Chief Engineer to procure surplus machinery from Beas Project in anticipation of Government sanction. Pending final settlement of the purchase price, etc. the project authorities advanced Rs. 242.50 lakhs (Rs. 240 lakhs in February 1975 and balance up to January 1976) to Beas Project; against these advances, the value of the machinery and spares received so far (December 1978), according to the project authorities, was Rs. 183.02 lakhs whereas according to Beas Project, it was Rs. 205.75 lakhs. The difference of Rs. 22.73 lakhs had not yet (December 1978) been sorted out and the balance out of the advance of Rs. 242.50 lakhs had also not been received back so far (December 1978).

Major items of machinery procured from Beas Project were 32 dumpers, 5 dozers, 2 motor graders, 2 vibratory rollers and 2 electric shovels. All these machines, except 1 dozer,

1 motor grader and 8 dumpers had remained unutilised; these were under break-down since their procurement (from June 1975 to June 1976).

11.3 *Purchase of 'Hino' dumpers.*—In response to tenders for the supply of 15 to 20 ton capacity rear dumpers invited by the Chief Engineer in October 1973, offers from 10 parties were received. The tenders were opened on 3rd December 1973 and the Chief Engineer's recommendations were sent to the CWC and Control Board on 18th December 1973. The validity of the offer of one of the tenderers, firm 'M', was to expire on 22nd December 1973 in Japan; the validity was got extended up to 30th January 1974. The Purchase Committee could not, however, decide on the tenders within the extended validity period and it was only on 11th February 1974 that the Committee approved the purchase of 12 dumpers from firm 'M' subject, *inter alia*, to rebate of Rs. 5,000 per dumper earlier offered by the firm on the supply of 20 dumpers. Firm 'M' did not, however, agree to allow the rebate and demanded a price increase of 12 lakh yen (about Rs. 28,436) on each dumper owing to the 'drastic changes in the international trade following the energy crisis'. In June 1974, the Purchase Committee finally approved the purchase of 12 dumpers at the rate of Rs. 2.72 lakhs each.

Had the offer of the firm been accepted within the extended period of validity, the project would have saved Rs. 3.41 lakhs. Further, at the time payment was made (October 1974) to firm 'M', the parity value of rupee had decreased from 42.2 yen to 36.6 yen per rupee which involved another extra expenditure of Rs. 4.27 lakhs.

12. *Stores and stock*

12.0 *Idle weigh-bridges*

(i) In April 1974, the project purchased a weigh-bridge from Jammu and Kashmir Government for Rs. 0.70 lakh. The Chief Engineer sanctioned (September 1975) an expenditure of Rs. 8,000 for its installation. Construction of foundations, etc.

was completed in November 1977 at a cost of Rs. 0.06 lakh but the weigh-bridge had not been installed (December 1978).

(ii) Another weigh-bridge was purchased from a firm in May 1975 for which Rs. 0.80 lakh (95 per cent of price) were paid to the firm. Foundation works were executed for this weigh-bridge in June 1977 at a cost of Rs. 0.13 lakh. Meanwhile, it was noticed (November 1977) that certain parts (costing Rs. 1,620) were missing from the weigh-bridge. After procuring these parts, the weigh-bridge was commissioned in June 1978. The delay in commissioning of the weigh-bridge from April 1974 to June 1978 was attributed (December 1978) by the Chief Engineer to delay in its transportation from Jammu to project area due to paucity of trailers and to delay in procurement of the missing parts.

12.1 *Shortages of stores.*—During the course of handing over charge of stores by storekeeper 'A' to the relieving 3 storekeepers, shortages of steel and explosives (value assessed subsequently by the Executive Engineer at Rs. 0.30 lakh) came to notice. To Audit enquiries on the shortages, the project authorities stated (August 1978) that a departmental committee had been constituted to look into the matter and its report was awaited and that no cash security seemed to have been obtained from the storekeeper.

No recovery of the shortages (value Rs. 0.30 lakh) had been made so far (December 1978).

13. *Summing up.*—The following are the main points that emerge :—

- (i) The Project was started without adequate investigations resulting in changes in designs of the diversion tunnel and other major structures of concrete dam and rockfill dam.

- (ii) The first unit of the project originally scheduled for commissioning in June 1975 was expected (December 1978) to be completed and commissioned by 1985-86. The delay is mainly attributable to change in designs, non-finalisation of designs of major structures, etc.
- (iii) **The work on the diversion tunnel, a critical item in the construction schedule of the project, was (December 1978) in progress, though it was awarded to a contractor for execution in March 1972 for completion by August 1973. The delay is attributable to extensive changes in design during construction.**
- (iv) Construction of essential infra-structure facilities like the road on the right bank of the river and bridge at work site were taken up only in December 1973 although construction of the project started in August 1970 and the decision to locate the power house on the right bank had been taken in June 1971.
- (v) A saving of Rs. 2.96 crores in the original project estimate (1968), increased to Rs. 4.24 crores in **first revised estimate (1974—not sanctioned)**, was anticipated on account of re-use of the material excavated from the concrete dam site in the rockfill dam. This saving was not provided in the second revised estimate (1976) as it was stated to be impracticable, because of lack of storage space for the excavated material and impossibility of synchronising the rock-fill dam work with that of the concrete dam.
- (vi) **Machinery worth Rs. 1.83 crores purchased between June 1975 and June 1976 from the Beas Project were lying (December 1978) un-utilised.**
- (vii) The project estimate increased four fold from Rs. 55.15 crores (1968) to Rs. 222.15 crores (1976). Of the increase, Rs. 33.63 crores were

accounted for by changes in design and increase in quantities, Rs. 25.93 crores by change in location of the power house from left to right bank of the river Chenab and provision of tailrace tunnel, etc., Rs. 76.07 crores by escalation in the cost of material and labour due to delay in the execution of the project, Rs. 12.50 crores by departmental execution of rockfill dam and the rest of the increase by other extra items of work.

41. Beas Project

1.0 *Introductory*.—The Beas Project is designed to bring about the full utilisation of the water potential of 16.73 lakh hectare metres (136 lakh acre feet) of the river Beas. The project is a joint venture of the States of Punjab, Haryana and Rajasthan. The project comprises two units, viz. unit I : Beas Sutlej link and unit II : Beas dam at Pong, both of which are multipurpose schemes of irrigation and power. The construction of the project is under the Beas Construction Board (BCB) and the execution has been carried out departmentally. The project report for the Beas Sutlej link was prepared by the Beas Project Administration in 1961 and that of the Beas dam at Pong in 1959.

1.1 *Unit I—Beas Sutlej Link*.—The Beas Sutlej link envisages the diversion of about 4.72 lakh hectare metres (38.2 lakh acre feet) of the Beas waters from a point near Pandoh village into the river Sutlej at a point near Dehar village by constructing a dam 74.37 metres high at Pandoh and a water conductor system from Pandoh to Dehar comprising Pandoh-Baggi tunnel 13.10 kms. long, open hydel channel 11.80 kms. long, a balancing reservoir, Sundernagar-Sutlej tunnel 12.38 kms. long, a surge shaft 125.3 metres high and three penstock headers. At Dehar, the waters would fall into the Sutlej from a height of 320 metres which would be utilised for generation of 267 megawatts (MW) of firm power by a power plant of installed capacity of 660 MW (4×165 MW) in the first stage (with provision for 2 more units of 165 MW each for future development). The diverted Beas

waters would also augment the power output through Bhakra power plants by 145 MW. Part of these waters would, thereafter, be utilised for irrigation through Bhakra canal system and the Rajasthan canal system. The project also envisages a net work of transmission lines, viz. 400 KV (270 kms.) and 220 KV (1,131 kms.) to transmit power to important load centres served by Bhakra Beas complex along with 18 grid sub-stations.

1.2 *Unit II—Beas dam at Pong.*—The Beas dam is located at Pong village (about 140 kms. downstream of Pandoh). This consists of an earth-cum-gravel dam 132.6 metres high, five tunnels, each of diameter 9.14 metres and having total length of about 5,000 metres for diversion of the river during construction of the dam, a concrete chute spillway with six large sized radial gates on the left abutment of the dam for the floods to pass and a power house with an installed capacity of 240 MW (4 units of 60 MW each) with provision for 2 more units of 60 MW each to be added at a later stage.

1.3. *Organisation.*—The construction of the project, started in 1965, was entrusted to the Government of Punjab, but after re-organisation of Punjab in November 1966, the construction of the project was taken over by the Government of India on behalf of the partner States of Punjab, Haryana and Rajasthan. In October 1967, the Government of India constituted the Beas Construction Board (BCB) with representatives of the partner States and the State of Himachal Pradesh and headed by the Union Minister of Energy as Chairman to look after the construction of the project. In the discharge of its functions, the Board was assisted by a Standing Committee, a General Manager, four Chief Engineers, a purchase organisation, a design organisation and a finance and accounts organisation.

1.4 *Benefits and Costs.*—The Beas Sutlej link envisages irrigation for a culturable command area of 5.2 lakh hectares (13 lakh acres) while the Beas dam provides for irrigation in another 16 lakh hectares (40 lakh acres) in the States of Punjab, Haryana and Rajasthan. A firm power of 484 MW is also expected to be available at 100 per cent load factor (412 MW from Beas Sutlej link and 72 MW from Beas dam).

The cost of the project is shared in the ratio of benefits derived by the participant States as under :

	Punjab	Haryana	Rajasthan (In percentages)
<i>Beas Sutlej link</i>			
Power	48	32	20
Irrigation	51	34	15
Beas transmission lines	24.5	51.7	23.8
<i>Beas dam</i>			
Power and irrigation	24.9	16.6	58.5

The expenditure on the project is financed out of the loans and grants received by the participating State Governments from the Government of India and their own contribution. The loans and grants given by the Central Government and the contributions of the participating States up to March 1978 are indicated below :

	Punjab	Haryana	Rajasthan	Total (Rupees in crores)
Loans by Central Government	166.06	123.73	202.22	492.01
Grants by Central Government	44.65	34.36	19.80	98.81
Contributions by the participating States	24.18	7.02	0.61	31.81
TOTAL	234.89	165.11	222.63	622.63

1.5 *Project estimates.*—The original estimate of the project was Rs. 172.01 crores (Rs. 75.34 crores for Beas dam sanctioned in August 1960 and Rs. 96.67 crores for Beas Sutlej link sanctioned in October 1963). The estimate for the Beas dam was revised to Rs. 162.90 crores in May 1968 and approved by the Planning Commission in November 1969; and that for the Beas Sutlej link was revised to Rs. 179.64 crores in September 1970. The estimates were further revised (in March 1976 and approved by the BCB in January 1977) to Rs. 382.57 crores (Beas Sutlej link) and Rs. 259.80 crores (Beas dam). The estimate for Beas

transmission lines from Beas Sutlej link was prepared in October 1976 for Rs. 72.94 crores and approved by the BCB in January 1977. Approval of the Government of India to these estimates was awaited (December 1978).

The Ministry of Energy stated (January 1979) that the revised estimate for civil works of Beas dam (Rs. 220.13 crores) was approved by the Planning Commission in January 1978.

Further details of the estimates and expenditure up to March 1978 are given below :

	Original estimate	First revised estimate	Second revised estimate	Expendi- ture up to March 1978
	(1963)	(1970)	(1976)	
(Rupees in crores)				
<i>Beas Sutlej link :</i>				
A—Civil works	77.23	151.83	333.93	317.49
B—Electrical works	19.44	27.81	48.64	29.66
	<u>96.67</u>	<u>179.64</u>	<u>382.57</u>	<u>347.15</u>
	(1960)	(1968)	(1976)	
<i>Beas dam :</i>				
A—Civil works	75.26	152.23	220.13	218.25
B—Electrical works	0.08	10.67	39.67	30.68
	<u>75.34</u>	<u>162.90</u>	<u>259.80</u>	<u>248.93</u>
<i>Beas transmission lines :</i>				
	(no separate estimate made)		72.94	38.52
TOTAL :	<u>172.01</u>	<u>342.54</u>	<u>715.31</u>	<u>634.60</u>

The increase in the estimated cost of Beas Sutlej link from Rs. 179.64 crores in the first revised estimate to Rs. 382.57 crores in the second revised estimate was attributed mainly to increase in cost of (a) civil works (Rs. 182.10 crores), comprising increase in scope of works (Rs. 54.48 crores), new works (Rs. 20.57 crores), escalation in cost of labour and material (Rs. 48.29 crores), retrenchment compensation and terminal benefits to work-charged establishment (Rs. 16.58 crores),

increase in cost of establishment, tools and plant (Rs. 29.26 crores) and other miscellaneous factors (Rs. 12.92 crores) and (b) electrical works (Rs. 20.83 crores).

The increase in the estimated cost of Beas dam from Rs. 162.90 crores in the first revised estimate to Rs. 259.80 crores in the second revised estimate was attributed mainly to increase in cost of (a) civil works (Rs. 67.90 crores) consisting of higher compensation for land, increase in preliminary expenses on survey, design studies, etc. (Rs. 30.20 crores) and other factors like increase in quantities of outlet works, additional diversion works, etc. (Rs. 37.70 crores) and (b) electrical works (Rs. 29.00 crores).

2. Progress of construction

2.1 *Beas Sutlej Link.*—Civil works relating to six major components (*viz.* Pandoh dam, Pandoh-Baggi tunnel, hydel channel, balancing reservoir, Sundernagar-Sutlej tunnel, and Dehar power plant including penstocks) were originally expected to be completed between June 1973 and October 1975. In August 1973, it was anticipated that these works would be completed between May 1975 and July 1976 but the construction schedule was again revised (June 1975 and November 1976) for completion between May 1977 and September 1978. All the six components of the project were completed between March 1977 and October 1978.

The delayed completion of civil works was attributed by the project authorities mainly to (a) distress reaches encountered in Pandoh-Baggi and Sundernagar-Sutlej tunnels; (b) delayed supply of mechanical equipment by the suppliers; (c) delay in obtaining possession of land acquired for balancing reservoir; and (d) increase in the quantities of work.

The schedule of completion (September 1975-August 1976) of the four generating units of Dehar power plant was revised three times; the latest revision in December 1976 envisaged completion during October 1977-January 1979. First two units were completed in November 1977 and March 1978 respectively; other

two units were in progress (December 1978). The delayed completion of electrical works was attributed mainly to delayed completion of civil works in cable tunnel and delayed supply of equipment by the suppliers.

2.2 Beas dam at Pong.—The six major components (*viz.* diversion works, earth dam including foundation, spillway, outlet works, power penstocks and gates and power plant structure foundation and appurtenant works) were originally expected to be completed between October 1968 and October 1973. The revised schedule prepared in 1968 contemplated completion of the works between December 1969 and October 1974. The diversion works were completed in December 1969 but, for the remaining components, the period was revised in August 1973 to June 1974-September 1976. The second major component, 'earth dam including foundation' was completed in June 1974 and for the remaining four the schedule was again revised (December 1975) to June 1974-May 1977. All these four works were completed between June 1974 and November 1977. Delay in completion of works was attributed by the project authorities **mainly to tunnels being damaged during trial run, increase in the quantity of excavation and fillplacement and shortage of steel and cement.**

Four units of electrical works relating to Pong power plant were originally anticipated to be completed in November 1976-November 1977; this period was revised in December 1976 to October 1977-November 1978. In June 1977, this was again revised to December 1977-February 1979. The first three units were completed in January, March and October 1978 respectively. The fourth unit was in progress (December 1978). The delayed completion was attributed to extra time taken in completion of civil works of both power plant and switchyard and delayed supply of equipment by the suppliers.

2.3 Beas transmission lines.—Six 200 KV transmission lines (*viz.* Sangrur-Bhatinda line, Ganguwal-Jagadhri line, Jagadhri-Kurukshetra line, Kurukshetra-Panipat line, Panipat-Dadri line and Panipat-Narela line) and six sub-stations (*viz.* Panipat,

Narela, Kurukshetra, Dadri-stage I, Jagadhari and Dadri-stage II) were originally expected to be completed between December 1973 and April 1974; the schedule of completion was revised in August 1973 to February 1975 and in December 1975 to September 1976. One transmission line was completed in February 1976 and the schedule for the remaining lines was revised (December 1976) to November 1976-September 1979. The remaining five transmission lines were completed between May 1977 and August 1978 and five sub-stations between April 1977 and September 1978.

A 400 KV transmission line and sub-station therefor expected to be completed in December 1975 are now expected to be completed in May 1979.

The delayed completion of the lines and sub-stations was stated to be mainly due to delay in procurement of critical items of equipment including towers.

3. *Acquisition of land and rehabilitation of displaced persons*

3.1 Land measuring 77,319 acres was acquired between 1961 and 1978 in the States of Punjab and Himachal Pradesh at a cost of Rs. 51.15 crores (March 1978) for the construction of Beas project.

To rehabilitate the affected families (32,090), 37 colonies (6 colonies in Himachal Pradesh and 31 in Rajasthan) were constructed at a cost of Rs. 174.94 lakhs (Rs. 19.90 lakhs for 6 colonies in Himachal Pradesh and Rs. 155.04 lakhs for 31 colonies in Rajasthan) including provision of facilities like drinking water, terracing of lands, irrigation, footpaths and roads, schools, dispensaries, seed stores, shelter huts, water diggies, etc.

3.2 Points noticed in test-check in audit of the records maintained for the purpose during August to October 1974 and further reviewed in audit subsequently are mentioned below :

3.2.1 *Derequisitioning of acquired land.*—Out of 39.18 hectares of land acquired during 1965 to 1973 in Mandi district

of Himachal Pradesh at a cost of Rs. 11.04 lakhs, land measuring 10 hectares valued at Rs. 4.36 lakhs was later found surplus to requirements. The BCB requested (February 1972) the Land Acquisition Officer, Mandi, for derequisitioning of the land but the matter had not been finalised (December 1978).

3.2.2 *Allotment of land in Rajasthan.*—Under Rajasthan Colonisation (Allotment of Government land to Pong dam oustees in the Rajasthan Canal Colony) Rules, 1972, a displaced landowner having land up to 20 standard acres or more than 20 standard acres of which 30 per cent or more and 50 per cent or more respectively, had been acquired, was eligible for allotment of 15.625 acres of land at concessional rates.

Out of 17,200 eligible displaced persons (16,100 from Himachal Pradesh and 1,100 from Punjab), 9,169 were allotted land by the Colonisation Commissioner, Rajasthan, during August 1966 to February 1979; out of 9,169 allottees, 6,828 actually took possession of the land and the allotment to the remaining 2,341 displaced persons stood automatically cancelled under rules of allotment, if possession was not taken within 45 days. Information about land actually cultivated was awaited (February 1979). The delay in allotment of land and its non-occupation by a number of displaced persons was attributed to :

- (i) non-finalisation of allotment rules and criteria of eligibility;
- (ii) suspension of allotment work between February 1975 and November 1976 due to non-availability of land; and
- (iii) lack of enthusiasm among displaced persons to shift to Rajasthan.

3.2.3 *Construction of colonies.*—The scheme estimated to cost Rs. 172.23 lakhs, envisaged setting up of 31 colonies in Rajasthan involving construction of 4,176 *Katcha* houses, 31 diggies for water, 31 primary school buildings, 31 dispensaries, 31 seed stores and 5 shelter huts. Against this, 4,078 *Katcha*

houses, 26 diggies, 4 primary school buildings, 8 dispensaries, 1 seed store and 5 shelter huts were completed up to March 1974, as assessed by the Project authorities in May 1974. Twenty-four *Katcha* houses, 5 diggies, 13 primary school buildings, 13 dispensaries and 20 seed stores started in 1968 had not been completed (December 1978); construction of the remaining 74 houses, 14 primary school buildings, 10 dispensaries and 10 seed stores had not been taken up so far (December 1978).

Against Rs. 155.04 lakhs spent up to March 1976 by the Government of Rajasthan on these works, Rs. 152.04 lakhs had been paid by the project authorities. Information regarding payment of balance amount of Rs. 3.00 lakhs and work-wise details of up-to-date expenditure was not made available (January 1979).

3.2.4 *Non-occupation of katcha houses.*—Up to March 1974, 4,078 *Katcha* houses had been completed and 24 were under construction. A sum of Rs. 67.23 lakhs (Rs. 64.23 lakhs on construction and Rs. 3 lakhs on maintenance) had been spent (March 1974) on them. These houses were to be allotted to the displaced persons at a subsidised cost, the amount of subsidy being equal to the amount by which compensation received by the person for his house fell short of Rs. 2,000 and ranging from Rs. 500 to Rs. 1,500.

Up to September 1974, 421 displaced persons applied for allotment of these houses; 254 were allotted houses but only 85 of them took possession (September 1978). In view of the poor response from the displaced persons for allotment of houses, the BCB decided (May 1974) to dispose of these houses. Accordingly, 610 houses were put to auction in June 1974 through Rajasthan Government; only 18 houses could be auctioned at an average bid of Rs. 1,500 each and cost of only 10 houses could be recovered. Thus, up to December 1978 only 103 out of 4,078 completed houses could be disposed of. Of the remaining 3,975 completed houses and 24 uncompleted houses, 140 houses collapsed up to June 1974 and the remaining required extensive repairs. Against the estimated cost of

Rs. 6.10 lakhs for repairs, the BCB had sanctioned (May 1974) Rs. 3 lakhs. Details of repaired houses or houses which collapsed subsequently were not made available to Audit (December 1978). Thus, the expenditure of Rs. 65.68 lakhs (Rs. 67.23 lakhs less Rs. 1.55 lakhs realised through disposal of 103 houses) incurred on these houses had not been fruitful.

A sum of Rs. 40.72 lakhs was spent up to March 1974 for providing amenities like diggies for water, school and dispensary buildings, seed stores and shelter huts. Up-to-date expenditure on these was not available as details of work-wise expenditure had not been intimated by the Government of Rajasthan to the project authorities. However, in view of lesser number of houses actually occupied by the displaced persons utilisation of these amenities was also not to the full extent.

The Ministry of Energy stated (January 1979) that the Rajasthan Government had been requested to put the houses and other amenities to alternative use.

3.2.5 *Non-adjustment of advances.*—Out of Rs. 11.03 lakhs paid as advance in March 1971, May 1971 and April 1973 to the Deputy Commissioner, Kangra (Rs. 8.03 lakhs) and to the Colonisation Commissioner, Rajasthan (Rs. 3 lakhs) for providing temporary shelter accommodation to the displaced persons, Rs. 8.55 lakhs had not been adjusted (December 1978) in the project accounts.

4. Stores

4.1 Purchase and issue of stores were handled by the purchase organisation and stores divisions of the BCB. The purchases were made on the basis of requisitions received from field officers and stores were issued by the divisions to field officers against approved indents. Final consumption of materials on the works was to be watched by the field officers themselves. Rules require that purchases of stores should be planned in such a way that these do not result in unnecessary blocking of capital and avoidable expenditure on their upkeep and watch and ward.

4.2 A test-check in audit during April to June 1978 of stores account ledgers maintained in the stores divisions revealed that in 705 (Beas Sutlej link—326 and Beas dam—379) items* of stores valued at Rs. 192.83 lakhs (Beas Sutlej link—Rs. 100.55 lakhs and Beas dam—Rs. 92.28 lakhs) no issues were made to works (other than cash sales or issue to other projects) during the last three years ending 31st March 1978. These included 58 items valued at Rs. 13.53 lakhs (20 items of Beas Sutlej link—Rs. 4.82 lakhs and 38 items of Beas dam—Rs. 8.71 lakhs), which had not been issued at all during a period of more than ten years ending 31st March 1978. The Ministry of Energy stated (January 1979) that the entire project was executed departmentally for which it was necessary to maintain adequate stock inventory to ensure maximum utilisation of equipment and minimum outage.

Fresh purchases (15 items) worth Rs. 1.44 lakhs were made during August 1965 to September 1973 even though these items were already available in stores. It was noticed that neither the items already in stores nor the newly purchased items were issued (March 1978). The value of such items in stock as on 31st March 1978 was Rs. 2.34 lakhs (included in Rs. 192.83 lakhs referred to above).

Another 16 items of stores valued at Rs. 5.80 lakhs, initially procured for Beas dam, were transferred to Beas Sutlej link up to March 1975 where these were lying in stock (March 1978). Besides, 25 items of stores valued at Rs. 5.25 lakhs were similarly transferred to Beas Sutlej link from Beas dam during August 1975 to June 1976. Out of these, stores worth Rs. 2.73 lakhs were lying in stock (March 1978) while stores worth Rs. 2.52 lakhs were disposed of by cash sales only.

Non-issue and non-utilisation of stores for long periods showed that their requirement was not properly assessed. This resulted in blocking of funds aggregating Rs. 201.36 lakhs for periods ranging from three to over ten years, besides avoidable expenditure incurred on storage.

*Only items, the stock value of which exceeded Rs. 10,000 in each case, have been taken into account.

5. *Plant and machinery.*—The earthwork involved in the construction of various components of the project was done departmentally by employing heavy earth-moving machinery like cranes, dumpers, dozers, shovels, tractors, etc. procured by the project. The project estimate included provision of Rs. 3,084.11 lakhs (Beas Sutlej link—Rs. 1,081.70 lakhs, Beas dam—Rs. 2,002.41 lakhs) for the heavy earth-moving machinery. The guidelines for norms for working life and annual working hours of these machinery were laid down by the Central Water and Power Commission (CWPC) and provision for depreciation and major overhauling of the machinery was made on the basis of instructions issued by the CWPC from time to time. A test-check of the working of earth-moving machinery revealed the following :—

5.1 *Excessive deployment of stand-by machinery.*—The CWPC had prescribed the stand by equipment in irrigation and power projects as under :

Single shift 10 per cent of the actual number of machines

Double shift 20 per cent of the actual number of machines

Three shifts 30 per cent of the actual number of machines

On the basis of the number of shifts specified in various estimates of Beas Sutlej link, the stand-by machinery valued at Rs. 681.10 lakhs had been provided in excess of the above norms in these estimates during the years 1975-76 and 1976-77, as indicated below :

Year	Total number of machines (other than stand-by)	Number of machines provided as stand-by	Number of machines required as stand-by as per norms	Number of stand-by machines provided in excess	Value of stand-by machines provided in excess (Rupees in lakhs)
1975-76	152	119	49	70	336.87
1976-77	156	118	52	66	344.23
TOTAL :					681.10

The Ministry of Energy stated (January 1979) that the provision of machines was made taking into consideration the age and condition of equipment, availability of spare parts, site conditions and type of use.

Similar information in respect of Beas dam could not be ascertained as provision of stand-by machinery in its working estimates had not been made distinctly.

5.2 Under/non-utilisation of machinery

- (a) According to the guidelines laid down by the CWPC, the working efficiency of the machines is to be determined for each group of machines and any new equipment inducted in the Project should be utilised for at least about 75 per cent of its prescribed life. It was noticed that actual utilisation (till March 1977) in eleven groups of earth-moving machinery, involving 32 machines valued at Rs. 72.68 lakhs, ranged from 7.3 to 55.7 per cent of the prescribed life.
- (b) Machinery worth more than Rs. 18 crores was deployed on Beas dam for execution of various works. The peak period of execution was from 1971-72 to 1974-75. The under-utilisation of earth-moving machinery during the said period against provisions in the estimates ranged from 36.3 per cent to 64.7 per cent averaging in all to 50.4 per cent as shown below :

Category of machines	Expected utilisation as per estimates	Actual utilisation during 1971-72 to 1974-75	Shortfall	Percentage of shortfall
				(In hours)
1	2	3	4	5
Euclids/rear dumpers	6,07,307	2,41,277	3,66,030	60.2
Tractors and dozers	7,87,475	2,77,694	5,09,781	64.7
Bottom dumpers	9,54,501	6,08,364	3,46,137	36.3
Cranes and shovels	3,52,800	2,13,248	1,39,552	39.6
TOTAL :	27,02,083	13,40,583	13,61,500	50.4

The Ministry of Energy stated (January 1979) that the provision of 4,000 hours per year in the annual working estimates was overoptimistic and not realistic.

- (c) *Crawler tractors*.—Out of 16 crawler tractors purchased for Beas dam at a total cost of Rs. 94.45 lakhs between July 1972 and June 1973, 10 tractors valued at Rs. 59.52 lakhs were transferred to Beas Sutlej link during February 1974 to February 1976. These 10 machines worked for 32,102 hours only till March 1977 in Beas Sutlej link and Beas dam against 49,100 hours. This resulted in shortfall of 16,998 hours, that is under-utilisation to the extent of 34.6 per cent.

The remaining 6 machines valued at Rs. 34.93 lakhs worked for 10,976 hours against the prescribed 15,700 hours till March 1975 (the completion of the peak period of working at Beas dam) resulting in shortfall of 4,724 hours, that is under-utilisation by 30 per cent. The Ministry of Energy stated (January 1979) that the major part of the Beas dam was completed by end of 1973 and that the utilisation beyond this period was less due to less quantum of work. The shortfall in utilisation has, however, been worked out after taking into account the utilisation for the period before 1973.

6. Purchases

6.1 *Avoidable expenditure on purchase of power cables*.—

Low tension power cables were required for Dehar power plant the first unit of which was to be commissioned in November 1977. The project authorities invited (February 1973) tenders for the supply of 14 armoured and unarmoured types of low tension power cables. The detailed specifications required submission of quotations for both armoured and unarmoured cables for some items. Clarifying these provisions, the project authorities stated (August 1973) that these cables were to pass through the 400 KV portion of a switchyard and that it could not be decided,

at the time of calling tenders, as to whether armoured or unarmoured cables should be provided in this portion.

The tenders were opened on 19th April 1973; seven offers were received with validity periods ranging from 30 to 61 days from the date of opening of tenders. The offers were sent to the Chief Engineer (Electrical), Chandigarh for technical comments on 27th April 1973. They were taken up for technical scrutiny on 22nd June 1973. While scrutinising the offers, it was observed that technical data, guaranteed technical particulars, etc. had not been supplied by the firms and that in some cases the data were incomplete. The wanting technical details were called for by the Chief Engineer (Electrical) from all the firms on 30th June 1973. Replies were received from the firms in July, August and September 1973 and technical comments were furnished on 21st September 1973. It was then decided that orders for unarmoured cables only should be placed.

In the meantime, at the request (30th June 1973) of the Chief Engineer (Electrical), four firms extended the validity period of their offers, first up to 31st August 1973 and then on a second request (25th August 1973) six firms (including 4 mentioned above) extended the validity periods up to 30th September 1973. While one firm revised its prices when extending the validity on both occasions, four firms revised their prices when extending the validity for the second time; one firm did not give complete data. Both the original and the revised offers of the firms did not contain any price escalation clause. At the request of Chief Engineer (Electrical) (October 1973), three firms further extended their offers up to 19th November 1973 at revised prices. As none of the firms was willing to make supplies at the rates quoted in April 1973, it was decided by the project authorities (November 1973) to reinvoke tenders.

Tenders were reinvited on 21st February 1974 and three orders were placed on three different firms for the supply of thirteen items of unarmoured cables on 11th September 1974. These were supplied during January 1975 to November 1975 at a total cost of Rs. 10.66 lakhs. Had the lowest offers received

in April 1973 been accepted, these supplies would have cost Rs. 4.80 lakhs only. Thus, delay in processing the tenders received in April 1973 resulted in extra expenditure of Rs. 5.86 lakhs.

The project authorities stated (December 1976) that the delay in technical scrutiny occurred due to the time taken for a decision **on the alternatives as also due to the location** of the offices of the Design Organisation and Chief Engineer (Electrical) being at Chandigarh. The Ministry of Energy stated (January 1978) :

“A minimum period of 180 days for final selection of tenders was foreseen and the tenderers were instructed to keep their offers open up to at least 180 days from the date of opening of tenders.....It would not have been safe and prudent to rush through technical scrutiny of tenders.....”

The Ministry added (January 1978) that “during 1973-74 there had been unprecedented increase in the prices of crude petroleum and by-products resulting into an overall price increase and even the suppliers on whom orders were placed earlier had been demanding price increase and in other cases the suppliers did not comply with the orders placed on them”.

6.2 *Purchase of defective machinery.*—Sixteen Mogurt dumpers were purchased for Beas Sutlej link at a cost of Rs. 15.87 lakhs in December 1966 as part of the consignment of 128 dumpers imported from Hungary by the Government of India. These dumpers were proposed to be deployed on handling of muck from the Pung tunnel “heading” in hilly area, but trial tests were conducted in plains only. Each dumper was estimated to work for 200 hours per month but none of these could work efficiently in the tunnels as these could not negotiate upward gradient from the portal to dumping site after plying through thick layer of slush present in the tunnel. These were, therefore, diverted (July 1971) for carriage of aggregate etc. and short hauling. During the period 1966-67 to 1972-73, the actual working hours of these dumpers ranged from 2 to 27 per cent of their estimated life.

Spare parts worth Rs. 9.13 lakhs were also imported for the dumpers which were received between December 1968 and September 1973. These were neither used nor disposed of.

It was intimated (July 1975) to Audit that the dumpers had been declared surplus to the requirements of the project ; their disposal was awaited (December 1978).

7. Other topics of interest

7.1 Recruitment of underage workmen—Excess payment of wages.—During 1964, the Personnel Office and Employment Exchange at Sundernagar were not functioning for recruitment of labour and workmen were generally recruited by field engineers for construction works. Verification of age was not carried out before recruitment as the workmen were illiterate. During preparation (July 1975) of service records of workmen at the instance of Audit, 303 underage workmen were found to have been employed on Beas Sutlej link. These workmen were paid wages at the full rate payable to an adult boy mazdoor instead of that prescribed for an underage worker as per common Schedule of Rates (Hilly), 1962. This resulted in excess payment of Rs. 1.5 lakhs on wages to these workmen. The project authorities intimated (April 1978) their inability to fix responsibility for this lapse. The excess payment had not been regularised so far (September 1978).

7.2 Re-location of Kangra valley railway line.—With the construction of Beas dam, 25.41 kilometres long portion of the narrow gauge railway line between Jawanwala Shahar and Guler in Kangra district (Himachal Pradesh) was to be submerged. The Northern Railway, on the request of the project authorities, prepared (1965) an estimate providing an alternative route with a re-aligned length of 29.90 kilometres at a total cost of Rs. 362.08 lakhs. Administrative approval to this estimate was conveyed by the project authorities in December 1968. The estimate envisaged the completion of the re-aligned route in four years after acceptance of the estimate. The land for the work was to be acquired by the project authorities.

The work originally scheduled to be completed by 1973 (*viz.* within four years of commencement in 1969) was started only between 1971 and 1973 as the land required for the purpose was handed over to the Railways between July 1971 and December 1972. The work was completed by 1975-76. The delayed completion of work resulted in revision of estimate to Rs. 680.53 lakhs by the Railways to provide for increased cost of labour and construction materials.

The project authorities had, by April 1976, advanced Rs. 680.53 lakhs to the Railways against which accounts for Rs. 682.89 lakhs were rendered (July 1977) by the latter. Out of this expenditure, Rs. 81.44 lakhs had not been adjusted (December 1978) by the project authorities.

Thus, delay in acquiring the land and handing it over to the Railways had resulted in extra cost of Rs. 318.45 lakhs to the project due to increase in costs over the period.

7.3 Execution of works without sanctioned estimates.— 265 works on which an expenditure of Rs. 9.89 crores had been incurred from February 1971 to March 1978 were being executed (May 1978) without any sanctioned estimates. Anticipatory sanctions had been accorded by the competent authorities in 22 cases covering expenditure of Rs. 1.38 crores. Expenditure of Rs. 2.55 crores incurred on 114 works was regularised by November 1978 while the remaining expenditure (Rs. 7.34 crores) had not been regularised (December 1978).

7.4 The position of outstanding balances under the various suspense heads as at the end of May 1978 is indicated below :

	(In lakhs of rupees)
(i) Miscellaneous Public Works Advances	35,17.06
(ii) Purchases	8,40.91
(iii) Stock	37,69.76
(iv) Cash Settlement Suspense Accounts	12.94

The year-wise break up of the outstanding balances and the reasons thereof were awaited (December 1978).

8. Summing up, the following are the main points that emerge :—

- (i) The project was executed departmentally. The original estimate of Rs. 172.01 crores for the project prepared in 1961 (Beas Sutlej link) and 1959 (Beas dam) rose to Rs. 715.31 crores (1976)—an increase of 316 *per cent.* The revised estimate (except for the civil works of Beas dam) had not been sanctioned by **Government** so far (December 1978).
- (ii) Compared to the original schedule of construction, the completion of different components of the project was delayed as under :

Beas Sutlej link

Civil works	3 to 4 years
Electrical works	2 to 2-1/2 years
Transmission lines	2 to 4 years

Beas dam

Civil works	1 to 4 years
Electrical works	1 year

The delay in the completion of the project had, apart from delaying the accrual of benefits, the effect of enhancing the cost of the project due to longer period for which labour and establishment had to be engaged and escalation in cost of labour and material.

- (iii) The scheme for the rehabilitation of the displaced persons under the Beas project did not work out as planned. Out of the 4,078 *katcha* houses constructed for occupation by them in Rajasthan (cost : Rs. 67.23 lakhs) only 85 houses were actually occupied up to September 1978. Other amenities provided under the rehabilitation scheme at a cost of Rs. 40.72 lakhs were also not fully utilised.

- (iv) Items of stores remained unutilised for a number of years. There were 705 items (valued at Rs. 192.83 lakhs) out of which 58 items valued at Rs. 13.53 lakhs were not even issued for 10 years from the date of their receipt. Purchases were not properly planned inasmuch as 56 items of stores (value : Rs. 12.49 lakhs) were purchased or acquired although they were not required.
- (v) In Beas Sutlej link the stand-by heavy earth-moving machinery valued at Rs. 681.10 lakhs was provided in excess of the norms fixed by the CWPC. It was noticed that machinery was also not utilised up to the expected life. The under-utilisation of earth-moving machinery during 1971-72 to 1974-75 ranged from 36.3 to 64.7 per cent.
- (vi) Owing to delay in processing the case for the purchase of low tension power cables, the project authorities had to incur extra expenditure of Rs. 5.86 lakhs as the quotations were valid up to a specified date which expired before the final decision on the purchase was taken.
- (vii) Imported dumpers (16 nos.) purchased (cost : Rs. 15.87 lakhs) for work inside the tunnel could not be used for the intended purpose due to existence of conditions different from those in which the dumpers were tested. These were declared (July 1975) surplus to requirements but have not yet (December 1978) been disposed of. The purchase without proper tests and trials resulted in avoidable expenditure of Rs. 25.00 lakhs (including cost of spares).

MINISTRY OF WORKS AND HOUSING

42. **Construction of a multi-storeyed building.**—The work of construction of a multi-storeyed office building in plot No. 35, King George's Avenue (now Rajaji Marg), New Delhi, was awarded to firm 'A' in May 1970 at 13.51 *per cent* above the estimated cost of Rs. 78.77 lakhs (total being Rs. 89.42 lakhs). As per the agreement the work was to start on 30th May 1970 and be completed by 29th September 1972; it was completed in June 1976 at a cost of Rs. 101.17 lakhs. The increase (Rs. 11.75 lakhs) in actual expenditure was attributed to providing pre-cast terrazo tiles instead of marble chip flooring and certain extra items. In addition, Rs. 13.05 lakhs were paid (July 1976) on account of an arbitration award.

The site of work was handed over by the Central Public Works Department to firm 'A' piecemeal and it was made available completely only on 15th February 1971, after another contractor working there removed the surplus earth, *i.e.* nine months after the commencement of work. In terms of the agreement water was supplied by the department; as on laboratory tests made in January 1971 the water was found to be unfit for use in reinforced cement concrete work, firm 'A' made its own arrangements (in anticipation of the decision of the Ministry of Works and Housing to this effect conveyed in January 1972) for suitable water at site. But as the water supply was insufficient, there was slow progress of work. It was seen from the hindrance register that there was also delay in supply of designs and drawings of various items of work and firm 'A' had repeatedly submitted representations on this ground to the department although the departmental instructions required that complete architectural and structural drawings and specifications should be made available to the contractors at the time of inviting tenders.

In August 1972, firm 'A' indicated its unwillingness to continue the work beyond the stipulated date (29th September 1972) of completion unless it was paid 60 *per cent* extra over the rates

quoted by it because it had suffered considerable loss due to increase in cost of material and labour consequent on delay on the part of the department in handing over the site and drawings as also inadequate water supply. While the work was in progress, firm 'A' sought arbitration in May 1974 for settlement of the dispute. The arbitrator appointed (August 1974) gave (May 1975) his award for payment of Rs. 14.05 lakhs with 6 per cent interest thereon from the date of award till the date of payment to firm 'A' in respect of work valued at Rs. 31.73 lakhs executed during October 1972 to April 1974. The department filed a petition challenging the award in the High Court of Delhi in September 1975. While the case was *sub judice*, firm 'A' approached the Ministry (September 1975) for negotiations in regard to the amount of award. Before resorting to negotiations the Ministry of Works and Housing sought the advice of the Ministry of Law, which, after going through the hindrance register maintained by the division, came to the conclusion (December 1975) that there was considerable delay on the part of the department which disabled firm 'A' from performing its contract according to the time schedule; the total delay worked out to 2 years and 8 months after taking into account overlappings in the periods of hindrances. The Financial Adviser of the Ministry while agreeing to the offer of negotiations, felt (January 1976) that responsibility for delay should be fixed and steps taken to avoid such delays in future. Finding the case to be weak, the Ministry decided (January 1976) to go in for negotiations. As a result of negotiations, firm 'A' agreed to reduction of Rs. 1 lakh in the amount of award, besides forgoing its claims for compensation on account of increase in prices due to lapses on the part of the department for the work executed beyond 30th April 1974 as well as the interest for delay in payment. No action had been taken (December 1978) to fix responsibility for delays which had resulted in extra payment of Rs. 13.05 lakhs and to devise ways and means to guard against similar lapses in future.

The Ministry stated (December 1978) that "excepting the design for ground floor beams and slabs. . . . all other drawings were supplied to the contractor sufficiently in advance of the

actual requirements of work. . . . As such the question of fixing responsibility on any official of the Department does not arise". The fact, however, remains that the hindrance register showed that there was delay in the supply of designs and drawings to firm 'A'.

43. **Loss due to delay.**—In January 1969, the Ministry of Shipping and Transport accorded administrative approval for Rs. 15.66 lakhs for the work of laying fresh layer of 3 inch thick pre-mixed bitumen concrete surface on the by-pass (12.2 kms. long) connecting National Highway No. 1 with National Highway No. 2 from Mall Road to Rajghat. A detailed estimate for the work was technically sanctioned (March 1969) for Rs. 16.24 lakhs (including departmental charges). The work was undertaken (October 1969) for execution by the Public Works Department of Delhi Administration.

