



**REPORT OF THE**

**COMPTROLLER AND AUDITOR GENERAL**

**OF INDIA**

**FOR**

**THE YEAR 1975-76**

**UNION GOVERNMENT (CIVIL)**



## ERRATA

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## **PREFATORY REMARKS**

This Report has been prepared for submission to the President under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts for 1975-76 and other points arising from audit of the financial transactions of the Civil Departments of Government of India. It includes observations relating to the University Grants Commission and the Export Credit (Interest Subsidy) Scheme, 1968. It also includes certain points of interest arising from the Finance Accounts for the year 1975-76.

The cases mentioned in the Report are among those which came to notice in the course of test audit during the year 1975-76 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 1975-76 have also been included, wherever considered necessary.

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



## CHAPTER I

### I. GENERAL

The original budget estimates and actuals of revenue receipts, expenditure met from revenue and expenditure on capital account during 1975-76 are shown below with the corresponding figures for the preceding two years :—

		Budget	Actuals	Variation	Percentage of variation (Crores of rupees)
Revenue Receipts*	1973-74	@5732.73	5703.36	—29.37	—0.5
	1974-75	@6338.09	7260.11	+922.02	+14.5
	1975-76	@7913.84	8932.12	+1018.28	+12.9
Expenditure met from Revenue	1973-74	@5367.72	5466.57	+98.85	+1.8
	1974-75	@6080.29	6495.82	+415.53	+6.8
	1975-76	@7265.42	8045.24	+779.82	+10.7
Expenditure on Capital Account	1973-74	901.52	1008.86	+107.34	+11.9
	1974-75	1223.13	1630.20	+407.07	+33.3
	1975-76	1532.75	2250.45	+717.70	+46.8

\*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 States/Union Territory Governments during the three years were:—

	1973-74	1974-75	1975-76
	(Crores of rupees)		
Taxes on Income	527.85	516.16	734.10
Estate Duty	11.20	10.03	8.21

@Budget estimates for revenue receipts shown above include Rs. 37.79 crores, Rs. 25.70 crores and Rs. 46.84 crores during 1973-74, 1974-75 and 1975-76 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.

The figures for 1973-74 shown above are those appearing in the Report for 1973-74. In the subsequent paragraphs of this Chapter the figures of actuals for 1973-74 have been recast, to the extent possible, under the revised heads of classification effective from 1st April 1974 for comparison with the actuals for 1974-75 and 1975-76. The recast figures of actuals for 1973-74 shown in this chapter differ in some cases from the actuals for that year shown in the budget for 1975-76; the recast figures shown in this Chapter are based on the final figures in accounts.

During 1975-76, the revenue receipts, expenditure met from revenue and the expenditure on capital account exceeded the budget estimates by Rs. 1018.28 crores, Rs. 779.82 crores and Rs. 717.70 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. 687.26 crores and Rs. 625.24 crores respectively.

Further details of revenue receipts will be given in the Report on Revenue Receipts.

## II. OVERALL EXPENDITURE (REVENUE AND CAPITAL)

2. The following table compares the expenditure on revenue account during 1975-76 under broad heading with the provision of funds made thereunder :—

Head of Expenditure	Budget estimates	Actuals	Variation
		(Crores of rupees)	
Organs of State . . . . .	84.32	74.77	—9.55
Fiscal Services . . . . .	151.80	189.17	+37.37
Interest payment and Servicing of Debt . . . . .	1187.84	1228.16	+40.32
Administrative Services . . . . .	333.43	388.77	+55.34
Pension and Miscellaneous General Services . . . . .	30.79	196.07	+165.28
Social and Community Services . . . . .	482.25	519.76	+37.51
General Economic Services . . . . .	146.54	203.58	+57.04
Agriculture and Allied Services . . . . .	427.30	365.28	—62.02
Industry and Minerals . . . . .	231.19	251.57	+20.38
Water and Power Development . . . . .	68.50	78.63	+10.13
Transport and Communications . . . . .	82.70	97.07	+14.37
Grants and Contributions . . . . .	2002.42	2201.27	+198.85
Defence Services . . . . .	2036.34	2251.14	+214.80
Total . . . . .	7265.42	8045.24	+779.82

3. The expenditure during 1975-76 compared with that during the previous two years is shown below :—

	1973-74	1974-75	1975-76
	(Crores of rupees)		
Organs of State . . . . .	48.09	59.80	74.77
Fiscal Services . . . . .	83.84	126.36	189.17
Interest payment and Servicing of Debt . . . . .	881.64	1000.76	1228.16
Administrative Services . . . . .	276.15	320.37	388.77
Pension and Miscellaneous General Services . . . . .	28.74	23.17	196.07
Social and Community Services . . . . .	322.90	427.60	519.76
General Economic Services . . . . .	206.65	132.48	203.58
Agriculture and Allied Services . . . . .	322.85	404.60	365.28
Industry and Minerals . . . . .	93.74	137.67	251.57
Water and Power Development . . . . .	26.74	48.62	78.63
Transport and Communications . . . . .	62.11	75.57	97.07
Grants and Contributions . . . . .	1597.45	1818.61	2201.27
Defence Services . . . . .	1480.97	1920.21	2251.14