The work of supply of road metal (17,433 cubic metres) was awarded (October 1969) by the Executive Engineer PWD division No. 1, Delhi Administration to contractor 'A' at a negotiated rate of 55.57 *per cent* above the estimated cost of Rs. 3.44 lakhs for completion within a period of 4 months to be reckoned from 24th October 1969. The work of procuring bitumen, mixing it with roadmetal and laying it on road with the help of special plant and machinery was entrusted (October 1969) to a Central Public Works Division. The hire and operational charges of the plant and machinery and actual cost of bitumen were to be paid by the Public Works division of Delhi Administration. The agreement with contractor 'A' provided a special condition that if the plant capacity and performance of the work suffered due to inadequate loading arrangement on his part, he would be liable to pay Rs. 850 for each idle day or a part thereof.

Contractor 'A' supplied 9,973 cubic metres of stone grit against the stipulated quantity of 17,433 cubic metres up to November 1970. This quantity was accepted at reduced rates as the supplies were found to be below specification on the basis

of tests conducted. After serving 11 notices between August 1970 and December 1970 for supply of the balance quantity of the material, a final notice for termination of the contract was issued to contractor 'A' on 18th February 1971 notifying to him the decision that supplies would be obtained through other agencies at his risk and cost. Contractor 'A' moved the Delhi High Court on 24th February 1971 and sought an injunction restraining the department from taking action to rescind the contract and make risk purchase. At the request of contractor 'A', the department had also appointed an arbitrator on 27th February 1971. The High Court in its judgment dated 20th April 1971 allowed the application of the contractor subject to his furnishing security of Rs. 0.50 lakh to safeguard Government dues as might be determined by the arbitrator. The Delhi High Court accepted a surety bond of Rs. 0.50 lakh furnished by contractor 'A'. The department did not, therefore, implement the notice rescinding the agreement of contractor 'A'.

After inviting tenders in November 1971, the department entrusted the supply of the balance road metal to three other agencies in December 1971 at a total cost of Rs. 3.81 lakhs. In the meantime, the plant remained idle from 12th November 1970 to 5th March 1971 as no supply of road metal was made by contractor 'A'; it also remained idle from 29th April 1971 to 12th December 1971 due to the delay in award of work for the balance quantities after the High Court judgment. Total hire charges payable to the CPWD for these idle periods amounted to Rs. 4.45 lakhs and total penalty recoverable from contractor 'A' worked out to Rs. 2.91 lakhs.

The balance supplies were completed by May 1972 by the three agencies at an extra cost of Rs. 1.78 lakhs. Thus, the work which was to be completed within 18 months from October 1969 (cost : Rs. 16.24 lakhs) was completed in 43 months (May 1973) at a cost of Rs. 33.44 lakhs.

The scope of reference to the arbitrator appointed in February 1971 was enlarged in May 1972 to cover all disputes. The arbitrator resigned in May 1973 on his reversion to his parent depart-

ment. Meanwhile, the contractor had also expired in January 1973. In May 1976, the department sought legal advice whether action to levy compensation for delay and to recover the extra cost for getting the balance work done through other agencies was legally valid. The Additional Legal Adviser advised (June 1976) that no compensation and extra cost could be recovered from the heirs of the deceased contractor as the contract had not been formally rescinded. Another arbitrator was appointed in December 1977, who took up the reference on 18th January 1978. The department filed their claim for Rs. 4.91 lakhs against contractor 'A' (Rs. 2.91 lakhs as penalty for idle plant, Rs. 1.78 lakhs as compensation for extra cost of supplies of road metal, Rs. 0.34 lakh as compensation for delay and Rs. 0.09 lakh as miscellaneous recoveries) after adjusting his security deposit of Rs. 0.21 lakh, on 31st July 1978, *i.e.* after the expiry of the statutory period of four months for making the award. The contractor's legal heirs did not give their consent for extension of time to the department and the arbitrator closed the case in September 1978.

Thus, the work which was required to be completed in 18 months at an estimated cost of Rs. 16.24 lakhs was actually completed in 43 months at a cost of Rs. 33.44 lakhs; and due to the department's delay in filing the claim for Rs. 4.91 lakhs before the arbitrator, the arbitrator closed the case in September 1978.

The Ministry stated that a fresh arbitrator to adjudicate the departmental claim had since been appointed (January 1979) and further action in the matter could be taken after the arbitrator gave his award.

44. Extra expenditure due to delay in occupation of staff quarters.—In November 1971, the Ministry of Communications accorded administrative approval for construction of 66 staff quarters for Overseas Communication Service (OCS) at Kalkaji, New Delhi at a cost not exceeding Rs. 20.82 lakhs. The work (building portion) was awarded (November 1972) by the

Central Public Works Department (CPWD) to contractor 'A' at 65 per cent above the estimated cost of Rs. 8.23 lakhs, for completion by March 1974. The quarters were completed in October 1974 at a cost of Rs. 19.81 lakhs but were not handed over to the OCS authorities till July 1976 for occupation as external electrification works had not been completed by that time.

The preliminary estimate for the entire work prepared in June 1971 provided Rs. 0.40 lakh for external electrification work which included, *inter alia*, a provision of Rs. 0.17 lakh for sub-station equipment, laying of high tension line and distribution of electrical supply. The Ministry of Works and Housing stated (December 1978) that 'at that time the location of the sub-station and length of high tension line were not known to the Department'. A lay-out plan for the sub-station was sent by the CPWD to Delhi Electricity Supply Undertaking (DESU) in May 1973. The OCS authorities were approached by the CPWD in May 1973 to allot a suitable plot to DESU for setting up a sub-station. The plot was allotted in August 1974 and made over to DESU in December 1974. In January 1975, DESU informed the CPWD that detailed estimate for electrification of the colony had been prepared for Rs. 4.83 lakhs, out of which Rs. 2.80 lakhs were payable by the CPWD for service connection charges. Sanction of the OCS authorities was conveyed in July 1975 and payment (Rs. 2.80 lakhs) was made to DESU in August 1975. The electrification work was completed by DESU in May 1976 and the quarters were handed over to the OCS authorities in July 1976. The delay in providing electrical services to the quarters was due to (a) unrealistic provision for external electrification work in the preliminary estimate, (b) delay in initiating action for setting up a sub-station and (c) delay in providing suitable site and additional funds to DESU as service connection charges. Had there been proper planning and co-ordination amongst the CPWD, DESU and the OCS authorities, these delays could have been avoided. The delay in occupation of quarters from November 1974 to June 1976 resulted in extra expenditure amounting to Rs. 1.28 lakhs by

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way of payment of house rent allowance and licence fee recoverable from the staff.

The Ministry of Works and Housing stated (December 1978) that the CPWD "initiated action with DESU well in time and had constantly been pursuing OCS and DESU authorities for the completion of the formalities for setting up of the sub-station and its construction, without which the occupation of quarters was not possible. There has, thus, been no delay or lack of co-ordination on the part of CPWD or on the part of the Department".

45. **Avoidable expenditure due to wrong classification and incorrect estimation.**—"Earthwork in landscaping" relating to construction of the Extension Building at plot No. 114, Parliament Street was awarded to contractor 'A' in August 1973 at a cost of Rs. 1.35 lakhs which worked out to 17.80 per cent below the estimated cost of Rs. 1.64 lakhs.

The schedule of work, *inter alia*, included two items with details as under :

Items	Quantities (in cubic metres)	Estimated rate	Agreed rate
	(Rupees per cubic metre)		
2. Earthwork in excavation in the required pattern as per drawing No. DD/LS/111:			
(a) Ordinary soil	80	10.00	10.00
(b) Hard soil including remanants of old foundations	55	10.50	20.00
5. Earthwork in excavation :			
(a) Ordinary soil	7,610	9.65	8.00
(b) Hard soil	5,320	10.05	8.00

Except for the above descriptions, the specifications for these two items were similar. The Superintending Engineer (SE) while accepting the tender (August 1973) had stated that the quantities of items for which abnormally high or low rates were quoted should not be varied beyond the permissible limit of 25 per cent without prior approval of the competent authority.

On 7th September 1973, contractor 'A' reported to the Executive Engineer (EE) that he had executed work to the extent of about 5,000 cubic metres against item 2(b) as per prescribed drawings. The EE pointed out to the contractor on 17th September 1973 that the work executed by him was covered by items 5 and 6 (excavation in malba : rate Rs. 9 per cubic metre) of the agreement and not by item 2(b). Nevertheless work to the extent of 405.25 cubic metres and 4,505.47 cubic metres was erroneously recorded in the measurement book against items 2(a) and 2(b) respectively and payment was made accordingly to contractor 'A' through four running account bills between November 1973 and March 1974. As the estimated quantity provided in the agreement against item 2(b) was only 55 cubic metres, a deviation statement was sent by the EE to the SE in March 1975 for *ex post facto* approval. At the time of payment of the final bill of the contractor in December 1975, it was found by the EE on scrutiny of the drawings and examination of works executed that quantities executed and paid for against items 2(a) and 2(b) needed to be correctly classified and paid under items 5(a) and 5(b) respectively and the SE was informed in December 1975 that with this reclassification of work there was no deviation in quantities and his approval was not required. As a result of this reclassification of work, contractor 'A's' final bill showed an excess payment of Rs. 0.29 lakh which he was asked to refund.

Contractor 'A' went in for arbitration in November 1975; the arbitrator gave an award of Rs. 0.26 lakh in favour of contractor 'A' primarily on the plea that basis of payment followed up to sixth running bill should not have been unilaterally changed in the final bill. This resulted in extra expenditure of Rs. 0.55 lakh.

The Ministry stated (January 1979) that the vigilance aspect of the case was under examination.

46. **High schedule of rates and maintenance estimates.**—In order to facilitate preparation of estimates as also to serve as a guide in settling rates for works, the departmental rules provide that each Central Public Works Division should maintain a schedule

of rates. In Delhi, the "Delhi schedule of rates, 1974", based on market rates of material and labour prevalent in 1974, was being followed.

A test-check of records connected with works for repairs and maintenance, awarded during 1976-77 and 1977-78, to contractors in 11 divisions located in Delhi, revealed that in 322 works (estimated cost : Rs. 74.11 lakhs) tenders were received for amounts lower than the estimated cost, based on the aforesaid schedule of rates, despite the upward trend in prices since 1974. The rates accepted were below the schedule of rates to the extent of 14 to 57 per cent during 1976-77 and 4 to 70 per cent during 1977-78. Out of 322 works, in 137 works the tendered cost was 50 per cent or more below the estimated cost and in 172 works it was 25 to 49 per cent. The lower rates quoted by the contractors showed that the Delhi schedule of rates, 1974 was not realistic and did not serve as a correct guide in framing maintenance estimates and accepting tenders for such works. The schedule of rates, being high as compared to market rates, resulted also in inflated budget provision being made for maintenance works. The Chief Engineer, to whom the matter was reported in April 1978, stated (August 1978) that the tenders received for annual repair works were generally below the estimated rates and that this had been continuing for a long period. He added that there was a tendency on the part of the contractors to use the cheapest available material, that the supervision on such works had some inherent difficulties, that the divisions were purchasing paints and distempers direct from the market and supplying them to the contractors and that this had improved the quality of work as well as brought up the cost of maintenance nearer to the estimated cost as per the schedule of rates. In the absence of effective supervision, as stated by the Chief Engineer, the possibility of substandard works being executed could not be ruled out.

In June 1978, the department revised the schedule of rates and the new schedule of rates had been made effective from August 1978. A test-check conducted after August 1978 revealed that tenders continued to be received and accepted at 30 to 72 per cent below the revised schedule of rates.

Government stated (January 1979) that the low tendered rates for repair works could be due to :

- (i) wide variation of prices of items like paints and distempers manufactured by different firms though the departmental schedule of rates was based on cost of materials manufactured by renowned firms ; and use of cheaper material by the contractors though conforming to ISI specifications ;
- (ii) contractors producing a good finish with comparatively less or cheaper material in view of inherent difficulties in supervision of maintenance works ; and
- (iii) non-provision of the required standard of scaffolding or other labour safety precautions by the contractors.

It would appear that maintenance works were being executed not according to standard specifications as there was reportedly a tendency on the part of contractors to use cheaper material due to inadequate supervision.

47. **Chief Technical Examiner.**—Pursuant to the recommendations made by the Public Accounts Committee (1953-54) in its Eleventh Report (1st Lok Sabha), Government decided (May 1957) to introduce a system of concurrent administrative and technical review of Public Works transactions by a Chief Technical Examiner (CTE) whose duties were, *inter alia*, inspection of important works after completion as also during progress for ensuring execution according to schedule and specifications, checking a percentage of concluded contracts for ensuring reasonableness of rates and checking a percentage of bills after payment with reference to measurement books. On the recommendations of the Committee on Prevention of Corruption, the administrative control of the CTE was transferred to the Central Vigilance Commission with effect from November 1964. A system of intensive check of a few major works from the stage of sanction to estimates up to that of payment of contractors' bills was introduced during 1975-76 and 18 works were subjected to such check up to March 1977. A review of the

working of the organisation during the three years ending 1976-77 is given below :

- (i) The number of cases taken up for technical examination by the CTE during 1974-75 to 1976-77 and the number of cases commented upon were :

	1974-75			1975-76			1976-77		
	Exami- ned	Commen- ted upon	Percent- age	Exami- ned	Commen- ted upon	Percent- age	Examined	Commen- ted upon	Percent- age
Site examination of works	1,833	1,593	86.9	1,803	1,585	87.9	1,665	1,417	85.1
Bills	282	89	31.6	345	133	38.5	324	58	17.9
Contracts	228	91	39.9	273	122	44.7	227	64	28.2
Muster rolls	122	50	40.9	105	53	50.5	75	6	8.0
TOTAL	2,465	1,823	73.9	2,526	1,893	74.9	2,291	1,545	67.4

It would appear that a sizable number of cases examined attracted comments by the CTE.

On the recommendations of the Public Accounts Committee contained in paragraph 1.134 of its 5th Report (1971-72 : 5th Lok Sabha), Government fixed (July 1971) a time limit of six months for disposal of observation memos issued by the CTE. Out of 3,491 observation memos outstanding as in March 1977, action on 1,875 memos was in process as at the end of March 1978. Out of these, 1,375 memos were pending over two years and the remaining 500 were pending over one year.

- (ii) *Overpayments.*—In 1,113 cases, overpayments of Rs. 30.31 lakhs were pointed out by the CTE and accepted by the Central Public Works Department (CPWD) (including PWD, Delhi Administration) during the three years ending March 1977. Overpayments exceeded Rs. 10,000 each in 60 cases, ranged from Rs. 1,000 to Rs. 10,000 in 462 cases and were below Rs. 1,000 in the remaining 591 cases. Bulk of the overpayments (Rs. 25.86 lakhs) related to substandard works.

Out of Rs. 30.31 lakhs of overpayments, Rs. 6.47 lakhs were outstanding for recovery as on 31st March 1978. Government stated (January 1979) that the aforesaid amount due for recovery had been reduced to Rs. 2.46 lakhs for recovery of which efforts were being made. They added that “against total works of Rs. 227 crores executed during 1974-77 the overpayments detected and reported for recovery by the CTE were Rs. 0.30 crore. This comes to 0.14 per cent which is nominal”.

- (iii) *Disciplinary Cases.*—Government, while accepting (June 1972) the recommendations made by the Public Accounts Committee in paragraph 1.135 of

its 5th Report (1971-72 : 5th Lok Sabha) prescribed a time limit of six months for disposal of disciplinary cases against the delinquent officers as well as action against the contractors. However, out of 85 cases reported to the Ministry of Works, Housing and Urban Development by the CTE up to April 1974, 82 cases were reported as finalised and the remaining three were stated to be under finalisation (March 1978). Out of 75 cases reported to Central Vigilance Commission by the CTE till March 1977, 49 cases were reported to have been finalised. Out of the remaining 26, five were stated to have been reported to the Central Bureau of Investigation and the balance 21 were still under finalisation (March 1978). Eleven out of 21 cases were more than three years old.

Out of 69 cases referred to the Engineer-in-Chief, CPWD, up to December 1977 for action against the concerned officers, three cases remained to be finalised (March 1978). Government stated (January 1979) that out of three cases one case had been finalised and reported to the Ministry.

- (iv) The CTE was also conducting technical examination of the works of Aligarh Muslim University (1962 onwards), New Delhi Municipal Committee (March 1972 onwards) and Delhi Small Industries Development Corporation (April 1975 onwards). No fee was, however, being realised from the aforesaid bodies for the services rendered.
- (v) A study of a few important cases of overpayments pointed out by the CTE during 1974-75 to 1976-77 revealed the following irregularities :—
 - (a) In the construction of an underground tank and pump house at plot No. 118 'P' Block New Delhi,

it was found (February 1971) that the mastic treatment to flooring (asphaltic treatment to make it dustless, odourless, dampproof and waterproof) carried out in the tank had totally failed as the tank was leaking heavily. The quality of the RCC work and terrazzo flooring executed was also found (February 1973) to be substandard. Government stated (January 1979) that regarding the substandard execution of mastic asphalt the disciplinary aspect against the erring officers had been referred to Chief Engineer, Vigilance, in December 1977 and his final decision was awaited. Nevertheless, the work done by the contractor was accepted by the Engineer-in-charge and paid for. The waterproofing work was also sublet to a firm which was not on the approved list of specialists in waterproofing. The defects, when pointed out, were got rectified through another agency at the risk and cost of the contractor at a cost of Rs. 0.41 lakh. A claim for this amount, when referred to an arbitrator, was rejected (July 1975) in a non-speaking award.

- (b) On technical examination during 1972-73 of the work of construction of Hall of Nations and Hall of Industries in an international trade fair (value of contract : Rs. 91.57 lakhs) it was observed that the welded joints were not tested and the finish of RCC and exposed surfaces was poor. Several items of bad workmanship were also observed. An overpayment of Rs. 4.83 lakhs was assessed on that account in August 1977; the department, however, accepted overpayment of Rs. 4.72 lakhs for recovery. The amount of overpayment was about 5.2 per cent of the total contract value and the recovery had not been made so far (January 1979) due to stay orders issued by the Delhi High Court.

CHAPTER V

STORES PURCHASES

MINISTRY OF AGRICULTURE AND IRRIGATION

(Department of Food)

(Army Purchase Organisation)

48. **Purchase of oil hydrogenated.**—Oil hydrogenated is purchased by the Army Purchase Organisation (APO) of Department of Food from suppliers registered with it ; the number of such registered suppliers was 22 in 1976 and 23 in 1977. The quality of oil hydrogenated is governed by the standards laid down in the civil specifications approved by the Vegetable Oil Products Controller of India as amended from time to time and packed in ISI marked 18 litre square tins as indicated in ASC Specification No. 139.

The following points were noticed in test-check in audit of purchases of oil hydrogenated made by the APO during 1976 and 1977 :—

(i) In September 1975, the Army Headquarters sent an indent to the APO for procurement of 10,000 tonnes of oil hydrogenated ; 3,000 tonnes in August 1976, 3,000 tonnes in September 1976 and 4,000 tonnes (provisional) by November 1976.

(a) On the basis of a tender enquiry issued by the APO on 1st July 1976, eight contracts (on seven firms) were concluded on 27th and 28th July 1976 for supply of 6,000 tonnes (3,600 tonnes by 31st August 1976 and 2,400 tonnes by 30th September 1976) at rates ranging from Rs. 7,285 to Rs. 7,450 (excluding sales tax) per tonne.

Six firms completed the supplies; the seventh firm 'P', which was awarded contract for 1,200 tonnes (600 tonnes at Rs. 7,315 and 600 tonnes at Rs. 7,320 excluding sales tax per tonne) to be delivered by the extended delivery period till 31st October 1976, tendered 1,187.868 tonnes from 30th August 1976 to 31st October 1976 for inspection ; out of this quantity, 297.112 tonnes were rejected. A quantity of 890.756 tonnes was thus procured. The balance quantity of 309.244 tonnes was not supplied by firm 'P'; out of this, 300 tonnes were cancelled at the firm's risk and cost on 4th December 1976. Against a risk purchase tender enquiry issued on 18th December 1976, four tenders were received and opened on 5th January 1977. The lowest rate of Rs. 8,320 per tonne was quoted by the defaulting firm 'P' and the second lowest offer of Rs. 9,490 per tonne was from firm 'A'.

According to the terms and conditions of the tender enquiry, in the case of risk purchase if the quotation of the defaulting firm happened to be lowest acceptable, it would be required to furnish security deposit equivalent to the difference between its quotation and the next best quotation or 10 per cent of the proposed contract value, whichever was more, by a specified date before placement of the contract on it. Failing this, its offer was to be ignored and placement of the contract on the next best offer was to be considered. The APO, however, placed the contract on firm 'P' on 15th January 1977 for supply of 300 tonnes of oil hydrogenated by 15th February 1977 at the rate of Rs. 8,320 per tonne (excluding sales tax) without obtaining security deposit of Rs. 3.51 lakhs (difference between its quotation and the next best offer) but included a clause in the contract asking the firm to deposit security of Rs. 2.50 lakhs (equivalent to 10 per cent of contract value) by 25th January 1977 which was later extended to 5th February 1977. The Department of Food stated (November 1978) that firm 'P' was not asked to deposit the higher amount of Rs. 3.51 lakhs as security because it "escaped notice purely inadvertently". The firm, however, represented even against deposit of Rs. 2.50 lakhs stating that the security deposit of 5 per cent in the form of bank guarantee, already furnished against the earlier acceptance of tender dated 27th July 1976 might be adjusted

against this contract. The firm neither furnished the required security deposit nor supplied the contracted quantity of oil hydrogenated. The contract was, therefore, cancelled (5th March 1977) at the risk and cost of firm 'P'.

A risk purchase acceptance of tender was placed on firm 'E' on 1st July 1977 for supply of 300 tonnes of oil hydrogenated at Rs. 9,454 (excluding sales tax) per tonne against the original contracted rate of Rs. 7,320 (excluding sales tax) per tonne; the supply was completed by firm 'E' in July 1977. This resulted in an extra expenditure of Rs. 6.40 lakhs.

After obtaining (October 1977) the advice of the Ministry of Law, a claim of Rs. 1.70 lakhs as general damages (at 7.5 per cent of the value of 309.244 tonnes not supplied against the original contract of 27th July 1976) and another one for Rs. 3.40 lakhs on account of risk purchase loss against the second contract placed on 15th January 1977 were preferred by the Department on firm 'P' on 16th January 1978. The firm disputed (23rd January 1978) both the claims and the cases were referred for arbitration (March-April 1978). The award of the arbitrator was awaited (November 1978).

No claim for recovery of balance amount of Rs. 1.30 lakhs of extra expenditure had been preferred. The Department of Food stated (November 1978) that the original contract with firm 'P' at the rate of Rs. 7,320 per tonne had no relation with the third contract with firm 'E' in which the supply was made.

(b) The provisional indent for 4,000 tonnes of oil hydrogenated, required by 30th November 1976, was confirmed by the Army Headquarters on 29th October 1976. On 5th November 1976, tenders were invited for supply of the aforesaid quantity by 10th December 1976. Eight offers for a total quantity of 2,050 tonnes were received at rates ranging from Rs. 8,090 to Rs. 8,484 (excluding sales tax) per tonne. On 18th November 1976, the quotations were referred to the Director (Vanaspati) to ascertain the reasonableness of the prices quoted and also the future trend of prices of vanaspati. The Director (Vanaspati) stated (18th

November 1976) that the prices of vanaspati were likely to increase in the month of November 1976 as the allocation of imported oil to the vanaspati factories had been reduced from 70 *per cent* to 50 *per cent* and that it was difficult to predict any downward trend in future. The weekly bulletins on agricultural prices prepared by the Directorate of Economics and Statistics of the Ministry of Agriculture and Irrigation also indicated upward trend in vanaspati prices during November 1976. Seven contracts for a quantity of 1,550 tonnes, at rates ranging from Rs. 8,090 to Rs. 8,200 (excluding sales tax) per tonne, were placed on 23rd November 1976 and supplies were completed by 21st December 1976. The offer of firm 'J', which had quoted a rate of Rs. 8,484 per tonne for supply of 500 tonnes (later increased to 800 tonnes) was ignored as it did not agree to the counter-offer of Rs. 8,200 per tonne.

(ii) Another indent for 15,000 tonnes of oil hydrogenated for supply in three equal lots of 5,000 tonnes each by 15th December 1976, 15th January 1977 and 15th February 1977 was sent by the Army Headquarters on 30th October 1976.

(a) Against a tender enquiry issued on 5th November 1976, fifteen offers for a total quantity of 13,850 tonnes (later increased to 14,350 tonnes) at rates ranging from Rs. 8,140 to Rs. 9,300 per tonne (valid up to 30th November 1976) were received and opened on 20th November 1976.

As there were wide variations in the rates tendered, negotiations were held with the firms on 29th November 1976 and as a result the firms quoted revised rates ranging from Rs. 8,140 to Rs. 8,600 per tonne. On 1st December 1976, it was decided to accept offers up to Rs. 8,500 per tonne only and ignore (a) 500 tonnes offered by firm 'M' at Rs. 8,550 per tonne by 15th January 1977 ; and (b) 400 and 200 tonnes offered by firms 'T' and 'G' respectively at Rs. 8,600 per tonne during January-February 1977.

Thirteen contracts were placed on 1st December 1976 for 13,250 tonnes at rates ranging from Rs. 8,140 to Rs. 8,500 (excluding sales tax) per tonne leaving a backlog of 4,200 tonnes.

Supplies (8,950 tonnes) were completed in respect of eight contracts. The remaining five firms could make only partial supplies (2,564 tonnes) and failed to supply 1,736 tonnes as indicated below :

Firm	Quantity not supplied	Date of delivery
'A'	150 tonnes (out of 500 tonnes) at Rs. 8,250 per tonne (excluding sales tax)	15th February 1977
'M'	75 tonnes (out of 500 tonnes) at Rs. 8,500 per tonne (excluding sales tax)	-do-
'N'	400 tonnes (out of 900 tonnes) at Rs. 8,250 per tonne (excluding sales tax)	-do-
'P'	911 tonnes (out of 1,950 tonnes) at Rs. 8,340 per tonne (excluding sales tax)	30th April 1977
'S'	200 tonnes (out of 450 tonnes) at Rs. 8,250 per tonne (excluding sales tax)	15th February 1977

The outstanding quantities (750 tonnes) against firms 'A', 'N' and 'S' were cancelled at the risk and cost of the firms. The firms disputed the right of the APO to cancel the contracts at their risk and cost on the plea that failure to complete the supplies was due to reasons beyond their control, viz. non-availability of imported oil in time and restrictions imposed by the Government of Gujarat on the movement of vanaspati from that State. After obtaining opinion of the Ministry of Law, the contracts were cancelled without any financial repercussions on either side. These quantities were purchased from firm 'P' during July 1977 at the rates of Rs. 9,545 (excluding sales tax) per tonne (600 tonnes) and Rs. 9,445 (excluding sales tax) per tonne (150 tonnes) involving extra cost of Rs. 9.56 lakhs.

The quantity of 75 tonnes was also cancelled on 1st April 1977 at firm 'M's risk and cost. This was re-purchased at Rs. 9,445 (excluding sales tax) per tonne from firm 'P'. The risk purchase loss of Rs. 0.71 lakh was claimed from firm 'M' on 12th October 1977. The firm did not accept the claim and the matter was referred to arbitration on 28th March 1978. The award of the arbitrator was awaited (November 1978).

Firm 'P', which supplied 825 tonnes against the above risk purchases, did not make the supply of 911 tonnes against its own contract of 1st December 1976 which was also cancelled on 7th May 1977 at its risk and cost. This was purchased from firm 'J' in June-July 1977 at Rs. 9,545 (excluding sales tax) per tonne involving an extra expenditure of Rs. 10.98 lakhs. The Department of Food stated (November 1978) that a claim of risk purchase loss to the extent of Rs. 11.46 lakhs was under arbitration.

(b) Instructions were issued by the APO in September 1974 "that risk re-purchase tender enquiries should always get precedence over normal tender enquiries and efforts should be made to ensure that a defaulter does not, as far as possible, get a contract for a commodity at a higher rate while he has an outstanding liability/commitment for supplying the same commodity at a lower rate against his earlier defaulted contracts". Notwithstanding these instructions, firm 'P' was awarded a contract for supply of 500 tonnes on 23rd November 1976 at the rate of Rs. 8,195 (excluding sales tax) per tonne even though it failed to supply 309.244 tonnes against the earlier contract of July 1976 at Rs. 7,320 (excluding sales tax) per tonne. Further, firm 'P' was awarded two fresh contracts for 500 tonnes and 1,000 tonnes during January 1977 for supply by 15th February 1977 and 28th February 1977 at Rs. 9,300 and Rs. 9,275 (excluding sales tax) per tonne respectively apart from the above contracts for risk purchases (825 tonnes). Supplies against these contracts were completed by 18th March 1977 and 31st March 1977 respectively although against the contract placed on 1st December 1976 at Rs. 8,340 per tonne, the firm had defaulted in delivery of 911 tonnes even after grant of extension of delivery period upto 30th April 1977. The firm also failed to meet its obligation against the risk purchase contract for 300 tonnes at Rs. 8,320 (excluding sales tax) per tonne. The firm, which defaulted in delivery of 309.244 tonnes at Rs. 7,320 and 911 tonnes at Rs. 8,340 per tonne, fulfilled its fresh contracts for the supply of 2,825 tonnes during the same period and thus enjoyed an additional benefit of about Rs. 14.51 lakhs by its supplies being taken against fresh contracts.

(c) The backlog of 4,200 tonnes was subsequently covered in January 1977 at rates ranging from Rs. 8,990 to Rs. 9,330 (excluding sales tax) per tonne. Had the offers of 800 tonnes of firm 'J' at Rs. 8,484 (November 1976) per tonne and 500 tonnes at Rs. 8,550 per tonne of firm 'M', 400 tonnes and 200 tonnes at Rs. 8,600 per tonne of firms 'T' and 'G' respectively referred to above, not been ignored, Government would have avoided an extra expenditure of Rs. 14.53 lakhs.

The case reveals that :

- though firm 'P' defaulted repeatedly in performance of its contracts involving extra expenditure of Rs. 17.38 lakhs to Government by making risk purchases, it was awarded fresh contracts at higher rates which gave it additional benefit of Rs. 14.51 lakhs ;
- due to failure of firms 'A', 'M', 'N' and 'S' to effect the supplies (825 tonnes), risk purchase had to be made at extra cost of Rs. 10.27 lakhs ; and
- by ignoring offers of firms 'J' (800 tonnes), 'M' (500 tonnes), 'T' (400 tonnes) and 'G' (200 tonnes) at lower rates and purchasing 1,900 tonnes at higher rates later, Government incurred extra cost of Rs. 14.53 lakhs.

MINISTRY OF DEFENCE

AND

MINISTRY OF EXTERNAL AFFAIRS

49. **Loss on account of inadequate packing of dicyandiamide.**—(a) Supply Wing of the High Commission of India, London, received in November 1973 and May 1974 two indents from the Director General, Ordnance Factories, for procurement of 345 tonnes of dicyandiamide required for manufacture of propellants. The Supply Wing issued a limited tender enquiry in February 1974, but there was no response to it. In May 1974, firm 'A' in U.K. (who were agents of firm 'B' of India, who in turn were the Indian agents for the manufacturing firm 'C', a British Company) offered to obtain quotations from their principals in India.

The indent required that the material was to be supplied "in sound, clean, dry, air-tight, sea-worthy or steel drums with suitable lids packages of approved pattern". However, firm 'A' offered to supply the material in multi-ply paper bags, adding that "while we do recognise that this has caused problems to the Director General, Supplies and Disposals in the past, we are not willing, under present circumstances, to offer an alternative".

Without ascertaining the problems that arose in the past on account of packing in multi-ply paper bags and without the approval of the indenter, the Supply Wing concluded (September 1974) a contract with firm 'A' for supply of 345 tonnes of dicyandiamide @6900 Norwegian Kroners (inclusive of agency commission at 3 per cent) per tonne; the material was to be shipped from firm 'C's factory in Norway. The contract stipulated packing in multi-ply paper bags. The High Commission informed (September 1974) the indenter that no alternative packing was offered; the indenter neither accepted nor rejected the packing offered.

Inspectors of the Supply Wing inspected the consignment (including packing) at firm's works at Odda, Norway, and approved it in December 1974 with the remarks that the material 'be prepared for despatch'. The material (345 tonnes) was despatched in 7600 multi-ply paper bags, stacked on 190 pallets, in an Indian ship in February 1975. A survey of the landed consignment in India showed (April 1975) that about 117 tonnes (34 per cent) of the total quantity were oil soaked or stained; about 17 tonnes (4.8 per cent) of the material were in the form of sweepings and about 8 tonnes (2.5 per cent) of the material were not received at all. An expenditure of Rs. 15,000 was incurred on repacking the sweepings and the material contained in damaged bags.

The Director General, Ordnance Factories, informed the Supply Wing in July 1975 that 132 tonnes, which was 39 per cent of the total quantity of 336.24 tonnes received, was not considered fit for use because of oil contamination, that the paper bags in which the material was packed were not strong enough to withstand the strain of loading and unloading at the port and that the

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paper packing was found to be of two-ply with bitumen inside the layer. According to the Supply Wing, such paper bags, when packed on pallets and handled as a unit, would not be subject to the same hazards as in loose condition; that the bags were of three-ply construction; and that the cargo might have been contaminated with oil while in the holds of the ship.

In an earlier indent of 1972, the Supply Wing had negotiated the following packing specification without any extra charge for the packing :—

“Packing will be in Paper-lined Hessian Bags made of 10 ounces hessian cloth with 80 grams per square metre paper with first class bitumen. Packing should be suitable for transit by sea and withstand handling hazards.”

In the meeting which the Supply Wing had with the firm's representative on 23rd September 1974, the packing specifications were not discussed; the precise number of plies was not specified nor was it ensured during inspection that the packing would be suitable for transit by sea and withstand handling hazards.

At the time of loading the material in the ship, the carriers noted in the bill of lading that “packing having been effected in paper and/or plastic bags, all the carrier's rights and immunities in the event of loss or damage to the goods arising by reason of the nature of that packing are hereby expressly reserved”. The material was not insured in accordance with the general practice of not insuring Government goods.

By reprocessing the contaminated dicyandiamide 96.72 tonnes of the material were salvaged.

The Defence authorities lodged a claim for Rs. 8.00 lakhs with the carrier in March 1977 made up of the following :—

	Quantity (In tonnes)	Value (Rupees in lakhs)
(i) Shortage as per Survey Report	8.49 }	4.35
(ii) Quantity lost in processing	35.46 }	
(iii) Proportional freight for the above mentioned quantity		0.87
(iv) Cost of reprocessing		2.78

The Ministry of Defence stated in December 1978 that the actual loss worked out to Rs. 9.05 lakhs, out of which Rs. 2 lakhs were recovered from the carrier in final settlement of claim, the net loss being Rs. 7.05 lakhs.

Had the Supply Wing got the material packed suitably, as was done in 1972, to withstand the transit and handling hazards even at an extra cost, the loss could have been avoided.

(b) Under the option clause of an earlier contract of May 1973, concluded by the Director General, Supplies and Disposals, for the supply of 200 tonnes of the same material, the purchaser had the right to place a further order for an additional quantity up to 50 tonnes at the same rates, terms and conditions during the currency of that contract, but before the shipment of the material. The proposal of the Director General, Ordnance Factories, to import 235 tonnes of the material was cleared in June 1973. However, the Director General, Ordnance Factories, placed the indent on the Director General, Supplies and Disposals, on 20th August 1973. The Director General, Supplies and Disposals, invoked the option clause and placed an order for importing 50 tonnes of the material on 21st September 1973. The supplier declined to comply with the order on the ground that the goods were notified for inspection on 23rd July 1973, but were inspected by the High Commission of India in September 1973 and that, therefore, the goods would have been shipped if inspection had been done earlier.

Failure to act promptly to avail of the option clause soon after the proposal for importing the material was cleared, thus, resulted in a further loss of Rs. 3.77 lakhs.

MINISTRY OF SUPPLY AND REHABILITATION (Department of Supply)

50. Purchase of chloroquine phosphate tablets.—In April 1975, the Director General, Supplies and Disposals (DGSD) received an operational indent from the Director General, Health Services (DGHS) for 200 million chloroquine phosphate/amodiaquine hydrochloride tablets with 150 mgm. chloroquine/amodiaquine

base (plain coated) for use in the National Malaria Eradication Programme (NMEP) during 1975-76.

The raw material (*viz.* chloroquine phosphate powder) required for the manufacture of chloroquine phosphate (CP) tablets was a canalised item imported only through the State Trading Corporation of India (STC). There were also some firms in India which produced the raw material. No indication was given about Government assistance in procuring the raw material through the STC in the tender enquiry issued by the DGSD on 20th May 1975. Offers were, however, received (2nd July 1975) for supply under two alternatives, *i.e.* with request for assistance for raw material (rates ranging from Rs. 72.90 to Rs. 120 per 1000 tablets) and without request for such assistance (rates ranging from Rs. 105.50 to Rs. 135 per 1000 tablets). Besides, two firms had quoted Rs. 4.99 and Rs. 10 per 1000 tablets respectively for tableting and packing alone.

For supply of 200 million tablets, it was estimated by the DGSD that about 50 tonnes of CP powder would be required. The STC agreed (2nd September 1975) to allocate 30 tonnes of CP powder during September—November 1975 at the rate of 10 tonnes per month and the balance 20 tonnes from December 1975 onwards to the firms as recommended by the DGSD. The DGHS had also agreed to accept the entire supply of CP tablets to be prepared from powder to be supplied by the STC. Keeping in view the availability of the raw material from the STC at prices fixed by the Ministry of Petroleum and Chemicals, negotiations were conducted on 5th September 1975 with the tenderers who were asked to submit revised quotations by 6th September 1975 separately under three alternatives, *viz.* for tableting and packing charges (raw material to be supplied by the DGSD), with supply of raw material by the STC and without supply of raw material by the STC. In the revised offers opened on 6th September 1975 the rates for tableting and packing charges ranged from Rs. 4.75 to Rs. 15 per 1000 tablets. The rates quoted by the first six firms based on the second alternative ranged from Rs. 66.75 to

Rs. 76 per 1000 tablets and those based on the third alternative ranged from Rs. 109.90 to Rs. 125 per 1000 tablets.

The first alternative was not accepted as it would have involved prior investment by the DGSD in supply of raw material which would have remained in the hands of the private individuals without any direct investment by them ; the offers for the second alternative, *viz.* supply without raw material assistance were on the high side; the DGSD, therefore, decided (27th September 1975) to consider only offers based on supply of raw material by the STC. The first three lowest offers were as under :

Name of the firm	Rate quoted per 1000 tablets
	(In rupees)
'T'	66.75
'M'	66.95
'C'	70.90

On 12th September 1975, firm 'C' offered a special rebate of 7 *per cent* for an order of 100 million tablets and a further rebate of 2 *per cent* if the quantity ordered was increased to 150 million tablets. Subsequently, on 9th October 1975, it agreed to allow a discount of 9 *per cent* on its quoted rate against an order for 60 million tablets and thereby its offer became the lowest at a net rate of Rs. 64.51 per 1000 tablets.

Firm 'C' was permitted to manufacture CP tablets under its manufacturing licence dated 2nd March 1974, but it was not marketing this item at the time of submitting its offer on 1st July 1975 and was not registered with the DGSD as a manufacturer of this particular item. The essential proforma for tenderers for drugs/medicines provided for a minimum of two years experience in selling the same in the market. Nevertheless, without recording reasons a contract (value : Rs. 51.61 lakhs) for supply of 80 million tablets at the rate of Rs. 64.51 per 1000 tablets was awarded by the DGSD to firm 'C' in October 1975.

Firm 'T' and 'M', two small scale units entitled to 15 per cent price preference over the rates quoted by firm 'C', were also awarded contracts in October 1975 for 40 million tablets (value : Rs. 26.70 lakhs) and 80 million tablets (value : Rs. 53.56 lakhs) respectively at their quoted rates.

The above accepted rates were subject to variation in the price of raw material to be supplied by the STC with reference to its price of Rs. 202.84 per kg. of CP powder at the time of tender. The supplies against all the three contracts were to be completed by 31st December 1975 subject to availability of raw material from the STC.

The price of raw material was increased by the STC from Rs. 202.84 per kg. to Rs. 276 per kg. on 6th March 1976, Rs. 400 per kg. on 15th April 1976 and Rs. 428 per kg. from 1st August 1977. Against the agreed quantity of 30 tonnes, the STC allocated only 10.5 tonnes of raw material by 31st December 1975 ('T' : 1.5 tonnes ; 'M' : 6 tonnes and 'C' : 3 tonnes). In regard to the shortfall the STC stated (January 1976) that the quantity of 20 tonnes of CP powder agreed for allocation in September and October 1975 could not be allocated to the DGSD's contract holders since the intimation dated 24th October 1975 regarding award of contracts to firms 'T' and 'M' was received by it on 25th October 1975 when the allocation orders for even October 1975 had already been issued to other actual users. The STC, however, assured availability of larger quantity of raw material in the following months so that the entire quantity could be released by 31st March 1976.

Firm 'T' was allocated 4.750 tonnes of raw material upto February 1976 at the base price of Rs. 202.84 per kg., but it lifted only 4.050 tonnes and supplied 16.20 million tablets at the stipulated rate of Rs. 66.75 per 1000 tablets though it could have supplied 19 million tablets if it had lifted the full quantity of 4.750 tonnes. A further quantity of 2 tonnes (enough for manufacture of 8 million tablets) was allocated to firm 'T' on 3rd March 1976 at the base price of Rs. 202.84 per kg. but it lifted 2.8 tonnes

on 15th March 1976 at the increased price of Rs. 276 per kg. effective from 6th March 1976. Based on the price of Rs. 276 per kg. of CP powder, firm 'T' was allowed the escalated rate of Rs. 85.77 per 1000 tablets for 11.20 million tablets. Another quantity of 3.220 tonnes (enough for manufacture of 12.88 million tablets) was allocated to firm 'T' in May 1976 @Rs. 400 per kg. based on which it was allowed the escalated rate of Rs. 118.01/119.05 per 1000 tablets for 12.60 million tablets. If firm 'T' had lifted the full quantity of 4.750 tonnes of CP powder instead of 4.050 tonnes at the base price of Rs. 202.84 per kg., extra expenditure of about Rs. 0.53 lakh would have been avoided in respect of 2.80 million tablets paid for at Rs. 85.77 instead of Rs. 66.75 per 1000 tablets. The supply was completed within the extended due date (16th July 1976).