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

	1973-74	1974-75	1975-76
	(Crores of rupees)		
<i>(a) Fiscal Services:</i>			
Collection of Taxes on Income and Expenditure . . . . .	24.87	31.21	38.81
Customs . . . . .	(x)11.56	16.83	19.09
Union Excise Duties . . . . .	(x)18.21	23.52	30.63
Currency, Coinage and Mint . . . . .	(y)19.03	38.57	70.94
The increase is mainly due to (i) larger payments to the International Monetary Fund (ii) increased cost of materials and supplies, mainly paper required for Currency Note Press.			
Other Heads . . . . .	(y)10.17	16.23	29.70
Total . . . . .	83.84	126.36	189.17

<i>(b) Administrative Services:</i>			
Police . . . . .	129.46	162.55	209.10

The increase is mainly due to (i) larger expenditure on additional dearness allowance and payment of arrears resulting from pay revision and (ii) larger expenditure for modernisation of Delhi Police.

- (x) Differs from the figures shown in the Report of the Comptroller and Auditor General of India for the year 1974-75—Union Government (Civil) due to subsequent rectification of error in recasting of actuals.
- (y) Figures shown together under "Other Heads" in the Report of the Comptroller and Auditor General of India for the year 1974-75—Union Government (Civil). Difference of Rs. 0.01 crore is due to rounding as a result of recasting of actuals under 'Union Excise Duties' and 'Customs'.

1973-74 1974-75 1975-76

(Crores of rupees)

Public Works . . . . .	11.32	17.84	24.62
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The increase is mainly due to larger expenditure on purchases of equipment and material as well as on their maintenance and repairs.

External Affairs . . . . .	29.52	34.45	49.05
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The increase is mainly due to larger expenditure on missions abroad.

Other Administrative Services . . . . .	26.52	26.86	32.52
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The increase is mainly due to larger expenditure for payment of arrears of special pay and dearness allowance and payment of arrears to the State Governments.

Other Heads . . . . .	79.33	78.67	73.48
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Total . . . . .	276.15	320.37	388.77
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(c) Social and Community Services:

Education . . . . .	109.30	141.85	175.77
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The increase is mainly due to (i) payment of additional dearness allowance as well as arrears of salaries consequent on pay revision to employees of autonomous bodies/organisations and educational institutions financed by grants from Government and (ii) larger grants to University Grants Commission and Kendriya Vidyalaya Sangathan.

Scientific Services and Research . . . . .	78.07	112.02	134.08
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The increase is mainly due to (i) payment of additional dearness allowance, (ii) larger expenditure on Department of Space and (iii) larger grants to Council of Scientific and Industrial Research.

	1973-74	1974-75 (Crores of rupees)	1975-76
Medical . . . . .	24.08	30.36	37.17
Public Health, Sanitation and Water Supply . . . . .	10.25	9.00	11.38
Broadcasting . . . . .	16.73	22.06	29.61

The increase is mainly due to (i) adjustments in the current year for previous years' purchases of material etc., (ii) larger expenditure on maintenance of equipment and (iii) higher rates of dearness allowance.

Labour and Employment . . . . .	19.96	22.40	31.90
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The increase is mainly due to larger Government contribution to Family Pension-cum-Life Assurance Fund for industrial workers and coal workers.

Social Security and Welfare . . . . .	33.53	47.88	53.22
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The increase is mainly due to (i) larger payment of pensions to freedom fighters and (ii) larger expenditure under Baldwani Nutrition programmes in the Union Territories without legislature.

Other Heads . . . . .	30.98	42.03	46.63
Total . . . . .	322.90	427.60	519.76

The expenditure at (c) above does not include grants to State Governments and Union Territory Governments for development purposes.

(d) Grants-in-aid and contributions:

Payments to States of their share of Union Excise Duties . . . . .	630.70	702.54	856.71
Grants to State Governments and Union Territory Governments:			
(i) Under Proviso to Article 275(i) of the Constitution . . . . .	147.41	(a)363.41	38.26
(ii) Grants under (Distribution of Revenue) Order . . . . .	..	..	503.12
(iii) Grants in lieu of Tax on Railway passenger fares . . . . .	16.25	16.25	16.25
(iv) Grants to Union Territory Governments . . . . .	27.75	39.90	70.74
(v) Other Grants and Contributions . . . . .	775.34	(a)696.51	716.19
Total . . . . .	1597.45	1818.61	2201.27

(e) Economic Services:

General Economic Services . . . . .	206.65	132.48	203.58
Agriculture and Allied Services . . . . .	322.85	404.60	365.28
Industry and Minerals . . . . .	93.74	(a)137.67	251.57
Water and Power Development . . . . .	26.74	48.62	78.63
Transport and Communications . . . . .	62.11	(a)75.57	97.07
Total . . . . .	712.09	798.94	996.13

(a) Differs from the figures shown in the Report of the Comptroller and Auditor General of India for the year 1974-75—Union Government (Civil) due to subsequent correction.

5. The excess of Rs. 717.70 crores in expenditure on capital account as compared with the budget estimates of 1975-76 was mainly made up of excesses under the following heads :—

Head	Budget estimates	Actual expenditure	Excess
			(Crores of rupees)
Currency, Coinage and Mint . . . . .	7.10	232.92	225.82
Agriculture . . . . .	149.90	255.88	105.98
Food . . . . .	1.87	102.49	100.62
Machinery and Engineering Industries . . . . .	11.63	53.01	41.38
Petroleum, Chemicals and Fertilizers Industries . . . . .	310.45	329.66	19.21
Mining and Metallurgical Industries . . . . .	102.17	269.56	167.39
Railways . . . . .	182.50	250.87	68.37
Posts and Telegraphs . . . . .	17.97	79.41	61.44

The excesses under the above heads were partly offset by the shortfall under other heads.

6. The following table shows the expenditure on capital account during the three years ending 31st March 1976 and also progressive capital outlay up to the end of 1975-76 :—

	1973-74	1974-75	1975-76	Total capital outlay up to the end of 1975-76
				(Crores of rupees)
Currency, Coinage and Mint . . . . .	8.21	10.96	232.92	1008.89
Public Works . . . . .	9.66	10.85	11.39	*175.30
Defence Services . . . . .	199.83	192.06	221.15	*2405.83
Scientific Services and Research . . . . .	..	25.08	35.82	*82.77
Housing . . . . .	14.70	12.48	18.62	*114.51
Broadcasting . . . . .	9.14	7.89	12.21	67.09
Social Security and Welfare . . . . .	2.89	2.51	5.85	*74.67

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



	1973-74	1974-75	1975-76	Total capital outlay up to the end of 1975-76
	(Crores of rupees)			
Co-operation . . . . .	5.73	0.19	13.34	112.09
Investments in General Financial and Trading Institutions	12.75	6.51	60.08	206.25
Investments in International Financial Institution . . . . .	14.32	9.90	0.15	161.75
Agriculture . . . . .	4.35	367.83	255.88	*740.16
Machinery and Engineering Industries . . . . .	11.57	7.73	53.01	449.88
Petroleum, Chemicals and Fertilizers Industries . . . . .	194.60	196.61	329.66	1241.81
Aircraft and Ship-building Industries . . . . .	12.70	2.66	2.10	99.79
Consumer Industries . . . . .	10.18	29.30	27.68	106.38
Atomic Energy Development . . . . .	39.47	32.06	35.89	376.00
Mining and Metallurgical Industries . . . . .	74.34	202.78	269.56	2247.65
Irrigation, Navigation, Drainage and Flood Control Projects . . . . .	7.36	10.37	8.14	160.74
Ports, Light-houses and Ship-ping . . . . .	9.86	24.82	23.14	188.15
Civil Aviation . . . . .	13.05	12.73	10.08	215.73
Roads and Bridges . . . . .	107.12	79.19	72.60	*926.80
Railways . . . . .	171.63	219.22	250.87	*4369.13
Posts and Telegraphs . . . . .	50.07	56.26	79.41	527.76
Other Items . . . . .	25.33	110.21	220.90	976.12
Total . . . . .	1008.86	1630.20	2250.45	17035.25

7. The total investment of Government in statutory corporations, Government companies, other joint stock companies, co-operative banks and societies etc., up to March 1976 was Rs. \*\*4959.33 crores. Against this investment the amount

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

\*\*The figure includes value of bonus shares, gift materials treated as investment, shares transferred on consideration other than cash etc. Please see statement no. 13 of Finance Accounts—Union Government, 1975-76,

brought to account during 1975-76 by way of dividend was Rs. 21.35 crores; this includes dividend received from (a) Indian Oil Corporation (Rs. 5.69 crores), (b) State Trading Corporation of India (Rs. 1.20 crores) and (c) Minerals and Metals Trading Corporation (Rs. 1.08 crores), the total investment in these companies being Rs. 90.08 crores at the end of 1975-76. The dividend in the two preceding years was Rs. 27.16 crores (1974-75) and Rs. 25.12 crores (1973-74). 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 1975-76 are as under :—

	1973-74	1974-75	1975-76
	(Crores of rupees)		
Railways . . . . .	—2.53	—8.10***	—11.49
Posts and Telegraphs . . . . .	2.44	1.03	1.05

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. 1.90 crores, Rs. 1.74 crores and Rs. 1.73 crores paid by the Railways during 1973-74, 1974-75 and 1975-76 respectively as contribution towards safety works are also not included in the figures shown above.

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\*\* Interest received by Government from Railways and Posts and Telegraphs during three years ending 1975-76 was:—

	1973-74	1974-75	1975-76
	(Crores of rupees)		
Railways . . . . .	155.30	177.58	191.65
Posts and Telegraphs . . . . .	19.89	20.16	24.34

\*\*\* This does not include Rs. 15.79 crores payable in 1973-74 but actually paid in 1974-75.