Firm 'M' was allocated 20 tonnes of raw material (enough for manufacture of 80 million tablets) during October 1975-March 1976 at the base price of Rs. 202.84 per kg. The last allocation order for 5 tonnes (enough for manufacture of 20 million tablets) was issued on 3rd March 1976 and with effect from 6th March 1976 the price was raised to Rs. 276 per kg. Accordingly firm 'M' was allowed the stipulated rate of Rs. 66.95 per 1000 tablets for 60 million tablets and an escalated rate of Rs. 85.25 per 1000 tablets for the balance 20 million tablets and supply was completed within the extended due date (30th April 1976).

Intimation regarding award of contract for 80 million tablets to firm 'C' was sent to the STC by the DGSD on 29th October 1975. Firm 'C' was allocated 5.5 tonnes of CP powder by the STC during November 1975 (1.5 tonnes), December 1975 (1.5 tonnes) and January 1976 (2.5 tonnes) at the rate of Rs. 202.84 per kg. Against these quantities lifted by it, firm 'C' supplied 20.7 million tablets (against 22 million tablets that could be manufactured out of 5.5 tonnes of powder) at the stipulated rate of Rs. 64.51 per 1000 tablets during December 1975 to May 1976 (the delivery period having been extended by the DGSD on 11th March 1976 to 30th April 1976 without any increase in price and with right to recover liquidated damages as firm 'C' had delayed

lifting of raw material allocated). A further quantity of 4 tonnes of CP powder allocated by the STC on 18th February 1976 at the price of Rs. 202.84 per kg. (allocation order valid up to 23rd March 1976) was not lifted by firm 'C' due to financial stringency and another allocation order was issued to firm 'C' on 15th April 1976 for 4 tonnes at a price of Rs. 400 per kg. in lieu of the earlier one on the recommendation of the DGSD (6th April 1976). Firm 'C' lifted 1.017 tonnes of CP powder and for recommencing further supply, asked (21st April 1976) for increase in price to Rs. 117.75 for 1000 tablets based on increased price of Rs. 400 per kg. of raw material. The DGSD extended (4th May 1976) the delivery period up to 30th June 1976 subject to the condition that no increase in price would be allowed for supplies after 28th February 1976. Two more allocation orders of 10.5 tonnes of powder were issued by the STC on 7th May 1976 (2 tonnes) and 7th June 1976 (8.5 tonnes) at the rate of Rs. 400 per kg. but firm 'C' did not lift any quantity against these orders.

On 10th May 1976, firm 'C' again asked for increased rate for tablets, but was informed (28th May 1976) by the DGSD that since increase in the price of raw material allocated on 18th February 1976 came into force after 28th February 1976, no increase in price could be allowed. Firm 'C', however, intimated the DGSD on 29th May 1976 that it had manufactured tablets out of one tonne of raw material taken by it against the allocation order of 4 tonnes but the same could not be tendered for inspection for want of amendment regarding the rate for tablets.

On the matter being referred (9th and 25th June, 6th July and 29th October 1976) to the Ministry of Law, they observed (24th and 25th June, 8th July and 6th December 1976) that firm 'C' could not be denied the increase in price after 28th February 1976 since the DGSD had not specifically mentioned the fact of delay on the part of the firm in lifting 4 tonnes of raw material while (April 1976) authorising re-validation of allocation order for the raw material and also while (May 1976) extending the delivery period up to (30th June 1976). The Ministry of Law was also of the view that the contract could not be cancelled at the risk and

cost of firm 'C' as the contract did not contain a specific stipulation requiring the firm to act diligently in the matter of procurement of raw material failing which the purchaser would have the right to cancel the contract at the risk and cost of the firm.

In view of the legal advice, the DGSD allowed (22nd January 1977) the firm escalated price of Rs. 113.80 per 1000 tablets in respect of the tablets (4.275 million) manufactured out of 1.017 tonnes of raw material as also extension of time up to 31st March 1977. Firm 'C' offered (February 1977) to complete supply provided it was allowed a rate of Rs. 115.36 per 1000 tablets. As its performance was not satisfactory the matter relating to cancellation of the contract remained under the consideration of the DGSD till 12th July 1977 when firm 'C' sought permission to transfer the contract for the balance quantity (55.025 million tablets) on the same terms and conditions to another firm 'E' at the rate of Rs. 114.92 per 1000 tablets (inclusive of 2 per cent excise duty). Earlier, on 19th September 1975 firm 'E' had quoted in a letter rate of Rs. 63 per 1000 tablets (there being no offer from this firm against tender enquiry) subject to raw material being supplied by the STC, but this offer was then ignored on the ground of the firm being a new entrant in the field.

The contract for supply of the balance quantity (55.025 million tablets) was approved by the Department of Supply on 10th August 1977 for award to firm 'E' at the rate of Rs. 114.92 (including excise duty) per 1000 tablets which was lower than the last purchase price (Rs. 116.77) paid for the same material. In the meantime, the STC had increased the price of raw material from Rs. 400 per kg. to Rs. 428 per kg. from 1st August 1977 and firm 'E' wanted the rate for tablets to be refixed accordingly. Consequently, in the acceptance of tender (value : Rs. 65.85 lakhs) issued on 9th September 1977, the rate of Rs. 119.67 per 1000 tablets plus 2 per cent excise duty was incorporated. Firm 'E' completed supplies by 31st December 1977 against stipulated date of 30th November 1977.

The total extra expenditure involved in the entire supply of 200 million tablets as compared to the originally stipulated rates amounted to Rs. 44.78 lakhs ; this was mainly due to delay in

finalisation of purchase proposals by the DGSD and their intimation to the STC for the supply of raw material to the DGSD contract holders as agreed and failure on the part of firm 'C' to lift the raw material offered to it by the STC. Had firm 'C' lifted 4 tonnes of raw material offered to it on 18th February 1976 at the original price of Rs. 202.84 per kg., extra expenditure of Rs. 8.58 lakhs could have been avoided.

51. Purchase of hypodermic syringes (all glass).—For supply of hypodermic syringes to various Civil and Defence Organisations during the period July 1977 to June 1978, the Director General, Supplies and Disposals (DGSD) issued a tender enquiry on 4th March 1977. Three offers (including two from the existing rate contract holders 'T' and 'P') were received, which were opened on 14th April 1977. The rates quoted by the firms for the syringes were as under:

Firms (ml-millilitre)	Rate per syringe of capacity			
	2 ml.	5 ml.	10 ml.	20 ml.
	(In rupees)			
'T' (without brake)	nil	nil	nil	nil
(with brake)	2.31 (2.25)	2.97 (2.89)	4.02 (3.93)	6.63 (6.46)
'T' (without brake)	2.45	3.05	4.18	6.95
(with brake)	2.55	3.15	4.31	7.08
'P' (without brake)	2.46 (2.15)	3.38 (2.79)	4.47 (3.80)	7.59 (6.33)
(with brake)	2.56 (2.25)	3.48 (2.89)	4.60 (3.93)	7.72 (6.46)

(Last rate contract prices are given in brackets)

On 10th May 1977, the DGSD made counter-offers to firms 'T' and 'P' to maintain their respective last rate contract prices.

Firm 'T' agreed to the counter-offer on 19th May 1977, but firm 'P' offered (10th June 1977) revised rates as under:

Size	Rate per syringe		
	without brake	with brake	
(In rupees)			
2 ml.	2.30	2.40	} 5 per cent discount for order of more than Rs. 1 lakh.
5 ml.	3.17	3.27	
10 ml.	4.19	4.32	
20 ml.	7.12	7.25	

The DGSD entered into rate contract with firm 'T' on 25th July 1977.

On 22nd August 1977, firm 'P' represented to the DGSD that the syringes offered by it were interchangeable type while those offered by other suppliers were not so. On references (1st September 1977) made by the DGSD to the Deputy Assistant Directors General (Medical Services) (DADG) (MS), Government Medical Store Depots (GMSD), Bombay and Karnal, Director General Health Services (DGHS), New Delhi and Director General, Armed Forces Medical [Services (DGAFMS), New Delhi enquiring whether the components of the syringes offered by firms 'T', 'I' and 'P' were interchangeable type, the DGHS and the DADG (MS), GMSD, Karnal intimated (13th/17th September 1977) that firm 'P' had been supplying syringes with interchangeable barrels and pistons but they had no definite information about the syringes of the other two firms. The DADG (MS), GMSD, Bombay intimated (21st September 1977) that the samples of syringes manufactured by all the three firms were tried and the results obtained were:

Firm 'T'

Syringes, three each of 10 ml. and 5 ml., were tested and found to be satisfactory except one of 10 ml. in which liquid drops were coming out when plunger was changed and tried by pressure.

Firm 'P'

Six syringes of 20 ml. were tested and found to be interchangeable as per specification IS:3238-1965.

Firm 'I'

Two syringes of 10 ml. were tested; in one, the piston was found loose and in the other it could not be inserted at all.

In the meantime, on 17th August 1977 the DGSD received an *ad hoc* indent from the DGHS for supply of hypodermic syringes (all glass) 2 ml. (1,78,000 nos.) and 5 ml. (2,34,872 nos.) conforming to specification IS: 3236-1965, by 31st May 1978 and 30th November 1978 respectively. When the proposal for covering this indent against the rate contract awarded (25th July 1977) to firm 'T' was under consideration, the DGHS advised the DGSD on 29th August 1977 to hold up further action as the specification for syringes was under revision. On 3rd September 1977, the DGHS intimated the DGSD that the items might be covered according to specification IS: 3236-1965 (interchangeable). It was, however, not mentioned that the interchangeable syringes were also to conform to specification IS: 3238-1965 as stipulated in IS: 3236-1965 specification.

Before floating a fresh tender enquiry, the DGSD asked (22nd September 1977) firms 'I' and 'T' to intimate whether the syringes offered by them against the tender enquiry of 4th March 1977 were with interchangeable pistons and barrels. Firm 'I' confirmed the interchangeability of its syringes. The following rates counteroffered (with brake) by it on 19th September 1977 were accepted:—

Size	(Rs. each)
2 ml.	2.15
5ml.	2.79
10ml.	3.80
20ml.	6.33

The DGSD decided on 13th October 1977 to award a rate contract to firm 'I'. Firm 'T', whose rate had already been accepted on 25th July 1977, also confirmed on the 6th October 1977 that it was manufacturing interchangeable type of syringes conforming to IS: 3236-1965 specification.]

Anticipating that lower rates than the rate contract rates might be obtained in view of the large demand of the DGHS, the demand for 2 ml. (1,78,000 nos.) and 5 ml. (2,34,872 nos.)

syringes conforming to IS: 3236-1965 specification (interchangeable type), was advertised on 10th October 1977 and tenders were to be opened on 29th November 1977. Another indent for 10 ml. (1,91,770 nos.) and 20 ml. (61,065 nos.) syringes (IS: 3236-1965 interchangeable type) sent by the DGHS on 3rd October 1977 was bulked with the tender enquiry. On 2nd November 1977, the DGHS desired insertion of a specific condition regarding submission of samples (20 nos. of each type) in the tender enquiry. This was done on 14th November 1977 and the date for opening of tenders was extended to 15th December 1977.

Firm 'T' informed the DGSD on 4th November 1977 that it would maintain its prices for the specific tender enquiry as per the rate contract awarded to it in July 1977. The Ministry of Supply and Rehabilitation (Department of Supply), however, stated (March 1979) that firm 'T' "later wrote another letter on 23rd November 1977 stating that they would not be submitting their offer against the tender enquiry (due on 15th December 1977)". Three other offers, including those from firms 'I' and 'P' were received and opened on 15th December 1977. None of the tenderers submitted any samples.

The rates quoted by the four bidders were as under:

Size of syringe	Rates quoted by the bidders (in Rs.each)				Discount offered
	Firm 'I' (provision for brake not specified)	Firm 'T' (with brake)	Firm 'P' (provision for brake not specified)	Firm 'A' (provision for brake not specified)	
2ml.	2.19	2.25	2.30	2.48	(i) $1\frac{1}{2}$ per cent for order over Rs. 2 lakhs but below Rs. 5 lakhs.
5ml.	2.85	2.89	3.17	3.20	
10ml.	3.88	3.93	4.19	} not quoted	(ii) $2\frac{1}{2}$ per cent for order over Rs. 5 lakhs but below Rs. 10 lakhs.
20ml.	6.46	6.46	7.12		
					(iii) 3 per cent for order over Rs. 10 lakhs.
					Firms 'T', 'P' and 'A'
					No discount

On 23rd December 1977, the DGHS informed the DGSD that, in view of the extraordinary demand for syringes received in connection with the cyclone in the Southern States and floods in the Northern States, action to award contracts might be taken on the basis of the earlier report regarding interchangeability of syringes sent by the DADG (MS), GMSD, Bombay on 21st September 1977 and that no fresh examination of the samples was necessary. The DGHS also stated that, on the basis of the said report, the only party left in the field seemed to be firm 'P' which had submitted its tender on 15th December 1977 and unless any other acceptable offer was received with interchangeability assured, placement of the contract on that firm might be considered. Accordingly, the DGSD decided (27th December 1977) to accept the 3rd lowest offer of firm 'P' regardless of the fact that the test report on samples of this firm covered only 20 ml. syringes of which 61,065 nos. were required as against the requirement of 1,78,000 numbers of 2 ml., 2,34,872 numbers of 5 ml. and 1,91,770 numbers of 10 ml. syringes.

The purchase decision was, thus, based on a test report which was not in conformity with the requirements of specification IS: 3238-1965 laying down random selection of syringes from various lots for leakage test as specified in IS: 3235-1965. Besides, even according to the said test report the samples of firm 'T' for 5ml. syringes were found acceptable but its comparatively lower offer was ignored.

The acceptance of tender (value Rs. 24.58 lakhs) for supply of 2 ml. (1,83,000 nos.), 5 ml. (2,39,872 nos.), 10 ml. (1,95,770 nos.) and 20 ml. (64,065 nos.) syringes (interchangeable) was issued in favour of firm 'P' on 27th December 1977 and 7th January 1978. It was stipulated that the supply should be completed by 30th June 1978 and inspection of the stores was to be conducted by the DADG (MS), GMSD, Karnal although the samples had been tested by the DADG (MS), GMSD, Bombay.

Although at the time of taking decision (October 1977) to invite fresh tenders it was considered by the DGSD that, if the

rates received were not lower, the demand could be covered against the rate contracts, this was not done.

Firm 'P', the revised offer of which was considered by the DGSD in June 1977 to be high for award of rate contract, had in December 1977 offered the same rates but deleting the earlier stipulation regarding 5 per cent discount on order exceeding Rs. one lakh. The DGSD did not, however, ask the firm to reduce its rate in spite of the huge order of Rs. 25.62 lakhs (including another indent of 29,500 syringes received in January 1978) placed on it. The restoration of 5 per cent discount was also not insisted upon. Thus by accepting the higher rates of firm 'P' instead of the lower rates of firm 'T', Government would incur an extra expenditure of about Rs. 2.57 lakhs on completion of the order besides losing a discount estimated at Rs. 1.28 lakhs.

The case reveals that:

- though rate contracts at lower rates were awarded to firms 'T' and 'I' in July 1977 and October 1977 respectively and both had confirmed that the syringes offered by them were interchangeable, the order of the value of Rs. 25.62 lakhs was placed on firm 'P' at higher rates involving extra cost of about Rs. 2.57 lakhs;
- though the intention at the time of re-inviting tenders in October 1977 was that if the rates received were higher, the demand would be covered against rate contracts, this was not done; and
- discount of 5 per cent earlier (June 1977) offered by firm 'P' for order over Rs. 1 lakh was not asked for and thus a benefit of Rs. 1.28 lakhs was forgone.

52. Purchase of Sodium Amino Salicylate (SAS) granules and Para Amino Salicylate (PAS) tablets.—In September 1976, the Director General, Supplies and Disposals (DGSD) received an indent from the Director General of Health Services (DGHS) for procurement of 9000 kgs. of Sodium Amino Salicylate (SAS)

granules containing 80 per cent Sodium PAS (IP) and 60 lakh tablets (one gram) of Sodium PAS or Calcium B-PAS for State TB clinics and voluntary organisations. Tenders were opened on 5th November 1976. The first three lowest quotations were as under:

Name of firm	Granules Rate (Rs. per kg.)	Name of firm	Tablets Rate (Rs. per 5000 tablets)
'B'	78.63	'B'	235
'P'	78.81	'M'	260
'A'	80.27*	'W'	468

(*reduced to Rs. 75.50 on 27th November 1976)

The lowest quotations of firm 'B' for both the items were rejected (December 1976) because instead of IP** specification, the products offered conformed to NFI*** specification or contained material conforming to the latter specification.

For Sodium PAS granules, firm 'A' (a public sector undertaking), voluntarily reduced its rate to Rs. 75.50 per kg. on 27th November 1976 and thus became the lowest tenderer. This offer was accepted by the DGSD on 8th December 1976.

For Sodium PAS tablets, the second lowest offer of firm 'M' was ignored as it had quoted for SAS tablets to USP@ specification. The third lowest offer was from firm 'W' which had its own branded product Benzacyl tablets (Calcium Benzoylpas NF, IG). Since the firm had been holding a rate contract for this product up to 30th September 1976 at the same rate of Rs. 468 for 5000 tablets, its offer was accepted by the DGSD on 8th December 1976 without obtaining the comments of the indenter regarding specification which was not indicated in the indent.

**IP—Indian Pharmacopoeia.

***NFI—National Formulary of India.

@USP—United States Pharmacopoeia.

In January 1977, the DGSD received from the DGHS another indent for 9000 kgs. of Sodium PAS granules and 70 lakh Sodium or Calcium B-PAS tablets with specifications similar to those given in the earlier indent. Against this indent, tenders were opened on 23rd March 1977.

The first three lowest offers were as under:

Granules		Tablets	
Name of firm	Rate (Rs. per kg.)	Name of firm	Rate (Rs. per 5000 tablets)
'N'	69.95	'B'	360
'B'	75.00	'L'	425
'A'	75.50	'W'	468

The first two lowest offers for Sodium PAS granules were for the material conforming to NFI specification. The third lowest offer was from the same firm 'A' which had been awarded contract against the earlier indent.

For Sodium PAS tablets, the lowest offer was from firm 'B', offer of which against the earlier indent was ignored for the reason that it had not offered Sodium PAS conforming to IP specification. On both occasions the firm had given the same description of the material offered, viz. Sodium PAS tablets without indicating the specification to which the supplies conformed. This drug was covered under the Drugs (Price Control) Order, 1970, but firm 'B' did not enclose with its tender a copy of the then current price list as approved by the Ministry of Petroleum and Chemicals. In the letter forwarding the tender, firm 'B' stated "...we wish to inform you that this is a special pack and hence comparable data is not available". The second lowest offer was from firm 'L', which offered material conforming to USP specification. The third lowest offer was from firm 'W', which quoted the same rate that had been accepted for the earlier indent.

On 5th May 1977, the DGHS was asked to confirm whether granules containing Sodium PAS NFI against Sodium PAS IP would be acceptable to him and clarify whether the tablets offered

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by firm 'B' (lowest) or those offered by firm 'W' (3rd lowest) would be acceptable to him. Reference to the second lowest offer of 'L' for tablets conforming to USP specification was omitted without assigning any reason.

The DGHS, after ascertaining from the Drugs Controller (India), informed the DGSD on 10th May 1977 that the product containing 80 *per cent* Sodium PAS granules was included in supplementary IP and not in NFI and that 80 *per cent* of Sodium PAS NFI was acceptable provided it conformed to 80 *per cent* of Sodium PAS as included in the supplementary IP. As regards Sodium PAS tablets, it was intimated that since there was substantial difference in price of Benzacyl tablets and Sodium PAS tablets (one gram), the latter could be acceptable.

On 23rd/27th May 1977, the DGSD decided to accept the offers of firm 'A' for Sodium PAS granules under the provision for price preference to the extent of 10 *per cent* over the lowest offer permissible in case of public sector undertakings and of firm 'B' for Sodium PAS tablets. No reference was, however, made to firm 'B', despite the fact that the firm's earlier offer for sodium PAS tablets had been rejected by the DGSD since it would have used Sodium PAS (NFI) as raw material in place of Sodium PAS (IP) actually required.

In the acceptance of tender (value : Rs. 5.04 lakhs), dated 21st June 1977 issued on firm 'B', for completion of supply by August 1977, the specification to which the Sodium PAS tablets were to conform was not spelt out. The firm informed the DGSD (1st August 1977) that it had been allowed by the Drugs Controller of Andhra Pradesh to manufacture Sodium PAS tablets (one gram) under USP specification and that it had accordingly manufactured the tablets and offered them for inspection. It wanted the acceptance of tender to be amended so as to provide for supply according to USP specification. The DGSD enquired (25th August 1977) from the DGHS if the tablets conforming to USP specification would suit his requirements.

However, in the meantime by 11th July 1977, firm 'B' had offered 35 lakh tablets for inspection. On 8th September 1977, the DGHS pointed out to the Inspecting Officer, under intimation to the DGSD, that according to the terms of the acceptance of tender, the PAS tablets would have to comply with the provisions of Drugs and Cosmetics Act, 1940 and the rules made thereunder as amended from time to time. Under the Act, the sole standard for tablets Sodium PAS was as per the Indian Pharmacopoeia and if the tablets offered by 'B' did not conform to IP specification, they should be rejected. On this, the DGSD explained (17th September 1977) to the DGHS that the IP specification had not been clearly mentioned in the indent nor was it incorporated in the tender enquiry. Further, the firm's offer was received without IP specification and the contract was concluded as per firm's tender which did not stipulate that the tablets were to conform to IP specification. The DGSD also stated that the matter was being checked up with the firm if it could supply stores conforming to IP specification without any financial repercussions.

The matter was taken up with the firm by the DGSD on 20th September 1977. On 23rd November 1977, the firm expressed its inability to supply Sodium PAS tablets as per IP specification at the approved price of Rs. 360 per 5000 tablets, but it could get the tablets sugar coated provided a revised price of Rs. 405 per 5000 tablets was paid to it. In a meeting held in the Ministry of Health on 7th November 1977, it was decided that since the tablets did not conform to IP specification, the order for further supply be cancelled. Regarding the supply already made at Hyderabad Depot, since it had been claimed by the firm that its manufacture had been permitted by the Drug Controller, Andhra Pradesh, the quantity could be accepted for use in Andhra Pradesh so as not to be harsh on the firm. The unsupplied quantity of 35 lakh tablets was cancelled on 9th December 1977 without any financial repercussions on either side.

According to the information available with the DGHS till October 1978, firm 'B' did not hold a valid licence to manufacture Sodium PAS tablets (one gram) for sale. The licence was issued

in Form 29 under the Drugs and Cosmetics Rules, 1945, by the Drugs Controller and Food (Health) Authority, Andhra Pradesh, who permitted the firm to manufacture Sodium Amino Salicylate tablets (one gram) only for the purposes of examination, test or analysis at recognised analytical laboratory. But, 35 lakh tablets (value : Rs. 2.52 lakhs) delivered for sale by firm 'B' (April 1978) in violation of the terms of the licence held by it were accepted for payment in September 1978.

The case revealed the following points:—

- order was placed on firm 'B' without verifying whether it was manufacturing the Sodium PAS tablets of the required specification;
- neither in the indent nor in the tender notice was any stipulation made regarding the Sodium PAS or Calcium PAS tablets conforming to the IP specification;
- firm 'W', which had supplied its own product Banzacyl tablets had also only claimed that its product conformed to the NFI specification and not IP; and
- even though supplies conforming to USP specification had been accepted (value: Rs. 2.52 lakhs) from 'B', no enquiry had been made by the DGHS to ascertain whether the uncoated tablets had been used and to what extent they were found to be effective.

The Department of Health stated (October 1978) that in future drugs which were included in IP or NFI would only be procured as per Drugs and Cosmetics Act, 1940 as amended from time to time.

53. Purchase of ACSR Zebra Conductors.—To cover an indent for supply of 650 kms. of ACSR Zebra Conductors, received from Baira Siul Hydro-Electric Project (Himachal Pradesh) in February 1972, the Director General, Supplies and Disposals (DGSD) issued a tender enquiry in March 1972. Seven offers (including 4 late offers) were received and opened on 16th May 1972. The rates quoted by the tenderers ranged from Rs. 11,333

to Rs. 14,353 per km. (exclusive of excise duty and sales tax). As there was wide variation in the rates, negotiations were held with the tenderers on 18th December 1972, 5th January 1973 and 21st February 1973. The contracts finally placed were as indicated below:

Firm	Date of contract	Rate (per km.) Rs.	Quantity (in kms.)	Remarks
'X'	21-3-73	12,400	450	Rate was firm exclusive of excise duty and sales tax.
'Y'	31-3-73	12,351 (Rs. 11,504 exclusive of excise duty and sales tax)	200 (Increased to 222 kms. on 27th March 1974)	Rate was subject to variation in prices of aluminium and steel rods up to a ceiling of 3 per cent of the quoted rate and inclusive of excise duty and sales tax.

According to the terms of the contracts, the firms were to be assisted by the DGSD by allocation of aluminium in their favour. The delivery period was, however, not linked with the allocation or actual receipt of aluminium.

Firm 'X' supplied 126 kms. of ACSR conductors up to November 1973 and delivery of entire quantity (450 kms.) was to be completed by 31st January 1974. Firm 'Y' supplied only 82 kms. up to February 1974 though the entire quantity (200 kms.) originally required was to be delivered by 31st December 1973 (further extended to 7th April 1974 on 7th January 1974).

Allocation orders for 532.15 tonnes and 236.51 tonnes of aluminium were issued by the DGSD on Hindustan Aluminium Corporation Ltd. (HINDALCO) in favour of firms 'X' and 'Y' respectively on 17th April 1973 and 14th September 1973. However, HINDALCO intimated on 1st October 1973 that it could not honour the allocation orders as no quantity of aluminium was earmarked by the Department of Mines and Metals for the DGSD in 1973-74. The matter was then taken up by the DGSD with the Department of Mines and Metals in November 1973. The latter issued (4th December 1973) instructions for release of 50 per cent of the quantity shown in the release order. No

aluminium was, however, supplied to firms 'X' and 'Y' against the DGSD's allocation orders.

A performance notice was served on firm 'X' on 13th March 1974 extending the date of delivery to 30th April 1974 and stipulating risk purchase in the event of failure to supply within the extended period. The delivery date was further extended to 31st July 1974 on 24th April 1974 stipulating recovery of liquidated damages for delay. A performance notice was also served on firm 'Y' on 23rd April 1974 extending the date of delivery further to 7th July 1974 and stipulating risk purchase in the event of failure to supply within the extended period.

In a meeting held in the Department of Mines and Metals in May 1974, it was decided that 50 *per cent* of the quantity released by the DGSD for 1973-74 would be supplied by HINDALCO and adjusted out of excess supply against firms' own commercial quotas and that for meeting the remaining quantity, fresh allocation orders would be issued by the DGSD against allocations for 1974-75. Accordingly fresh release orders for balance quantity were issued on 27th May 1974. No aluminium was, however, supplied by HINDALCO to firms 'X' and 'Y' against the DGSD quota.

Government had increased the price of aluminium from time to time as indicated below and there was corresponding increase in the price of conductors:

Date	Amount (Rs. per tonne)	Corresponding assessed increase in price of conductors	
		Firm 'X' (Rs. per km.)	Firm 'Y'
23rd May 1974	1572	*1857	*1857
11th March 1975	581	689	689
15th July 1975	4100	5264	5264

* Against this, firm 'X' demanded (30th May 1974) increase of Rs. 1861.25 per tonne and firm 'Y' (19th June 1974) Rs. 1860.99 per tonne (changed to Rs. 1922.34 per tonne in February 1975). These price increases were, however, not accepted on the advice of the Ministry of Finance on the ground that the delivery of the stores was not linked with the allocation or receipt of aluminium as per the contract and that in the case of firm 'Y' the increase exceeded 3 *per cent* of the originally quoted price.

In negotiations held (20th February 1975) by the DGSD with both the firms 'X' and 'Y', firm 'X' was told that it had received (during 1973-74) 1015 tonnes of aluminium against its commercial quota of 858 tonnes (which was reduced to 429 tonnes by a cut imposed by the Ministry of Mines and Metals) and that since the overdrawal of aluminium by it in 1973-74 was 586 tonnes which were more than the total DGSD allocation of 532 tonnes, there was no case for grant of any price increase on account of the rise in price of aluminium which took place in May 1974, *i.e.* after the allocation year 1973-74. Firm 'X', however, explained (February 1975) that the decision regarding reduction of its commercial quota was communicated to it by Government towards end of the allocation year when it had already utilised the aluminium received by it against 1973-74 quota. It, however, agreed (February 1975) to waive its claim for increase in price on 239 kms. of ACSR conductors (including 126 kms. already supplied) and for the balance 211 kms. it demanded increase of Rs. 1861.25 per km.

Firm 'Y' had, however, not overdrawn any aluminium. But it waived (February 1975) its claim for increase on 88 kms (including 82 kms. already supplied) and for the balance 134 kms demanded an increase of Rs. 1922.34 per km.

The price increases were, however, not agreed to (May 1975) as the delivery of stores was not linked with the receipt of aluminium. Performance notices were again issued to both firms 'X' and 'Y' on 30th May 1975 extending the date of delivery to 31st August 1975, stipulating risk purchase in the event of failure to make the supply within the extended period.

Both firms 'X' and 'Y' did not act on the performance notices.

The case was referred to the Ministry of Law which opined (25th August 1975) that no risk purchase was permissible as the dates of breach in case of firms 'X' and 'Y' were 31st January 1974 and 7th April 1974 respectively because the extensions granted from time to time were neither accepted nor acted upon and the contracts were not cancelled within six months of their

breach. Negotiations were held again by the Department of Supply on 10th September 1975 and 8th January 1976 with firms 'X' and 'Y' but with no result. The Ministry of Law to which the matter was referred again advised on 13th April 1976 that the contracts might be cancelled and that the purchaser would be entitled to claim general damages only.

The contracts on firms 'X' and 'Y' were cancelled on 14th July 1976 and they were asked to pay general damages amounting to Rs. 19.92 lakhs and Rs. 9.92 lakhs respectively by 16th August 1976. Both the firms challenged (August 1976) the claim of the DGSD for general damages. Firm 'X' also filed (August 1976) a counter-claim for Rs. 13.76 lakhs and asked for arbitration. The case was referred to arbitration in January 1977. On 23rd December 1977, the arbitrator in a non-speaking award dismissed the claims of both Government and firm 'X'.

The claim of firm 'Y' was still reported to be under arbitration (January 1979).

Orders for the cancelled quantity of 412 kms. (excluding the requirement of 52 kms. cancelled by the indenter on 6th January 1977) were covered on four new firms during July 1976 to February 1977 at an extra cost of Rs. 37.17 lakhs, which was not recoverable from the defaulting firms as the contracts were not cancelled within the prescribed period of six months to make a valid risk purchase.

The case revealed :

- non-enforcement of terms of contract in time with the result that extra cost of Rs. 37.17 lakhs, which had to be incurred in purchase of conductors through other agencies, could not be recovered from the defaulting firms 'X' and 'Y'; and
- non-recovery of general damages of Rs. 29.84 lakhs.

The Department of Supply stated (January 1979) that valid risk purchase could be made within 6 months of the breach of contracts and this would have been again subject to allocation

of aluminium for which supply position continued to be acute. The Department, therefore, contended that the risk purchase loss was only "hypothetical". The fact, however, remains, as also observed by the Ministry of Law (25th August 1975), that the contracts were not cancelled within six months of their breach and, that, therefore, the risk purchase could not be made. Regarding the allocation of aluminium, the Department of Mines stated (December 1978) that a lump sum quantity of 5000 tonnes of aluminium was earmarked for Export Promotion Directorate, DGSD, Defence and Mints for 1973-74, but that the DGSD, Defence and Mints did not indicate their requirements of aluminium for 1973-74 to the DGTD in time and that, thus, the requirements of the DGSD for 1973-74 went by default due to "lack of coordination". Further, a quantity of 5000 tonnes of aluminium had been placed (May 1974) at the disposal of the DGSD for release against rate contracts during 1974-75. It would, therefore, be seen that the risk purchase loss was not "hypothetical" but real.

54. Erection of reinforced cement concrete (RCC) lead-lined tanks.—In November 1971, the Director General, Supplies and Disposals (DGSD) received an indent from the General Manager of Factory 'A' for supply, erection and testing of twenty-five RCC lead-lined tanks (capacity : 34 cubic metres) by April 1973 for storing recovered sulphuric acid and waste acid.

In response to a tender enquiry advertised on 30th November 1971 and opened on 18th January 1972, two late offers were received (January 1972). The lower offer of firm 'K' quoting Rs. 44,600 per tank was considered to be technically suitable but delivery schedule was to be settled.

In negotiations held with firm 'K' in the DGSD's office on 23rd February 1972, the representative of factory 'A' confirmed that the foundations for the RCC tanks would be provided by October 1972. Firm 'K' affirmed that it would start delivery at the rate of 3 tanks per month from May 1973 onwards provided the foundations were ready by October 1972. In regard to the

terms of payment, firm 'K' agreed to the following job-wise break-up of the quoted price of Rs. 44,600 per tank and payment in instalments based thereon :—

Job	Cost (Rs.)	Instalment payment (Rs.)	When due
Construction of RCC tank	8500	(i) 7650 (90 per cent of 8500)	After completion of RCC work
		(ii) 850 (10 per cent of 8500)	After handing over of the lead-lined tank to the consignee.
Supply of lead sheets (4.6 tonnes per tank at the rate of Rs. 6000 per tonne including rolling of lead sheets, loss, etc.) Supply of fittings, lining of tanks and other labour and supervisory charges.	27600 } 8500 }	(i) 21660 (60 per cent of 27600 plus 8500).	After supply of lead sheets.
		(ii) 10830 (30 per cent of 27600 plus 8500)	After lead lining of the RCC tank and necessary fittings.
		(iii) 3610 (10 per cent of 27600 plus 8500)	After handing over of the lead-lined tank to the consignee.

On 19th March 1972, firm 'K', while confirming the points agreed to in the negotiations, intimated that instead of delivery of 3 tanks per month beginning from May 1973 it would complete RCC work in respect of all the 25 tanks by February 1973 and hand over the lead-lined tanks in two instalments—twelve tanks before July 1973 and the balance before November 1973. This change in the delivery schedule was agreed to by the DGSD and incorporated in the acceptance of tender (value : Rs. 11.15 lakhs) issued on 28th September 1972.

The accepted price of Rs. 44,600 per tank was based on the price of lead at Rs. 4,445 per tonne ruling on the date of tender and was subject to variation if the price of lead increased/decreased beyond 5 per cent. In the event of Government providing assistance in procurement of lead, there was to be price reduction equal to the difference between the quoted rate of Rs. 4,445 per tonne and the rate at which Government provided the lead plus additional 10 per cent on this difference.

In April 1972 and June 1972, the DGSD took up the matter of supply of 115 tonnes of lead with Minerals and Metals Trading Corporation (MMTC) and Hindustan Zinc Limited (HZL). On 30th August 1972, firm 'K' also informed the DGSD that substantial imports of lead of BSS (British Standard Specification) 334 type 'A' by MMTC were under shipment and that if an import licence was issued to it immediately, it would be of great assistance. Since provision of foreign exchange was involved, firm 'K's request for import licence was not considered. In September 1972, MMTC agreed to give lead of 99.99 per cent purity at the rate of Rs. 4,530 per tonne as a special case subject to issuance of release order by the Chief Controller of Imports and Exports (CCIE) in favour of the receiving party. However, this offer was not availed of since the DGSD had received an offer (July 1972) from HZL for supply of indigenous material and it was considered that it would not be possible to obtain clearance for import from the Director General, Technical Development (DGTD).

On 2nd December 1972, HZL offered to supply 115 tonnes of lead to firm 'K' from its ready stock at the average Eastern Metals Review (EMR) Calcutta rate quoted during the month preceding the month of despatch. Firm 'K', however, informed (22nd December 1972) HZL that it would lift the material in four quarterly instalments beginning from March 1973 since the foundations for the tanks were not ready at the consignee's end.

On 30th January 1973, firm 'K' wrote to the DGSD that it had been able to arrange provisionally for supply of the entire requirement of lead from the local market at Bombay for which the EMR prices ruling in Bombay on the date of supply plus Rs. 200 extra per tonne would be payable and sought confirmation to the acceptance of this price so that it could go ahead with the procurement. Firm 'K' also intimated that the price for lead quoted in Bombay open market on 15th and 22nd January 1973 was Rs. 4,700 per tonne as against that of Rs. 5,050 per tonne quoted in Calcutta market and that in the event of acceptance of its proposal, it would not require lead offered by HZL.

at EMR Calcutta rate. The DGSD conveyed its acceptance to firm 'K's proposal on 19th February 1973 without any addition of Rs. 200 per tonne over EMR prices subject to the production of documentary evidence in proof of the local purchase. Firm 'K', however, did not purchase lead and intimated the DGSD on 27th February 1973 that it could not commit itself to the price of Rs. 4,700 per tonne since the price of lead was continuously fluctuating. It, however, sought confirmation from the DGSD that the price at which it would purchase lead from the open market in Bombay would be acceptable to the DGSD and agreed to submit all documents in proof of the transaction. On 21st March 1973, the DGSD agreed to firm 'K's revised proposal.

For the civil works portion of the tanks above the foundation level, firm 'K' had also engaged the same contractor to whom the Military Engineer Service (MES) had entrusted the work of foundations. The contractor did not complete the work up to foundation level by the due date (31st October 1972). Consequently on 21st March 1973, firm 'K' asked for suitable amendment to the delivery schedule in the acceptance of tender. The foundations for all the 25 tanks were actually completed between April and June 1973, but the RCC work above the foundation level was not taken up immediately since firm 'K' did not arrange for cement in time. The release order for cement in favour of firm 'K' was obtained after intervention by the General Manager of factory 'A' in September 1973 even though no such assistance was required to be provided under the terms of the acceptance of tender. On 3rd September 1973, firm 'K' applied for extension in the delivery period up to 31st May 1974, but it was asked to accept extension up to 31st January 1974.

Though firm 'K' had been permitted (February 1973) to procure lead at Bombay open market rate of Rs. 4,700 per tonne, it did not deliver any quantity of lead-sheets at work site till December 1973. The average EMR Bombay price for lead for November 1973 was Rs. 7,300 per tonne. Based on this, on 28th December 1973, an amendment letter was issued raising

provisionally the stage payment for supply of lead sheets from Rs. 21,660 per tank to Rs. 29,539 per tank and refixing the delivery date as 30th May 1974.

On 12th March 1974, the General Manager of factory 'A' informed the DGSD that after completing lead-lining of two tanks, firm 'K' had stopped all activities and that in view of rising trend in price of lead, a target date be fixed by which firm 'K' should get all the lead required. In a meeting held on 8th April 1974 in the DGSD's office, firm 'K' agreed to accept the price escalation on lead on the basis of the delivery schedule offered by it in an earlier meeting held on 9th January 1974 in the following manner :—

No. of tanks	Delivery schedule agreed on 9th January 1974	Monthly average EMR price of lead for calculation of price difference
4	January 1974	November 1973
4	February 1974	December 1973
6	March 1974	January 1974
6	April 1974	February 1974
5	May 1974	March 1974

An amendment letter to this effect was issued on 31st May 1974 and simultaneously the delivery date was extended to 31st October 1974.

Further extensions in delivery period were granted from time to time and finally it was fixed as 30th June 1976 for 23 tanks and 21st March 1977 for the remaining 2 tanks with imposition of liquidated damages of Rs. 2,092.

Against the original cost of Rs. 11.15 lakhs, the payment that had to be made amounted to Rs. 15.35 lakhs, thus, involving extra expenditure of Rs. 4.20 lakhs on account of price escalations on lead allowed during the extended delivery period.

After completion of lead-lining of 23 tanks, the General Manager, factory 'A' intimated in July 1976 that out of the total accepted quantity of 95.981 tonnes of lead sheets, 'K' took back 2.675 tonnes in lead sheets, lead ingots and scrap leaving a total

net lead input of only 93.306 tonnes i.e. an average of 4.06 tonnes per tank. Firm 'K' was paid for 4.60 tonnes of lead per tank for 25 tanks and thus given an unintended benefit of Rs. 0.81 lakh towards 13.5 tonnes of lead sheets not actually used.

In connection with a dispute regarding purity of lead offered by it for inspection, firm 'K' intimated on 17th May 1976 that all lead in India was being obtained from MMTC and it had offered chemically pure lead obtained from MMTC. This was contrary to firm's earlier contention that it would purchase lead at open market price, in consideration of which the DGSD had agreed to pay at EMR Bombay prices for lead. Since the EMR prices of lead were higher than those of MMTC during the currency of the acceptance of tender, firm 'K' got a further unintended benefit of Rs. 1.53 lakhs as a part of the price escalations on lead allowed by the DGSD from time to time. It was explained by the DGSD in May 1978 that there could be no objection to the payment for lead at EMR Bombay prices since the supply of lead to the firm from MMTC could not be arranged by the Government. Government also stated (January 1979) that "adjustment of prices of EMR prices have been allowed as DGSD was not in a position to arrange release of lead from MMTC".

The following are the main points that emerge :—

- (i) The DGSD did not make adequate efforts to get clearance from the DGTD for import of lead, release of foreign exchange and procurement of lead from MMTC.
- (ii) Though firm 'K' was permitted (February 1973) to make local purchase of lead at EMR (Bombay) price of Rs. 4700 per tonne, no purchase was made. Extensions of time were allowed from time to time till March 1977 (against original stipulated date of November 1973) as also price escalations on lead were allowed without insisting on documentary proof in support of lead prices and thus resulting in extra expenditure of Rs. 4.20 lakhs.
- (iii) Payment was made for each tank on the basis of assumed consumption of lead of 4.60 tonnes per tank, while it

was actually 4.06 tonnes. This resulted in unintended benefit of Rs. 0.81 lakh to firm 'K'.

- (iv) Purchase of lead was made by firm 'K' from MMTC at lower prices but escalation was allowed by the DGSD on the basis of higher EMR prices resulting in unintended benefit of Rs. 1.53 lakhs to firm 'K'.

CHAPTER VI

FINANCIAL ASSISTANCE GIVEN BY GOVERNMENT

55. (i) *Loans and advances*.—Details of loans and advances paid by Union Government during 1977-78 are given in paragraph 14.

(ii) *Grants*.—During 1977-78, Rs. 25,38.28 crores were paid as grants by Union Government to State and Union Territory Governments, statutory bodies, registered and private institutions, etc. as detailed below :

(Lakhs of rupees)

(a) Grants to State and Union Territory Governments :	
(i) Grants to State Governments under proviso to Article 275(i) of the Constitution	70,96.01
(ii) Other grants to State Governments	18,05,75.22
(iii) Grants to Union Territory Governments	83,98.44
(b) Grants to statutory bodies, non-Government institutions or bodies and individuals (the details of grants Ministry/Department-wise are given in Appendix VI to the Report).	5,77,58.65

MINISTRY OF COMMERCE, CIVIL SUPPLIES AND
CO-OPERATION

(Department of Commerce)

56. Tea Board

1. *Introductory.*—The Tea Board, Calcutta (hereafter Board) was established under the Tea Act, 1953, as a corporate body to promote the development of the tea industry and trade. The Board is empowered to take specific measures in respect of production, improvement of quality, promotion of interest among growers and manufacturers, implementation of the schemes for scientific and technical research and promoting the consumption of tea in India and abroad and to act as the licensing authority for tea acreage and tea export. The Board is also entrusted with the duty of registration and licensing of the manufacturers, brokers, tea waste dealers and tea planters and collection of tea statistics.

2. *Finance, accounts and audit.*—The revenue of the Board is mainly derived from the cess on all kinds of tea produced in India, levied and collected under section 25 of the Tea Act, 1953. According to section 26 of the Act, the proceeds of the cess are credited to the Consolidated Fund of India and Government pay to the Board out of such proceeds, such sum of money as they think fit, after deducting the expenses on account of collection.

The detailed particulars of the total cess collected, the estimated receipt of cess by the Board and the amount released by Government during the years 1973-74 to 1977-78 are given below :

Year	Estimated receipt of cess by the Board	Total cess collected	Amount released by Government
1	2	3	4
		(In lakhs of rupees)	
1973-74	328.62	184.37	195.07
1974-75	319.55	195.79	232.65
1975-76	280.78	216.49	284.58
1976-77	301.62	303.10	266.15
1977-78	360.82	325.35	313.36

The Board stated (November 1978) that it prepared its budget proposals on the basis of anticipated receipts of cess on the estimated production of tea plus the opening balance in the cess fund at the beginning of the financial year and that consequently the large difference between columns 2 and 3 had arisen.

A summary of the receipts and payments of the Board for the five years 1973-74 to 1977-78 is given below :

I. Receipts	1973-74	1974-75	1975-76	1976-77	1977-78
	(In lakhs of rupees)				
(i) Opening balance	26.81	44.16	33.96	53.09	49.97
(ii) Cess collection	195.07	232.65	284.58	266.15	313.36
(iii) Other receipts	21.27	22.28	48.67	32.99	23.52
TOTAL :	243.15	299.09	367.21	352.23	386.85

II. Payments

(i) Administration	56.76	66.10	76.14	84.87	82.93
(ii) Tea promotion					
(a) In India	7.10	6.98	8.65	8.29	7.82
(b) Outside India	107.90	159.31	175.48	169.08	196.64
(iii) Research grants	18.13	21.32	25.03	22.54	27.23
(iv) Other items	9.10	11.42	28.82	17.48	21.94
(v) Closing balance	44.16	33.96	53.09	49.97	50.29
TOTAL :	243.15	299.09	367.21	352.23	386.85

The audit of the accounts of the Tea Board has been entrusted to the Comptroller and Auditor General of India under section 20(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 and the audited accounts together with the reports thereon are laid before both the Houses of Parliament. The accounts up to 1976-77 have been audited and reports thereon submitted.

3. Production/export performance in the Five Year Plans.—

No specific targets for production and export of tea were set for the first two plan periods. It was, however, anticipated that by the end of the 2nd Plan period, the production and export of tea would reach the level of 318 million kgs. and 215 million kgs. per annum respectively. Against these, the production actually achieved in 1960 was 321 million kgs. and the export 196 million

kgs. Following table indicates the targets fixed and achievements during the Third, Fourth and Fifth Five Year Plan periods for production and export of tea.

Period	Production		Export	
	Target	Actual	Target	Actual
	(In million Kgs.)			
3rd Five Year Plan (<i>per annum</i>)	376.5	365.0	240.0	197.0
4th Five Year Plan (<i>per annum</i>)	460.0	472.0	225.0	190.0
5th Five Year Plan				
1974-75	478.0	489.5	228.0	225.1
1975-76	496.0	487.1	235.0	211.4
1976-77	514.0	512.4	242.0	242.4
1977-78	532.0	559.8	225.0	219.9

4.0 *Tea development.*—The Board has been implementing three major schemes of financial assistance to the tea industry aimed at achieving higher yield *per unit* and improvement in the quality of tea produced. The three schemes are (1) The Tea Plantation Finance Scheme, (2) The Tea Machinery and Irrigation Equipment Hire-Purchase Scheme and (3) The Tea Replantation Subsidy Scheme.

4.1 *Tea Plantation Finance Scheme.*—This scheme, introduced in February 1962, is operated by the Board with a revolving fund of Rs. 4.60 crores sanctioned by Government at 6 *per cent* interest. A sum of Rs. 417.88 lakhs had been drawn to the end of 1977-78 from the fund for financing the scheme. Under the scheme, the Board gives long term loans to the tea estates for carrying out replanting, replacement and/or extension of tea growing areas. Disbursement of loan under the scheme has to be completed not later than 7 years from the date of drawal of the first instalment and recovery has to start from the 7th year of disbursement of first instalment and completed in 8 years. An abstract of the progress of the scheme up to 31st March 1978 is given below :

	No.	Amount (In lakhs of rupees)
Applications received	510	2857.54
Applications sanctioned	274	1147.60
Applications pending	26	163.72
Total disbursement under the scheme	202	606.77
Repayments by loanees	..	347.86
Interest on loan paid to Government	..	232.73

Forty seven tea estates had refunded the loan in full and in all these cases planting was reported to have been completed. Details of the progress of the scheme showing, *inter alia*, targets, achievements and shortfalls are given below :

Year	Disbursement (Rs. in lakhs)	Achievements (in hectares)			Total	Target (in hectares)	Percentage shortfalls
		Replanting	Replacement	Extension			
1968-69	60.14	73.66	7.29	731.08	812.03	1002.20	18.97
1969-70	44.80	123.18	..	509.25	632.43	1092.17	42.09
1970-71	30.10	41.53	..	366.30	407.93	855.69	52.32
1971-72	25.88	46.40	..	420.13	466.53	922.52	49.42
1972-73	14.57	170.39	14.16	526.31	710.86	1002.84	29.11
1973-74	17.22	..	..	40.23	40.23	1005.37	95.99
1974-75	10.24	27.52	..	313.95	341.47	925.74	63.11
1975-76	14.52	@	@	@	228.07	819.89	72.18

The main reasons advanced (September 1977) by the Board for non-fulfilment of the targets were :

- the target fixed in a particular year was to be achieved within the subsequent seven years and achievement was taken into account only after disbursement of 2nd instalment;
- in many cases applicants did not avail of loan even after sanction and later the sanction had to be withdrawn though anticipated plantings were taken in the target figures;
- in many cases even on completion of planting, the achievements were taken four to six years after, *i.e.* on the date of payment of 2nd instalment; and
- loanees had to submit a certificate of completion of planting from a neighbouring garden manager together with a survey map drawn by a Government approved surveyor showing the actual area of planting and the year of planting duly supported by a statement of expenditure.

Failure to avail of the loan after sanction was reportedly due to the inability of the applicants to execute mortgage deeds and the availability of comparatively more advantageous loans from other sources. Further, it was noticed that the Board had been late in introducing measures to evaluate the progress of the scheme

@Break up of figures of achievement not available.

and hence it was not possible to ascertain the success or otherwise of the scheme earlier than seven years. As at the end of the year 1976-77, 13 tea estates (excluding the cases under litigation) had defaulted in repayment of principal, interest and deferred interest to the extent of Rs. 7.97 lakhs, Rs. 2.17 lakhs and Rs. 0.10 lakh respectively.

4.2 Tea Machinery and Irrigation Equipment Hire Purchase Scheme.—The Tea Machinery and Irrigation Equipment Hire Purchase Scheme was introduced in April 1960 to provide tea estates and factories engaged in the manufacture of tea, with facilities for acquiring machinery and equipment used in the production and manufacture of tea (value not exceeding Rs. 10 lakhs to each estate or factory). Under the scheme, the Board pays the purchase price to the supplier including the cost of transport and installation and the expenditure incurred by the Board is treated as loan to the estate or factory concerned and is subsequently recovered with interest thereon in instalments according to the terms and conditions laid down in the scheme.

The Board maintains a corpus of Rs. 20 crores placed by Government at its disposal, out of which a sum of Rs. 2 crores has been set apart for supply of irrigation equipment and Rs. 0.50 crore for tea packeting and bagging machines to the tea industry. An abstract of the progress of the scheme up to 31st March 1977 is indicated below :

	Tea machinery		Irrigation equipment	
	Number	Amount (In crores of rupees)	Number	Amount (In crores of rupees)
Applications received since inception	2,258	27.06	173	2.32
Applications accepted and amount committed	1,382	15.33	87	1.05
Applications totally rejected	741	9.28	79	1.11
Applications under consideration	135	2.45	7	0.16
Total amount paid to the suppliers of machinery and equipment		11.73		0.85

As at the end of September 1977, court cases were pending for recovery of Rs. 31.54 lakhs from 19 tea estates against which Rs. 10.87 lakhs had been received as per interim orders of the

courts leaving a balance of Rs. 20.67 lakhs. The Board stated (October 1977) that in the nature of transactions like hire purchase, "it was inherent that there would always be some defaults or bad debts on account of non-realisation of dues which could not be escaped". The Board also stated that a default committee had been set up to review the default cases at regular intervals.

4.3 *Tea Replantation Subsidy Scheme.*—This scheme was introduced in October 1968 to provide incentives to the tea industry to replant the overaged uneconomic areas out of funds made available by Government. It was envisaged that the scheme would help the industry in achieving a replantation rate of 2 per cent of the total area under tea cultivation in the country with newly developed planting materials to give higher and better quality yields. The subsidy under the scheme is to be distributed in five instalments in the case of plains and six in the case of hills, the first instalment to be paid on completion of uprooting and the last on replanting completed within 36 months from the date of completion of uprooting. Up to 31st March 1977, the Board had approved provisionally 1,675 applications for replanting 14,832.17 hectares of land, out of which sanction had been issued in 1,063 cases for a total area of 8,989.88 hectares at a cost of Rs. 341.21 lakhs and subsidy of Rs. 195.60 lakhs had been disbursed. The progress made in replantation in respect of the cases for which subsidy had been paid, as collected from the records of the Board (February 1978) was as under :

Replantation Subsidy Scheme (Position as on 28th February 1978)

Accounting year	No. of cases	1st Instalment paid—area (Hectares)	No. of cases	2nd Instalment paid—area (Hectares)	No. of cases	2nd Instalment not paid—area (Hectares)	Area replanted but 2nd instalment not paid (Hectares)
1	2	3	4	5	6	7	8
1968-69	183	1540.35	126	990.53	57	549.82	539.20
1969-70	153	1319.91	99	839.25	54	480.66	457.01
1970-71	138	1069.73	84	625.51	54	444.22	399.14
1971-72	121	988.31	51	426.90	70	561.41	549.77
1972-73	129	1326.33	62	505.79	67	820.54	} Figures not available
1973-74	74	798.66	27	236.31	47	562.35	
1974-75	13	160.46	7	52.95	6	107.51	

It would appear from the above table that in respect of several cases, the second instalment of subsidy had not been paid and the Board did not obtain adequate information on progress of implementation of the scheme from time to time, from the beneficiaries.

The table below indicates the total area replanted during successive years from the inception of the scheme in 1968 :

Year	Total area under tea (Lakhs of hectares)	Total area replanted (Hectares)	Total area replanted under replantation subsidy scheme (Hectares)
1968-69	3.5	1,188.68	Nil
1969-70	3.5	987.42	Nil
1970-71	3.5	1,118.96	55.80
1971-72	3.5	1,322.21	412.95
1972-73	3.6	1,109.22	402.45
1973-74	3.6	1,090.35	863.39
1974-75	3.6	1,220.07	537.23
1975-76	3.6	1,177.83	721.97
1976-77	3.6	1202.76	866.85

It would appear from the above table that the rate of replantation achieved was far less than the target of 2 per cent (over 7,000 hectares) of the total area to be replanted every year, despite the incentive offered by Government.

The Board had, in its annual administrative reports for the years 1974-75, 1975-76 and 1976-77, observed that the scheme had not evoked sufficient response in spite of liberalisations introduced from time to time. This was reportedly mainly due to inadequacy of the amount of subsidy given compared to the cost of replantation involved and remedial measures sponsored by the Board were reported to be under the consideration of the Ministry.

The Public Accounts Committee in its 115th Report (1969-70-4th Lok Sabha) had suggested that the Board should devise appropriate checks to safeguard against the misuse of the

assistance under the scheme. The Board was advised to intensify inspections and also to entrust inspection to knowledgeable officials. The Board stated (October 1977) that the inspections of the tea estates availing of subsidy were being carried out by 'Panel Inspection' as also by the inspection staff of the Board, that the Board's inspectors were technically qualified for carrying out such inspections and that in respect of the defaulting cases, the Board's inspecting staff invariably carried out inspections.

During test-check, Audit had pointed out (September 1977) to the Board four cases in which the Board had received no reports of completion of replantation which were due on different dates between March 1972 and February 1974. The Board replied (June 1978) that after notices were issued to the parties concerned, they had refunded the amounts sanctioned to them with interest (Rs. 0.88 lakh in all) and the sanctions revoked.

It was also noticed in audit that a tea company had been sanctioned (June 1972) a subsidy of Rs. 6.14 lakhs for replantation over an area of 153 hectares out of the total area of 432.70 hectares owned by the company which had reportedly suffered damage in a hailstorm in April-May 1972. Discrepancies were noticed between the reports furnished by the company which claimed that 153.40 hectares had been uprooted by the storm and the figure of 29.62 hectares reported to the Board on the basis of survey conducted by the concerned State Government at the request of the Board. On a demand made by the Board for refund of the first instalment of the subsidy, the company disputed the figures of the State Government survey. The Board reported (May 1977) that a further investigation of the case was in progress. Further report on the case was awaited (January 1979).

5. *Research.*—In terms of section 10(2) (d) of the Tea Act, 1953, one of the primary duties of the Board is to undertake, assist or encourage scientific, technological and economic research.

Till 1974-75 the Board's activities in the field of scientific research and allied work were mainly confined to providing grants to universities and other institutions for undertaking research projects on tea. The setting up of a pilot plant for instant tea at Tocklai (Assam) in 1974, and a tea research centre at Darjeeling under the aegis of the Board in January 1977 was a major departure from the earlier pattern. The main beneficiaries of the Board's grants have been research establishments like the Tocklai Experimental Station of the Tea Research Association (TRA) and the United Planters Association of South India (UPASI).

The research grants given in favour of tea research establishments were as follows:—

Year	Total research grants	TRA	UPASI	Others
1	2	3	4	5
	(In lakhs of rupees)			
1963-64 to 1972-73	132.30	101.89	18.17	12.24
1973-74	18.13	13.57	2.01	2.55
1974-75	21.32	12.81	2.00	6.51
1975-76	25.03	20.08	2.00	2.95
1976-77	22.54	17.68	2.00	2.86
1977-78	27.23	23.06	2.00	2.17
Total	246.55	189.09	28.18	29.28

An evaluation of the work done by the TRA and UPASI conducted by a committee appointed by the *CSIR was reported to be under examination by the CSIR though no copy was stated to have been received by the Board (September 1977).

6. *Promotion of Indian tea.*—Promotional activities aimed at increasing the consumption of tea as a beverage and promoting the sales of Indian tea, in particular, in India and abroad constitute the main functions of the Board. The activities in the field of marketing, publicity and boosting up of consumption and export of tea can be broadly divided into three main spheres, viz. (i) internal promotion in India, (ii) generic promotion and (iii) uninational promotion.

*Council of Scientific and Industrial Research.

6.1 Details of the expenditure incurred on tea promotion in India are given below :—

	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78
	(In lakhs of rupees)					
Pay of establishment	3.15	3.47	5.71	5.46	5.07	4.95
Allowances, honoraria, etc.	4.45	3.79	3.83	4.43	4.16	3.99
Other charges	5.36	6.94	7.59	7.43	8.32	7.49
Total expenditure (Gross)	12.96	14.20	17.13	17.32	17.55	16.43
Deduct :						
(i) Sale Proceeds of tea realised through tea centres/bars/buffets	4.43	5.78	9.21	7.97	8.78	8.25
(ii) Administrative fees realised from industrial centres etc.	1.65	1.32	0.94	0.70	0.48	0.35
Net total expenditure	6.88	7.10	6.98	8.65	8.29	7.83

Out of the total production of tea in India, a little over fifty *per cent* is retained for internal consumption, the average annual internal consumption being around 250 million kgs. in recent years.

6.2 For promotion of Indian tea abroad, the Board has six overseas offices and three tea centres in foreign countries. (Two tea centres opened in 1963 and 1970 had been closed in 1970 and 1975 respectively). Promotional guidelines and policies are laid down by an export promotion committee and the Directorate of Tea Promotion initiates and finalises schemes of tea promotion in accordance with the decisions of the export promotion committee.

Details of total export of tea from India in 1951-52, 1961-62, 1971-72 and three recent years are given below :

	1951-52	1961-62	1971-72	1975-76	1976-77	1977-78
Quantity (in million kgs.)	194.68	205.33	214.32	211.41	242.42	221.52
Value (in crores of rupees)	93.94	122.17	160.92	238.29	295.25	563.72

The percentage share of India in the world export market for the calendar years 1951, 1961, 1971, 1975 and 1976 stood at 44.96, 37.98, 30.16, 29.29 and 29.80 respectively. During the years 1975 and 1976, the total export of tea by India included 108 and 100 million kgs. exported (about 49 and 43 per cent respectively of total quantity exported in these years) under bilateral trade agreements. A test-check in audit of export of Indian tea to three foreign countries revealed the following position :—

	1951	1961	1971	1975-76	1976-77	1977-78
<i>Country A</i>						
Quantity imported from India (in million kgs.)	125.22	127.78	79.41	54.41	84.84	59.25
Percentage to total import of tea	59	51	35	N.A.	N.A.	N.A.
<i>Country B</i>						
Quantity imported from India (in million kgs.)	14.83	12.26	9.59	6.11	12.11	5.63
Percentage to total import of tea	39	25	13	N.A.	N.A.	N.A.
<i>Country C</i>						
Quantity imported from India (in million kgs.)	9.38	7.13	3.71	3.26	3.01	2.17
Percentage to total import of tea	49	34	16	N.A.	N.A.	N.A.

It would appear from the above that the overall export of Indian tea had, more or less, remained static over the 25 years even though the total tea imported by various countries had increased considerably and that the efforts for export promotion had resulted in maintaining generally the existing level of exports without making any inroad into the additional demands by the foreign countries. In particular, the export of tea to the three countries mentioned above showed a declining trend.

(N.A.= Not available).

The details of the expenditure incurred by the Board for promotion of Indian tea through its six foreign offices are given below :

	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77
	(In lakhs of rupees)					
Pay of officers	0.97	1.12	0.75	1.48	1.79	1.66
Pay of establishment	4.72	5.27	5.22	6.13	7.20	7.37
Allowances etc.	6.26	6.46	7.08	9.13	10.51	12.77
Other charges	87.00	104.89	79.05	133.30	128.53	137.38
TOTAL	98.95	117.74	92.10	150.04	148.03	159.18

Other measures undertaken by the Board for promotion of Indian tea relate to participation in international fairs and exhibitions, tea publicity in foreign countries, tea delegation to and from foreign countries, deputation of Board's officers abroad, etc. Details of expenditure on these activities during the six years 1971-72 to 1976-77 are given below :

	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77
	(In lakhs of rupees)					
International exhibitions, trade fairs, etc.	1.08	1.23	0.80	1.11	1.24	2.18
Tea publicity in foreign countries	7.06	3.97	4.88	6.22	6.13	7.33
Asian Fair, New Delhi	..	4.79	0.49	..	..	..
Tea delegations to and from foreign countries	0.46	0.50	0.45	0.61	1.30	1.11
Deputation of Board's officers abroad	1.59	0.98	1.08	3.57	2.35	4.62
Tea promotion through mobile van in a foreign country	0.31	0.35	0.34	0.38	0.15	0.10
Export promotion and market survey in a foreign country	0.11	4.71	..	3.77	..	3.47

6.3 The tea centres, run in foreign countries by the Board, sell tea and snacks to the customers who call on them. The tea centres do not prepare an income and expenditure account or profit and loss account to find out the working results on commercial principles. The financial results of the tea centres

computed on cash basis for the six years 1971-72 to 1976-77 are given below :

	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77
	(In lakhs of rupees)					
<i>Tea Centre E</i>						
Receipts	10.98	12.82	20.07	22.09	14.94	26.40
Expenditure	16.78	19.57	23.79	28.29	29.07	28.55
Deficit(—)	—5.80	— 6.75	—3.72	—6.20	—14.13	—2.15
<i>Tea Centre F</i>						
Receipts	9.43	9.12	8.57	8.93	10.54	13.95
Expenditure	10.97	11.26	10.00	12.34	14.38	21.38
Deficit (—)	—1.54	—2.14	—1.43	—3.41	—3.84	—7.43
<i>Tea Centre G</i>						
Receipts	3.40	3.80	2.64	3.35	3.76	4.43
Expenditure	3.12	3.64	3.02	3.54	3.94	4.76
Excess(+)/Deficit (—)	+0.28	+0.16	—0.38	—0.19	—0.18	—0.33

Government attributed the losses in Tea Centre E in 1975-76 to (i) increase in rates and taxes, (ii) increase in wages of catering staff and (iii) adverse economic climate in the foreign country and those in Tea Centre F to large rental of the premises.

6.4 Besides the three tea centres mentioned above, two tea centres opened in June 1963 and December 1970 had been closed in May 1970 and September 1975 respectively. In respect of the tea centre opened in December 1970, following position was noticed in audit.

In view of the growing importance of the city in country 'D' where the tea centre was opened, the Board received a proposal from the concerned foreign office for opening the centre in October 1967. The commercial feasibility of the proposal was examined by engaging the services of a foreign firm of catering consultants at a cost of Rs. 0.11 lakh and it was felt that the centre would bring forth adequate return so as to make itself self-supporting. The project report submitted by the foreign consultant in July 1968 recommended a particular site for location of the tea centre. However, that site could not be obtained due to delay in issue of sanction. Another site in the first floor of a

building having a floor area of 5,500 square feet (against the requirement of 3,000 square feet only) was selected and the tea centre was opened after incurring a total expenditure of Rs. 11.47 lakhs. The centre was, however, closed in September 1975 as it had, by then, incurred a working loss of Rs. 17.40 lakhs on grounds of defective location, lack of escalator or lift facility, competition from a big cheaper cafeteria situated opposite to the centre, heavy expenditure on wages, salary, etc. The centre did not maintain any stock account and assets estimated to cost Rs. 6.19 lakhs were valued at Rs. 3.49 lakhs by a firm of auctioneers in July 1975 and were disposed of in September 1975 at Rs. 1.19 lakhs through negotiations resulting in loss of Rs. 5.00 lakhs.

6.5 Generic promotions, the object of which is to increase the consumption of tea as a beverage in the world market is carried out through different Tea Councils set up with the joint financial support of the local trade and the principal exporting countries. India has been a member of 8 such Tea Councils and is also a member of the International Tea Committee. A summary of India's contribution to the 8 Tea Councils and the International Tea Committee is given below :

	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77
	(Rupees in lakhs)					
8 Tea Councils	23.75	26.79	45.52	33.77	48.18	35.07
International Tea Committee	1.04	0.76	0.90	0.85	0.37	0.79
TOTAL	24.79	27.55	46.42	34.62	48.55	35.86

The test of the success of the generic promotion is the impact it has had on the total consumption and the total *per capita* consumption of tea in the countries where the generic promotion is undertaken. A comparative study of the position of consumption of tea in the 8 countries has, however, disclosed that there had been hardly any increase either in the quantity of tea consumed or in the consumption of tea *per head*. The Public Accounts Committee had observed in this connection in its 115th Report (1969-70—Fourth Lok Sabha) that Government should conduct an appraisal of the utility of the generic campaigns to

see whether these were not overemphasised to the detriment of uninational campaigns. Despite the above recommendation, the contribution by the Board for generic promotion has considerably increased over the years.

6.6 Some of the specific schemes taken up for increasing export of Indian tea were examined in audit and results thereof are mentioned in the following paragraphs:—

- (i) In country 'A', an agreement was entered into with a private firm 'X' in 1969-70 with a view to increasing the percentage of Indian tea in its blends from 42 to 75 *per cent*. For meeting promotional expenses for increasing the content of Indian tea, the party was paid a sum of about Rs. 108 lakhs (in foreign currency) during the years 1969-70 to 1976-77. The proportion of content of Indian tea in the blends which reached the target of 75 *per cent* in the years 1969-70 to 1971-72 had, however, come down to 51,35,51 and 55 *per cent* in 1976-77 in the four blends prepared by the party.
- (ii) Another firm 'Y' in the same country had been paid a sum of about Rs. 5.08 lakhs (in foreign currency) between 1972-73 and 1976-77 for promoting use of Indian tea subject to the condition that the firm used not less than 40 *per cent* of Indian tea in its blends, the amount of subsidy being determined at a prescribed rate on the quantity consumed in excess of 40 *per cent*. The firm, however, failed to reach the prescribed level in 1972-73 and 1973-74. The agreement was revised in March 1976 with retrospective effect from April 1975 whereby the firm was entitled for subsidy for every additional pound of Indian tea over and above the average use of Indian tea in its blends between 1st April 1972 and 31st March 1975. The firm used 36.06 *per cent* against the average of 35 *per cent* of Indian tea in its blends for 1975-76 and became entitled to the subsidy. For 1976-77, baseline percentage came down to 33.63 *per cent* and no payment had been made so far (October 1978).

- (iii) In country 'B', a private firm 'Z' agreed to purchase Indian tea amounting to 16.25 lakh pounds between 1969-70 and 1971-72. To popularise Indian tea, the Board agreed to supply T.V. films at a cost of Rs. 3 lakhs per year for 3 years. The contract for supply of Indian tea was, however, terminated in June 1971 due to high level of methanol content in the tea produced and in the meantime, the Board incurred an expenditure of Rs. 3 lakhs on production of T.V. films which were not put to use.

7. Other topics of interest

7.1 *Re-imburement of losses on management of tea warehouses.*—The Board had agreed (March 1960) to guarantee utilisation of storage space in respect of an existing warehouse as also utilisation of approximately 6 lakh square feet on a new warehouse proposed to be constructed by the Port Commissioner, Calcutta for storage of all tea belonging to estates, controlled directly or indirectly by Government (Tea Board). In terms of the agreement, the Port Commissioner agreed that no fresh lease would be granted or construction of new private warehouses be allowed without the Board's prior approval during the period covered by the guarantee, *i.e.* up to 31st March 1990 in the first contingency and 60 years from the date of occupation in the second contingency. The warehouses were, however, never fully utilised as there were already a number of private warehouses (there were in 1976, 53 tea warehouses including 51 private warehouses with a storage area of 15 lakh square feet as against the Board's warehouses with a floor space of approximately 7 lakh square feet). A committee, appointed by Government to investigate the problems of tea industry in all its aspects (the Committee's report published in November 1968), recommended that the Board should not be saddled with the task of controlling management and operation of tea warehouses. This recommendation was accepted by Government *in toto*. The management of the two public warehouses, initially entrusted to a private company, was transferred by the Board

to the Central Inland Water Transport Corporation (CIWTC) with effect from 11th July 1972 as an *interim* arrangement. These warehouses were subsequently transferred to the Tea Trading Corporation (TTC) of India from 1st May 1974 and are being operated by that Corporation since that date. According to the arrangement with the Corporations, the loss, if any, incurred by the Corporations in the course of operation of these warehouses would be reimbursed by the Board on actual basis. Accordingly, the Board made payment of Rs. 12.84 lakhs towards losses incurred by the CIWTC and TTC on the basis of audited statements of accounts certified by their respective auditors.

8. *Summing up.*—The main points that emerge are as follows:—

- (i) The physical target for production of tea in India had been achieved from one Plan to another but the specific schemes taken up for improvement, in particular the Tea Replantation Subsidy Scheme, had not yielded the expected results.
- (ii) Despite the heavy expenditure incurred on export promotion, (over Rs. 150 lakhs annually), the export of tea has remained static over the years, even the low level of target fixed from one Plan to another had not been achieved and India's share in world export which stood at 45 per cent in 1951 had come down to 30 per cent in 1976.
- (iii) Test-check in audit disclosed that specific concessions for increasing export of tea had not yielded the desired result.
- (iv) A tea centre was opened in country 'D' at an unsuitable location and the centre had to be closed (September 1975) after incurring total working loss of Rs. 17.40 lakhs and capital loss of Rs. 5 lakhs.
- (v) Genetic promotion had been subsidised disproportionately to the results in favour of Indian tea despite

recommendation to the contrary by the Public Accounts Committee in its 115th Report (4th Lok Sabha : 1969-70).

- (vi) The Board had undertaken to reimburse losses on management of tea warehouses since July 1972 without adequate study of the demand therefor and such reimbursement amounted to Rs. 12.84 lakhs up to September 1977.

MINISTRY OF EDUCATION AND SOCIAL WELFARE

(Department of Education)

57. Indian Council of Social Science Research

1.0. Introductory.—The Indian Council of Social Science Research (hereafter ICSSR) was established in December 1968 by a resolution of Government and was registered under the Societies Registration Act, 1860 as an autonomous organisation from 1st August 1969. The main objects of the ICSSR are:

- (i) to sponsor, co-ordinate and give financial support to social science research programmes and projects;
- (ii) to organise and support training in research methodology;
- (iii) to develop and support centres for documentation services; and
- (iv) to administer scholarships, fellowships and awards for social science research by students, teachers and other research workers.

1.1 Organisational set-up.—The ICSSR is managed by a Council which consists of a Chairman, a Member-Secretary and 24 members nominated by Government. It has a Policy,

Planning and Administration Committee to look after its policies, plans, administrative and financial affairs and a Research Committee to scrutinise and sanction grants for research projects, subject to rules, regulations and orders of the Council.

The Council has also constituted 5 separate standing committees for dealing with matters relating to research institutions, documentation services, training, data archives and international collaboration.

1.2 *Review committee.*—The Memorandum of Association of the ICSSR provides that Government may appoint one or more persons to review the work and progress of the ICSSR; no such committee had been constituted by Government so far (December 1978). The Council appointed (January 1973) a review committee which evaluated (1973) the work of the ICSSR during its first four years and indicated the lines on which the ICSSR should be developed. The Council appointed another committee in September 1977 to review the work of the ICSSR during its first 10 years and to make proposals for the development of the work and programmes of the ICSSR over the next 10 years especially during the Sixth Five Year Plan. The ICSSR stated (December 1978) that the committee's report was discussed by the Council in December 1978.

2. *Finance, accounts and audit.*—The ICSSR is financed mainly by grants from Government. Since inception and up to 31st March 1977, the receipts (Rs. 665.16 lakhs) of the ICSSR comprised grants from Government (Rs. 595.07 lakhs), grants from the Ford Foundation (Rs. 50.78 lakhs), grants from State Governments, etc. (Rs. 6.67 lakhs) and other receipts (Rs. 12.64 lakhs). During the same period payments made by the ICSSR amounted to Rs. 660.30 lakhs of which Rs. 400.12 lakhs were paid as grants for various programmes while administrative expenses excluding salaries and contingencies booked under individual activities amounted to Rs. 47.63 lakhs. A summary

of receipts and payments of the ICSSR since its inception to 1976-77 is given below :

<i>Receipts</i>	Upto 1972-73	1973-74	1974-75	1975-76	1976-77	Total
		(In lakhs of rupees)				
Opening balance	..	1.41	2.37	4.39	6.68	..
Grants from Govern- ment	153.32	54.50	111.51	132.00	143.74	595.07
Grants from Ford Foundation	..	14.60	15.81	7.26	13.11	50.78
Receipts from other sources	1.69	5.78	2.67	6.00	3.17	19.31
TOTAL	<u>155.01</u>	<u>76.29</u>	<u>132.36</u>	<u>149.65</u>	<u>166.70</u>	<u>665.16</u>

Payments

Administration	15.18	6.10	7.43	8.99	9.93	47.63
Capital expenditure	7.13	3.22	5.40	0.86	1.11	17.72
Direct expenditure on various activities	45.29	26.48	30.70	28.80	28.10	159.37
Grants disbursed for various activities	75.00	35.03	83.11	92.07	114.91	400.12
Debt, deposit, advances, etc.	11.00	3.09	1.33	12.25	7.79	35.46
TOTAL	<u>153.60</u>	<u>73.92</u>	<u>127.97</u>	<u>142.97</u>	<u>161.84</u>	<u>660.30</u>
Closing balance	1.41	2.37	4.39	6.68	4.86	4.86

The accounts of the ICSSR, which is substantially financed by Government, are audited by the Comptroller and Auditor General of India under section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. Up to 1975-76, the Comptroller and Auditor General of India was the sole auditor of the accounts of the ICSSR; from 1976-77 chartered accountants have been appointed by the ICSSR to audit and certify its annual accounts. The annual accounts for 1977-78 had not yet (December 1978) been certified by the chartered accountants. The audited accounts with the audit report thereon are laid before Parliament annually.

3. Utilisation of grants

3.1 *Grants paid by Government to the ICSSR.*—One of the conditions attached to grants released by Government to the ICSSR is that after the close of the financial year and, in any case, not later than 30th June of the following year, an audited statement of accounts along with a certificate that the grants had been utilised for the purpose for which they were sanctioned should be sent to Government. The ICSSR had not, however, furnished to Government any utilisation certificate since its inception (1969). The ICSSR stated (December 1978) that the certificate had not been furnished as it would be a mere formality and that until the ICSSR received certificates of utilisation of grants paid by it, it could not really issue a utilisation certificate.

3.2 *Grants paid by the ICSSR.*—Grants disbursed by the ICSSR during 1969-70 to 1976-77 for various purposes to research institutions and individuals amounted to Rs. 400.12 lakhs. To keep a detailed account of each grant paid by the ICSSR, the rules prescribe the maintenance of a register of grants-in-aid which, among other things, should indicate at any time the latest position about the receipt of audited statements of accounts from the grantees. In December 1971, Government directed the ICSSR to watch the timely receipt of utilisation certificates from the grantees and to furnish quarterly progress reports. A test-check in audit of the relevant records of the ICSSR, however, disclosed that :

- the ICSSR had not maintained registers to watch utilisation of grants amounting to Rs. 24.52 lakhs paid to regional centres or in respect of amounts disbursed as study grants;
- though the release of grants in instalments was conditional on satisfactory progress, the ICSSR did not watch regular receipt of the prescribed six-monthly progress reports and the relevant columns in the registers had not been filled in;

- there was no system of recording utilisation or issue of utilisation certificates by the grants sanctioning branch of the ICSSR to its accounts branch;
- the columns provided to record the receipt of audited accounts along with the utilisation certificates had generally not been filled in the case of grants paid (Rs. 45.84 lakhs) for training programmes, documentation and bibliographical services, publications and other programmes;
- in cases where the columns had been entered, the amount for which utilisation certificates had been received and the amount for which these were outstanding had not been worked out and the position not reviewed; and
- the quarterly reports furnished by the ICSSR to Government in response to their directions of December 1971 indicated the position in respect of completed projects, fellowship terms etc. only and this return did not cover grants to research institutions for maintenance and development (Rs. 131.26 lakhs up to 1976-77); according to this return furnished in May 1978 utilisation certificates had been received for Rs. 29.86 lakhs only out of the balance of grants of Rs. 268.86 lakhs.

The ICSSR stated (December 1978) that :

- efforts would be made to bring all the registers up to date by 31st March 1979;
- it checked all grants sanctioned “from different points of view” including those of audited accounts and utilisation certificates at the time of preparation of final report and submission of quarterly reports to Government;
- the information furnished to Government covered only a small fraction of the total grants for several reasons, the most important being the fact that the grantee institutions were themselves late in furnishing information to it; and

- immediate steps were being taken to streamline this work within the ICSSR itself but progress could only be slow until the problems in the grantee institutions were overcome.

4. *Grants to research institutions.*—The ICSSR disbursed Rs. 131.26 lakhs as maintenance and development grants to 14 research institutions during 1974-75 to 1976-77. Each grantee institution was required to maintain an account of assets created out of the financial assistance and furnish a certificate annually to the ICSSR in a prescribed form to the effect that proper accounts of assets had been maintained and that the assets had been utilised for the purpose for which assistance was given and had not been encumbered or disposed of. Though assets valued at Rs. 10.12 lakhs were held by 8 institutions on 31st March 1977, the receipt of the certificates was not ensured by the ICSSR; only two out of 8 institutions had furnished the certificates one for the year 1974-75 and another for the year 1975-76. The ICSSR stated (December 1978) that there had been remissness in the discharge of this responsibility by the research institutions and that steps were being taken to remedy the situation in this regard.

Another condition of assistance was that the institution should submit an achievement-*cum*-performance report to the ICSSR at the close of every year. Of the 14 institutions, which were given grants during 1974-75 to 1976-77, none had submitted achievement-*cum*-performance reports, while 4 had submitted annual reports for the year ending March 1976, one for the year ending March 1975 and one for the year ending March 1974. The ICSSR stated (December 1978) that it had been trying to discharge its responsibility in this regard through a number of devices such as the standing committees on research institutions, visits by the Chairman and Member-Secretary, quinquennial visiting committees etc.

5. *Research projects*

5.1 *Progress of completion of projects.*—The ICSSR released Rs. 131.29 lakhs up to 31st March 1977 as grants for research

projects in social sciences comprising 15 disciplines. The rules for the research grants provide that the exact number of projects sanctioned to an institution would depend upon the strength and quality of its staff, the facilities available and its past performance in research and that excluding sponsored projects, not more than 2 projects would be sanctioned ordinarily at a time to a university department and not more than 5 to an institution. Further, an individual was entitled to take up only one research assignment at a time. A test-check in audit showed that two universities D and J had been sanctioned 26 and 33 projects respectively up to 31st March 1977; of these, 4 departments of university D and 5 of university J had been sanctioned more than two projects each. Out of the projects sanctioned to these 2 universities, 14 and 25 projects respectively remained incomplete on 31st December 1978. The test-check also disclosed that as on 31st March 1978, 11 projects sanctioned in 1970-71(1), 1971-72(3), 1972-73(1), 1975-76(2) and 1976-77(4) were pending with four project directors (2 each and one project director (3). The ICSSR stated (December 1978) that this rule was meant only for broad guidance and was not mandatory.

The rules require that report on the research project should be submitted by the project director within 3 months of its completion; and the report so received is referred to an external consultant, in accordance with whose comments the report is either accepted by the research committee of the ICSSR or returned to the project director for revision. A committee appointed by the Council in June 1977 to evaluate research promotional policy reported that out of 303 project reports received till December 1977, 274 were received after the due date with delays ranging from 1 to 5 years. The committee which evaluated 168 out of the 303 research project reports found that only 115 reports had been accepted by the ICSSR in the original form and that 61 accepted reports could not be considered to be satisfactory.

A test-check of records in audit relating to 58 of the 71 research projects sanctioned by the ICSSR in 1974-75 showed that

none of the projects had been completed within the stipulated period. Out of the 24 projects completed up to May 1978, 15 were completed 1 to 26 months after expiry of the extension of time given for the project while no extension was sought in the remaining 9 projects for delays ranging from 5 to 26 months. Out of 23 reports received in respect of the completed projects (in one case no report was required to be submitted), 10 had been accepted, 4 were pending (May 1978) with consultants for 1 to 10 months and 9 were required to be revised. Further, as already observed in sub-paragraph 3.2, the receipt of six-monthly progress reports to be submitted by the project directors had not been watched by the ICSSR.

Of the 34 projects remaining incomplete, in 17 projects no requests for extension of time had been received and in the other 17 projects, initially sanctioned for 6 to 24 months, extension of time had been allowed by the ICSSR for periods ranging from 2 to 41 months. In 10 of these projects the delay in completion was due to the project director's transfer (1), death (1), deputation abroad (1), pre-occupation with assignments of the institution to which he belonged (2), strikes and floods in the area where research was to be done (2) and non-availability of data processing machines (3). Reasons for delay in the completion of the other 24 projects were not on record. Up to 31st December 1977, the ICSSR had released Rs. 8.77 lakhs for these 34 incomplete projects.

The ICSSR stated (December 1978) that it had highlighted the problem of delay in completion of research projects in its annual reports and that it was examining the problem urgently for devising solutions. It had also stated that "a major administrative programme to be undertaken by the ICSSR on a priority basis is to improve monitoring" of the progress of sanctioned projects and fellowships.

5.2 Publication of results of research projects.—The rules for research grants provide that the research project director and staff should give wide and timely publicity to research results

in all possible ways and submit to the ICSSR along with his final report, a short summary for publication in the "Research Abstracts Quarterly" issued by the ICSSR. The review committee felt that very often research results became outdated, if not published immediately and recommended (December 1973) that the ICSSR might extend assistance for publication of research results having high utilisation potential. The recommendation (December 1973) was generally accepted (May 1974) by the Council which decided, in view of the shortage of paper and rising cost of publication, to publish terse, well-edited, long summaries of research reports rather than the reports themselves and to give grants for the publication of book length reports of research projects on a liberal but highly selective basis.

A test-check of the ICSSR's register showing up to date position of sanctioned research projects, disclosed that summaries had not been received for 6 out of the 268 projects shown as completed by March 1978. Of the remaining 262 projects, book length reports had been published (or grant sanctioned for publication) for 98 projects of which 45 were also published as summaries; for another 59 projects, summary alone had been published. The manner in which the results of the other 105 projects (research grants paid Rs. 20.01 lakhs) were given publicity was not on record. The ICSSR stated (December 1978) that it was of the view that the task of publicising the results of research and winning support for them would best be left to the researchers themselves or to interested voluntary groups.

5.3 Observations on a few research programmes and projects are given below:

(a) *Research Survey Scheme 1970.*—To identify priority areas in research, a scheme was formulated by the ICSSR in 1970 for survey of research already made up to 1969. Under the scheme, all social science research programmes were grouped

under seven major fields sub-divided into 125 sub-fields and social scientists having intimate knowledge of the sub-fields were requested to survey the research already done in that particular area of specialisation.