## 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 1976 :—

	1973-74	1974-75	1975-76
	(Crores of rupees)		
<b>(a) Receipts</b>			
<i>Consolidated Fund—</i>			
(i) Miscellaneous Capital Receipts . . . . .	1664.00	170.59	243.74
(ii) Internal Debt (Other than treasury bills and <i>ad hoc</i> treasury bills)* . . . . .	1133.02	802.00	995.86
(iii) External Debt . . . . .	686.46	857.65	1415.52
(iv) Repayment of loans and advances by State Governments, etc. . . . .	1471.32	1191.49	1485.52
<i>Contingency Fund—</i>			
Recoupment to Contingency Fund . . . . .	1.13	..	..
<i>Public Account—</i>			
Small Savings, Provident Funds, etc. (Net) . . . . .	—57.78	455.43	974.41
Reserve Funds (Net) . . . . .	48.27	24.56	—47.28
Deposits and Advances (Net) . . . . .	623.79	220.64	—187.48
Suspense and Miscellaneous (Net) . . . . .	—32.68	—335.70	—107.07
Remittances (Net) . . . . .	71.09	105.66	—1.01
Total receipts outside the revenue account	5608.62	3492.32	4772.21
Add—Debt raised by issue of treasury bills and <i>ad hoc</i> treasury bills (Net) . . . . .	340.07	679.98	745.65
<b>GRAND TOTAL</b> . . . . .	<b>5948.69</b>	<b>4172.30</b>	<b>5517.86</b>
<b>(b) Payments</b>			
Capital Outlay—Civil . . . . .	587.33	1162.66	1699.02
Capital Outlay—Railways . . . . .	171.63	219.22	250.87
Capital Outlay—Posts and Telegraphs . . . . .	50.07	56.26	79.41
Capital Outlay—Defence . . . . .	199.83	192.06	221.15
<b>TOTAL</b> . . . . .	<b>1008.86</b>	<b>1630.20</b>	<b>2250.45</b>
Loans and Advances by Central Government . . . . .	2519.82	2629.24	3151.37

\* The receipt shown against this head include Rs. 100 crores each during 1973-74, 1974-75 and 1975-76 on account of conversion of *ad hoc* treasury bills into dated securities (*c.f.* paragraph 10.)

	1973-74	1974-75	1975-76
	(Crores of rupees)		
<i>Repayment of debt—</i>			
Internal Debt (Other than treasury bills and <i>ad hoc</i> treasury bills) . . . . .	562.99	218.72	212.74
External Debt . . . . .	1981.99	307.07	343.77
Inter State Settlement . . . . .	0.07	0.37	(a)
Total expenditure outside the revenue Account . . . . .	6073.73	4785.60	5958.33
Total receipts as in sub-paragraph (a) above	5948.69	4172.30	5517.86
Excess of expenditure over receipts (—)/ Excess of receipts over expenditure(+) pertaining to heads outside the revenue account . . . . .	—125.04	— 613.30	—440.47
Revenue Surplus (+) . . . . .	+236.79	+764.29	+886.88
Net Surplus (+) . . . . .	+111.75	+150.99	+446.41

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. 328.32 crores, Rs. 628.99 crores and Rs. 399.24 crores during 1973-74, 1974-75 and 1975-76 respectively.

(c) The year 1975-76 closed with a deficit of Rs. 399.24 crores against the anticipated deficit of Rs. 246.82 crores (budget) and Rs. 389.65 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) . . . . .	238.72	745.65	—506.93
Conversion of <i>ad hoc</i> treasury bills into dated securities . . . . .	..	100.00	—100.00
Increase of cash balance . . . . .	+8.10	—446.41	+454.51
TOTAL . . . . .	246.82	399.24	— 2.4

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

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

- (a) *Ad hoc* treasury bills issued to the Reserve Bank of India and some State Governments. Rupees 4746.06 crores were outstanding on 31st March 1976. The outstanding bills were held by the Reserve Bank of India (Rs. 4216.41 crores) and State Governments (Rs. 529.65 crores).
- (b) Other treasury bills issued to the public (Rs. 1063.85 crores) on 31st March 1976.
- (c) Non-negotiable, non-interest bearing securities issued to International financial institutions (Rs. 960.40 crores) and compensation and other bonds (Rs. 21.54 crores).

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

	1973-74	1974-75	1975-76
	(Crores of rupees)		
(i) Interest paid by Government on debt and other obligations . . . . .	881.64	1000.76	1228.16
(ii) Deduct—			
(a) Interest received on loans to State and Union Territory Governments . . . . .	390.16	(x)373.61	456.39
(b) Interest received on other loans from investment of cash balance and other items [excluding the receipts mentioned at item (iv) below]. . . . .	163.60	(x)44.44	88.00
(iii) Net amount of interest charges . . . . .	327.88	582.71	683.77
(iv) Interest from Departmental Commercial Undertakings, Public Sector Undertakings and other undertakings including Railways and Posts and Telegraphs . . . . .	182.05	357.47	389.35
(v) Net amount of interest charges after deducting the receipts shown at item (iv) above . . . . .	145.83	225.24	294.42

- (x) Rs. 0.37 crore pertaining to "Interest portion of equated payment on account of recovery of capitalised value of sterling pensions from State Governments/Union Territory Governments" included in the figure shown against "Interest received on loans to State and Union Territory Governments" in the last year's Report has now been transferred to "Interest received on other loans from investment of cash balance and other items".

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

	1973-74	1974-75	1975-76
	(Crores of rupees)		
Interest on Market Loans . . . . .	268.91	292.11	338.51
Discount on Treasury bills . . . . .	168.49	236.31	251.59
Payment to Reserve Bank for management of debt . . . . .	1.33	0.93	1.88
Interest on External Debt . . . . .	173.42	(a)160.81	190.39
Interest on Provident Funds . . . . .	59.01	(a)71.82	98.71
Interest on Savings Certificates . . . . .	89.36	75.82	83.74
Other items . . . . .	121.12	(a)162.96	263.34
TOTAL . . . . .	<u>881.64</u>	<u>1000.76</u>	<u>1228.16</u>

#### IV. GRANTS AND LOANS FROM FOREIGN SOURCES

12. (a) Up to 31st March 1976, Rs. 13368.89 crores were received as grants (Rs. 2909.80 crores) and loans (Rs. 10459.09 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 up to 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 are accounted for in Government accounts.

(a) Differs from the figures shown in the Report of the Comptroller and Auditor General of India for 1974-75—Union Government (Civil) due to subsequent corrections.

\* 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 during 1975-76	Received upto the end of 1975-76	Earliest period from which grants have been received	Remarks
(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.	0.06	(a)2071.37	1960.61	
Colombo Plan	Australia	Nil	17.56	1951-52	
	Canada	Nil	344.90	1952-53	
	New Zealand	Nil	3.51	1951-52	
	United Kingdom	0.72	2.12	1954-55	
Debt Relief	Denmark	0.57	0.57	1975-76	
	Netherlands	7.53	7.53	1975-76	
	Sweden	1.02	1.02	1975-76	
	United Kingdom	20.43	20.43	1975-76	
Assistance for Imports	E.E.C.	45.79	45.79	1975-76	
	Netherlands	11.59	11.59	1975-76	
	Sweden	8.47	8.47	1975-76	
	United Kingdom	27.13	27.13	1975-76	

(a) Decreased by Rs. 116.01 crores as the amount pertaining to 'other receipts' shown under this head in the last year's Report has been omitted.

Programme	Source	Grants during 1975-76	Received upto the end of 1975-76	Earliest period from which grants have been received	Remarks
(Crores of rupees)					
Assistance for development of Coal Mining Capacity.	United Kingdom	4.56	4.56	1975-76	
Assistance for Mixed Projects	United Kingdom	6.49	6.49	1975-76	
Development of fisheries	Norway	0.43	3.11	1953-54	In the form of fishing equipment.
Assistance for purchase of food-grains under the emergency operation programme of United Nations	U.N.O.	38.45	38.45	1975-76	
Assistance under United Nations Fund for population activities	U.N.O.	0.31	0.31	1975-76	
Assistance towards cost of D.T. Vaccine	U.N.O.	0.13	0.13	1975-76	
Assistance for special social service programme	Netherlands	2.24	2.24	1975-76	
Assistance under Indo-Swedish Development credit	Sweden	11.48	11.48	1975-76	
Assistance for Family Planning Programme	Sweden	2.36	*3.97	1974-75	
Value of paper received as gift	Sweden	0.93	*1.36	1974-75	

\*Includes grants received and booked during 1974-75 under the Major Head "067—Aid Materials and Equipments" but not shown in last year's Report.



Programme	Source	Grants During 1975-76	Received Upto the end of 1975-76	Earliest period from which grants have been received	Remarks
(Crores of rupees)					
Food aid under International Grain Arrangement Programme	Australia	15.63	15.63	1975-76	
	Belgium	3.87	3.87	1975-76	
	Canada	48.82	48.82	1975-76	
	E.E.C.	23.94	23.94	1975-76	
	Netherlands	1.50	1.50	1975-76	
	Sweden	6.25	6.25	1975-76	
	United Kingdom	3.75	3.75	1975-76	
Grants for Computers	Netherlands	1.22	1.22	1975-76	
Assistance for Equipment for Bombay-Poona T.V. Centre	Federal Republic of Germany	1.58	1.58	1975-76	
Value of gift fertilizers	Denmark	0.72	0.72	1975-76	
	F.A.O.	7.00	7.00	1975-76	
	Norway	4.01	4.01	1975-76	
	Sweden	6.38	6.38	1975-76	
	U.N.O.	2.11	2.11	1975-76	
Other programmes/purposes	Ford-Foundation	0.03	*12.68	1951-52	
TOTAL		317.50	2909.80		

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

13. The foreign loans outstanding at the end of 1975-76 were Rs. 7488.56 crores. The details of these loans are given below :—