The whole scheme involving publication of 23 volumes on surveys was expected to be completed in a period of three years, *i. e.*, by 1973 at an estimated cost of Rs. 6.83 lakhs. The time for completion was extended by the Council in May 1974 up to end of 1975. The delay in completion was attributed by the ICSSR to (a) late receipt of reports from the social scientists, (b) long time required for the editorial work, (c) difficulties in printing, obtaining paper, etc. By 30th April 1978, 16 out of the 23 volumes had been published and an expenditure of Rs. 7.45 lakhs had been incurred (excluding cost of paper, printing and binding).

In respect of research done after 1969, the Council decided in May 1974 that a survey should be taken up under 5 fields and completed during the Fifth Plan (*i. e.*, 2 volumes in 1977, 2 in 1978 and one in 1979) but no volume had been brought out so far (December 1978). The expenditure incurred on this part of the scheme up to March 1978 was Rs. 0.80 lakh.

(b) *Projects on education.*—In July 1971, the ICSSR sanctioned a grant of Rs. 0.50 lakh for a research project titled "Planning for Civic Culture in India" proposed by the Member-Secretary of the ICSSR as project director. The project involved 3 stages of study and was to be completed within 2 years of commencement. Subsequently, the Member-Secretary recorded (15th November 1974) that after working for over two years on the project, he had found it necessary and beneficial to steer away from the original design and the changed design was to cost Rs. 12,500 more. This was approved by the ICSSR on 19th November 1974 stipulating that the final report be submitted by 1st March 1975. No final report had, however, been submitted so far (December 1978). An expenditure of Rs. 0.56 lakh had so far been incurred on the project, mainly on the salaries (Rs. 0.53 lakh) of a joint director and a stenographer.

In February 1975, the research committee sanctioned another project titled "Education in India—problems and prospects (1976—86)" to be undertaken by the ICSSR itself with its Member-Secretary as project director for completion within two years of its commencement. By November 1977, the ICSSR had spent on the second programme Rs. 0.77 lakh mainly on the salaries (Rs. 0.68 lakh) of the Associate Director and Research Assistant. The Research Assistant left in March 1976 and the Associate Director was given terminal leave in December 1977.

The ICSSR stated that the project director had been permitted (August 1978) to merge all research work on education entrusted to him under the title "Alternatives in development: Education" and his request that he need not submit a separate report on the project "Planning for Civic Culture in India" was under consideration (December 1978). The ICSSR also stated (January 1979) that the Member-Secretary had been permitted to take the project with him, after his relinquishing the post of Member-Secretary (31st March 1978), to the Indian Institute of Education, Pune and to complete it there in a period of about three years.

(c) *Studies on the fifth general elections.*—Considering that study of electoral behaviour was of considerable significance for the country the ICSSR set up in July 1970 a group to plan the broad strategy of studies on the fifth general election, to scrutinise individual proposals and to guide and co-ordinate the entire effort till the reports on the studies were published. The group recommended (January 1971) the programme for the studies and the institutions to which these studies should be entrusted and stressed that special measures should be adopted to ensure that the findings of these studies became available by June 1972. In March 1971, the Council entrusted the main study to the "Centre for Study of Developing Societies, Delhi" at an estimated expenditure of Rs. 3.50 lakhs, subsequently (November 1974) increased to Rs. 3.95 lakhs, of which Rs. 3.61 lakhs were released to the Centre in 1971 and Rs. 0.14 lakh in 1974. Despite the planning group's emphasis that the findings should be available by June 1972 at the latest, the ICSSR allowed extension of time, first up to June 1974 and then up to October 1976. The Centre

submitted the final report to the ICSSR in November 1977, i.e., 8 months after the completion of the sixth general elections to the Lok Sabha. The report was referred by the ICSSR on 30th November 1977 to consultants whose comments were awaited (June 1978). Of the 16 other election studies (eleven State studies and 5 studies of special aspects) sanctioned by the ICSSR during 1971-72 for Rs. 3.81 lakhs, reports on six studies for which Rs. 1.99 lakhs had been spent, were awaited (December 1978); in 5 cases there had been no response to the ICSSR's reminders and in the sixth case the project director had retired from service.

(d) *Study of finances of selected universities.*—In collaboration with the University Grants Commission, the ICSSR set up a study group in 1971 to examine the finances of the universities and colleges and to make recommendations for optimum utilisation of educational grants and facilities. Ten selected universities undertook the study; the studies, for which a total grant-in-aid of Rs. 1.35 lakhs was sanctioned (1971-72 to 1972-73), were expected to be completed and reports made available by 31st March 1973. Against Rs. 1.10 lakhs released by the ICSSR for the purpose, Rs. 1.05 lakhs had been spent (March 1978).

Of the ten studies undertaken, only three were completed by May 1975; two were partly completed and the remaining five were outstanding (December 1978). The delay in completion of the studies was attributed by one university to the pre-occupation of the project director with university work while the reasons for delay by the remaining universities were not known to the ICSSR because there was no response from these universities to the communications of the ICSSR. Rupees 0.42 lakh were paid to these universities. The ICSSR stated (December 1978) that the matter would be taken up with the concerned project directors and institutions.

6. *Fellowships.*—To encourage research in social sciences, the ICSSR offered national, senior, post-doctoral and doctoral fellowships to social scientists and contingent grants for field

work and other forms of assistance to doctoral students. The ICSSR awarded 908 fellowships and contingency grants (Rs. 83.55 lakhs) up to 31st March 1978. The terms of award required the recipient to submit a final report to the ICSSR: of the 267 final reports due by 31st March 1978, only 20 had been received (December 1978). The ICSSR had not (December 1978) initiated any steps to obtain the overdue reports. The following other points were noticed:—

(i) A scheme of national fellowships for social scientists who had made outstanding contribution to social science research, was introduced by the ICSSR in 1970-71. Fifteen awards, generally of 2 year's duration, had been made upto 31st March 1978, the expenditure incurred being Rs. 5.34 lakhs. Two of the recipients were members of the Council when the fellowships were awarded and four were members in the past.

Scrutiny of records relating to 7 awards made up to 31st March 1976 revealed that one fellow resigned (June 1976) after Rs. 0.40 lakh had been paid and two fellowships had been kept in abeyance after Rs. 0.58 lakh and Rs. 0.64 lakh had been spent. The final report of a fellowship (expenditure: Rs. 0.87 lakh) concluded in September 1976 had not yet (December 1978) been received.

A national fellow was expected to engage himself on a research project of his own choice on a whole time basis and submit a full detailed report; this requirement was dispensed with on the recommendations of the Research Committee by the Council (December 1977) but no reasons for the dispensation were recorded. When Audit enquired how in the absence of published reports on the research project carried out, the scheme would promote social science research utilisation in the country, the ICSSR stated (December 1978) that the objection raised by Audit was valid and that the decision to dispense with reports had been changed.

(ii) Senior fellowships were introduced in 1969-70 to provide social scientists with established reputation opportunities for

whole time research or writing of books about their studies. The ICSSR incurred expenditure of Rs. 25.26 lakhs up to 31st March 1978 on 77 senior fellowships, generally of one year's duration. The recipient of the fellowship was required to submit within six months of its conclusion, a detailed report on his research work in a publishable form to the ICSSR. Out of 46 reports due by 31st March 1978, only 13 had been received (December 1978).

The rules also required that a senior fellow must be attached to an institution approved by the ICSSR through which the award would be disbursed, and that persons who had retired from service or were not in employment or had availed of any fellowship (other than a doctoral fellowship) in the preceding 5 years were not eligible for senior fellowships. A test-check in audit, however, disclosed that these instructions had not been duly observed and fellowships had been awarded also to persons ineligible according to the rules. In four such cases, payments amounting to Rs. 1.81 lakhs were made (1975 to 1978).

(iii) Doctoral fellowships were introduced in 1971-72 to enable young persons (preferably below 30 years of age) registered for doctoral degrees to undertake research on themes within the priority areas identified by the ICSSR, especially inter-disciplinary themes. Up to 31st March 1978, the ICSSR awarded 491 doctoral fellowships, on which expenditure of Rs. 45.04 lakhs had been incurred. One condition of the doctoral fellowship was that the fellow should submit a copy of the thesis to the ICSSR. Though 207 fellowships were completed up to 31st March 1978, only 3 theses had been received (December 1978).

(iv) Doctoral fellowships are under the rules generally to be awarded for research in priority areas for two years, extensions being sanctioned if progress of work was satisfactory; extensions beyond 3 years are permissible in exceptional cases only. Selections for the award of doctoral fellowships on the basis of merit are to be made by a selection committee appointed by the Council, on receipt of applications through heads of university

departments and research institutions where the candidates are registered. A test-check of 46 out of 48 awards taken up during 1974-75 disclosed the following deviations from the prescribed terms and procedures:—

- (a) The selection committee was constituted without obtaining approval of the Council.
- (b) Fellowships (38) were awarded to candidates who had applied directly to the ICSSR and not through the heads of university departments and research institutions; 2 fellowships were awarded to candidates selected not by the committee but by the Bureau of Psychology, Allahabad and 6 fellowships were assigned to 5 institutions for being awarded to candidates of their choice as a regular feature.
- (c) Though the rules stated that awards providing for protection of salaries of doctoral fellows would be limited to 20 *per cent* of doctoral fellowships awarded, the ICSSR allowed salary protection to 15 candidates (i.e. 33%) out of 46 cases examined in audit. Four of these awardees were above the prescribed age limit of 35 years and two were neither teachers in affiliated colleges nor professional staff in research institutions who alone were eligible for salary protection.
- (d) In eight cases, fellowships were provided to candidates to undertake research on themes which did not fall within the priority areas for 1974-75 identified by the ICSSR. The records did not show whether any fellowship was awarded during 1974-75 for research on interdisciplinary themes.
- (e) Seven fellowship holders resigned without obtaining the stipulated prior approval of the ICSSR after an amount of Rs. 0.78 lakh had been paid to them.

The ICSSR stated (January 1979) that, in practice, all committees were constituted by the Chairman and in this case (as in

some others) the Member-Secretary acted in consultation with the Chairman for constituting these committees, that it entertained direct applications also, that the decisions regarding percentages for salary protection, age, priority areas, etc. were not mandatory or final and that there existed no way of preventing the fellows from resigning.

7. *Regional centres.*—The ICSSR decided (January 1972) to establish in each of the big States one regional centre which, in addition to serving as a national centre for source material in regional languages, was to provide library services and hostel facilities for research scholars, study grants, consultancy and guidance for promotion of social sciences research. Each regional centre was to have a committee of management consisting of representatives of the universities and research institutions within the region. So far (December 1978) the ICSSR had set up 6 centres and had released grants amounting to Rs. 64.23 lakhs, of which Rs. 41.28 lakhs were for acquiring accommodation to house the centres and to provide hostel facilities. A test-check of the records relating to the grants to the centres disclosed the following:—

Buildings for the centres at Bombay and Hyderabad were constructed (cost: Rs. 20.75 lakhs) and put to use in 1975-76, but no agreement regarding the ownership, maintenance or utilisation thereof had been entered into (July 1978) with the affiliating universities by the ICSSR which met the entire cost of construction. For accommodation to be constructed by Jawaharlal Nehru University for the centre at Delhi, the ICSSR had paid (up to March 1978) to the university Rs. 13.50 lakhs in five instalments out of an estimated cost of Rs. 21.80 lakhs; no target date had been fixed for the completion of the construction. On release of the first instalment in May 1975, the ICSSR had imposed the condition that further instalment would be released subject to submission of statements of accounts of previous grants, but no statement of accounts had been received (December 1978). The ICSSR stated (December 1978) that subsequent instalments were released after the Member-Secretary satisfied himself about the progress of work.

8. *Training in research methodology.*—Intensive full time training courses in research methodology of four to six weeks' duration were organised by the ICSSR for doctoral students, research workers and teachers of research methodology. Thirty-one courses for 841 trainees were organised during 1971—74 and thirteen courses for 358 trainees were organised during 1974—77. Statements of accounts in respect of 11 courses, for which grants amounting to Rs. 3.51 lakhs were released till March 1977, had neither been received (December 1978) nor were any steps taken by the ICSSR to get the accounts. The ICSSR stated (December 1978) that steps were being taken to get the accounts.

9. *Publications.*—Up to 31st March 1977, the ICSSR spent Rs. 34.91 lakhs on publications (priced and unpriced) issued by it and grants for publications brought out by other agencies. Receipts from the sale of publications amounted to Rs. 2.09 lakhs. The following points were noticed on test-check in audit:—

(i) The ICSSR brought out at a cost of Rs. 11.10 lakhs (on printing and binding alone) 1.16 lakh copies of priced publications up to 31st March 1977, out of which 0.59 lakh copies (51 per cent, cost: Rs. 6.26 lakhs) remained unsold on 31st December 1978, as indicated below:

Year of issue	Copies published	Copies sold	Copies issued free of cost	Copies unsold	Price of unsold copies	Cost of unsold copies
(In lakhs of rupees)						
1970	2,805	666	591	1,548	0.17	0.09
1971	3,000	1,004	1,200	796	0.14	0.09
1972	8,509	2,504	915	5,090	1.48	0.70
1973	8,152	3,029	1,331	3,792	1.33	0.38
1974	11,299	1,974	2,409	6,916	5.66	0.98
1975	44,647	14,728	8,170	21,749	7.57	1.67
1976	30,278	2,946	12,660	14,672	5.85	0.95
1977	7,032	2,443	240	4,349	5.40	1.40
TOTAL	1,15,722	29,294	27,516	58,912	25.82	6.26

It was noticed that the number of copies to be printed in respect of each publication was decided on *ad hoc* basis by the Member-Secretary/Director of the ICSSR.

(ii) The pricing policy decided by the Council in 1970 was to add over-head expenses at the rate of 60 *per cent* to the cost of production and to distribute the total cost equally over all printed copies after deducting the number of copies distributed free. The authority to fix subsidised prices and decide the quota for free distribution of priced publications was delegated to the administrative committee. A test-check of records relating to 4 major publication projects undertaken by the ICSSR revealed that out of 40,932 copies of 34 publications brought out under these projects by the end of 1977 at a total cost of Rs. 23.94 lakhs (excluding cost of paper) 19,448 copies priced at Rs. 13.71 lakhs remained unsold on 31st December 1978 as shown below:

Year of issue	Copies printed	Copies sold	Copies distributed free of cost	Copies lying unsold	Price of unsold copies
(In lakhs of rupees)					
1973	1,500	98	598	804	0.24
1974	6,400	525	1,855	4,020	2.14
1975	10,500	470	5,577	4,453	2.69
1976	19,500	679	11,172	7,649	3.59
1977	3,032	303	207	2,522	5.05
TOTAL	40,932	2,075	19,409	19,448	13.71

The quota for free distribution of these priced publications was not fixed by the administrative committee but for some of these publications, 38 to 65 *per cent* of the copies printed were distributed free. The sale price of these publications was not fixed in accordance with the policy laid down by the Council.

10. *Summing up.*—The following are the main points that emerge:—

(i) Since its inception (December 1968) up to March 1977, the ICSSR had received grants totalling Rs. 595.07 lakhs

from Government, but Government had not undertaken a review of its performance so far (December 1978).

- (ii) Till March 1977, the ICSSR had paid grants of Rs. 400.12 lakhs for various programmes. Procedure for watching utilisation of grants was, however, not adequate and registers prescribed for the purpose were not satisfactorily maintained. Despite the Ministry's instructions (1971) to watch the receipt of utilisation certificates from grantees, such certificates obtained by the ICSSR up to 31st March 1978 covered only Rs. 29.86 lakhs (11 *per cent* of the grants disbursed—(Rs. 268.86 lakhs)—for research projects, fellowships, etc., up to 31st March 1977). The achievement-*cum*-performance of 14 institutions to which maintenance and development grants amounting to Rs. 131.26 lakhs had been disbursed during 1974-75 to 1976-77 had not been watched through reports intended for the purpose by the ICSSR.
- (iii) The completion of most of the research projects had been delayed, often without extension of time having been sought by the project directors. Although project directors were expected to submit half yearly progress reports, the ICSSR neither watched the receipt of these reports nor monitored the progress of the projects in any other manner.
- (iv) Despite the importance of prompt publication of research findings, the responsibility for publication was left to the project personnel; the ICSSR was not aware whether results of 105 completed research projects (grants paid: Rs. 20.01 lakhs) had been published. An examination of some research projects disclosed considerable delays in their completion and publication of results.
- (v) The ICSSR awarded 908 fellowships (grants: Rs. 83.55 lakhs up to March 1978) but out of 267 final reports due from the recipients by 31st March 1978, only 20 reports

had been received. Several deviations from rules were noticed in the award of fellowships.

- (vi) Council's orders about fixing the price of publications were not followed; many copies of several publications were given away free of cost. A large number of copies (price: Rs. 25.82 lakhs) remained unsold as on 31st December 1978.

(Departments of Education and Culture)

58. Grants paid by Departments of Education and Culture

1. In order to ensure that the grants paid by Government are purposefully and fruitfully utilised, the financial rules and instructions in this regard provide, *inter alia*, that:

- before sanctioning a grant, the utilisation of any previous grant for the purpose for which it was sanctioned shall be verified;
- a proper record of payment of grant shall be kept in a prescribed register (known as Register of Grants) and utilisation watched through it;
- the sanction to the grant shall invariably provide that it shall be utilised within a reasonable period for the purpose for which it was paid and the prescribed documents shall be furnished to watch its utilisation;
- a certificate shall be furnished to Audit/the concerned Accounts Officer by the sanctioning authority after satisfying itself that the grant had been utilised for the purpose for which it was given; and
- a general appraisal of the successful implementation of the scheme for which the grant was given shall be conducted by periodical inspections, performance reports, etc.

2. The Departments of Education and Culture in the Ministry of Education and Social Welfare disbursed a sum of Rs. 567.26

crores during the five years ending 31st March 1978 as grants to voluntary organisations, autonomous bodies and other institutions for various purposes as given below:

	1973-74	1974-75	1975-76	1976-77	1977-78
	(In lakhs of rupees)				
<i>Department of Education</i>					
School education	971.79	1,374.75	1,590.85	2,013.28	2,082.23
Higher education	3,557.56	4,875.30	6,158.06	7,955.52	7,935.93
Technical education	2,166.87	2,645.40	3,253.26	3,309.38	3,275.00
Book promotion and copyright	15.07	39.70	47.74	59.03	49.18
Youth welfare	169.69	29.82	50.53	19.17	46.62
Games/sports	69.52	113.92	135.74	177.35	174.18
Languages	119.17	151.37	161.80	213.31	236.11
Non-formal education	8.30	19.43	21.52	26.29	49.59
TOTAL	7,077.97	9,249.69	11,419.50	13,773.33	13,848.84
<i>Department of Culture</i>					
Cultural affairs	87.30	105.95	118.65	147.33	166.53
Museums, libraries and their conservation and development	123.73	102.32	148.96	179.13	176.44
TOTAL	211.03	208.27	267.61	326.46	342.97

3. Section 15(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 provides that where any grant or loan is given for any specific purpose from the Consolidated Fund of India, the Comptroller and Auditor General shall scrutinise the procedures by which the sanctioning authority satisfies itself as to the fulfilment of the conditions subject to which such grant or loan was given. Some of the points noticed in the course of scrutiny in audit of the procedures followed by the Departments of Education and Culture in this regard and scrutiny of the books and accounts of some bodies which were given grants for specific purposes, are detailed in the succeeding paragraphs.

4. As stated earlier, the grant sanctioning authority is required to furnish a certificate to Audit/concerned Accounts Officer that it had satisfied itself that the conditions of the grant had been fulfilled. Ordinarily such certificate is to be issued within 18 months of the payment of the grant. The position of utilisation certificates due but not issued in respect of grants paid up to 30th September 1976 as intimated to Audit by the Departments of Education and Culture in January 1979 was as under:

Year	Department of Education		Department of Culture	
	Number of items	Amount (In lakhs of rupees)	Number of items	Amount (In lakhs of rupees)
1955-56 to 1971-72	917	756.16	*	*
1972-73	280	224.25	51	33.14
1973-74	774	2,188.43	120	85.72
1974-75	313	393.19	114	64.45
1975-76	520	1,786.98	155	164.88
1976-77	179	3,385.78	65	119.12
TOTAL	2983	8,734.79	505	467.31

5. *Register of grants.*—The procedure, prescribed in the financial rules of Government to watch utilisation of grant, requires every sanctioning authority to maintain a register of grants in a prescribed form to record, *inter alia*, in respect of all grants sanctioned (1) particulars and purpose of the grant, (2) acceptance of the conditions of the grant by the grantee, (3) date by which audited statement of accounts etc. was required to be furnished, (4) date by which the utilisation certificate was required to be furnished, (5) date on which the audited statement of accounts was actually received, (6) date of submission of the utilisation certificates to Audit/Accounts Officer with reasons for delay, if any, and (7) unspent balance lying with the grantee. Out of 42 sections sanctioning grants in the two departments, the registers had not been opened in 3 sections and in others

*Note : Included in the figures for the Department of Education.

a number of prescribed columns in the registers had not been opened/filled in as mentioned below:

Particulars of the column	Number of registers in which the particular column was not opened/filled in
Acceptance of the conditions by the grantee	20
Date by which audited statement of accounts was required to be furnished by the grantee	24
Date by which utilisation certificate was required to be furnished to Audit/Accounts Officer	29
Date on which audited statement of accounts was actually received	35
Date of submission of utilisation certificate by the sanctioning authority to Audit/Accounts Officer	21
Unspent balance lying with the grantee	32

The registers had also not been reviewed by an officer of the rank of at least Deputy Secretary and in most of the sections, the entries had not been attested even by Section Officers though these requirements were prescribed in the financial rules of Government and were repeatedly brought to the notice of the departments during audit. The departments stated (January 1979) that instructions for proper maintenance of the registers had been issued to all the concerned sections and that the registers would be maintained in proper form in future.

6. *Record of assets.*—Provision is required to be made in the sanctions to Government grants to the effect that the assets created out of the grants shall not be disposed of without the specific sanction of Government nor encumbered or utilised for an object other than the intended one. With a view to watching compliance with this condition, the grantee institutions are required to furnish annually to the sanctioning authority an extract from their assets registers detailing the position of the various assets created out of Government grants. The sanctioning authorities have to maintain a consolidated record of such

assets in a prescribed form to ensure that the grantee institutions observe the prescribed conditions. A test-check in audit of 256 orders for payment of grants during 1976-77, however, revealed that in 186 cases the letters of sanction did not provide for submission of these returns. In the remaining 70 cases, the returns had not been received from the grantees and the sanctioning authorities had not insisted on their submission. The consolidated record of assets was not maintained in 23 sections; the records maintained by 9 sections were incomplete and only one section maintained the records properly. There was also no indication to show that the use of the assets created had been checked by inspection or otherwise or that any other procedure had been laid down in this regard. The departments stated (January 1979) that in some of the cases in which no provision was included for the submission of the returns regarding assets, the provision was not required to be included as the grants released were for maintenance and recurring expenditure of the grantee institutions which did not involve creation of assets and that instructions reiterating the provisions had been issued to all grant giving sections for follow-up action.

7. *Inspection of grantee institutions.*—In October 1975, Audit brought to the notice of the Ministry that though sanction of grants formed a major activity of the Department of Education, there was no system of administrative inspection in the department for an effective control over the proper utilisation of grants by voluntary organisations. The department agreed (March 1976) in principle that it should have an appropriate system and stated that it was examining the matter in detail. In May 1976, the Ministry of Finance issued instructions that administrative ministries should devise their own "inspecting and supervisory machinery" to satisfy themselves about proper utilisation of grants made to voluntary organisations. No system of inspection had, however, been devised by the Departments of Education and Culture except for two schemes, viz. "Grants to voluntary organisations working in the field of Hindi" and "Grants to voluntary agencies working in the field of adult education". A test-check in audit of the records relating to

109 cases (amount: Rs. 31.63 lakhs) of payment of grants in 1976-77 to voluntary agencies under these two schemes revealed that inspection had been conducted only in respect of 15 cases (amount: Rs. 4.00 lakhs).

The regional offices of the central Hindi directorate were entrusted with inspection of institutions getting grants under the scheme "Grants to voluntary organisations working in the field of Hindi". The department stated (June 1978) that no statistics about the inspection of the grantee institutions had been maintained though the institutions were frequently inspected and inspection reports were kept in the files relating to the institutions. A test-check in audit of the files relating to 50 out of 150 cases of release of grants under the scheme during 1976-77, however, revealed that inspection had been conducted in respect of 11 orders for payment of grant to 7 organisations (Rs. 3.33 lakhs) only and that, following the inspection, further grants to one institution were stopped on the ground of poor progress of the assisted project.

The directorate of non-formal education was entrusted with the responsibility for watching the progress of projects, offering technical guidance, overall supervision and evaluation of projects relating to the scheme "Grants to voluntary agencies working in the field of adult education". In this scheme, a test-check in audit of the records of 58 out of 63 projects, which were sanctioned and assisted during 1974-77 (Rs. 36.87 lakhs), revealed that inspection was conducted only in respect of four projects (Rs. 1.04 lakhs). In one of these four projects, release of further grant was stopped as the working of the grantee institution was not found to be satisfactory. Under the scheme "Grants to voluntary organisations working in the field of Sanskrit", the first applications for financial assistance were entertained on the recommendations of the State Governments concerned, and in subsequent years, the recurring grants were sanctioned after receipt of audited statements of accounts of the previous year. Although no system of inspection was evolved under the scheme, a team of two officers of the department visited 45 institutions assisted

under the scheme in Calcutta in June 1977. The team observed in its report that the working conditions of the majority of the grantee organisations were far from satisfactory and that out of 45 institutions visited, 26 were found to be 'bogus' and further grants to these institutions were discontinued. It would, thus, appear that the procedure evolved for pre-sanction scrutiny of the applications was not satisfactory. The department stated (April 1978) that it was planning to send some inspection teams to other States also for verifying the records/functional competence of this particular scheme and to know whether the grants were utilised properly and that Rashtriya Sanskrit Sansthan, an autonomous body of the department, would also undertake inspections of these organisations in consultation with the department and furnish reports thereon.

8. *Accounts submitted by the grantee institutions.*—In May 1976, the Ministry of Finance issued instructions that all grantees (with some exceptions) should submit annually the following sets of audited accounts to the sanctioning authority:—

- (a) the receipt and payment account of the body as a whole for the financial year;
- (b) the income and expenditure account of the body as a whole for the financial year; and
- (c) the balance sheet at the end of the financial year of the body as a whole.

A test-check in audit of the records relating to 196 orders of payment of grants to the various institutions (other than those which belonged to the excepted category) pertaining to the year 1976-77 revealed that the recipients of grants in 18 cases only had submitted complete sets of accounts. In respect of the remaining 178 cases, the departments did not insist upon the submission of complete sets of accounts. The departments stated (January 1979) that they had issued instructions to their concerned sections to ensure that the grantees submitted the required sets of accounts before the issue of utilisation certificates.

9. *Review of performance of grantee institutions.*—In 1966, the Ministry of Finance issued instructions that the sanctioning authorities should undertake at least once in 3 or 5 years a review of the performance of grantee institutions in receipt of grants exceeding Rs. 1 lakh *per annum* and associate leading non-officials interested in the object of the grant with the review. A test-check revealed that 17 grantee institutions in receipt of grants varying from Rs. 46.96 lakhs to Rs. 5427.35 lakhs during the period 1973—78 had not been subjected to such a review.

10. *Other aspects*

10.1 A voluntary organisation was paid a grant of Rs. 0.55 lakh in 1970-71 for running Hindi classes. In March 1971, it came to the notice of the sanctioning authority that the accounts of the organisation were not in a satisfactory condition. The organisation did not make available its records for purposes of departmental inspection and audit, though instructed by the sanctioning authority in the matter. Nevertheless, a further grant of Rs. 0.43 lakh was released in 1972-73 and Rs. 0.86 lakh in 1975-76. Records relating to release of grants prior to 1975-76 had, however, been destroyed (April 1977) in the sanctioning authority's office though certain audit observations had not been settled. Further grants were stopped on receipt of complaints of irregularities in the accounts of the organisation. An examination of the records of the organisation by Audit in August 1977 revealed that there existed no procedure to verify whether Hindi classes were actually conducted and that in four centres no Hindi classes had been conducted at all. The department had set up a committee in May 1978 to look into the matter and stated (January 1979) that the circumstances leading to the destruction of the files were being looked into.

10.2 Under Government's scheme for expansion of activities of voluntary organisations for the spread and development of Hindi, a voluntary organisation was sanctioned in March 1971 a grant to the extent of Rs. 7 lakhs or 50 *per cent* of the actual expenditure, whichever was less, for construction of a building.

Though the Ministry of Finance had advised the sanctioning authority to examine the detailed estimates of the building, these were not obtained before the grant was sanctioned and paid. The grant was payable in three instalments, the last amounting to Rs. 2 lakhs to be released on completion of building and receipt of audited accounts. The third instalment was released to the extent of Rs. 1.75 lakhs in November 1974 even though the organisation had neither completed the construction nor had rendered audited accounts for the period after August 1972. The request of the organisation for a further assistance of Rs. 5 lakhs to complete the building was still (January 1979) under consideration of Government.

10.3] In October 1975, a grant of Rs. 3 lakhs was paid by the Department of Education to a registered society for setting up an artificial rock and Himalayan museum at its new headquarters building complex within a year from the date of payment of the grant. The annual accounts of the society for the year 1975-76 did not show the receipt of the grant. In May 1977, the society informed the sanctioning authority that the grant would be utilised as soon as the new building (the plans of which had been submitted for approval of the concerned local authorities) was constructed. In May 1978, the society stated that there had been delay in pursuing the project due to reasons beyond its control, that the building plans had been approved, but that the construction had not started and that the grant of Rs. 3 lakhs had been invested along with donations from other sources in fixed deposit on a year-to-year basis.

The department stated (January 1979) that the society had been directed to refund the interest accrued on the amount of fixed deposit and that its request for extension of time to complete the project was under consideration.

10.4 The scheme of assistance to voluntary agencies working in the field of adult education was started in the First Five Year Plan and was continued with expanded scope and liberalised financial assistance in subsequent plans. The assistance under the scheme during the period 1974-75 to 1977-78 amounted to

Rs. 108.71 lakhs. The department sanctioned grants limited to 75 *per cent* of the approved expenditure on such centres on project basis, each project consisting of several centres generally of 1 to 3 years' duration. The grants paid by Government, according to the records of the Department, worked out to Rs. 33 *per* beneficiary during 1975-76 as against Rs. 18 and Rs. 17 for the projects sanctioned in 1974-75 and 1976-77 respectively. A test-check in audit of the records relating to 58 out of the 63 projects approved during the period 1974-75 to 1976-77 revealed that:

- in 19 projects running centres each for 30 adults for one year's duration, the approved cost for a centre ranged from Rs. 520 to Rs. 1,800 *per annum*;
- in 12 projects running centres each for 30 adults with 2 courses of six months' duration, the approved cost for a centre ranged from Rs. 640 to Rs. 3,333 *per annum*;
- in 1975-76, the target fixed was less than half the target of the previous year and still only 85 *per cent* of the target was reported to have been achieved;
- for 1976-77, the figures of achievement were not available in records (January 1979); and
- no systematic evaluation of the scheme had been conducted.

The Ministry stated (January 1979) that prior to 1977-78, project proposals were considered mainly on the basis of the proposals submitted by the organisations, which accounted for variations in the *per-capita* cost under different projects and that after the formation of the national adult education programme in 1978, the cost of running of each project consisting of 30, 60 and 100 centres each had been standardised at Rs. 0.51 lakh, Rs. 1.00 lakh and Rs. 1.82 lakhs *per annum* respectively. Further, a test-check in audit of the records relating to 58 projects approved during 1974-77 revealed that only 4 projects were inspected during

their execution and in respect of two of these projects the inspecting officers had reported as follows:—

- (i) In one project, the centres visited had majority of participants below the age of 15, children and adult were being taught together, the attendance was poor compared to the number enrolled, attendance had been marked before the classes, those marked present were not seen, no progress report had been kept and a part-time project officer had been appointed against sanction in project for a full time officer.
- (ii) In another project, the level of attainment by the beneficiaries had been too low, teaching and reading materials were not suited for adults, part-time teachers had been appointed against sanction for whole time posts and no survey had been conducted, etc. The department stated (January 1979) that these shortcomings were brought to the notice of the organisation.

10.5 *Scheme of propagation of culture among college and school students.*—The objective of the scheme “Propagation of culture among college and school students” was to familiarise students with variegated facets of cultural heritage of India. The scheme had two parts (i) refresher courses of 8 weeks’ duration in Indian art and culture for teachers of colleges and schools which were prepared to launch courses on Indian culture and (ii) supply, free of cost, of kits of audio visual material to each of the schools and colleges covered by the scheme. The scheme was started as a pilot project during the Fourth Plan to cover 1750 institutions and continued during the Fifth Plan. An expenditure of Rs. 39.57 lakhs had been incurred to end of 1977-78 under the scheme for payment of grants. The task of conducting refresher courses was entrusted to Delhi University, the National Council of Educational Research and Training (NCERT) and the State Government Departments and the production of the kits to Delhi University.

Grants released under the scheme to Delhi University were in excess of its requirements as would be seen from the following table:—

Year	Amount of grant released	Expenditure incurred	Unspent balance
	(In lakhs of rupees)		
1970-71	0.54	0.10	0.44
1971-72	0.69	0.66	0.47
1972-73	1.25	0.70	1.02
1973-74	3.84	1.78	3.08
1974-75	3.62	2.56	4.14
1975-76	3.05	4.31	2.88
1976-77	12.00	8.00	6.88
1977-78	7.47	4.80	9.55

The Ministry stated (January 1979) that the unspent balances lying with the University of Delhi at the end of financial years were due to the fact that its purchase committee used to meet towards the latter part of the year resulting in non-utilisation of all the funds.

The achievements under the scheme were as follows:—

Year	Courses held	Teachers trained	Kits prepared	Kits distributed
1970-71	..	..	..	..
1971-72	2	82	Nil	Nil
1972-73	1	32	Nil	Nil
1973-74	1	45	150	146
1974-75	1	76	100	99
1975-76	5	261	200	198
1976-77	6	278	200	112
1977-78	6	249	200	169

Though the scheme envisaged 1750 teachers to be trained by the end of 1973-74 and equipped with kits to enable them to launch courses in each institution, this target had not been achieved even by the end of 1977-78. No action, either to evaluate the scheme or to ascertain whether the institutions to which trained teachers belonged had actually launched courses on Indian culture, had been taken (September 1978).

10.6. *Grants to Dakshin Bharat Hindi Prachar Sabha.*—On the basis of audited accounts for the year 1974-75 submitted by the Dakshin Bharat Hindi Prachar Sabha, Madras, a registered society declared by Statute to be an institution of national importance, the department released a grant of Rs. 0.50 lakh to the Sabha in January 1977 to cover a part of its deficit of Rs. 1.97 lakhs for the year 1974-75. The auditors in their report had pointed out a number of irregularities in the accounts for 1974-75, including the incorporation of expenditure of Rs. 0.32 lakh pertaining to that year, expenditure of Rs. 1.62 lakhs and receipts of Rs. 1.41 lakhs pertaining to earlier years without supporting evidence and unsatisfactory maintenance of stock books. The department was requested to clarify how, despite irregularities in the accounts having been reported by the auditors, grant was sanctioned to the Sabha on the basis of these accounts. The department stated (February 1979) that an amount of Rs. 0.53 lakh approximately was kept under objection by the auditors for want of supporting vouchers and was not in the form of discrepancies in the account and it was, therefore, considered that grant to cover deficit to the extent of Rs. 0.50 lakh could be released.

10.7. The Department of Education sanctioned in July 1972, under a scheme for building grants to cultural organisations, a grant of Rs. 10 lakhs to a society for the construction of an auditorium-cum-conference hall and a restaurant estimated to cost Rs. 29.99 lakhs and Rs. 18.83 lakhs respectively. The sanction to the grant was subject to the condition that the construction should be completed within 2 years of the receipt of the first instalment unless extension of time was granted by Government. A sum of Rs. 9.85 lakhs was released in four instalments as follows:—

Year	Number of instalments	Amount (In lakhs of rupees)
1972-73	2	9.00
1974-75	1	0.75
1975-76	1	0.10
		9.85

The sanctioning authority issued utilisation certificates for three instalments (paid in 1972-73 and 1974-75) amounting to Rs. 9.75 lakhs on the basis of utilisation certificate given by the auditor of the society. The construction had not been completed so far (October 1978) nor had any extension of time for completion been obtained from Government. The department stated (January 1979) that the certificate of the contractor that "the concrete structural work of Auditorium and Restaurant including kitchen in had been completed by us at a total cost of Rs. 38.57 lakhs" was accepted as the completion certificate. Though the conditions of grant had not been fulfilled, the question of refund of grant had not been taken up by the sanctioning authority with the institution.

10.8. The Department of Education paid grants to a registered society separately for meeting recurring and non-recurring expenditure of each of three departments of the society during the period 1972-77 as follows:—

Year	Amount (In lakhs of rupees)
1972-73	1.75
1973-74	1.67
1974-75	2.57
1975-76	3.49
1976-77	3.49

The department stated (September 1978) that the 3 departments of the society, though constituents of one organisation, were functioning as separate entities, maintaining separate accounts. The department did not call for the accounts of the institution as a whole for any financial year to see whether the financial position of the grantee justified the grants sanctioned. The department stated (January 1979) that since the deficit in maintenance expenditure of the society was being met by grants from the

State Government and the Government of India and the society had no other apparent source of revenue, the department had not called for consolidated accounts of the society.

A grant of Rs. 2.04 lakhs (Rs. 1.00 lakh in March 1976, 0.50 lakh in March 1977 and Rs. 0.54 lakh in March 1978) was released to meet 60 *per cent* of the cost of construction of the additional storey for a department of the society. Separate accounts of the utilisation of the grant stipulated by Government were not maintained. Vouchers in support of payments were not produced during local audit (August 1978). It was stated by the society that the final bill was yet to be settled and the detailed vouchers in respect of interim payments made were lying with the architect. Annual returns of assets created by the society out of Government grants had been obtained by the Department of Education for the period ending 16th September 1971 only. The department stated (January 1979) that the society had been advised to maintain separate accounts in respect of various projects and to submit up to date returns of assets created.

11. *Summing up.*—The following are the main points that emerge:—

- (i) During the five years ending 31st March 1978, the Departments of Education and Culture disbursed grants amounting to Rs. 567.26 crores to various organisations, autonomous bodies and institutions. A proper record of the payment of grants, in the prescribed form, was not maintained in most of the sections of the two departments dealing with the release of grants. Grants were sanctioned mostly without providing for annual returns from the grantees relating to assets created out of the grants; such returns, where provided for, were neither received nor insisted upon. Utilisation certificates for grants disbursed up to 30th September 1976 were awaited as in January 1979 to the extent of Rs. 92 crores according to the records of the two departments.
- (ii) Though the need for organising a system of inspection to verify the proper utilisation of grants by voluntary

organisations was pointed out by the Ministry of Finance in May 1976, a system of inspection had not been organised except in a couple of schemes and a test-check in audit showed that inspections conducted in those schemes covered about 14 *per cent* of orders for payment of grants in these schemes; and that such inspections had revealed unsatisfactory working of the grantee organisations.

- (iii) Submission of complete sets of accounts by grantee institutions as prescribed by the Ministry of Finance in May 1976 had not been insisted upon. Review of the performance of grantee institutions, which the sanctioning authority was required to do every 3 to 5 years, had not been done in several cases.

MINISTRY OF INFORMATION AND BROADCASTING

59. Indian Institute of Mass Communication

1. *Introductory.*—The Indian Institute of Mass Communication (hereafter Institute) was established in 1965 under the Ministry of Information and Broadcasting and managed from 1966 by the Indian Institute of Mass Communication Society, a society registered on 22nd January 1966 under the Societies Registration Act, 1860. The main objectives of the Institute are to :

- (a) organise training and research in the use and development of media of mass communication;
- (b) provide training to the information and publicity personnel of Central and State Governments and facilities for training and research to public and private sector industries;
- (c) arrange lectures, seminars and symposia on problems connected with mass communication;

- (d) organise refresher courses and summer schools;
- (e) institute and award scholarships and fellowships for promoting interest in studies and research in mass communication.

2. *Organisational set-up.*—The rules of the society provide for a General Body, an Executive Council and a Standing Committee. The society has 47 members (including 26 nominees of Government, 8 representatives of Ministries/Departments and the Director of the Institute); it has an Executive Council consisting of 12 members (6 nominees of Government, 5 representatives of Ministries/Departments and the Director of the Institute) entrusted with the general superintendence, direction, control and administration of the affairs of the society.

The General Body is required to hold meetings at least once a year and the Executive Council at least four times a year; however, no meeting of the General Body had been held between 6th November 1975 and 25th November 1978 and that of the Executive Council between 19th February 1975 and 19th August 1978. The Institute stated (October 1978) that, owing to the prevailing political situation, the Ministry did not give it the requisite attention during 1975 to 1977 and that the society remained without a President (who was the Chairman of the Executive Council) from mid-1976 to April 1978.

The Director is responsible for administration of the Institute subject to the direction and guidance of the Executive Council. The Institute's activities (training, research, evaluation and consultancy) are carried out through eight departments, namely (1) Visual Communication, (2) Radio and Television, (3) Advertising and Campaign Planning, (4) Traditional Media, (5) Communication Research, (6) Evaluation and Impact Studies, (7) Library and Documentation and (8) Department of Journalism.

During the period of 5 years ending 31st March 1978, the following teaching posts (which the Institute's Standing Committee/Director were competent to fill) remained vacant for periods exceeding one year:—

<i>Particulars of the post</i>	<i>Period of vacancy (dates)</i>
Professor (Visual Communication)	1st January 1974 to 6th March 1977 and 12th June 1977 onwards.
Professor (Advertising and Campaign Planning)	4th June 1974 to 2nd August 1976.
Reader (Journalism)	3rd February 1972 onwards.
Reader (Development Communication & Journalism)	1st August 1974 to 8th March 1978.
Reader (Visual Communication)	1st March 1974 to 26th November 1976.
Lecturer (Journalism)	1st August 1974 onwards.
Lecturer (Visual Communication)	1st August 1974 to 7th June 1976 and 27th November 1976 onwards.
Editor	1st August 1974 to 30th November 1977.
Research Officer (Library)	1st August 1974 to 13th November 1975.
Seminar Executive	26th April 1976 to 19th November 1977.
Professor of Research	8th October 1971 to 3rd November 1974.

The Ministry stated (January 1979) that some of the posts remained unfilled because suitable candidates were not available and that some of the posts were kept vacant pending study by a staff inspection unit.