Source	Amount authorised	Received		Repaid		Outstanding at end of 1975-76**	Rate of Interest
		During 1975-76	Up to the end of 1975-76*	During 1975-76	Up to the end of 1975-76*		
(Crores of rupees)							
1	2	3	4	5	6	7	
U.S.A. . . . .	4122.83	260.33	3973.21	51.62	2287.38	(b)2307.47	½ per cent to 6 per cent
U.S.S.R. . . . .	941.99	225.95	846.05	46.23	590.98	412.66	2½ per cent
Federal Republic of Germany . . . . .	844.37	97.40	824.40	71.74	458.62	497.06	1 per cent to 6½ per cent
Canada . . . . .	377.30	65.18	296.68	11.24	41.50	266.18	4½ per cent to 6 per cent
Japan . . . . .	573.54	98.33	563.68	53.65	172.78	(a)445.18	4 per cent to 6 per cent
U.K. . . . .	1199.75	61.17	1200.57	32.81	271.50	1049.32	(A)
International Bank for Reconstruction and Development . . . . .	329.25	6.56	296.46	26.56	229.90	165.55	4 per cent to 6½ per cent
International Development Association . . . . .	2925.86	425.29	1711.41	5.42	13.23	(b)1819.08	No interest is charged. A service charge of ½ per cent is payable on the amount outstanding.
Netherlands . . . . .	119.03	45.49	119.23	2.83	8.30	(a)116.74	2½ per cent to 5½ per cent

Czechoslovakia . . . . .	166.10	4.26	74.25	8.17	57.08	24.89	2½ per cent
France . . . . .	335.06	72.53	239.09	15.12	37.81	201.28	3 per cent to 3½ per cent
Others (including Denmark, Austria, Belgium, Norway, Poland, Sweden, Switzerland, Yugoslavia, Italy, Kuwait, Hungary, Bahrain and other Trucial States in connection with retirement of Indian Currency etc.) . . . . .	564.43	53.03	314.06	18.38	163.56	(b)182.15	(B)
<b>TOTAL . . . . .</b>	<b>12499.51</b>	<b>1415.52</b>	<b>10459.09</b>	<b>343.77</b>	<b>4332.64</b>	<b>7488.56</b>	

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

\*\*The closing balances include the effect of devaluation.

(a) Decreased *pro forma* by Rs. 0.01 crore due to rounding.

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

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

(B) Interest rate varies from country to country.

## V. LOANS AND ADVANCES BY UNION GOVERNMENT

14. Details of loans and advances outstanding against State Governments, Foreign Governments, etc. at the end of 1974-75 and 1975-76 are given below :—

To whom lent	Amount out-standing on 31st March 1975	Loans paid during 1975-76	Loans repaid during 1975-76	Amount out-standing on 31st March 1976
(Crores of rupees)				
State Governments . . . . .	9143.63	1274.36	742.49	**9676.70
Union Territory Governments . . . . .	*88.67	20.96	3.59	106.04
Foreign Governments . . . . .	127.12	235.67	251.40	**110.19
Government Corporations, Non-Government Institutions, Local Funds, Cultivators etc. . . . .	*4599.02	1581.91	450.18	5730.75
Government Servants . . . . .	*70.96	38.47	37.86	71.57
<b>TOTAL . . . . .</b>	<b>14029.40</b>	<b>3151.37</b>	<b>1485.52</b>	<b>15695.25</b>

15. For loans granted to State Governments for rehabilitation of displaced persons from erstwhile East Pakistan and West Pakistan, State Governments had 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 up to 31st March 1964 to displaced persons from erstwhile East Pakistan would be borne fully by the Union Government. The decision was not to be applied to loans granted to displaced persons migrating after 31st December 1963. All such loans outstanding

\*Differs from the figures shown in the last year's Report due to *pro forma* corrections.

\*\*Rs. 1.20 crores transferred *pro forma* from "Foreign Governments" to "State Governments" on formation of Sikkim as a State Government w.e.f. 25-4-1975.

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 1976) remitted or written off Rs. 24.75 crores of such loans.

16. During 1975-76, Rs. 92.98 crores were paid as advances (loans) to State Governments for clearance of overdrafts from the Reserve Bank of India. The entire amount was recovered within that year.

17. (a) The terms and conditions of 16 loans amounting to Rs. 113.74 crores advanced to Steel Authority of India Ltd. during 1975-76 by the Ministry of Steel and Mines (Department of Steel) have not yet (November 1976) been settled.

(b) The terms and conditions of the following loans paid to State Governments during 1975-76 have not yet (September/October 1976) been settled.

Ministry sanctioning the loan	State Government to which loan was paid	No. of loans	Total amount of loans	Earliest period to which the loans relate
(Crores of rupees)				
Agriculture and Irrigation	Gujarat	1	0.10	1975-76
	West Bengal	1	0.01	1975-76
	Andhra Pradesh	1	0.05	1975-76
Shipping and Transport	Gujarat	2	0.22	1975-76

18. 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 1975-76 are shown in Appendix II.

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. 10.58 crores during 1975-76 and Rs. 121.53 crores up to 1975-76 of

which Rs. 114.96 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 1975-76 and Rs. 149 lakhs up to the end of 1975-76.

In addition Government has also given loans to foreign countries, the amount outstanding on that account at the close of 1975-76 was Rs. 110.19 crores.

20. *Guarantees given by the Union Government.*—During 1975-76 Government issued guarantees in 58 cases (including renewal of old guarantees) for Rs. 132.72 crores. The total amount guaranteed outstanding at the end of 1975-76 was Rs. 1186.14 crores (including certain cases where the sums are payable in foreign currencies). The guarantees were given for loans raised by 29 joint stock companies, 65 Government companies, 8 statutory corporations, 5 port trusts, 4 co-operative banks, 85 co-operative societies, 2 State Electricity Boards, 2 State Financial Corporations, 27 consumers co-operative societies, numerous small scale industries under the credit guarantee scheme, an autonomous body, Industrial Development Bank and a State Government. In addition Government has also guaranteed a minimum dividend on the share capital of certain corporations as also payment of interest on debenture etc. floated by them.

Payments by Government under the terms of guarantees :—

(i) Branch line railway companies :—

Government has guaranteed a net return of  $3\frac{1}{2}$  per cent/ 5 per cent per annum on the paid up share capital of branch line railway companies. The guarantee was invoked during 1975-76 in the case of three companies and Rs. 5.40\* lakhs were paid by Government.

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\*Excludes Rs. 4.32 lakhs being subsidy withheld.

## (ii) Credit guarantee scheme for small scale industries:—

Guarantees were invoked in 285 cases during 1975-76 and Rs. 31.14 lakhs were paid as Government's share on account of default in repayment of loans/advances.

21. *Contributions to International Organisations.*—The total amount of contributions to international bodies made during 1975-76 was Rs. 1162.13 lakhs. The more important contributions made during each of the three years ending 1975-76 are indicated below :—

To whom paid	1973-74	1974-75	1975-76
	(Lakhs of rupees)		
<i>Ministry of Education and Social Welfare—</i>			
United Nations Educational Scientific and Cultural Organisation . . . . .	65.56	78.48	93.13
United Nations International Children's Emergency Fund . . . . .	75.00	85.00	100.00
<i>Ministry of External Affairs—</i>			
United Nations Organisation . . . . .	190.25	20.40	284.36*
<i>Ministry of Finance—</i>			
United Nations Development Programme . . . . .	285.00	307.54	359.52
<i>Ministry of Agriculture and Irrigation—</i>			
Commonwealth Agricultural Bureau . . . . .	7.53	9.62	9.62
Food and Agricultural Organisation . . . . .	58.07	65.30	..**
<i>Ministry of Health and Family Planning—</i>			
World Health Organisation . . . . .	154.73	108.95	110.98
<i>Ministry of Labour—</i>			
International Labour Organisation . . . . .	124.08	55.35	97.49
<i>Ministry of Communications—</i>			
International Telecommunications Union . . . . .	18.14	23.78	30.39
<i>Department of Atomic Energy—</i>			
International Atomic Energy Agency . . . . .	25.37	5.19	25.51***

\*Includes rupees 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 were paid during 1975-76; this amount has not been adjusted in the accounts for 1975-76.

\*\*\*Rupees 34.91 lakhs more were paid in 1975-76; this amount has been adjusted in the accounts for 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 1975-76.

		Total grants/ appropriations	Actual expen- diture	Excess+ Amount	Saving— Percent- age
(Crores of rupees)					
<i>Voted Grants—</i>					
Revenue					
Original	2955.18	} 3397.59	3296.40	—101.19	3.0
Supplementary	442.41				
Capital					
Original	3793.76	} 4763.11	4277.78	—485.33	10.2
Supplementary	969.35				
<i>Charged Appropriations—</i>					
Revenue					
Original	2515.17	} 2626.30	2632.94	+6.64	0.3
Supplementary	111.13				
Capital					
Original	9635.12	} 9872.27	9796.26	—76.01	0.8
Supplementary	237.15				
GRAND TOTAL		20659.27	20003.38	—655.89	3.2



The overall saving of Rs. 655.89 crores represents 3 per cent of the total amount of voted grants and charged appropriations against 2 per cent in the previous year; it was the net result of savings of Rs. 117.70 crores in 112 grants/appropriations in the revenue section and Rs. 597.57 crores in 72 grants/appropriations in the capital section and excess of Rs. 23.15 crores in 24 grants/appropriations in the revenue section and Rs. 36.23 crores in 10 grants/appropriations in the capital section. The savings in 1975-76 have been analysed in paragraph 25.

23. *Supplementary grants/appropriations.*—During the year supplementary provisions of Rs. 442.41 crores and Rs. 969.35 crores were obtained under 69 and 28 grants in the revenue and capital sections respectively. Supplementary appropriations of Rs. 111.13 crores and Rs. 237.15 crores were also obtained for charged expenditure under 22 and 12 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
1972-73	542.84 (in 55 cases)	909.50 (in 24 cases)
1973-74	725.40 (in 56 cases)	346.04 (in 18 cases)
1974-75	1380.38 (in 85 cases)	516.18 (in 25 cases)

In nineteen cases\* supplementary provision of Rs. 72.07 crores (revenue Rs. 3.32 crores and capital Rs. 68.75 crores) proved unnecessary as the expenditure did not even come upto the original grant/appropriation. In these cases, supplementary provision of Rs. 3.58 crores (revenue Rs. 2.15 crores and capital Rs. 1.43 crores) was obtained in March 1976.