3. *Finance, accounts and audit.*—The Institute received grants totalling Rs. 124.71 lakhs from Government during the period 1965-66 to 1977-78 and its total receipts from tuition fees etc. for this period amounted to Rs. 5.17 lakhs. The total expenditure incurred from 1965-66 to 1977-78 was Rs. 129.38 lakhs; out of this, Rs. 72.04 lakhs (56 per cent) were spent on pay and allowances of the establishment, Rs. 49.10 lakhs (38 per cent)

on contingencies and Rs. 8.24 lakhs (6 per cent) on equipment. The receipts and payments of the Institute during the years 1973-74 to 1977-78 were as under:

<i>Receipts</i>	1973-74	1974-75	1975-76	1976-77	1977-78
	(In lakhs of rupees)				
Opening balance	0.78	0.41	1.34	0.57	0.21
Grants received from Government	9.98	13.53	15.28	20.55	18.32
Tuition fees	0.23	0.17	0.36	0.53	0.61
Miscellaneous receipts	0.31	0.20	0.11	0.08	0.07
Grants received for projects/courses from different organisations	3.97	1.88	1.12	1.63	1.55
TOTAL	15.27	16.19	18.21	23.36	20.76
<i>Payments</i>					
Pay, allowances, etc.	5.90	7.58	10.19	12.69	11.35
Other charges	4.56	5.17	6.24	9.03	7.38
Expenditure on sponsored projects/courses	4.40	2.10	1.21	1.43	1.21
Closing balance	0.41	1.34	0.57	0.21	0.82
TOTAL	15.27	16.19	18.21	23.36	20.76

In September each year, the Institute is required to frame its budget estimates for the next financial year, get these approved by the Executive Council and thereafter send them to Government for sanction of grants; this procedure was not followed for 1976-77 and 1977-78 because meetings of the Executive Council were not held.

Under its rules the accounts of the Institute are audited by chartered accountants appointed by the society. Up to 1977-78 the accounts have also been audited by the Comptroller and Auditor General of India under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

4. *Review of working.*—In May 1972, Government appointed a review committee to assess the performance of the Institute from 1965-66 to 1971-72 and to ascertain whether the expenditure incurred during the period was commensurate with the results achieved. The committee submitted its report to Government in October 1974. The committee observed, among other things, that the objectives of the Institute had not been effectively pursued mainly due to dearth of outstanding professional competence in the faculties and that while attractive scales of pay could not be offered to its staff due to paucity of resources, the funds made available were frequently surrendered and were not put to effective use by being spread thinly over many fields instead of concentrating on quality in teaching and originality in research. The committee made several recommendations for the more effective functioning of the Institute. The Ministry stated (January 1979) that the Institute was being asked to place the recommendations of the review committee before the next meeting of the Executive Council which would come up with firm proposals for approval by Government, wherever necessary, for implementing the recommendations. The Ministry added that one of the major recommendations, namely, that the Chairman of the Executive Council and President of the society should be other than the Minister of Information and Broadcasting had been accepted and implemented.

A suggestion by the Executive Council in February 1975 that a working group should be appointed to examine quickly the scope and objectives of the Institute and the optimum utilisation of its equipment was not pursued.

5. *Programmes*

5.1 *Plan programmes.*—The programme of the Institute for the Fifth Five Year Plan consisted of 13 schemes for which an outlay of Rs. 40.82 lakhs was approved (October 1973) by the Planning Commission. However, during the period 1974-78 Government released Rs. 12.14 lakhs for plan expenditure as asked for by the Institute, out of which Rs. 11.91 lakhs were spent (March 1978) on 12 schemes. Physical targets for the

schemes undertaken by the Institute were not specified. No work had been done under a scheme on "Speech Communication" (which sought to provide training in speech communication in some Indian languages and for research on problems faced in communicating rural development information) for which a plan outlay of Rs. 1.5 lakhs had been approved. The Ministry stated (January 1979) that the Standing Committee was looking into it as part of its overall review.

Though 8 out of the 12 plan schemes taken up included training as an activity under the scheme, training courses were conducted only under 4 schemes during the four years ending March 1978.

5.2 *Training*.—One of the primary objects of the Institute is to organise training in the use and development of media of mass communication, with special reference to the requirements of socio-economic growth of the country. From inception till 31st March 1978, the Institute had conducted 110 courses and trained 2408 persons drawn from the Central Information Service (790), Central Government offices (290), State Government offices (572), public sector (307), private scholars (306) and foreign scholars (143).

No assessment of future requirements of trained personnel had been made nor had any evaluation of the impact of the training been conducted.

5.3 *Duration of courses*.—The review committee had observed (October 1974) that there had been a preponderance of short courses which were organised partly to meet a short-term urgently felt need, partly to compensate for the obvious inability of the Ministry and the media units to spare a sufficiently large number of their professional personnel for training over reasonably long periods and partly because the Institute was ill-equipped to organise longer training programmes. Out of 110 courses conducted till March 1978, 10 were for periods over 10 months, 10 for 6 to 10 months, 7 for 3 to 6 months, 38 for 1 to 3 months and 45 for less than one month. The Ministry stated

(January 1979) that the observation of the review committee would be placed before the Executive Council.

In regard to participation in courses, the Institute stated (August 1978) that no norms for maximum or minimum number of trainees to be admitted to a particular course had been laid down. The average number of participants *per* course worked out to 22. A test-check in audit disclosed that out of 54 courses conducted during 1973-74 to 1977-78 (expenditure : Rs. 47.89 lakhs), 16 courses were attended by 15 or fewer participants and three of the latter by less than six participants. The Ministry stated (January 1979) that it would also go into details of courses which had not attracted a sufficient number of participants to see whether such courses should at all be conducted in future.

5.4 *Tuition fees.*—Government had directed (1963) that no fee was to be charged for training of officials of Central Government, State Governments and Union Territories at the Institute. The Executive Council decided that training facilities could be extended on payment of a reasonable fee to employees of public sector undertakings (1966) and private persons (1969). In some cases, it was noticed in audit that the Institute had collected tuition fees from Government sponsored candidates but had been extending free training facilities to private candidates.

The Executive Council had neither fixed the amount of tuition fees to be charged (except for one course held in 1971) nor laid down the principles on which it should be determined, for the training courses organised by the Institute. No uniform basis seemed to have been followed in fixing the rates of fees charged by the Institute for various courses with reference to the cost of training or any other factor. Fees varied for the same course from year to year; for instance, while Rs. 200 *per* trainee were charged in 1976 for a 12 day course, no charge was levied for the same course for departmental candidates in 1977 and private candidates were charged only Rs. 50 *per* head.

During 1973-74 to 1977-78, the average direct expenditure of the Institute *per trainee per day* was as follows :—

Year	Number of trainee days	Expenditure*	Expenditure <i>per</i>
		on training	trainee <i>per</i> day
		(Rs. in lakhs)	(In rupees)
1973-74	15,452	7.53	48.73
1974-75	22,699	8.77	38.63
1975-76	20,475	9.68	47.29
1976-77	18,550	11.23	60.52
1977-78	21,064	10.69	50.73

6. Research

6.1 In February 1966, the Executive Council decided to set up a research wing. In September 1967, the General Body emphasised the need for collaborative action with similar research organisations on specific communication problems in order to conserve limited resources of the country. In August 1970, the General Body felt that the research activities needed to be strengthened and enlarged and in October 1973, it stressed that the Institute should also bring itself up to a position where it could take up specific studies and research work from outside clients. In October 1974, the review committee had observed that "research had not penetrated or deeply explored the work of all the major media" and recommended that the Institute should have a Research Advisory Council with a few outside experts as members and collaborate with other institutions and universities engaged in communication research.

It was, however, noticed in audit that (a) no Research Advisory Council had been established (October 1978), (b) no research study had been entrusted to the Institute by any outside agency during the period of three years ending 31st March 1978, and (c) no collaboration had been made with any other research

(*Note : Calculated with reference to actual revenue expenditure incurred directly on training and 80 per cent of the total overhead expenditure).

organisation on specific communication problems except for the preparation of an annotated bibliography 'Mass Communication in India' in co-operation with the Asian Mass Communication and Information Centre, Singapore in 1976. The Institute stated (August 1978) that no follow-up action had been taken on the suggestions made by the General Body at its meeting held in October 1973. The Ministry stated (January 1979) that the Research Advisory Committee had since been set up after November 1978.

6.2 *Department of evaluation and impact studies.*—On the suggestion of the Ministry (April 1974) to make an expert assessment of its needs for augmenting its resources in terms of personnel and equipment for effectively undertaking studies of public opinion and media impact, the Institute decided (January 1975) to add a new department for evaluation and impact studies with the objective of building up in the Institute expertise for evaluation and impact studies to provide consultancy services to the Ministry for evaluating the activities of its media units and similar consultancy service to other Central and State Government agencies, public sector undertakings and other organisations. The fees for consultancy services for State Governments, public sector undertakings and other organisations were to be negotiated for each project between the Institute and the organisation concerned.

At the instance of the Ministry, the department conducted 119 evaluation studies till 31st March 1978; none of these were intended to be published. No studies had been undertaken on behalf of State Governments, public sector undertakings or other organisations. The expenditure incurred by the department since inception till 31st March 1978 was Rs. 11.36 lakhs.

7. *Publications.*—The need for publication of academic material accumulated from its research and training activities for use as text books and as reference material was recognised by the Institute in September 1971. In October 1972, a post of editor was approved by the Executive Council for research reports which were to be published for use by academicians, policy

makers and the general public as, in the absence of an editor to take charge of the material, these were lying unused. The post of editor was, however, filled in December 1977 only. No publications other than a quarterly journal had been issued by the Institute so far.

The General Body had suggested (October 1972) that the Institute should undertake wider dissemination of its research findings by a continuous publication programme. Though the Institute had reported to the General Body (October 1973) that a publication committee had been set up to assess, with the help of outside experts, the suitability of its research findings for publication, the Institute informed Audit in August 1978 that action to constitute a publication committee had not in fact been taken. The Ministry stated (January 1979) that an active scheme of publications was envisaged in the plans of the Institute which proposed to produce six basic teaching manuals, to release some of the studies undertaken and to publish occasional papers on different aspects of communication.

8. *Summing up.*—The salient points that emerge are :

- (i) A review committee set up by Government in 1972 to review the activities of the Institute submitted its report in October 1974; the recommendations were still under consideration (January 1979) and in April 1978 only the first step of reconstituting the society, as recommended by the review committee, had been taken.
- (ii) Implementation of the Fifth Plan programmes, as evident from the progress of plan expenditure, was far behind schedule. Sanctioned posts remained vacant for long periods and one out of 13 approved schemes had not even been taken up although four years of the Five Year Plan had elapsed.
- (iii) In 12 years of its existence up to 31st March 1978, the Institute functioned mainly as a training institution but no assessment of the requirement of trained personnel in the field of mass communication had been made nor

had any evaluation of the impact of the training been conducted. The Institute trained 2408 persons in 110 courses organised by it till March 1978; the courses were mostly of short duration and some were poorly attended.

- (iv) Despite the emphasis placed by the General Body and recommendations of the review committee on the Institute's research activities, the Institute had not taken steps to improve its performance in this area. Although the need for dissemination of its research findings had been recognised by the Institute and also pointed out by the General Body in 1972, no research material had, so far, been published. The Institute undertook 119 evaluation studies till 31st March 1978 on behalf of Government but no such studies had been undertaken on behalf of State Governments, public sector undertakings or other organisations.

MINISTRY OF SHIPPING AND TRANSPORT

(Transport Wing)

60. Madras Port Trust

1. *Introductory.*—Madras Port has been one of three premier ports of India since the British time. In 1905, the management of the port was vested in a Port Trust constituted under the Madras Port Trust Act, 1905. This Act has since been replaced by the Major Port Trusts Act, 1963 as amended in 1974. The administration of the Port Trust is vested in a Board of Trustees constituted by Government in accordance with the provisions of section 4 of the said Act. In 1945, Government appointed a commission to go into the needs for a large port; its recommendations were examined by a technical committee in 1946 and the first stage of development of the Madras Port took place between 1951 and 1966 in accordance with these recommendations. By 1966, the pattern of shipping had undergone a change with the introduction of bulk carriers and a master plan for development of the port for a deep water extension was drawn up at an estimated cost of Rs. 2,828 lakhs. In accordance with this plan, an expenditure of Rs. 5,494.37 lakhs had been incurred on its execution till

March 1978. A summary of the capital and revenue account of the Port Trust for the years 1973-74 to 1977-78 is given below :

	1973-74	1974-75	1975-76	19767	1977-78
	(In lakhs of rupees)				
A. Assets					
1. Capital assets at cost	6202.51	6279.12	6444.63	6603.29	9114.86
Less depreciation	846.23	982.59	1122.67	1244.43	1473.39
Assets at depreciated value	5356.28	5296.53	5321.96	5358.86	7641.47
2. Works-in-progress	895.93	1666.75	2370.00	2788.63	204.63
3. Investments	391.99	283.13	207.09	216.81	235.85
4. Current assets	1423.30	1824.02	2225.02	2431.49	3124.85
TOTAL	8067.50	9070.43	10124.07	10795.79	11206.80
B. Liabilities					
1. Capital debts					
(i) From Government	3201.54	3903.45	4607.01	4801.29	4999.03
(ii) From other sources	561.87	440.92	297.76	442.30	272.47
	3763.41	4344.37	4904.77	5243.59	5271.50
2. Current liabilities	520.61	661.52	624.66	719.55	872.52
3. Reserves, surplus, pensions, provident funds, etc.	3783.48	4064.54	4594.64	4832.65	5062.78
TOTAL	8067.50	9070.43	10124.07	10795.79	11206.80
C. Revenue and expenditure					
1. Revenue income	1280.18	1496.24	2305.36	2394.58	2851.17
2. Revenue expenditure					
(i) Cost of rendering services	805.15	946.36	1182.21	1244.07	1299.39
(ii) Management and general administration	200.72	221.79	285.78	294.21	363.61
(iii) Finance and miscellaneous expenditure	265.29	308.63	385.83	558.47	789.71
TOTAL	1271.16	1476.78	1853.82	2096.75	2452.71
3. Surplus	9.02	19.46	451.54	297.83	398.46

2. *Accounts and audit.*—The Port Trust maintains its accounts and prepares its annual statement of accounts including balance sheet in the form specified by Government in consultation with the Comptroller and Auditor General of India. The accounts are audited by the Comptroller and Auditor General of India and the audited accounts together with the Audit Report thereon are forwarded to Government for being laid before both the Houses of Parliament.

3. *Facilities available at the port for handling traffic.*—The following table gives a summary of the various facilities available at the port for handling traffic as in 1951, 1966 and 1977.

	1951	1966	1977
Length of quay (in metres)	1302	3002	3780
Number of berths	9	18	19
Transit sheds (area in square metres)	33180	55038	47450
Warehouses (area in square metres)	52200	72132	80600
Wharf cranes	19	48	52
Railways (length in kms.)	36.6	61.77	64.18
Locomotives	12	36	26

The volume of traffic handled at the port which stood at 21.54 lakh tonnes in 1951 rose to 43.98 lakh tonnes in 1966 and 80.68 lakh tonnes in 1977-78. The table below shows the total traffic handled during the last 5 years, grouped under major items:

	1973-74	1974-75	1975-76	1976-77	1977-78
	(In lakhs of tonnes)				
<i>Imports</i>					
(i) Crude oil	30.57	28.57	29.53	25.18	26.71
(ii) Foodgrains	5.53	5.39	13.13	9.84	1.50
(iii) Fertilisers	4.55	6.66	3.60	4.67	5.19
(iv) Others	6.18	6.98	4.61	7.97	12.14
<i>Exports</i>					
(i) Iron ore	22.72	22.05	20.11	22.08	23.22
(ii) Others	7.90	9.50	7.85	8.62	11.92
Total of imports and exports	77.45	79.15	78.83	78.36	80.68
Passenger traffic (In numbers)	82013	84288	65654	53237	57991

The capacity of a berth to handle traffic is assessed by the Port Trust with reference to the maximum tonnage handled on any single day. Computed on this basis, the capacity of various

berths to handle traffic has been worked out by the Port Trust to be 91 lakh tonnes *per* year. Based on the maximum tonnage handled by each berth on any single day during the five years 1973-74 to 1977-78, the total tonnage that could be handled by the 19 berths, however, aggregated to 1.95 lakh tonnes *per* day and on this basis the berths had to be in operation for handling 91 lakh tonnes for a maximum of 47 days only in a year. Thus, the optimum turnover assessed by the Port Trust at 91 lakh tonnes a year does not represent the correct capacity and would need an upward revision.

The traffic handled, average occupancy of berths in number of days and percentage of traffic handled with reference to the capacity of 91 lakh tonnes is given below for the years 1973-74 to 1977-78:

Year	Tonnage handled (In lakhs of tonnes)	Percentage with reference to capacity	Average period of occupancy of various berths (In days)
1973-74	77.45	85.1	261
1974-75	79.15	87.0	312
1975-76	78.83	87.4	271
1976-77	78.36	86.1	242
1977-78	80.68	88.7	265

In respect of the following berths, the periods during which the tonnage handled fell below 50 *per cent* of their rated capacity are given below :

Names of berths	Rated capacity (In lakhs of tonnes)	Tonnage handled (In lakhs of tonnes)
South Quay V	0.11	1976-77 0.004
		1977-78 0.017
East Quay	0.17	1973-74 0.06
		1976-77 0.02
		1977-78 0.008
		1973-74 1.38
Jawahar Dock I	4.00	1974-75 1.09
		1973-74 1.86
Jawahar Dock III	4.00	1973-74 2.27
Jawahar Dock IV	7.00	1976-77 2.38
		1977-78 1.86
		1977-78 1.86
		1977-78 1.86
Jawahar Dock V	4.00	1977-78 1.86

The Port Trust stated (August 1977) that due to large size of certain vessels and storage and operational reasons, only two vessels were operated in three (out of six) berths of Jawahar Dock comprising two rows of three berths each.

4. *Utilisation of cranes, forklift trucks, etc.*—The position of availability of cranes, forklift trucks, pay loaders and power shovels (as reported in the Administrative Reports for 1973-74 to 1977-78) as against their average demand for traffic, is indicated below :

Description of equipment	Total number in stock	Average traffic demand				
		1973-74	1974-75	1975-76	1976-77	1977-78
Shore cranes	46 till 1973-74	13.4	18.95	19.33	15.7	18.7
	40 from 1974-75					
	41 from 1976-77					
	50 from 1977-78					
Mobile cranes	31 till 1974-75	8	8.33	8.33	8.0	8.1
	26 from 1975-76					
Forklift trucks	88 till 1974-75	22	23	22.3	22.3	22
	74 from 1975-76					
	63 from 1976-77					
Pay loaders	8 till 1975-76	4	4	4	4	2.73
	6 from 1976-77					
Power shovels	2	1	1	1	1	1

The equipment in stock would appear to be in excess of the average demand. Nevertheless, there was short supply of forklift trucks during the years 1973-74 to 1977-78 as per particulars given below :

Year	Average traffic demand in 3 shifts	Average supply per day in 3 shifts	Average shortfall (in percentage)
1973-74	66	64	3.03
1974-75	69	66	4.33
1975-76	67	66	1.5
1976-77	67	66	1.5
1977-78	66	64	3.03

The Port Trust stated (December 1977) that 7 forklift trucks had been reserved for handling pig iron only and that there were 54 trucks available for other purposes, as against 56 trucks (63—7) mentioned in the Administrative Reports for the years 1976-77 and 1977-78. The shortfall in the supply of forklift trucks was attributed by the Port Trust to the "absenteeism of operators".

5. *Employment of labour, output and earnings.*—The labour force in the Port falls into two categories, shore labour and dock labour. Shore labour is under the control of the Port Trust while dock labour is managed by the Dock Labour Board. The wages payable to the shore labour have been determined in accordance with the recommendations of a committee appointed by Government in 1971. According to the recommendations of the committee, the minimum wages and the minimum turnover (known as datum line) during prescribed hours of duty for various kinds of cargo have been determined. Any turnover in excess of the datum line during the prescribed duty hours has to be remunerated extra according to prescribed scales. An analysis of the wages admissible at the datum line and additional wages paid for turnover beyond the datum line for the five years 1973-74 to 1977-78 indicated the following position :—

Year	Amount of wages paid at datum line	Amount of wages paid for work above datum line
	(In lakhs of rupees)	
1973-74	28.19	71.98
1974-75	48.16	82.66
1975-76	57.85	111.11
1976-77	52.82	88.86
1977-78	37.29	114.70

A test-check in audit of records of 1973-74 to 1976-77 disclosed the following position of average turnover of labour *vis-a-vis* the datum line prescribed for various kinds of cargo.

Nature of Cargo handled	Datum prescribed per hook hour (in tonnes)	Average of actual turnover per hook hour (in tonnes) during			
		1973-74	1974-75	1975-76	1976-77
<i>Imports</i>					
(i) General cargo (excluding coastal cargo)	5.0	14.1	14.3	13.6	14.4
(ii) Coastal cargo	6.8	6.3	7.8	8.0	10.3
(iii) Cargo bagged above 51 kgs.	9.0	25.6	28.9	19.2	19.6
(iv) Cargo bagged below 51 kgs.	7.5	21.3	21.3	33.7	35.2
(v) Oil, grease, etc.	11.3	39.4	—	—	—
(vi) Iron, steel and pig iron	7.5	24.4	26.3	24.4	24.9
<i>Exports</i>					
(i) General cargo (excluding coastal cargo)	5.0	11.1	13.5	14.3	16.1
(ii) Coastal cargo	6.3	13.3	17.9	20.4	14.0
(iii) Sugar	8.5	21.0	20.3	22.8	25.1
(iv) Iron, steel and pig iron	7.5	18.6	25.0	21.7	21.9

It was further noticed in audit that whereas the committee had recommended a gang strength of 11, the Port Trust, with the approval of Government, had raised it to 14 in 1974 but no upward revision of the datum line was made (from 1st October 1975 to 30th June 1976 the gang strength was, however, reduced to 12 to cope up with the foodgrains traffic). Further, between 1971-72 and 1977-78 the Port Trust had incurred an expenditure of Rs. 117.58 lakhs for procurement of additional cargo handling equipment and renewals and there had been a gradual increase of palletisation of general cargo and bagged commodities such as foodgrains, sugar, etc., all these resulting in increase in operational efficiency of labour without increase in datum line. The

Port Trust stated (December 1977) that a comprehensive review of the piece rate system was already engaging the attention of Government.

6. *Port railway*.—The Port railway has a length of 64.18 kms. of which 17.96 kms. are broad gauge. As on 31st March 1978, it had 26 locomotives of which 4 were acquired in 1972-73 and 4 in 1974-75 at a cost of Rs. 187.06 lakhs to meet the requirements of the ore handling project which was expected to be commissioned in 1974; the project had, however, been commissioned only in May 1978. The statement below indicates the supply and demand position of the locomotives for the five years 1973-74 to 1977-78 :

Year	Number of locomotives available	Average traffic demand <i>per</i> day (in three shifts)		Average supply <i>per</i> day (in three shifts)	
		(In one shift)		(In one shift)	
1973-74	33	32	10.7	31	10.3
1974-75	37	36	12.0	36	12.0
1975-76	30	37	12.3	37	12.3
1976-77	26	33	11.0	33	11.0
1977-78	26	34	11.3	34	11.3

The Port Trust supplies wagons on payment of hire charges to its customers and the charges realised were generally in excess of the expenditure on their maintenance as indicated in the table below :

Year	Expenditure on maintenance of wagons	Earnings from hire of wagons
	(In lakhs of rupees)	
1973-74	3.06	4.85
1974-75	4.17	1.41
1975-76	3.85	4.40
1976-77	1.82	8.67
1977-78	0.53	2.30

The fall in income in 1974-75 was attributed by the Port Trust to accounting of revenue on chute wagons under "Traffic appliances" instead of under "Earnings from hire of wagons", the

fall in income in 1977-78 to decline in foodgrains traffic and the increase in expenditure in 1974-75 to certain modifications made to chute wagons.

Despite the satisfactory position of locomotives and wagons, the railway operations had been showing recurring net deficit to the Port Trust over the years, as would be seen from the table below :

Year	Operating expenditure	Overheads	Total expenditure	Operating income	Net deficit (-) surplus(+)
(In lakhs of rupees)					
1973-74	98.41	39.45	137.86	92.69	-45.17
1974-75	119.23	47.70	166.93	104.14	-62.79
1975-76	183.96	82.67	266.63	213.48	-53.15
1976-77	115.20	49.67	164.87	162.31	-2.56
1977-78	116.28	50.20	166.48	160.07	-6.41

7. *Recovery of freight charges.*—The Commission on Major Ports appointed by Government had recommended (June 1970) in its report that the Major Ports should strive to achieve an annual return of 12 *per cent* over the capital employed and that the return so obtained should be reserved to meet certain specified purposes of development. The recommendations were accepted by Government in 1975 and it was felt that the prescribed return could not be obtained except by an upward revision of port charges. Accordingly the rates were revised with effect from 1st July 1975. The Madras Port Trust achieved the following return against capital employed during 1975-76, 1976-77 and 1977-78.

Year	Capital employed	Return achieved	Percentage of return
(In lakhs of rupees)			
1975-76	6922	743	10.7
1976-77	7070	742	10.5
1977-78	9261	928	10.0

In this connection, an analysis of the gross return achieved by the Port on various activities with reference to the operational expenditure revealed the following position for the period 1975-76 to 1977-78 :—

Activities	1975-76			1976-77			1977-78		
	Revenue income	Revenue expenditure	+Surplus —Deficit	Revenue income	Revenue expenditure	+Surplus —Deficit	Revenue income	Revenue expenditure	+Surplus —Deficit
(In lakhs of rupees)									
Cargo handling and storage	1654.99	1236.83	(+)418.16	1589.03	1318.80	(+)270.23	2096.40	1813.01	(+)283.39
Port and dock services	365.00	499.12	(—)134.12	413.64	596.16	(—)182.52	486.53	651.41	(—)164.88
Port railway	222.58	275.65	(—)53.07	170.48	231.52	(—)61.04	176.60	242.16	(—)65.56
Estate management	12.21	40.81	(—)28.60	15.30	48.70	(—)33.40	19.05	48.22	(—)29.17
Stevedoring	9.00	5.71	(+)3.29	31.95	23.78	(+)8.17	5.95	6.44	(—)0.49
Contract handling of iron ore at Jawahar Dock	41.59	32.40	(+)9.19	174.18	158.23	(+)15.95	66.64	70.29	(—)3.65
TOTAL	2305.37	2090.52	(+)214.85	2394.58	2377.19	(+)17.39	2851.17	2831.53	(+)19.64

It would appear from the above table that the surplus earnings of the Port Trust are essentially due to earnings in cargo handling and storage operations while the earnings in other activities—particularly the port and dock services, port railways and estate management—are substantially below the revenue expenditure on the respective activities.

8. *Stores and stock.*—The Port Trust had introduced, with effect from 1st October 1975, machine accounting in the stores department in addition to manual accounting which had been continued pending reconciliation of physical and account balances as on 30th September 1975. For purposes of compilation of monthly accounts, values as given in the manual accounting were only taken into account. The balance of stock held by the Port Trust as on 31st March of each year for five years is given below:

Year	Value (In lakhs of rupees)
1974	224.17
1975	285.23
1976	354.60
1977	422.05
1978	436.17

According to the prescribed procedure, continuous stock verification was required to be conducted annually. During the past 13 years, however, the Port Trust had completed only six rounds of stock verification. The Port Trust stated (December 1977) that due to the fast development of the port, the number of items in stock increased phenomenally with the result that the rate of stock verification and arrangement for it could not cope up with it.

It was further noticed (August 1976) in audit that no physical verification was conducted in respect of 211 items valued at Rs. 1.45 lakhs which were held in stock according to records of the Port. The Port Trust stated (December 1977) that these items had been issued prior to 1957 as per the records of the Stores Department, that necessary note had since been taken for 60 items after verification and that the remaining items were under scrutiny for adjustment.

9. *Acquisition of two high-powered dock tugs.*—In March 1966, the Port Trust submitted a proposal to Government for inviting global tenders to procure two dock tugs for the oil dock proposed to be commissioned in 1968. Government, however,

advised (March 1966) that there were indigenous manufacturers for this item and that global tenders were not necessary. The Port Trust, thereupon, invited tenders (May 1966) from indigenous firms. Of the two tenders received, the tender committee recommended the offer of the lower tenderer though, in the opinion of the Port engineers, the latter was yet to build up a reputation in the field.

Based on the tender of Rs. 86.58 lakhs *ex-works*, Howrah (foreign exchange component Rs. 32.90 lakhs), the Port Trust approved an estimate of Rs. 112.24 lakhs inclusive of excise, insurance, etc. and addressed Government in June 1967 for approval. Government's approval was received in June 1968 agreeing in principle, *inter alia*, to the release of foreign exchange of Rs. 30.48 lakhs tied to a foreign Government credit. The acceptance of the offer was communicated (July 1968) to the firm. In the meantime (January 1968), the firm demanded a price escalation of $7\frac{1}{2}$ per cent (Rs. 6.49 lakhs). This was accepted by the Port Trust in June 1968 and approved by Government in September 1968.

In July 1967, the Director General, Technical Development (DGTD) was addressed by the Port Trust for clearance of the items to be imported as the delivery schedule had been linked to the receipt of import licence. Items worth Rs. 27.78 lakhs were cleared by the DGTD in December 1967. A few more items asked for by the firm were cleared in March 1969 but clearance given earlier for the main engines was withdrawn as these were, by then, being manufactured by a public sector undertaking in India. The firm was asked (October 1969) to place orders locally for the main engines. While the firm placed the orders in February 1970, it also made it clear (May 1970) that the supply of tugs would be subject to price increase equal to the difference in cost between the imported and indigenous engines (estimated at Rs. 6.50 lakhs). The demand for a 20 per cent advance by the supplier of the engines was settled after protracted correspondence and the order for the engines was accepted by him in April 1972. Till August 1973, there was

not much progress in the work as the firm had reportedly suffered heavy losses due to booking of unremunerative orders. Even in October 1969, the Port officers had reported that the firm was not able to carry out the orders immediately due to re-organisation of the workshop. Under a scheme to rehabilitate sick industries, the firm and its pending orders were taken over by another firm in July 1973. In January 1975, the new firm stated that the cost of the tugs would be Rs. 275.76 lakhs excluding the cost of engines (Rs. 50.59 lakhs). In March 1975, it accepted a price of Rs. 285.43 lakhs including the cost of engines and offered to make the first tug available for trials in June 1976 and the second in February 1977. In June 1975, the Port Trust approved the escalation and for the revised estimate of Rs. 347.97 lakhs, including excise, insurance, etc., Government's approval was received in May 1976.

The first tug was delivered in March 1977 and the second in July 1978. The oil dock for which these tugs were intended had been commissioned in September 1972. During this period the Port Trust had to manage with the tugs available with it, with some restrictions such as no night-pilotage and restrictions of draft during monsoon months.

Apart from delay in the supply of tugs, there was an additional expenditure of Rs. 183.00 lakhs over the original offer. The Port Trust stated (August 1977) that the increase in expenditure was mainly due to a major policy decision of Government relating to indigenous supply.

10. *Contract for dredging for reclamation of land for ore berth.*—In August 1971, the Port Trust awarded contracts to two firms for removal of 4.5 lakh cubic metres of sand by July 1972 at the rate of Rs. 7 per cubic metre for reclamation of a certain land for ore berth. It was stipulated in the contract that the Port Trust could foreclose the works as soon as it could make arrangements for getting the work done by dredgers. By June 1974 (two years beyond the stipulated date for completion), the two firms had completed 42.9 and 36.8 per cent of work

allotted to them and requested for increase in rates for doing further work. By then, the work was entrusted to a public sector undertaking for execution with the help of its own dredgers and the Port Trust foreclosed the contracts with the two firms.

The contract for dredging with the public sector undertaking fixed a hire charge of Rs. 1,710 and Rs. 4,910 *per pump per hour* and Rs. 3,105 and Rs. 15,890 *per day* for pipe line hire for each of the two dredgers to be utilised on the job. Though it was anticipated that the dredgers would give an outturn of 350 cubic metres of solid *per hour*, the agreement did not provide for any reduction in rate due to fall in output and idle hours or for liquidated damages. The two dredgers took 5,125 hours to dredge 8.42 lakh cubic metres of solid; this worked out to an outturn of 164 cubic metres *per hour*. As the poor performance was due to defective machinery, improper operation, leakage of sand, etc. and the public sector undertaking did not agree to any reduction in rate, the Port Trust referred the matter to Government in June 1976. At the instance of Government, the Port Trust paid a sum of Rs. 166.57 lakhs to the public sector undertaking. Calculated on the anticipated outturn of the two dredgers, the work done ought to have cost the Port Trust a sum of Rs. 61.51 lakhs only. Thus, the extra cost to the Port Trust worked out to Rs. 105.03 lakhs.

11. *Maintenance dredging*.—The Port Trust carried out maintenance dredging of the Port area during 1973-74 to 1977-78 utilising the services of three dredgers (two during 1975-76). The cost of operating the dredgers *per tonne* dredged is indicated below for the last 5 years:

	1973-74	1974-75	1975-76	1976-77	1977-78
	(In rupees)				
Dredger "Cauvery"	3.71	20.65	10.50	7.27	6.17
Dredger "Coleroon"	4.11	8.44	4.51	3.20	4.99
Dredger "Godfrey Armstrong"	4.09	8.55	Not operated	8.62	9.52

The total quantity dredged, total expenditure incurred for dredging and rate *per tonne* for the last 5 years are given below:

Year	Quantity dredged (In lakhs of tonnes)	Total expenditure (In lakhs of rupees)	Rate <i>per tonne</i> (In rupees)
1973-74	24.54	108.75	4.43
1974-75	12.21	120.70	9.89
1975-76	24.17	155.31	6.43
1976-77	32.15	165.68	5.15
1977-78	28.27	174.02	6.16

The Port Trust had introduced an incentive scheme in May 1976 to improve the productivity of the dredging operations.

12. *Construction of an oil dock.*—Till 1964, the Madras Port had three oil mooring berths, capable of taking tankers up to 15,000 DWT. In 1964, Government decided to set up an oil refinery in Madras and this necessitated improvement of facilities at the port so as to enable handling tankers up to 1,00,000 DWT and 2.5 million tons of crude oil in the first stage. For this purpose, certain proposals were considered and it was decided (May 1965) by the Port Trust and Government to have an outer harbour and a new oil dock. An estimate of Rs. 455.25 lakhs was sanctioned for the purpose in February 1966 providing for

- construction of a breakwater on the eastern side, a light jetty and a tanker berth;
- dredging up to 42 feet draft to handle tankers up to 45,000 DWT; and
- reclaiming 90 acres of land near the oil dock and providing a reclamation wall.

The entire project was designed to be executed by October 1968 so as to synchronise its completion with the commissioning of the oil refinery at Madras in 1968-69. The works relating to construction of breakwater in outer harbour and reclamation wall were commenced in September 1966 and completed in September 1972; the dredging of outer channel for 42 feet draft

was taken up in March 1968 and completed in September 1972 and the reclamation work taken up in March 1968 and completed in August 1975. In the meantime, the refinery went into production in February 1969 and the Port Trust incurred additional expenditure of Rs. 12.22 lakhs to provide temporary facilities to enable the refinery to go into production.

The project was initially estimated to cost Rs. 455.25 lakhs. The estimate was, however, revised to Rs. 814.86 lakhs (January 1969), Rs. 2,320 lakhs (March 1973) and Rs. 2,623 lakhs (October 1976). The last two revisions in estimate had not been sanctioned (December 1978) by Government. An expenditure of Rs. 2,676.70 lakhs had so far (March 1978) been incurred.

The consultants of the Port Trust, who had prepared the master plan for development of the port, had recommended that for the construction of breakwater and oil berth, the port should use circular 'caissons'*. However, when Government recommended use of indigenous mild steel for the 'caissons', the Port Trust changed their design from circular to rectangular shape despite the advice of the consultants that use of rectangular shape would require additional tests to be carried out for evaluating stresses etc. The rectangular 'caissons', when laid, were not stable and were damaged. Consequently in 1968, the Port Trust went back to circular 'caissons'. By this time, 3,500 tonnes of steel had been fabricated for rectangular 'caissons' and these had to be recut and changed into circular shape but even the circular 'caissons' (as relaid) settled unevenly and tilted due to wave action and large gaps developed between the 'caissons'. In April 1969, with the approval of Government, a technical expert committee was constituted to examine the problem. The committee, *inter alia*, observed that weighting of the 'caissons' had been done pell-mell resulting in considerable voids and that the beds had not been properly levelled before lowering the 'caissons'. The committee, thereupon, made certain recommendations (June 1969) in consultation with a research station. The work was taken up at a cost of

*'Caisson' is a bin like hollow structure made out of steel or concrete immersed in water to withstand pressure due to water, earth etc.

Rs. 919 lakhs in accordance with these recommendations and completed by November 1972.

In February 1975, the Port Trust reported to Government that the infructuous expenditure incurred on the project due to various causes amounted to Rs. 87 lakhs on direct items. Taking into account indirect items as well (estimated by Port Trust at Rs. 391 lakhs) the total infructuous expenditure would work out to Rs. 478.00 lakhs. Further as a result of delay in completion of the oil dock, the oil refinery had to spend Rs. 11.52 crores extra on ocean freight in foreign exchange for chartering ships of smaller size than intended. Besides, the refining capacity of the refinery remained unutilised for the first and second year to the extent of 27.6 and 16.4 *per cent* respectively due to inability of the Port Trust to receive additional crude.

For expediting the work of core filling of 'caissons' positioned in the sea and the reclamation wall, the Port Trust purchased in 1967-68 two sets of conveyors at a cost of Rs. 1.60 lakhs (including spare parts). Each set of conveyors was capable of conveying stones from shore to barge and barge to the 'caissons' at the rate of 300 tonnes of stones *per* hour and the Port Trust estimated that the equipment would convey 4 lakh tonnes of stones without major replacements or repairs. The conveyors were, however, utilised till March 1969 for a total period of 175 hours for handling 3846 tonnes and had to be removed from site due to frequent breakdowns and operational difficulties. The 'caissons' were later filled with cement concrete blocks instead of stones and the conveyors disposed of in auction at a price of Rs. 0.30 lakh in May 1974 resulting in a loss of Rs. 1.30 lakhs.

13. *Delay in fixing enhanced rates for berth hire charges and pilotage fees for services rendered in the oil dock.*—The oil dock of the Madras Port Trust was commissioned on 15th September 1972. The proposals for enhancement of berth hire charges and pilotage fees for services rendered in the oil dock were, however, sent to the Ministry in March 1973 and December 1973. After protracted correspondence, the enhanced rates were finally approved by the Ministry on 18th December

1974 and given effect to from 28th December 1974 after publication of the rates in the *Gazette*.

The delay in revising the rates was commented upon in para 3 under section I of the separate Audit Reports on the accounts of the Port Trust for 1972-73 and 1973-74.

The Port Trust stated (February 1978) that the total loss of revenue on account of non-revision of the rates for berth hire charges and pilotage fees during the period from 15th September 1972 to 27th December 1974 amounted to Rs. 28.73 lakhs. In July 1978, the Port Trust stated that the efflux of time between the commissioning of the dock and implementing the revised rates was incidental and inevitable as the Port Trust and Government had to decide the matter by correspondence.

14. *Mechanical ore handling*.—In the international field, iron ore mining and handling had become highly mechanised with outturn upto 20 million tonnes *per* year and loading bulk carriers upto 1,00,000 DWT. Realising the need to meet the competition in export of iron ore, the plan for expansion of Madras Port (1966) included a project for handling 5 million tonnes of iron ore *per* year, using handling equipment to load 6,000 tonnes *per* hour into 60,000 DWT ship, later to be increased to 8,000 tonnes *per* hour for 1,00,000 DWT vessels.

The project (1966) envisaged construction of an ore berth in the area reclaimed by dredging for the new oil dock and installations of handling equipment at an estimated cost of Rs. 970 lakhs and was scheduled for completion in 1972. The programme was approved by the Port Trust in June 1968 and Government in September 1969. At the designing stage, the consultants of the port, however, advised that it would be economical to plan for loading of 8,000 tonnes *per* hour for 1,00,000 DWT ships even at the start. This proposal was agreed to by the Port Trust and Government in June 1970.

Tenders were invited for ore berth in October 1970 according to the design of the consultants, but satisfactory tenders were not received and the tenderers were allowed to quote with their own

alternative designs; one of these was accepted in August 1972. The overall estimate was first revised in February 1973 to Rs. 1,535 lakhs and was further revised to Rs. 2,219 lakhs in August 1976; approval of Government was awaited (December 1978). The increase in cost was mainly due to the following:—

	(In lakhs of rupees)
Escalation in prices and wages	852.31
Change in design	155.39
Alterations in scope of work	69.49
Under-estimation	108.85

The project having been taken up for execution only in August 1972 against the original scheduled date for commissioning in 1972, the schedule for completion was revised (August 1972) to 1974 initially and later (December 1975) to 1976. One stream of the ore handling out of the two was commissioned in June 1977 and the other in May 1978.

A review of the records relating to execution of the project revealed the following points of interest:—

- (i) The contract stipulated that the contractor would commence work within 13 weeks from the date of signing the contract (*i.e.* 18th August 1972) subject to 25 per cent of steel for piles being made available within that period and that the contractor would be entitled to an extra payment of Rs. 4.50 lakhs if the work was completed within 98 weeks, the period of 98 weeks to be reckoned from the date when the Port Trust supplied 25 per cent of steel to the contractor. The Port Trust supplied 25 per cent of steel only after 49 weeks from the date of contract and the contractor completed the work within 98 weeks from that time. The contractor had to be paid the incentive of Rs. 4.50 lakhs as delay in completion was due to the Port Trust's inability to supply steel in time. It was noticed in audit that Government had directed the Port Trust as early as February 1971 that steps should be taken to avoid steel becoming a bottleneck; no timely action had, however, been taken by the Port Trust.

- (ii) The design for the work provided for applying zinc rich epoxy coating containing 92 *per cent* zinc dust with a view to providing cathodic protection so as to withstand corrosive action of chemicals, diluted acids, alkalis, salt solutions and continuous immersion in salt water. After spending Rs. 18.48 lakhs on this painting, the Port Trust spent an additional amount of Rs. 3.09 lakhs up to 31st March 1978 for cathodic protection against corrosion.
- (iii) A rate of Rs. 4,000 for mild steel bollards and Rs. 1,500 for fixing had been agreed to in the contract and the design thereof was also approved by the consultants. The Port Trust, however, changed the design to provide for 9 cast iron bollards at Rs. 37,300 each and Rs. 3,000 for fixing each (total expenditure : Rs. 3.63 lakhs) without consulting the consultants on the ground that the vessels to be berthed in the ore berth were expected to be very large ore carriers.
- (iv) The consultants had verified the structure and lay-out of the berth and provided adequate fendering from indigenous sources. However, the Port Trust decided to import and instal fenders to withstand carriers of 1,50,000 DWT (though the entire project was for carriers up to 1,00,000 DWT only). The extra expenditure on account of provision of fenders to accommodate ships of 1,50,000 DWT as against 1,00,000 DWT could not be ascertained. The contractors placed orders for 7 fenders in September 1973 with a foreign firm at a cost of Rs. 10.51 lakhs. The licence arranged by the Port Trust was received in December 1973. In the meantime, the price of fenders went up to Rs. 13.71 lakhs valid up to 7th April 1974. The Port Trust asked (March 1974) for an additional sum of Rs. 3.20 lakhs in foreign exchange which was sanctioned in the same month. The delay in getting the import licence caused an extra expenditure of Rs. 3.20 lakhs.

- (v) Consultants were appointed for the project initially for a period of 15 months from July 1966 and the consultancy services were expected to cost Rs. 14.24 lakhs including Rs. 10.26 lakhs in foreign exchange. Their services were, however, continued beyond the prescribed initial period consequent on change in design, delay in execution etc., with fresh agreements from time to time with the approval of Government. A request by the consultants in April 1974 for increase in the fees was considered by Government in October 1974 and increase to Rs. 66.48 lakhs (including Rs. 12.84 lakhs in foreign exchange) was approved in July 1975. When the decision to increase the fees was brought to the notice of the Board of Trustees of the Port Trust, the trustees observed as under in December 1974:—

“An unexplained paradox of project works in this Port is the appointment ofwith a revised fee of minimum Rs. 35 lakhs plus Canadian dollars 1,72,000 as the so-called ‘Consultation fees’. What the consultants did during this long period from July 1966 to date the Trustees are not aware of. And now they demand a higher rate and quite a deal of money. The entire thing is a waste and the sooner the agreement is terminated the better.”

However, in a meeting held in January 1975, the trustees discussed the arrangement again and agreed to continuance of the services of the consultants; the reasons for the modified decision were not on record. The services of the consultants were continued up to 31st December 1978; the total expenditure incurred on consultant's services so far (September 1978) amounted to Rs. 77.85 lakhs.

- (vi) The ore berth was commissioned for service in June 1975 and was intended to handle 50 lakh tonnes *per annum*. The Minerals and Metals Trading Corporation (MMTC) had stated (September 1977) that it planned to export 80 lakh tonnes)

of iron ore from Madras Port. This target of export of 80 lakh tonnes would be achieved by utilising the facilities created for a period up to 151 days *per annum*, according to the capacity of the equipment laid down by the consultants. Since commissioning the project, the export of iron ore was 20.11, 22.08, 23.22 lakh tonnes in 1975-76, 1976-77 and 1977-78 respectively.

15. *Summing up.*—The main points, that emerge, are as follows:—

- (i) In respect of certain berths, the tonnage handled fell considerably below their rated capacity.
- (ii) The actual turnover by labour was considerably in excess of the datum line, indicative of the fact that the datum line had been fixed at a low level and no increase was made in it despite increase in gang strength.
- (iii) The Port railway had been running at deficit of Rs 53.07 lakhs (1975-76), Rs. 61.04 lakhs (1976-77) and Rs. 65.56 lakhs (1977-78) and the surplus earnings of the port were mainly due to cargo handling and storage operations.
- (iv) The procurement of two high-powered tugs involved extra expenditure of Rs. 183 lakhs as compared to the originally accepted price of Rs. 102.30 lakhs, apart from delay of nearly five years in their delivery.
- (v) The low outturn by a public sector undertaking, to which the contract for dredging for reclamation of land for ore berth was awarded, resulted in extra expenditure of Rs. 105.03 lakhs.
- (vi) The construction of an oil dock was delayed by four years (from 1968 to 1972) and its execution involved infructuous expenditure of Rs. 478 lakhs as reported by the Port Trust in February 1975.
- (vii) The construction of an ore berth which was planned for completion by 1972 was taken up for construction only in August 1972 and against an estimated turn over of 50 lakh tonnes *per annum*; the tonnage reached till

1977-78 was 23.22 lakh tonnes. The cost of the project estimated at Rs. 1,635 lakhs (February 1973) had been revised (August 1976) to Rs. 2,219 lakhs, approval of Government for which was still awaited (December 1978).

MINISTRY OF WORKS AND HOUSING

61. Delhi Development Authority

1. *Introductory.*—In paragraph 29 of the Advance Report of the Comptroller and Auditor General for the year 1976-77, Union Government (Civil), some points noticed in the course of audit of the accounts of the Delhi Development Authority (DDA) were mentioned. A few additional points are mentioned in the succeeding paragraphs.

2. *Dairy complexes.*—As a part of the clearance operation, it was decided by the DDA in August 1975 to shift cattle dairies from the city area and to get the works executed within short time limits even though that might involve comparatively higher rates of tenders. Accordingly the DDA set up and developed three complexes at Madanpur Khadar, Masoodpur and Ghazipur. Execution of the works at Madanpur Khadar and Masoodpur was taken up in September 1975 and at Ghazipur in 1976 on an emergency basis without estimates being framed and without provision being made in the revised estimates for the year 1975-76. The expenditure on these works was charged to the revolving fund. Formal administrative approval and expenditure sanction for the whole project was awaited (January 1979).

While at Madanpur Khadar and Masoodpur the evicted dairy owners were allotted accommodation in properly constructed sheds numbering 103 and 114 respectively, containing facilities such as store rooms, attendant's lodges, etc., those at Ghazipur were merely provided with 248 developed plots and the owners were required to build the necessary accommodation for cattle and themselves. The three dairy complexes were set up at a total cost of Rs. 159.29 lakhs (including Rs 25.49 lakhs spent on maintenance till June 1978). The

following table indicates the number of rings] constructed in the three dairy complexes and number lying unoccupied as in July 1978 :—

Dairy complex	Number allotted	Number lying un-occupied
Madanpur	2401	160
Masoodpur	2661	408
Ghazipur	9553	2160

Although the scheme was to be self-financing, the DDA had not realised any licence fee, etc. from the allottees. Even the service charges paid (Rs. 2.11 lakhs) to out-side bodies, like the Delhi Electric Supply Undertaking and the Delhi Water Sewage Disposal Undertaking, had not been recovered from the allottees (January 1979).

On the basis of certain concessional rates fixed, a licence fee of Rs. 44.17 lakhs (approximately) had accrued for recovery (September 1978) from the occupants who continued to reside in the cattle farms.

Government stated (January 1979) that the recoveries on account of the arrears of rent and taxes could not be enforced because of a moratorium placed (June 1977) on the DDA by Government for a period of one year and added that since the period of moratorium had since elapsed, the DDA had been asked to initiate action immediately for recovery of the rent and taxes from the allottees of the cattle sheds in these complexes.

Besides, the DDA also constructed (June 1976) 3 whole-sale and 6 retail-sale fodder shops and 8 stalls at a cost of Rs. 8.90 lakhs at the site of Madanpur Khadar dairy complex and 11 shops and 6 *dhabas* (February 1977) at a cost of Rs. 1.62 lakhs at Masoodpur dairy complex. All these shops, *dhabas* and stalls were neither auctioned nor let out and had been lying vacant (December 1978) resulting in recurring loss of revenue to the DDA. Government stated (January 1979) that the shops at Madanpur Khadar were put to auction on 17th May 1976 and 7th March 1977, but the same could not be disposed of as either there was no bid or the bids received were considerably below

reserve price fixed for them. Similarly, the shops in other complexes could not be disposed of due to poor response from the public.

3. *Non-recovery of water charges.*—In order to make adequate arrangements for the supply of drinking water to the residents of various colonies developed by it, the DDA had generally been constructing underground and overhead tanks. Although services like water supply, street lighting, etc. are to be provided by the Municipal Corporation of Delhi (MCD) due to delay in handing over of the colonies to the MCD, the DDA had to look after the services for some periods.

In 1975, the DDA decided that water supply be provided to the residents at "no profit no loss basis". A test-check in audit of the records maintained for the purpose disclosed (February and April 1978) the following points:—

- (i) *Janata flats in Madipur village.*—These flats were allotted in 1972. The Development Division II responsible for water supply had requested (December 1974 and March 1976) the Housing Division VII, which was in charge of general maintenance of the colony, to recover water charges (Rs. 5.38 lakhs) at the flat rate of Rs. 5 *per* month *per* flat from 1st September 1972 to 31st March 1976. The latter, however, expressed its inability to do so on the ground that the occupants were unwilling to pay these charges at the rate of Rs. 5 *per* month. Meanwhile, water services of the colony were transferred to the control of the MCD with effect from 7th January 1976; a revised demand amounting to Rs. 3.22 lakhs was raised by the Development Division II on the Housing Division VII. No amount had been recovered so far (January 1979).
- (ii) *M. I. G. flats at Rajouri Garden.*—A scrutiny of the records of Housing Division No. IV revealed (April 1978) that arrears of water charges amounting to Rs. 0.96 lakh were outstanding against 511 allottees up to December 1977. Although individual meters had been

installed, the meter readings were not being taken every 3 months as required and no demand had been raised; the exact amount recoverable could not therefore be ascertained.

- (iii) *Jwalaheri Village*.—The residents of this village (about 100 water connections) were being supplied water since 1974 but the Development Division II raised demands from 1st June 1975, ignoring recoveries for about 6 months. The amount recoverable worked out to Rs. 0.23 lakh up to 28th February 1978, but no amount had been recovered so far (January 1979).

Government stated (January 1979) that in all these three cases the DDA was taking necessary action for recovering the water charges.

4. *Non-levy of penalty or consideration fee for breaches of terms of leases or agreements*.—The lease agreements executed for plots of land by the DDA prohibit the lessee from using the premises and the building thereon for any purpose other than the purpose for which the premises are leased out without the previous consent, in writing, of the lessor and also provide that the lease shall become void if the premises are used for any purpose other than that for which the lease is granted or for a purpose subsequently approved by the lessor. The DDA delegated (December 1963) to the Vice-Chairman the powers to cancel the lease and to refer to the Standing Committee/Authority such cases where the lessee had not paid the amount despite an opportunity offered to him after cancellation of lease and it was intended to make the cancellation order absolute and the plot was to be re-entered upon. The procedure for dealing with breaches after their detection was further streamlined by the DDA in 1967.

No regular survey of properties for detection of their misuse for commercial purposes was carried out by the DDA and only some stray cases of misuse had been reported from time to time by the staff concerned. In November 1975, the Deputy Commissioner (Litigation and Vigilance) pointed out that the cases

detected by the staff concerned were very much on the low side, that there was no record indicating consolidated information of the cases of misuse of the plots leased out under the various schemes/estates and that a comprehensive survey of all the properties might be conducted. Consequently, a survey of the properties was started in June 1976 and 2 (out of 24) Nazul estates comprising 4219 properties in Western Extension Area and Darya Ganj were surveyed and 378 cases of misuse reported between June and December 1976.

It was observed from the survey registers of these 2 estates that the total number of cases of misuse reported prior to June 1976 was 515. A test-check in audit of 52 out of these 515 cases disclosed that penalty was imposed and recovered in these cases up to 31st December 1973 but its recovery was stopped by the DDA from 1st January 1974 on the ground that the rates at which the penalty was to be charged beyond this date were still awaited in the form of a resolution of the Authority. The penalty for the period from 1st January 1974 to 31st December 1977 calculated at the rate adopted till 31st December 1973 amounted to Rs. 2.62 lakhs.

In another test-check of 151 (out of 378) properties covering 49068 square yards reported to have been misused during survey conducted in June 1976, the minimum penalty leviable amounted to Rs. 3.04 lakhs *per annum*. This amount became recoverable from the date on which the notices were issued (1st April 1977). These notices stipulated that penal action as provided in the lease agreements would be taken after 30 days from the issue of notices but no action had been initiated so far (April 1978).

Government stated (January 1979) that the question of revision of rates from 1st January 1974 onwards was under active consideration of the DDA and was expected to be finalised shortly and added that in order to expedite finalisation of the cases of breach of terms of lease or agreement, powers for cancellation and restoration of leases had been delegated to the Commissioner (Lands) and action for cancellation or restoration of leases thereafter had already been taken up.

CHAPTER VII

DEPARTMENTALLY MANAGED GOVERNMENT UNDERTAKINGS

62. **General.**— On 31st March 1978, there were 37 departmentally managed Government undertakings of commercial and quasi-commercial nature, same number as on 31st March 1977.

The financial results of these undertakings are ascertained annually by preparing *pro forma* accounts outside the general accounts of Government. Trading and Profit and Loss Accounts and Balance Sheet are not prepared by two undertakings *viz.* Department of Publications, Delhi and Government of India Presses; instead stores accounts are prepared.

Pro forma accounts for the year 1977-78 have been received so far (February 1979) for audit from only 6 undertakings (Serial Nos. 9, 16, 23, 27, 29 and 31 of Annexure A). A synoptic statement showing the summarised financial results of all the departmental undertakings, on the basis of their latest available accounts, is given in Annexure-A.

ANNEXURE 'A'

SUMMARISED FINANCIAL RESULTS OF DEPARTMENTALLY MANAGED GOVERNMENT UNDERTAKINGS

(Figures in thousands of rupees)

Sl. No.	Name of the Undertaking	Period of accounts	Government Capital	Block Assets (Net)	Depreciation to date	Profit(+)/ Loss(-)	Interest on Government Capital	Total return	Percentage of total return to mean capital	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
MINISTRY OF FINANCE										
1.	India Security Press, Nasik Road	1976-77	4,21,97	3,41,77	1,58,91	(+)3,02,40	99,42	(+)4,01,82	21.83	
2.	Currency Note Press, Nasik Road	1976-77	6,21,80	5,53,74	1,57,86	(+)61,63	1,05,34	(+)1,66,97	8.56	
3.	Government Opium Factory, Ghazipur	1975-76	22,02	18,24	4,42	(+)10,47,59	..	(+)10,47,59	..	
4.	Government Opium Factory, Neemuch	1976-77	18,34	13,51	1,28	(+)10,26,13	..	(+)10,26,13	..	

5. Government Alkaloid Works, Neemuch	1975-76	2,61,27	**	**	**	**	**	**	** **There are no figures as the undertaking is under construction.
6. Government Alkaloid Works, Ghazipur	1975-76	8,18	5,59	2,59	(-)24,90	2,23	(-)22,67	..	
7. India Government Mint, Bombay	1975-76	6,45,26	1,76,36	*7,77	(+)11,65,67	47,16	(+)12,12,83	88.70	
8. India Government Mint, Calcutta	1975-76	1,40,18	1,19,20	1,87,80	(+)4,70,49	64,49	(+)5,34,98	43.97	
9. India Government Mint, Hyderabad	1977-78	5,96,11	1,77,78	40,10	(+)32,83	57,23	(+)90,06	8.66	Figures are based on the unaudited accounts
10. Assay Department, Bombay	1976-77	1,70	1,42	*10	(+)4,17	..	(+)4,17	..	
11. Assay Department, Calcutta	1976-77	74	63	*3	(+)51	..	(+)51	..	
12. Silver Refinery, Calcutta	1974-75	59,62	51,08	62,86	(-)2,06,98	3,16,25	(+)1,09,27	3.36	

*Depreciation for the year only.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
13. Bank Note Press, Dewas	1976-77	17,87,69	19,29,04	1,27,63	(+)3,20,94	1,16,17	(+)4,37,11	19.72		

MINISTRY OF
INFORMATION
AND BROAD-
CASTING

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14. All India Radio	1974-75	49,08	Capital Assets	16,67,31	(-)3,85,54	1,83,71	(-)2,01,83	..	Figures are based on the unaudited accounts.
			37,06,64						
			Revenue Assets	*9,80					
			49,77						
15. Radio Publications, All India Radio	1974-75	1,36,67	19	*3	(-)15,22	20	(-)15,02	..	

16. Films Division	1977-78	1,86,72	1,34,00	1,21,03	(-) ^{**} 84,05	17,31	(-) ^{**} 66,74	..	**Before adjustment of notional value (Rs.58,36,060) on films released for free exhibition.
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17. Commercial Broadcasting Service, All India Radio	1974-75	89,63	Capital Assets	10,20	(+) [*] 3,43,71	..	(+) [*] 3,43,71	..	
			<u>72,14</u>						
			Revenue Assets		[*] 97				
			<u>7,30</u>						

MINISTRY OF COMMUNICATIONS

18. Overseas Communications Service, Bombay	1976-77	29,09,08	8,78,50	^{**} 6,83,05	(+) [*] 19,49,06	1,29,13	(+) [*] 20,78,19	86.56	**Excludes a sum of Rs. 2,68,73 thousands representing depreciation on 'Intelsat' which has been excluded from the Fixed Assets.
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*Depreciation for the year only.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
MINISTRY OF SHIPPING AND TRANSPORT										
19.	Lighthouses and Lightships Department	1976-77	***18,31,70	15,95,01	2,38,66	(+)12,26	@@@30,00	(+)42,26	2.48	***This consists of the balances of Government Capital Account and Capital Outlay Account. @@Interest in accordance with the instructions contained in the Ministry of Finance Office Memo No. F.1(35)-B/71 dated 23-1-1974 has not been charged.
20.	Shipping Department, Andamans	1972-73	43,58	56,80	*7,89	(-)80,15	4,47	(-)75,68	..	
21.	Ferry Service, Andamans@	1975-76	2,69	11,98	*2,11	(-)24,37	36	(-)24,01	..	

22. Marine Department (Dockyard), @ Andamans	1975-76	73,26	4,41	*26	(—)4,62	4,50	(—)12	..
23. Chandigarh Transport Undertaking, Chandigarh	1977-78	1,54,52	1,27,29	27,23	(—)4,65	7,33	(+)2,68	2.01

MINISTRY OF
AGRICULTURE
AND IRRIGATION

24. Central Fertilizer Pool	1969-70	28,31,29	..	..	(+ )3,87,78	1,62,89	(+)5,50,67	15.63
25. Delhi Milk Scheme	1976-77	5,98,38	3,19,84	4,00,98	(—)6,36,48	37,11	(—)5,99,37	..
26. Forest Department, Andamans	1975-76	3,82,28	63,04	*10,06	(—)27,32	11,29	(—)16,03	..
27. Ice-cum-Freezing Plant, Ernakulam	1977-78	30,31	8,12	18,12	(—)1,13	77	(—)36	..

.. Figures are
based on the
unaudited
accounts

MINISTRY OF
HOME AFFAIRS

28. State Trans- port Service, Andamans @	1974-75	7,31	9,91	27,67	(—)11,12	47	(—)10,65	..
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* Depreciation for the year only.

@ Proforma 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.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
MINISTRY OF HEALTH AND FAMILY WELFARE										
29. Central Research Institute, Kasauli	1977-78	19,76	6,70	**9,71	(+)10,37	2,56	(+)12,93	27.74	**Depreciation includes consumption on Live Stock for the year 1977-78 only.	
30. Medical Stores Depots@	1973-74	8,11,05	43,18	15,11	(+)31,34	43,63	(+)74,97	8.45		
31. Bakery and Vegetable Garden of the Central Institute of Psychiatry, Kanke, Ranchi	1977-78	31	28	*0.4	(-)6	1	(-)5	..		
MINISTRY OF WORKS AND HOUSING										
32. Department of Publications, Delhi	1975-76**									**Trading and Profit and Loss Accounts and Balance Sheet are not prepared,

33. Government of India Presses 1975-76**

instead only stores accounts are prepared.

MINISTRY OF ENERGY

34. Electricity Department, Andamans@ 1973-74 49,20 49,66 *3,10 (—)28,00 2,68 (—)25,32 ..

35. Electricity Department, Lakshadweep 1976-77 53,09 37,69 11,43 (—)17,79 2,54 (—)15,25 ..

DEPARTMENT OF ATOMIC ENERGY

36. Atomic Power Authority 1975-76 1,20,90,16 52,35,89 15,22,89 (+)2,43,83 5,60,95 (+)8,04,78 6.67

37. Rajasthan Atomic Power Station-I 1976-77 61,62,19 51,66,60 6,75,50 (+)4,41,42 3,64,94 (+)8,06,36 10.75

Figures are based on the unaudited accounts

*Depreciation for the year only.

@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

MINISTRY OF AGRICULTURE AND IRRIGATION

(Department of Agriculture)

63. Delhi Milk Scheme

Sale of powder below the approved rate.—The Delhi Milk Scheme manufactures skimmed milk powder from surplus butter milk or sour skimmed milk. The Scheme classifies the powder as grades 'A', 'B' and 'Trade waste', depending upon its colour and fineness. The powder categorised as 'Trade waste' is not fit for human consumption. The selling prices of all types of powder are fixed by the Scheme periodically on the basis of rates received through open tenders.

In October 1967 the selling prices of 'A' and 'B' grade powder were fixed at Rs. 6.50 per Kg. and Rs. 4.10 per Kg. respectively, effective from 23rd April 1968. In view of the availability of large quantities of imported skimmed milk powder, the Scheme experienced difficulties in selling its own production at the above rates, and accordingly reduced (August 1969) the prices of 'A' and 'B' grade powder to Rs. 2.05 per Kg. and Re. 1 per Kg. respectively in respect of powder manufactured but not sold up to July 1969. For the powder manufactured from August 1969 onwards, the prices fixed were Rs. 6.00 per kg. and Rs. 4.10 per Kg. respectively.

In view of difficulties faced in the disposal, the selling price of 'A' grade powder manufactured from August 1969 onwards was further reduced (October 1969) to Rs. 3.50 per Kg., but at the same time the question of reducing the sale price of 'B' grade powder was not considered.

Notwithstanding this, a total quantity of 51.81 tonnes of 'B' grade powder manufactured from August 1969 onwards, had been sold up to August 1971 at the rate of Re. 1 per Kg. as against the approved rate of Rs. 4.10 per Kg., thereby resulting in less realisation of Rs. 1.61 lakhs.

While seeking *ex-post-facto* approval of the Management Committee in January 1972 to these sales, it was stated that approval for reduction in the price of 'B' grade powder alongwith 'A' grade powder had not been obtained in October 1969 through inadvertance and that the matter was under investigation. The Management Committee did not accord the approval but desired that the results of the investigation with financial implication be put up at the next meeting. No such investigation report was, however, submitted to the Management Committee in the next meeting.

In response to an audit observation issued in September 1972 followed by a number of reminders, the Scheme intimated (November 1977) that the case had been sent to the Ministry of Agriculture in February 1977 and that their decision was awaited.

The Ministry have stated (September 1978) as follows :—

“The matter is under examination in consultation with Vigilance Commission. It will take some time before the case is finalised.”

MINISTRY OF COMMERCE, CIVIL SUPPLIES

AND COOPERATION

(Department of Commerce)

64. Pathini Tea Estate

1. *Introduction.*—Pathini Tea Estate comprising a total area of 2,412 hectares was purchased by the Government of India on 1st January 1965 from a Sterling Company incorporated in U.K. on grounds of its strategic situation and national interest. The working of the Estate was reviewed in paragraph 81 of the Central Government Audit Report (Civil), 1970 and the recommendations of the Public Accounts Committee thereon were incorporated in their 28th Report (5th Lok Sabha—1971-72).

The Estate was continued to be managed by the previous Agents (M/s. Octavious Steel & Company Limited) of the Sterling Company from the date of take over by the Government till 14th November 1975.

In February 1974, the Government of India, while communicating their decision to transfer the management of the Estate to the Tea Trading Corporation of India Limited—a Government Company—requested the chairman, Tea Board, Calcutta who was also part time Managing Director of the Government Company, to take all necessary action so that the Government Company could take over the Estate from 1st April 1974. The take over of management was, however, effected only from 15th November 1975. The delay in effecting the take over was attributed by the Government Company (March 1978) to :

- (a) paucity of funds,
- (b) delay in appointment of a whole time Managing Director till August 1975.

The terms and conditions for the management of the Estate by the Government Company were the same as were applicable to the previous Agents (M/s. Octavious Steel & Company Limited).

In accordance with the Government of India's decision in June 1976, the ownership of the Estate was transferred to the Government Company with effect from 1st July 1976 at a net value to be determined by a Government approved valuer after due valuation of all assets and liabilities of the Estate. The valuer was appointed on 30th June 1976 but his report is awaited (December 1978). Meanwhile, on the basis of assets and liabilities shown in the accounts of the Estate for the period ending 30th June 1976, Government Company has worked out a sum of Rs. 54.99 lakhs as consideration money payable to the Government of India. Out of this, shares worth Rs. 26 lakhs have been issued in favour of the President of India on 17th

November 1976 and the balance amount (Rs. 28.99 lakhs) is being shown as liability.

2.01 Area.—The total area of the Estate is 2,412 hectares, out of which 826.80 hectares (including 38.83 hectares fallow land) are registered for tea cultivation. The remaining area included :

- (a) 89 hectares : Under unauthorised occupation of some Garden workers and outsiders. The possession of the land has not, however, been obtained so far (May 1978) pending decision of the Court against an appeal filed by some of the unauthorised occupants against the eviction order issued by the lower court in July 1976.
- (b) 58.60 hectares : Occupied by a foreign Government since 1962-63.
- (c) 26 hectares : Occupied by the refugees. No eviction suit has been filed in the absence of instructions from the Government of India.
- (d) 37.56 hectares : Not included by the State Government in the waste land grants and Pattas granted after second resettlement operations. The Estate filed an objection petition in the High Court which declared (March 1972) that the land was part of the Estate. The possession of the land has not, however, been received from the State Government so far (December 1978).
- (e) 554.53 hectares : Paddy land under occupation of Garden workers. The Public Accounts Committee in paragraph 1.117 of their 28th Report (1971-72) had *inter alia* recommended examination of the matter relating to non-execution of lease deeds by

the workers in order to safeguard the Management's interest. In reply, the Ministry had stated (February 1972) that the land for cultivation was a perquisite enjoyed by the Tea Garden Labour and, in the district of Cachar, it was the practice of all tea gardens to allow this benefit free of cost and hence it would not be possible to get any lease deeds executed. This reply was not, however, accepted by the Committee.

- (f) 2.02 hectares : Uncultivated waste land (i.e. 17 Bighas 8 Kathas and 11 Chataks) under possession of the Border Security Force. The Estate filed a suit in October 1976 claiming a compensation of Rs. 1.10 lakhs (approximately). The case is *sub judice* (December 1978).

2.02 Age-wise analysis of the area used for cultivation of tea.—The age-wise analysis of the area used for cultivation of tea together with the average yield (weighted) per hectare under each age group for the last 5 years, was as follows :—

Age group	Hectares	Average yield per hectare at drier month in Kgs. (Weighted)				
		1971	1972	1973	1974	1975
Above 60 years	583.40	686	746	701	703	627
11 to 25 years	125.02	1,330	1,515	1,682	1,725	1,450
5 to 10 years	50.36	203	280	515	703	769
below 5 years	29.19	..	..	9	42	98
	<u>787.97</u>					
Average yield per hectare (weighted)	..	756	847	819	841	747

According to the Management, the average yield per hectare was low as compared to the expected yield indicated below :

<u>Age group</u>	<u>Range of yield expected</u>
Above 50 years	500 Kgs. to 1400 Kgs.
10 to 40 years	1100 Kgs. to 2500 Kgs.
5 to 10 years	600 Kgs. to 1600 Kgs.
Below 5 years	200 Kgs. to 700 Kgs.

The poor yield in respect of this Estate has been stated to be due to the following factors :—

- (a) *Old age of the plants.*—More than 2/3rd of the total area under tea cultivation is covered by the plants over 60 years, where average yield is very poor. In fact, a study team had considered (November 1975) about half of the area under 60 years' old plants as uneconomic. The said team had also recommended that uneconomic areas should be progressively abandoned and as much area as possible be brought under new planting (extension, replacement, replanting). However, only an area of 7.54 hectares had been abandoned till May 1978. As regards extension/replanting, not much headway was made, even though the Ministry in reply to the recommendations of the Public Accounts Committee contained in paragraph 1.70 of its 28th Report (1971-72) had stated (February 1972) that all efforts were being made in this direction to improve the yield.
- (b) *Abnormal vacancies in plantation.*—Generally a vacancy of not more than 3 per cent is considered

to be the maximum in a well maintained tea garden and there should not be any vacancy in young tea areas. The overall vacancy count of garden was, however, assessed (November 1975) by M/s. Tea Professional India (P) Limited, as 30 per cent and in case of young tea areas (*i.e.* below 5 years and 5 years to 10 years), percentage of vacancy varied from 5 per cent to 50 per cent.

In order to fill in the vacancies, the Estate carried out infilling programme but the percentage of survival to infilling was very poor, as indicated below :

	1971	1972	1973	1974	1975
1. Infilling done (Nos.)	17,610	92,042	1,46,180	3,79,842	1,36,300
2. Survival (Nos.)	1,761	19,919	20,152	38,980	15,819
3. Percentage of survival to infilling (% of 2 to 1)	10.0	21.6	13.7	10.2	11.7

The main reasons for poor percentage of survival were stated to be :

- (i) Lack of fencing round the garden resulting in trespass by cattle.
- (ii) Carrying on infilling in November and December instead of completing these by middle of October *i.e.* before the dry period starts.
- (c) *Non-utilisation of virgin soil for new planting.*—It was noticed that only 41.33 hectares of land was

developed during the last 5 years for cultivation of tea in new extension area. The Estate was in possession of 38.83 hectares of fallow land and 143.46 hectares of grazing land till May 1978 but the reasons for not utilising the fallow land for replanting as also not developing the grazing land after soil testing for new planting are not on record. The Tea Board had introduced a scheme of re-plantation subsidy in uneconomic areas from October 1968 onwards. The Estate did not, however, avail of the subsidy (Rs. 12,000) on re-plantation carried on in uneconomic area of 3.86 hectares in 1971-72.

- (d) *Poor plucking standard.*—The decrease in the output of the pluckers, as per data given below :

Year	Nos. of Pluckers in terms of Mandays	Total green leaves plucked	Green leaves plucked per plucker per day
	Nos.	Kgs.	Kgs.
1973	1,70,116	29,15,441	17.13
1974	1,95,685	29,99,612	15.33
1975	1,87,904	26,52,100	14.12

- (e) *Non-planting of adequate shade trees, specially, in the areas used for cultivation of young tea plants.*
- (f) *Poor weeding system.*—Measures taken for cleaning the garden and for protection against various types of weeds were not adequate.

3. Performance Analysis

3.01 *Production performance.*—The table on next page indicates the quantity of green leaves plucked, tea made at drier

mouth, tea waste, sample and complementary tea and saleable tea during the last 5 years :

	1971	1972	1973	1974	1975	1976 (up to 30-6-1976)
1. Green leaves plucked (in Kgs.)	*26,26,793	28,37,649	†29,15,441	29,99,612	26,52,100	**12,73,825
2. Tea made at drier mouth (in Kgs.)	4,32,937	6,44,040	6,31,623	6,63,236	5,80,215	2,40,827
3. Percentage of made tea to green leaves after excluding sale of green leaves to other gardens	22.0	22.7	22.3	22.1	21.9	18.9
4. (a) Tea waste (in Kgs.)	13,635	10,409	14,677	1,560	5,866	650
(b) Percentage of tea waste to tea made at drier mouth	3.2	1.6	2.3	0.2	1.0	0.3
5. (a) Sample complementary tea (in Kgs.)	5,078	5,033	5,560	4,749	5,654	892
(b) Shortage in garden (in Kgs.)	3,712	..	..	..	..	..
(c) Saleable tea (in Kgs.)	4,10,512	6,28,598	6,11,386	6,56,927	5,68,695	2,39,285
6. Shortage in transit (in Kgs.)	5,362	7,024	2,921	16,344	11,305.5	2,106.5
7. Tea ready for sale (in Kgs.)	4,05,150	6,21,574	6,08,465	6,40,383	5,57,389.5	2,37,178.5

*Included 6,59,210 Kgs. of Green leaves sold to other gardens.

†Included 85,946 Kgs. of Green leaves sold to other gardens.

**Included 3026 Kgs. of Green leaves sold to other gardens.

- (i) Though the Estate had incurred a capital expenditure of Rs. 8.20 lakhs on machines, equipment, etc. for re-organising the factory, the tea recovery from green leaves did not show any improvement during 1971, 1972, 1973 and 1975.
- (ii) In 1971, 1973 and 1976 (*i.e.* up to June 1976), the Estate had sold 6,59,210 Kgs., 85,946 Kgs. and 3,026 Kgs. of green leaves to other gardens due to closure of factory on account of power failure, factory re-organisation, etc. The quantity of tea which could have been manufactured out of these leaves would have been 1,45,026 Kgs., 18,968.2 Kgs. and 572.82 Kgs. respectively. The value of this tea at the average sale price of good tea during 1971, 1973 and 1976 would have been Rs. 7.98 lakhs, 1.13 lakhs and 0.06 lakh respectively. As against this, the amount realised on sale of green leaves amounted to Rs. 5.38 lakhs, 0.60 lakhs and 0.04 lakh respectively. After taking into account the additional expenditure on the manufacture of tea from green leaves, the loss of revenue on the sale of green leaves would work out to Rs. 1.70 lakhs (Rs. 1.32 lakhs in 1971, Rs. 0.37 lakh in 1973 and Rs. 0.01 lakh in 1976).
- (iii) The percentage of tea waste was in excess of the norm of 1 *per cent* during 1971, 1972, 1973 and 1975 and the value of tea waste in excess of the norm in these years amounted to Rs. 1 lakh. The quantity of tea lost in transit aggregated 45,063 Kgs. valued at Rs. 3.34 lakhs. No investigation was conducted into the quantity lost in transit.

3.02 *Quality Performance*.—The table below indicates the grade-wise percentage of total production during 1973, 1974 and 1975 :

	1973	1974	1975
	% of total production	% of total production	% of total production
Primary grades	95.85	90.36	85.89
Secondary grades			
1. Tea	1.16	8.82	13.09
2. Complementary, staff sample etc.	0.68	0.60	0.01
3. Tea waste	2.31	0.22	1.01
	100.00	100.00	100.00

According to Manufacturing Report 1973, the standard of manufacture during the year was below average. It was also stated that the percentage of 1.16 of Secondary grades in 1973 was not really indicative of the true picture. A large number of dust invoices which appeared in primary grades, were rather fibrous and no better than secondary grades.

According to Manufacturing Reports 1974 and 1975, although the standard of manufacture showed a noticeable improvement, it was still unsatisfactory so far as liquors were concerned. It was also stated in the Manufacturing Report of 1975 that the percentage of secondary grade of BOP 1 was high and should be reduced to the minimum.

3.03 *Sales Performance*

Delay in despatch.—Tea is required to be sorted and packed as soon as possible after manufacture and despatched to the auction centres, as delayed despatches, besides affecting cash flow, also result in deterioration in quality because of hygroscopic nature of tea.

As stated by the Management (May 1978), the normal period allowed for sorting, packing and despatching operations, after the date of manufacture, may be taken as 3 weeks *i.e.* (0.7 month). It was, however, noticed that there was abnormal delay in most of the months during 1974 and 1975 in sorting,

packing and despatching the manufactured tea, as per details given below :

	<u>April 1974</u>	<u>May 1974</u>	<u>June 1974</u>	<u>July 1974</u>	<u>August 1974</u>		
Time actually taken from the date of manufacture	1.22 months	2.11 months	1.72 months	1.03 months	0.89 months		
	<u>May 1975</u>	<u>July 1975</u>	<u>August 1975</u>	<u>September 1975</u>	<u>October 1975</u>	<u>November 1975</u>	<u>December 1975</u>
	1.04 months	1.88 months	1.70 months	3.49 months	4.23 months	4.87 months	2.84 months

In this connection, the Management stated (May 1978) as follows :—

- (a) The period under review mostly related to the period prior to take over of the Estate by the Tea Trading Corporation of India Limited.
- (b) Accumulation of tea started from September 1975 and was mainly due to non-deposit of adequate excise duty which was done by Head Office at that time.
- (c) Due to inadequacy of sorting and other requisite machinery, sorting and reprocessing operations took longer hours than what would normally be required in a well equipped factory.

As a result of delay in despatch, the Estate had to incur additional expenditure of Rs. 0.68 lakh from September 1975 to January 1976, on reprocessing and refiring of the accumulated tea. In the absence of details, extra expenditure for other months could not be worked out.

4. Working Results

The working results of the Estate for the last 5 years are indicated below :

(Rs. in lakhs)

	1971	1972	1973	1974	1975 (Up to 14-11-1975)	1976 (from 15-11-1975 to 30-6-1976)
1. Net Govt. Capital at close of the year (after making adjustment in the succeeding years).	47.82	47.51	56.26	48.30	55.50	58.06
2. Sales (actually realised)	22.66	34.02	35.69	56.92	50.39	30.38
3. Net Profit(+)/Loss(-)	(-)3.13	(-)3.24	(-)1.22	(+)11.18	(+)3.72 (-)1.41@	(-)3.55
					(+)2.31	
@(after making prior period adjustment).						
4. Percentage of Net profit:						
(i) to Net Govt. Capital	..	..	..	23.2	4.2	..
(ii) to sales	..	..	..	19.6	4.6	..

NOTES: Simplified Proforma Accounts for the period from 15th November 1975 to 31st March 1976 and 1st April 1976 to 30th June 1976 are given in Appendix VII.

In computing the above profits/losses up to 14th November 1975, the following provisions had not been made :—

	1971	1972	1973	1974	1975 (up to 14-11-1975)
Interest on capital (Rs. in lakhs)	1.89	2.35	2.59	2.42	2.68
Audit fees (Rs. in lakhs)	0.06	0.06	0.09	0.11	0.12

The Public Accounts Committee in its 28th Report of 5th Lok Sabha (1971-72) had recommended that both "Interest on Capital" and "Audit Fees" should be included in the Proforma Accounts of the Estate. Although the Ministry had noted (February 1972) the Committee's recommendations, the items were being shown from 1971 in the Profit and Loss Appropriation Account instead of being charged to the Profit and Loss Account. As a result of computing the net profit without providing for interest on capital and audit fee, managerial staff commission amounting to Rs. 30,181 was paid in excess during 1965 to 1975.

The Management have stated (February 1978) that the excess payment of the commission excluding the year 1975 (which has already been adjusted) for Rs. 21,847 is to be recovered from the former Agents, M/s. Octavious Steel and Company Limited.

5. *Accounting deficiencies.*—The following deficiencies were noticed in the maintenance of accounting records :—

- (a) No Asset register indicating the details of the fixed assets is maintained.
- (b) Physical verification of fixed assets was not conducted since the date of take over.
- (c) Cost data are not compiled.
- (d) There is no system of internal audit.

6. *Deployment of Labour.*—The representatives of the Agents had recommended in their 1974 Report that efforts should be made to increase the percentage of labour on plucking to 60 per cent of the total labour force by corresponding reduction on non-production items. It will, however, be seen from the data given below that the percentage of labour on plucking ranged from 44.2 per cent to 46.5 per cent :

	**1973		**1974		**1975	
	No. of labour	Percentage	No. of labour	Percentage	No. of labour	Percentage
Factory	182	12.5	178	11.4	148	9.2
Plucking	642	44.2	730	46.5	712	44.5
Garden Cultivation	254	17.5	310	19.7	340	21.3
Others*	376	25.8	352	22.4	400	25.0

*(Non-productive works—82%, Transport—7%, Development of Land—1%, Nurseries—10%)

**Numbers arrived at on the basis of daily average attendance.

7. *Subsidy on Food stuff.*—The Estate is paying subsidy (difference between procurement price of foodgrains and selling price recovered from the staff and labour) on the food stuff supplied to the staff and labour. The subsidy so paid was Rs. 2.13 lakhs in 1971, Rs. 2.14 lakhs in 1972, Rs. 2.38 lakhs in 1973, Rs. 4.75 lakhs in 1974, Rs. 5.03 lakhs in 1975 and Rs. 2.03 lakhs in 1976 (up to June 1976).

The Public Accounts Committee in its 28th Report (1971-72) had recommended that the Government should examine possible ways to reduce the subsidy by bringing in additional areas under cultivation of foodgrains. It was stated (February 1972) by the Ministry that efforts were being made to increase the area for food cultivation in order to reduce the cost of food subsidies.

It may be mentioned that only 32 hectares of land have been under cultivation of foodgrains during the last 5 years. No effort was made for bringing more land under cultivation.

8. *Purchase of second hand engine.*—In January 1971, the Estate placed an order for the supply of one second hand 250 K.V.A. 'Lister Black Stone Diesel Engine' valued at Rs. 0.80 lakh (actually paid Rs. 0.73 lakh) for maintaining regular supply of electricity to the factory, particularly when the grid supply failed. This engine could not, however, be put into use immediately on its arrival *i.e.* on 26th February 1971, as it was detected that some important parts of the machine had not been supplied, some parts were lost or found missing and had to be fabricated and the engine also needed a thorough overhauling and repairs.

The engine was commissioned in July 1972 after spending a sum of Rs. 0.73 lakh to put it in good working condition.

Although the purchase order had stipulated that the machine should be in first class working condition and also provided for a guarantee period of 12 months, no claim was lodged with the supplier for the expenditure incurred by the Estate in repairing the engine. As a result of the purchase of defective second hand engine, not only had the Estate to incur an expenditure of Rs. 0.73 lakh on overhauling and repairs but also the factory had to be closed down in 1971, when the grid supply failed, resulting in selling of green leaves to other gardens at marginal rates which led to loss of revenue as mentioned in paragraph 3.01.

9. *Installation of withering troughs.*—In June 1971, 5 withering troughs costing Rs. 0.76 lakh, were installed on the factory top for the purpose of withering the green leaves in an artificial process. The reasons for installing all these troughs at the factory top as assigned by the Agents (M/s. Octavious Steel and Company Limited) were stated to be as follows :—

- (i) Compactness of layout and delivery to processing machinery by gravity chutes.

- (ii) Utilisation of available space in the factory super structure which otherwise would be wasted.
- (iii) Elimination of the construction and maintenance of additional building/sheds.
- (iv) Utilisation of waste heat from drying machines which would result in saving in fuel cost.
- (v) Withering troughs would, in effect, replace old rack withering system installed on the lofts which were inefficient, labour intensive and entailed excessive leaf handling.

Subsequently (October 1971), it was detected that withering troughs on the top were unsuitable for use and not serving any purpose, as the factory top was very hot due to drier's temperature and it had an adverse effect on the quality of manufactured tea and prevented the workers from standing and working there for a longer period. Accordingly, it was proposed either to resite or to construct a new shed for these troughs. All these troughs were kept idle since the date of installation and only in 1975, these were dismantled and re-erected in a newly constructed shed.

Lack of planning in the selection of site initially and subsequent delay in dismantling of the withering troughs had, beside blocking of fund of Rs. 0.76 lakh for five years, resulted in an additional expenditure of Rs. 0.18 lakh on re-installation of these troughs.

10. *Tea damaged by water.*—1,893 Kgs. of tea valued at Rs. 19,000 (Approximately) were found damaged by water on receipt by the brokers for sale in August 1975. It was reported by the brokers that all these damaged tea could not be sold in 1975 season. It was not known whether the same had been disposed of in the first available supplement sale. The Management were requested in December 1975 to intimate the latest position about the disposal of the aforesaid damaged quantity of

tea along with the amount realised. Reply is still awaited (December 1978).

11. *Banking transaction through private party.*—Before take over of the Estate by the Government of India, it was the practice to appoint private party for encashing cheques and delivering the cash to the Garden against crossed and bearer cheques issued in their favour. This practice had been continued by the Management even after nationalisation of the Estate without obtaining any approval of the Government. The Commission paid to the private party for carrying out such banking transactions was Rs. 9,492 in 1971, Rs. 10,961 in 1972, Rs. 8,488 in 1973, Rs. 13,204 in 1974, Rs. 19,448 in 1975 and Rs. 7,065 in 1976 (up to June 1976).

It was noticed that no written contract/agreement had been executed with the private party for such banking transactions. Besides, the following deficiencies were also noticed :—

- (i) No security deposit/earnest money had been received from the private party as a measure of precaution against possible fraud and mis-appropriation of cash.
- (ii) In certain cases, fresh cheques were handed over to the private party before receiving the full account of the previous cheques.

The Management stated (December 1976) that such banking transactions could not be carried out departmentally due to absence of proper security measures, armed guards, additional staff and special vehicles.

It has further been stated (February 1978) that an approach has been made to the State Bank of India, Shillong to arrange 'Home Delivery' of cash. This system is likely to be introduced in Silchar and if successful, it is hoped by the Management that similar facility will be extended to Karimganj Branch also.

12. *Financial Assistance.*—The Estate received financial assistance in 1974 and 1975 on several occasion from the other

gardens, under the management of the same Agents. Such transfers of funds were done with the approval of the Private Agents (*i.e.* M/s. Octavious Steel & Company Limited). No papers indicating whether all such temporary financial assistance was subject to payment of interest could be produced to Audit. It was, however, noticed that Estate paid interest amounting to Rs. 39,350 and Rs. 13,524 during 1974 and 1975 respectively on the funds so raised.

In this connection, it may be mentioned that the Estate had sold green leaves to these gardens amounting to Rs. 5.38 lakhs and Rs. 0.60 lakh during 1971 and 1973 respectively but had not recovered any interest on outstanding dues on reciprocal basis although there was considerable delay in payment of dues by the gardens under the same Management.

CHAPTER VIII
OUTSTANDING AUDIT OBSERVATIONS AND
INSPECTION REPORTS

65. **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) With the departmentalisation of accounts of Central Ministries/Departments and of the Union Territory of Delhi in a phased manner (with effect from 1st April 1976, 1st July 1976, 1st October 1976 and 1st March 1977), vouchers relating to these Ministries/Departments and the Union Territory of Delhi excepting the Union Territories and transactions the accounts of which have not yet been departmentalised, are not received in Audit Offices. The outstanding audit observations, therefore, represent the observations which were made prior to the date of departmentalisation of accounts and also those raised upto 31st March 1978 in respect of the Union Territories and transactions for which accounts have not been departmentalised. The number of such audit observations in respect of the Ministries/Departments noted below and their attached and subordinate offices and outstanding on 31st August 1978 was as follows :—

Ministries/ Departments	Total number of observations made up to the date of departmen- talisation of accounts but out- standing on 31st August 1978	Total amount (Lakhs of rupees)	Number of observations made prior to April 1975	Amount (Lakhs of rupees)
1	2	3	4	5
A. CIVIL DEPARTMENTS				
Agriculture and Irrigation	3,490	155.02	1,379	61.75

1	2	3	4	5
Commerce, Supplies and Co-operation	435	160.53	250	13.40
Education and Social Welfare	2,247	118.03	1,070	53.33
Energy*	3,560	2,952.09	683	290.10
External Affairs	5,829	157.75	4,910	86.51
Finance	8,364	210.63	4,181	68.30
Health and Welfare	2,043	163.49	1,269	92.36
Home Affairs	4,864	294.39	2,530	137.62
Industry	199	33.03	64	0.28
Information and Broadcasting	1,550	61.01	567	26.26
Labour	510	18.11	217	8.13
Law, Justice and Company Affairs	820	20.78	406	5.41
Planning	267	10.56	117	3.78
Shipping and Transport	3,664	519.18	2,488	341.46
Steel and Mines	1,508	37.21	774	20.49
Supply and Rehabilitation	571	34.27	44	4.96
Tourism and Civil Aviation	1,508	185.05	631	93.11
Works and Housing**	10,899	2,909.63	6,272	1,355.61
Culture	2,150	132.91	1,224	66.79
Electronics	524	41.03	288	8.68

B. DEPARTMENTALLY MANAGED COMMERCIAL AND QUASI-COMMERCIAL UNDERTAKINGS

Energy	105	8.47	46	1.32
Information and Broadcasting	46	1.40	5	0.01

*Includes audit observations raised up to March 1978 relating to Salaf Hydro-Electric Project and Electrical Division, Cochin.

**Includes audit observations raised up to March 1978 relating to Harbour Works Division, Calicut.

(ii) A broad analysis of the outstanding observations is given below :

Nature of observations	Number of items	Amount (Lakhs of rupees)
1	2	3
<i>A. CIVIL DEPARTMENTS</i>		
(a) Sanctions for establishment not received	470	11.77
(b) Sanctions for contingent and miscellaneous expenditure not received	2,334	313.79
(c) Sanctions to estimates not received	4,190	1,915.28
(d) Detailed bills for lump sum drawals not received	5,846	1,467.39
(e) Vouchers not received	3,137	176.88
(f) Payees' receipts not received	22,154	1,481.44
(g) Agreements with contractors/suppliers not received	543	905.56
(h) Payments to contractors/suppliers not in conformity with contracts and agreements	622	118.82
(i) Sanctions to write-off of losses, etc. not received	3	..
(j) Breach of financial propriety	3	0.48
(k) Sanctions for reserve stock limit/excess over reserve stock not received	6	46.84
(l) Expenditure incurred on deposit work without deposit/in excess of deposit	5	50.78
(m) Shortage of materials, non-accountal/less accountal of materials, acceptance of material below specification, loss due to theft, damage, etc.	13	39.95
(n) Excess over technical sanction	2,452	1,313.00
(o) Other reasons	13,224	372.72
<i>B. DEPARTMENTALLY MANAGED COMMERCIAL AND QUASI-COMMERCIAL UNDERTAKINGS</i>		
(a) Vouchers not received	23	0.28
(b) Payees' receipts not received	83	3.22
(c) Invoices and stock certificates not received	22	6.30
(d) Other reasons	23	0.07

The expenditure in respect of which detailed bills and vouchers had not been submitted to the Audit Offices in terms of the procedure existing prior to departmentalisation of accounts could not be subjected to detailed audit scrutiny. In such cases, as also in cases where payees' receipts, etc. had not been furnished, the possibility of misappropriation, fraud, etc. remaining undetected cannot be ruled out.

66. Outstanding Inspection Reports.—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, where necessary, and half-yearly statements of outstanding inspection reports are also forwarded to the Administrative Ministries.

(i) The Ministries/Departments with comparatively large outstandings are shown below :

Ministries/Departments	Year of issue of the earliest outstanding reports	Number of out-standing	
		Reports	Para-graphs in the reports
1	2	3	4
<i>A. CIVIL DEPARTMENTS</i>			
Agriculture and Irrigation@	1952-53	1,078	5,603
Commerce, Civil Supplies and Co-operation@	1960-61	421	2,212
Education and Social Welfare	1954-55	1,289	3,654
Energy	1961-62	713	9,798
External Affairs	1960-61	229	905
Finance@	1956-57	1,472	4,809
Health and Family Welfare@	1957-58	273	1,128
Home Affairs@	1956-57	839	2,547
Industry	1960-61	263	911
Information and Broadcasting@	1962-63	162	765
Labour	1962-63	338	1,061
Law, Justice and Company Affairs@	1959-60	122	429
Planning@	1965-66	191	635

1	2	3	4
Shipping and Transport	1954-55	785	2,651
Supply and Rehabilitation	1956-57	512	2,142
Steel and Mines	1965-66	172	848
Tourism and Civil Aviation@	1957-58	272	1,649
Works and Housing	1954-55	2,144	18,844
Culture	1958-59	116	505

*B. DEPARTMENTALLY MANAGED COMMERCIAL AND
QUASI-COMMERCIAL UNDERTAKINGS*

Agriculture and Irrigation	1968-69	12	73
Finance	1967-68	36	152
Health and Family Welfare	1964-65	39	135
Information and Broadcasting	1969-70	104	304
Shipping and Transport	@@1966-67	20	99
Works and Housing	@@1960-61	39	161

(ii) The more important types of irregularities noticed during inspection and local audit are summarised below :

Number of offices
in which irregulari-
ties were noticed

A. CIVIL DEPARTMENTS

1. Public Works Offices—

Number of offices inspected during 1977-78	477
(i) Wasteful and infructuous expenditure due to defective plans, designs and abandonment of works	94
(ii) Extra cost to Government due to rejection of lowest tenders or delay in accepting tenders	21
(iii) Excess payments due to non-observance of the conditions of contracts or non-provision of necessary safeguards in contracts	36
(iv) Splitting up of purchase orders	15

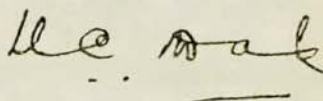
@Include Inspection Reports relating to Jammu and Kashmir circle which could not be included in the earlier Report due to destruction by fire of relevant records in the concerned Accountant General's office.

@@Due to inclusion of Inspection Reports relating to Himachal circle which were omitted to be included earlier.

	Number of offices in which irregularities were noticed
(v) Unauthorised financial aids to contractors	81
(vi) Delay in effecting recovery of security deposits from contractors and payment of contractor's bills	21
(vii) Arrears in maintenance and/or non-maintenance of initial accounts of road metal, material-at-site accounts, etc.	80
(viii) Other irregularities	296
2. Treasuries and other Civil Offices—	
Number of offices inspected during 1977-78	2,019
(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.	354
(ii) Securities from persons handling cash and stores not obtained, or if obtained not for the prescribed amount	123
(iii) Stores accounts not maintained properly and periodical verification not done	220
(iv) Defective maintenance and/or non-maintenance of log books of staff cars, etc.	88
(v) Local purchase of stationery in excess of authorised limits and expenditure incurred without proper sanctions	115
(vi) Delay in recovery and/or non-recovery of receipts, advances and other charges, etc.	297
(vii) General Provident Fund accounts of Class IV staff not maintained properly	111
(viii) Payment of grant in excess of actual requirements	52
(ix) Sanctions to write-off of loans, losses, etc. not received	17
(x) Overpayment of amounts disallowed in audit not recovered	179
(xi) Other types of irregularities	1,036

**B. DEPARTMENTALLY MANAGED COMMERCIAL AND
QUASI-COMMERCIAL UNDERTAKINGS**

Number of offices inspected during 1977-78	110
(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.	30
(ii) Stores accounts not maintained properly and periodical verification not done	19
(iii) Delay in recovery and/or non-recovery of receipts, advances and other charges, etc.	20
(iv) Overpayment of amounts disallowed in audit not recovered	7
(v) Other types of irregularities	82



(K. C. DAS)

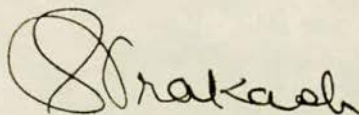
Director of Audit, Central Revenues.

New Delhi :

The

28 APR 1979

Countersigned.



(GIAN PRAKASH)

Comptroller and Auditor General of India.

New Delhi :

The

28 APR 1979

APPENDIX I
(Vide paragraph 7)

MAIN INVESTMENTS AND DIVIDENDS

Name of Undertaking/Concern	Investment			Dividend credited to Government	
	During 1976-77	During 1977-78	Upto 1977-78	During 1976-77	During 1977-78
1	2	3	4	5	6
(Lakhs of rupees)					
I. Statutory Corporations—					
Air India Corporation	200	..	6682	..	331
Indian Airlines Corporation . . . . .	..	..	5278	..	..
Oil and Natural Gas Commission	7409	7946	32080	..	..
Life Insurance Corporation . . . . .	..	..	500	..	..
Central Warehousing Corporation	272	450	2468	55	62
Food Corporation of India	1424	1168	21628	..	..
II. (a) Government Companies—					
Indian Oil Corporation Ltd.	1100	..	8208	569	..
Neyveli Lignite Corporation Ltd.	1650	..	17903	..	..
Bharat Heavy Electricals Ltd. . . . .	..	..	13000	..	780
Hindustan Steel Ltd. . . . .	..	..	61085	..	..
Heavy Engineering Corporation Ltd. . . . .	..	..	16179	..	..
Hindustan Antibiotics Ltd.	70	125	547	..	..
Hindustan Cables Ltd.	46	..	1182	54	46
National Newsprint and Paper Mills Ltd. . . . .	..	..	255	..	10

1	2	3	4	5	6
State Trading Corporation of India . . . . .	..	..	1000	150	150
Minerals and Metals Trading Corporation . . . . .	..	..	(a)1500	135	..
National Coal Development Corporation . . . . .	..	..	14332	..	..
Fertilizer Corporation of India Ltd.	11100	8783	75058	..	..
Hindustan Machine Tools Ltd.	140	100	3531	..	166
Hindustan Shipyard Ltd.	127	48	(b)1853	..	..
Indian Telephone Industries Ltd. . . . .	..	216	628	..	..
Mogul Lines Ltd. . . . .	..	..	313	..	..
National Instruments Ltd.	34	17	449	..	..
Hindustan Insecticides Ltd.	354	363	925	11	11
Bokaro Steel Ltd. . . . .	..	..	60000	..	..
National Mineral Development Corporation Ltd. . . . .	..	..	7604	..	..
Fertilizers and Chemicals, Travancore	16	4479	11535	..	..
Shipping Corporation of India . . . . .	..	..	2795	..	..
Singareni Collieries Company Ltd. . . . .	..	..	272	..	..
National Building Construction Corporation Ltd.	50	100	545	..	..
Indian Drugs and Pharmaceuticals Ltd.	810	1942	6522	..	..
Mazagaon Dock Ltd. . . . .	..	110	598	59	73
Hindustan Aeronautics Ltd. . . . .	..	..	5695	100	114
Garden Reach Ship Builders and Engineers Ltd.	400	500	1925	..	..
Indian Rare Earths Ltd. . . . .	..	72	395	17	25
Praga Tools Ltd.	281	54	633	..	..
Hindustan Organic Chemicals Ltd. . . . .	..	..	970	48	48

(a) Differs from the last year's figures due to subsequent corrections.

(b) Includes Rs. 71 lakhs due to *pro forma* correction in 1977-78.

1	2	3	4	5	6
Hindustan Photo Films Manufacturing Co. Ltd. . . . .	..	..	1632	..	..
National Small Industries Corporation Ltd. . . . .	..	..	750	..	..
Cement Corporation of India Ltd.	1300	2460	6671	..	..
Indian Tourism Development Corporation Ltd.	50	95	1455	..	..
Mining and Allied Machinery Corporation Ltd. . . . .	..	..	4380	..	..
Hindustan Zinc Ltd.	1350	705	5455	..	..
Bharat Aluminium Company	328	3889	13657	..	..
State Agro-Industries Corporation . . . . .	..	..	2828	..	..
Hindustan Paper Corporation	1801	3709	8517	..	..
Central Inland Water Transport Corporation	134	76	809	..	..
Rural Electrification Corporation Ltd.	500	700	6700	55	60
Housing and Urban Development Corporation	400	300	1600	..	..
Coal Mines Authority Ltd. . . . .	..	..	11550	..	..
Jute Corporation of India . . . . .	..	..	300	..	..
Cotton Corporation of India Ltd.	150	..	400	25	135
Mineral Exploration Corporation Ltd.	340	350	1799	..	..
Steel Authority of India Ltd.	9854	50782	76149	..	..
Bharat Ophthalmic Glass Ltd. . . . .	..	..	310	..	..
Indian Petro-Chemicals Corporation Ltd.	3100	..	18600	..	..
Bharat Coking Coal Ltd. . . . .	..	..	4953	..	..
National Textile Corporation Ltd.	7190	3150	12125	..	..
Dredging Corporation of India Ltd. . . . .	..	816	2800	..	..
Kudremukh Iron Ore Co. Ltd.	3761	9600	13361	..	..

1	2	3	4	5	6
Industrial Development Bank of India . . . . .	..	..	5000	..	..
National Hydro-Electric Power Corporation Ltd.	2108	5510	7648	..	..
Braithwaite and Co. Ltd.	1003	..	1003	..	..
Burn Standard Co.	883	617	1500	..	..
National Thermal Power Corporation Ltd.	323	2243	2586	..	..
Bongaigaon Refinery and Petro-Chemicals Ltd.	1930	2393	6373	..	..
Nationalised Banks . . . . .	..	..	(a)8740	..	..
(b) Other Companies—					
Indian Explosives Ltd. . . . .	..	..	274	34	..
National Fertilizers Ltd.	9927	..	17676	..	..
Oil India Ltd.	(A)-130	(A)-148	1400	261	..
British India Corporation . . . . .	..	..	106	..	..
Indian Iron and Steel Co Ltd.	(c)736	2174	2910	..	..
III. International Finance Corporation . . . . .	..	..	211	..	..
IV. Others	*11409	9194	82185	1871	4268
TOTAL	**83930	125088	(b)720486	3444	6279

(A) Represents redemption of debenture stock.

(a) Not shown in the last year's report due to information received subsequently.

(b) Includes Rs. 8740 lakhs. Refer footnote (a) above.

(c) Adopted during 1977-78.

*Differs from the last year's figure due to exhibition of certain items of investments distinctly.

**Differs from the last years figure due to inclusion of investment of Rs. 736 lakhs in Indian Iron and Steel Co. Ltd. during 1976-77.

APPENDIX II

[Vide paragraph 18(b)]

ARREARS IN RECOVERY OF LOANS AND ADVANCES GIVEN TO GOVERNMENT COMPANIES, NON-GOVERNMENT INSTITUTIONS, LOCAL FUNDS, CULTIVATORS, ETC.

To whom loan was paid	Amount outstanding on 31st March 1978		Earliest period to which the arrears relate
	Principal	Interest	
1	2	3	4
(Lakhs of rupees)			
Ministry of Agriculture and Irrigation (Department of Agriculture)			
Central Fisheries Corporation Ltd., Howrah	25.00	29.11	1977-78
National Seeds Corporation Ltd., New Delhi.	2.25	1.46	1976-77
India Dairy Corporation, Baroda	19.71	53.75	1975-76
State Farms Corporation, New Delhi. . .	60.56	42.72	1975-76
SOMEX (MEXICO)	7.03	..	1976-77
Agricultural Refinance and Development Corporation, Bombay	6.67	..	1977-78
Hindustan Aeronautics Ltd., Bangalore . .	63.00	11.16	1977-78
	184.22	138.20	
Ministry of Commerce, Civil Supplies and Co-operation			
Tea Trading Corporation of India Ltd. . .	36.67	11.00	1976-77
Coffee Board . . . . .	..	27.99	1977-78
Tea Board	115.73	76.52	1976-77
	(Rs. 4 lakhs towards principal recovered in 1978-79).		
Cardamom Board	0.20	0.09	1977-78
Super Bazar, New Delhi	2.59	2.40	1974-75
	155.19	118.00	
Ministry of Communications			
Indian Telephone Industries, Bangalore . . . . .	..	6.14	1977-78
Telepost Co-operative House Cons- truction Society Ltd., Madras . . . . .	..	1.15	1964-65
	..	7.29	

1	2	3	4
Ministry of Defence			
Loans to individual	35.99	2.70	1970-71
Consumer's Co-operative Store at Ordinance Factory, Dum Dum	0.17	..	1974-75
Hindustan Aeronautics Ltd., Bangalore	111.00	14.50	1974-75
Mazagaon Dock Ltd., Bombay	256.40	52.55	1973-74
Garden Reach Ship Builders and Engineers Ltd., Calcutta	342.27	549.79	1972-73
Goa Ship Yard Ltd., Vasco-de-Gama	39.50	..	1972-73
Praga Tools Ltd.	3.33	129.88	1973-74
Bharat Electronics Ltd., Bangalore	..	0.18	1973-74
Bharat Earth Movers Ltd.	329.13	261.38	1974-75
Andhra Scientific Co Ltd	..	11.20	1975-76
	1117.79	1022.18	
Ministry of Education and Social Welfare (Department of Culture)			
Bhartiya Vidya Bhawan, Bombay	6.20	2.56	1976-77
	(Since recovered in 1978-79)		
Department of Electronics			
Computer Maintenance Corporation, Bombay	1.25	1.50	1977-78
Kerala State Electricity Development Corporation, Trivandrum	2.63	1.58	1977-78
Central Electronics Ltd., Sahibabad	..	0.74	1977-78
	3.88	3.82	
Ministry of Energy (Department of Power)			
Delhi Electric Supply Undertaking, Delhi	1373.51	2280.53	1974-75
Ministry of Energy (Department of Coal)			
Coal India Ltd., Calcutta	..	1106.00	1976-77
Ministry of Health and Family Welfare (Department of Health)			
Ayurvedic Unani Tibbia College Board, New Delhi	2.00	..	1962-63

1	2	3	4
Ministry of Home Affairs			
Municipal Corporation of Delhi, Delhi	320.93	94.51	1968-69
Ministry of Home Affairs (Department of Personnel and Administrative Reforms)			
Central Government Employees Consumer Co-operative Credit Society, New Delhi	2.00	1.05	*
	(Rs. 2.00 lakhs and Rs. 0.33 lakh towards principal and interest respec- tively recovered in 1978-79)		
Ministry of Industry (Department of Industrial Development)			
Cement Corporation of India Ltd., New Delhi	..	10.66	1977-78
Tannery and Footwear Corporation of India Ltd., Kanpur	..	42.56	1977-78
	(Rs. 5.02 lakhs re- covered in 1978-79)		
Nepa Mills Ltd., Neapanagar.	0.68	0.04	1975-76
Hindustan Cables Ltd., Rupnarianpur	1.86	5.60	1975-76
Bharat Ophthalmic Glass Ltd., Durgapur	1.50	10.78	1974-75
National Instruments Ltd., Calcutta	20.60	42.74	1975-76
Instrumentation Ltd., Kota	8.53	11.34	1973-74
National Small Industries Corporation Company Ltd., New Delhi	18.40	4.26	1975-76
Hindustan Photo Films Manufacturing Company Ltd., Ootucmund	33.00	173.85	1974-75
	(Rs. 10 lakhs to- wards principal re- covered in 1978-79)		
Khadi and Village Industries Commission, Bombay	630.46**	1612.17**	1972-73
Hindustan Salts Ltd., Jaipur	3.33	3.00	1977-78
Andrew Yule and Co. Ltd., Calcutta	..	8.93	1977-78
Universal Trade Emporium, Faridabad	0.05	0.01	1970-71
Dogra Steel Ltd., Faridabad	0.12	0.43	1972-73
	718.53	1926.37	

*Information is awaited.

**The figures are provisional and under reconciliation.

1	2	3	4
(Ministry of Industry)			
(Department of Heavy Industry)			
Scooters India Ltd., Lucknow	221.41	183.77	1974-75
Mining and Allied Machinery Corporation, Durgapur	10.67	220.74	1972-73
Gresham and Cravan of India (P) Ltd., Calcutta	28.18	16.01	1976-77
Bharat Pump and Compressors Ltd., Naini . . . . .	..	185.76	1976-77
Britannia Engineering Works, Mokamch . . . . .	..	7.54	1975-76
	(Rs. 5.36 lakhs re- covered in 1978-79)		
Hindustan Machine Tools Ltd., Bangalore	717.46	192.85	1973-74
	(Rs. 234.91 lakhs towards principal recovered in 1978-79)		
Heavy Engineering Corporation Ltd., Ranchi	650.28	1550.48	1973-74
Richardson and Cruddas Ltd., Bombay . . . . .	..	66.87	1972-73
Tungbhadra Steel Products Ltd., Karnataka	21.47	18.89	1973-74
Bharat Heavy Electricals Ltd., New Delhi	1927.33	10.57	1974-75
	(Since recovered in 1978-79)		
Bharat Heavy Plates and Vessels Ltd., Vishakhapatnam . . . . .	..	408.65	1971-72
Braithwaite and Co. Ltd., Calcutta	1223.50	451.64	1976-77
Jessop and Co. Ltd., Calcutta . . . . .	..	491.21	1972-73
	4800.30	3804.98	
Ministry of Information and Broadcasting			
Film Finance Corporation of India, Bombay	30.11	17.58	1971-72
Samachar Bharati, New Delhi	0.83	..	1972-73
	30.94	17.58	

	1	2	3	4
Ministry of Labour				
Barbil Central Co-operative Stores Ltd., Barbil (Under liquidation)		1.56	1.31	1967-68
Ministry of Petroleum, Chemicals and Fertilizers (Department of Chemicals and Fertilizers)				
Indian Drugs and Pharmaceuticals Ltd., New Delhi		..	81.90	1977-78
			(Since recovered in 1978-79)	
Fertilizer Corporation of India Ltd.		..	1208.04	1977-78
Fertilizers and Chemicals Travancore Ltd.		..	142.74	1977-78
			(Since recovered in 1978-79)	
		..	1432.68	
Ministry of Petroleum, Chemicals and Fertilizers (Department of Petroleum)				
Petrofils Co-operative Ltd.		650.00	61.75	1976-77
			(Amount of principal converted into equity in 1978-79)	
Ministry of Shipping and Transport				
Visakhapatnam Port Trust, Visakhapatnam		..	39.00	1972-73
Paradip Port Trust, Paradip		..	3.42	1976-77
Calcutta Port Trust, Calcutta.		*732.77	*665.72	1973-74
Cochin Shipyard Ltd., Cochin.		..	525.00	1977-78
Central Road Transport Corporation Ltd., Calcutta.		133.00	64.70	1977-78
			(Rs. 24.80 lakhs towards principal recovered in 1978-79)	
Central Inland Water Transport Corpo- ration Ltd., Calcutta		805.52	231.39	1964-65
Departmental Canteen		0.04	..	1975-76
Delhi Transport Corporation, New Delhi		3448.15	2929.01	1966-67
Shipping Development Fund Committee, New Delhi		..	2823.07	1973-74
Calcutta Dock Labour Board, Calcutta		..	0.11	1977-78
Indian Road Construction Corporation		55.86	..	1977-78
		5175.34	7281.42	

* The figures are provisional and under reconciliation.

1	2	3	4
Ministry of Steel and Mines			
(Department of Steel)			
National Mineral Development Corporation	846.89	578.51	1977-78
Ministry of Steel and Mines			
(Department of Mines)			
Bharat Gold Mines Ltd., Oorgaum	523.33	210.20	1972-73
Hindustan Copper Ltd., Calcutta	288.33	1660.25	1972-73
Sikkim Mining Corporation Ltd., Rangpo, Sikkim	9.50	8.53	1967-68
	(Rs. 0.33 lakh towards interest recovered in 1977-78)		
	821.16	1878.98	
Ministry of Supply and Rehabilitation			
(Department of Rehabilitation)			
United Council for Relief and Welfare, Alwar, Rajasthan	0.03	0.08	1955-56
	(Waived in 1978-79)		
Harijan Sewak Sangh, Ahmedabad	0.25	..	1973-74
Rehabilitation Industries Co-operative Ltd., Calcutta	690.55	345.27	1970-71
Municipal Corporation of Delhi, Delhi	47.06	54.83	1974-75
	737.89	400.18	
Ministry of Tourism and Civil Aviation			
(Department of Tourism)			
Travel Rajasthan, Jaipur	0.10	0.02	1976-77
Suraj Travel, Madras	0.03	0.01	1977-78
Karan Enterprises (P) Ltd., Hyderabad	8.33	8.21	1977-78
	(Rs. 1.38 lakhs towards interest recovered in 1978-79)		

1	2	3	4
Ritz Continental Hotels Ltd., Calcutta	6.25	2.16	1975-76
Hotel Horizan (P) Ltd., Bombay	50.02	20.23	1977-78
	(Rs. 20.23 lakhs towards interest recovered in 1978-79)		
Piem Hotels (P) Ltd., Bombay	55.04	..	1977-78
	(Rs. 12.23 lakhs recovered in 1978-79)		
East West Hotel (P) Ltd., Bangalore	5.24	6.09	1977-78
	(Rs. 3 lakhs towards interest recovered in 1978-79)		
Adyar Gate Hotel (P) Ltd., Madras	15.63	10.84	1977-78
	<u>140.64</u>	<u>47.56</u>	

Ministry of Works and Housing

Delhi Development Authority (Slums), Delhi	40.02	27.68	1965-66
Hindustan Prefab Ltd.	55.01	28.11	1975-76
Municipal Corporation of Delhi, Delhi	140.53	90.13	1965-66
Delhi Transport Corporation, Delhi	4.22	1.39	1969-70
Consumer Co-operative Society Ltd.	0.68	0.57	1965-66
Sen Raleigh Ltd.	0.97	0.46	*
Jay Shree Textiles. . . . .	..	0.04	*
Jay Engineering Works Ltd.	1.20	0.80	*
Delhi Electric Supply Undertaking, Delhi	10.32	10.59	1957-58
Andhra State Electricity Board, Hyderabad	0.71	0.17	1973-74
Central Distillery and Chemical Works Ltd.	0.07	0.02	1976-77
Andhra Cement Co., Ltd	0.04	..	1959-60
Orissa Industries Ltd.	0.57	*	*
Water Supply and Sewage Disposal Under- taking, Delhi	802.76	1579.93	1969-70
New Delhi Municipal Committee, New Delhi	8.74	5.65	1965-66
	<u>1065.84</u>	<u>1745.54</u>	

*Information is awaited.

APPENDIX III

(Vide paragraph 23)

EXTENT OF UTILISATION OF SUPPLEMENTARY GRANTS/APPROPRIATIONS

Sl. No.	Grant/Appropriation	Amount of Grant/Appropriation		Actual expenditure	Saving (Col. 3+4-5)
		Original	Supplementary		
1	2	3	4	5	6

Cases where supplementary grants/appropriations proved unnecessary.

Revenue—Voted

(Lakhs of rupees)

Ministry of Agriculture and Irrigation

1.	2—Agriculture	19856.26	1000.00	16745.15	4111.11
2.	5—Forest	2138.55	1.00	1882.62	256.93

Ministry of Energy

3.	32—Power Development	5186.08	611.02	4582.71	1214.39
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Ministry of Home Affairs

4.	56—Other Expenditure of the Ministry of Home Affairs	15652.48	0.05	14536.13	1116.40
5.	57—Delhi	13235.54	167.53	12997.28	405.79
6.	61—Lakshadweep	457.03	6.59	421.05	42.57

Ministry of Petroleum

7.	73—Petroleum and Petro-Chemicals Industries	6020.82	133.35	5178.17	976.00
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Ministry of Steel and Mines

8.	85—Mines and Minerals	4152.40	307.37	3919.40	540.37
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1	2	3	4	5	6	
(Lakhs of rupees)						
Ministry of Supply and Rehabilitation						
9.	89—Department of Rehabilitation	2512.75	386.00	2500.84	397.91	
<i>Revenue — Charged</i>						
Ministry of Home Affairs						
10.	57—Delhi	57.00	1.80	55.50	3.30	
11.	59—Andaman and Nicobar Islands	0.08	0.25	0.06	0.27	
Ministry of Works and Housing						
12.	97—Housing and Development	Urban	67.41	0.38	64.70	3.09
Capital—Voted						
Ministry of Agriculture and Irrigation						
13.	7—Department of Rural Development	1754.21	11.93	1753.73	12.41	
Ministry of Chemicals and Fertilizers						
14.	12—Chemicals and Fertilizers Industries	45438.91	301.93	42258.49	3482.35	
Ministry of External Affairs						
15.	34—Ministry of External Affairs	841.40	538.00	652.21	727.19	
Ministry of Home Affairs						
16.	57—Delhi	7940.99	20.96	7899.10	62.85	
17.	59—Andaman and Nicobar Islands	1119.62	1.76	941.13	180.25	
Ministry of Shipping and Transport						
18.	81—Roads	9054.12	328.99	8958.85	424.26	
Ministry of Supply and Rehabilitation						
19.	89—Department of Rehabilitation	943.29	30.00	916.33	56.96	

1	2	3	4	5	6
(Lakhs of rupees)					
Department of Atomic Energy					
20.	100—Atomic Energy Research, Development and Industrial Projects	9364.22	500.00	7300.55	2563.67
<i>Capital—Charged</i>					
Ministry of Agriculture and Irrigation					
21.	4—Animal Husbandry and Dairy Development	116.07	113.18	35.50	193.75
Ministry of Defence					
22.	22—Ministry of Defence	65.99	24.41	19.00	71.40
Ministry of Shipping and Transport					
23.	82—Ports, Light—Houses and Shipping	202.00	9.71	189.51	22.20

APPENDIX IV

(Vide paragraph 25)

SAVINGS UNDER VOTED GRANTS

Voted grants where the savings (more than Rs. 5 lakhs in each case) exceeded 20 per cent of the total grant are given below :

Sl. No.	Grants	Total grant	Expenditure	Saving	Percentage of Saving
1	2	3	4	5	6
		Revenue		(Lakhs of rupees)	
1.	74—Ministry of Planning	8.10	1.96	6.14	75.8
2.	52—Cabinet	189.18	104.23	84.95	44.9
3.	3—Fisheries	2244.34	1257.70	986.64	44.0
4.	83—Road and Inland Water Transport	62.35	39.99	22.36	35.9
5.	36—Stamps	2348.00	1565.82	782.18	33.3
6.	104—Department of Electronics	847.01	566.97	280.04	33.1
7.	10—Department of Irrigation	2369.02	1666.04	702.98	29.7
8.	17—Ministry of Communications	163.02	115.26	47.76	29.3
9.	72—Ministry of Petroleum	64.48	47.46	17.02	26.4
10.	44—Customs	2750.80	2049.10	701.70	25.5
11.	4—Animal Husbandry and Dairy Development	5456.69	4206.80	1249.89	22.9
12.	105—Department of Space	3899.17	3026.19	872.98	22.4
13.	90—Ministry of Tourism	56.10	43.68	12.42	22.1
14.	76—Planning Commission	515.35	405.72	109.63	21.3
15.	91—Meteorology	1680.78	1326.56	354.22	21.1
16.	32—Power Development	5797.10	4582.71	1214.39	20.9

1	2	3	4	5	6
(Lakhs of rupees)					
Capital					
17. 50—Family Welfare		14.00	..	14.00	100
18. 66—Information and Publicity		82.70	..	82.70	100
19. 69—Labour and Employ- ment		9.46	0.05	9.41	99.5
20. 41—Other Expenditure of the Ministry of Finance		44491.56	11683.43	32808.13	73.7
21. 47—Opium and Alkaloid Factories		73.49	19.57	53.92	73.4
22. 91—Meteorology		355.00	149.09	205.91	58.0
23. 34—Ministry of External Affairs		1379.40	652.21	727.19	52.7
24. 4—Animal Husbandry and Dairy Develop- ment		1007.62	554.83	452.79	44.9
25. 36—Stamps		114.77	63.40	51.37	44.7
26. 92—Aviation		3244.58	1842.34	1402.24	43.2
27. 38—Currency, Coinage and Mint		2505.35	1516.55	988.80	39.5
28. 67—Broadcasting		2338.76	1481.78	856.98	36.6
29. 73—Petroleum and Petro- Chemicals Industries		39991.45	27156.52	12834.93	32.1
30. 61—Lakshadweep		156.38	108.30	48.08	30.7
31. 22—Ministry of Defence		4550.05	3192.95	1357.10	29.8
32. 18—Overseas Communica- tions Service		850.35	617.49	232.86	27.4
33. 100—Atomic Energy Re- search, Development and Industrial Pro- jects		9864.22	7300.55	2563.67	26.0
34. 10—Department of Irriga- tion		741.76	568.32	173.44	23.4
35. 32—Power Development		30686.93	23566.82	7120.11	23.2

APPENDIX V
(Vide paragraph 38)

STATEMENT SHOWING LOSSES, IRRECOVERABLE REVENUE, DUTIES, ADVANCES, ETC. WRITTEN OFF/WAIVED AND
Ex Gratia PAYMENTS MADE DURING THE YEAR

In 331 cases, Rs. 73.11 lakhs representing mainly losses due to theft, fire, etc. and irrecoverable revenue, duties, advances, etc. were written off/waived, and in 896 cases *ex gratia* payments aggregating Rs. 230.76 lakhs were made during 1977-78, as detailed below :

Name of the Ministry/Department	Write off of losses, irrecoverable revenue, duties, advances, etc.		Waiver of recovery		<i>Ex gratia</i> payments	
	No. of cases	Amount (Rs.)	No. of cases	Amount (Rs.)	No. of cases	Amount (Rs.)
1	2	3	4	5	6	7
Agriculture and Irrigation	18	32,28,944	..	..	..	..
Commerce	..	..	1	10,000	871	228,97,036*
Energy	82	6,31,763	..	..	..	..
External Affairs	1	2,511	..	..	..	..
Home Affairs	30	2,44,715	..	..	..	..
Information and Broadcasting	3	7,214	..	..	..	..
Shipping and Transport	145	15,89,556	..	..	25	1,79,354
Steel and Mines	1	2,224	..	..	..	..
Supply and Rehabilitation	34	6,05,503	..	..	..	..
Tourism and Civil Aviation	2	9,010	..	..	..	..
Works and Housing	4	2,60,079	..	..	..	..
Atomic Energy	8	6,99,886	..	..	..	..
Space	2	19,259	..	..	..	..
TOTAL	330	73,00,664	1	10,000	896	230,76,390

*Represents payments to Indian nationals/companies for properties confiscated by Government of Pakistan during and after Indo-Pak conflict in 1965.

APPENDIX VI

(Vide paragraph 55)

GRANTS-IN-AID TO STATUTORY BODIES, NON-GOVERNMENT INSTITUTIONS OR BODIES AND INDIVIDUALS

Ministry/Department	Amount
	(Lakhs of rupees)
Agriculture and Irrigation	1,18,31.01
Commerce	1,04,92.06
Communications	1.84
Defence	9.87
Education and Social Welfare	1,53,56.03
Energy	78.21
External Affairs	69.22
Finance	1,59.18
Health and Family Welfare	21,26.47
Home Affairs	31,95.81
Industry and Civil Supplies	28,39.99
Information and Broadcasting	2,25.11
Labour	1,58.20
Law, Justice and Company Affairs	30.88
Petroleum, Chemicals and Fertilizers	21.38
Planning	65,46.39
Shipping and Transport	22,13.97
Steel and Mines	5,31.80
Supply and Rehabilitation	0.05
Tourism and Civil Aviation	1,97.73
Works and Housing	47.26
Atomic Energy	7,58.94
Culture	3,52.43
Electronics	3,34.49
Space	1,80.33
TOTAL	5,77,58.65

APPENDIX VII

[Vide paragraph 64(4)]

THE PATHINI TEA ESTATE
GOVERNMENT OF INDIA

Balance Sheet as at 31st March 1976/30th June 1976

Liabilities	As at 31-3-1976 (Rupees)	As at 30-6-1976 (Rupees)	Assets	As at 31-3-1976 (Rupees)	As at 30-6-1976 (Rupees)
<i>On Capital Account :</i>					
Opening balance	36,06,691	38,06,691	Net Fixed Assets (including capital work-in-progress)	26,11,774	25,81,275
Add: Received during the period	2,00,000	..	Investments	1,000	1,000
	38,06,691	38,06,691	Current Assets	39,38,036	31,80,448
<i>On Current Account :</i>					
Opening balance	19,40,889	31,29,323	Cash and Bank Balance	2,02,741	4,68,559
Add: Received during the period	22,31,000	15,00,000	Loans and Advances	4,62,053	3,44,977
	41,71,889	46,29,323	Profit and Loss Account	6,67,785	4,10,669
Less: Net adjustments	(—) 10,42,566	(—) 26,29,985			
	31,29,323	19,99,338			
<i>Current Liabilities and Provisions</i>					
Sundry Creditors	8,75,575	11,04,599			
Government Audit Fees	71,800	76,300			
	9,47,375	11,80,899			
TOTAL	78,83,389	69,86,928		78,83,389	69,86,928

THE PATHINI TEA ESTATE

GOVERNMENT OF INDIA

Profit and Loss Account for the period ended 31st March 1976/30th June 1976

Debit Particulars	31st March	30th June	Particulars	31st March	Credit 30th June
	1976	1976		1976	1976
	(Rupees)	(Rupees)		(Rupees)	(Rupees)
To Garden Expenditure	12,99,301	15,19,535	By Gross proceeds of tea sold (including stocks of tea at prices since realised)	9,72,671	20,64,818
To Calcutta Expenditure	37,476	34,680	By shortage and samples	8,168	19,371
To Freight and Marketing Expenditure	35,458	65,119	By Stock of Green Leaf awaiting processing (valued at cost)	..	13,377
To Government Duties	53,966	1,01,627	By Sale of surplus stores at Garden and green 'leaver'	5,406	2,494
To Expenditure on Grow More Food Scheme	7,504	7,960	By Balance being loss for the period carried to Profit and Loss Appropriation Account	6,12,271	..
To Depreciation	42,958	37,196			
To Interest on Mean Government Capital @ 5.4%	1,21,853	76,273			
To Balance being profit carried to Profit and Loss Appropriation Account	..	2,57,670			
TOTAL	15,98,516	21,00,060		15,98,516	21,00,060
To Balance being Loss for the year brought down	6,12,271	..	By Balance being profit for the year ending brought down	..	2,57,670
To Interest on Mean Government Capital—1975-76 (Adjustment)	..	554	By Balance being Profit for the period ending 14th November 1975 brought down	85,640	..
To Prior period adjustment Account	1,41,154	..	By Balance transferred to Balance Sheet	6,67,785	4,10,669
To Balance as per last Profit and Loss Account	..	6,67,785			
TOTAL	7,53,425	6,68,339		7,53,425	6,68,339