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\*Details of these cases are given in appendix III.

24. *Excess over grants/appropriations* :—

(a) *Excess over grants*.—There were excesses of Rs. 15.81 crores in 22 grants in the revenue section and Rs. 36.08 crores in 7 grants in the capital section; these excesses, except the excess in the capital section of Grant No. '29—Coal and Lignite', require regularisation under Article 115 of the Constitution; the details of the excesses are given below :—

*Revenue Section*

Sl. Grant No.	Total grant Rs.	Actual expenditure Rs.	Excess Rs.
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**Ministry of Agriculture and Irrigation**

(1) 1—Department of Agriculture	1,91,93,000	1,96,60,739	4,67,739
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Excess occurred mainly under (i) 'A.—Secretariat—Economic Services', 'A. 1—Secretariat' (expenditure Rs. 164.21 lakhs; provision Rs. 161.64 lakhs) and (ii) 'A. 2—Other Offices', 'A. 2 (1)—Counsellor (AGRI) Embassy of India Rome' (expenditure Rs. 4.61 lakhs; provision Rs. 2.50 lakhs). Excess under (i) was mainly due to more tours by officials than anticipated, increased deputations/delegations abroad and more expenditure on postage and telegram. Reasons for excess of Rs. 2.11 lakhs under (ii) are awaited (December 1976).

(2) 9—Payments to Indian Council of Agricultural Research	39,35,99,000	39,35,99,536	536
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Excess occurred under 'A. 1—Assistance to I.C.A.R.', 'A. 1(7)—Payment of the net proceeds of Cess under Agricultural Produce Cess Act 1940'.

**Ministry of Finance**

(3) 34—Taxes on Income, Estate Duty, Wealth Tax and Gift Tax	42,00,12,000	42,12,80,390	12,68,390
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Excess occurred mainly under (i) 'A.—Collection of Taxes on Income and Expenditure', 'A. 1—Direction and Administration', 'A. 1(1)—Investigation' (expenditure Rs. 25.17 lakhs;

provision Rs. 20.93 lakhs) and (ii) 'A. 2—Collection Charges—Income Tax', 'A. 2(1)—Commissioners and their offices' (expenditure Rs. 4134.39 lakhs; provision Rs. 4129.20 lakhs). Excess under (i) was mainly due to grant of reward to Income Tax personnel for the success of voluntary disclosure scheme, payment of additional dearness allowance, opening of new offices, increase in cost of various stores and purchase of staff car and jeeps. Reasons for excess of Rs. 5.19 lakhs under (ii) are awaited (December 1976).

(4) 37—Currency.  
 Coinage and Mint 43,97,85,000      44,13,08,530      15,23,530

Excess occurred mainly under 'A.—Currency, Coinage and Mint', 'A. 1—Currency Note Press', 'A. 1(2)—Operation and Maintenance' (expenditure Rs. 1273.88 lakhs; provision Rs. 1200.35 lakhs) and was mainly due to purchase of more stores and equipment to achieve higher production target and repairs of an old distillery building.

(5) 38—Pensions                      25,60,00,000      26,91,86,429      1,31,86,429

Excess occurred mainly under 'A.—Pensions and Other Retirement Benefits', 'A. 2—Commuted Value of Pensions', 'A. 2(1)—Ordinary Pensions' (expenditure Rs. 241.49 lakhs; provision Rs. 201.45 lakhs), 'A. 4—Gratuities' (expenditure Rs. 637.76 lakhs; provision Rs. 476.06 lakhs), 'A. 5—Family Pensions' (expenditure Rs. 185.59 lakhs; provision Rs. 134.46 lakhs).

(6) 39—Opium and  
 Alkaloid Factories 20,59,84,000      21,72,83,534      1,12,99,534

Excess occurred mainly under (i) 'A.—Industries', 'A. 1—Large and Medium Industries', 'A. 1(1)—Ghazipur Opium Factory', 'A. 1(1)(2)—Purchase of Opium' (expenditure Rs. 920.48 lakhs; provision Rs. 826.77 lakhs), (ii) 'A. 1(2)—Neemuch Opium Factory', 'A. 1(2)(2)—Purchase of Opium' (expenditure Rs. 900.91 lakhs; provision Rs. 871.08 lakhs) and (iii) 'A. 1(3)—Ghazipur Alkaloid Works', 'A. 1(3)(2)—Stores' (expenditure Rs. 119.43 lakhs; provision Rs. 42.64 lakhs). Excess under (ii) above was mainly due to purchase of more opium. Excess of Rs. 23.36 lakhs under (iii) above was due

to increase in import of materials. Reasons for excess of Rs. 93.03 lakhs under (i) and Rs. 53.43 lakhs under (iii) are awaited (December 1976).

(7) 41—Other Expenditure of  
the Ministry of Finance 89,25,82,000 90,89,66,851 1,63,84,851

Excess occurred mainly under 'B.—Department of Economic Affairs', 'B. 5—Miscellaneous—General Services', 'B. 5(3)—Loss by Exchange' (expenditure Rs. 3923.75 lakhs; provision Rs. 3507.48 lakhs).

Reasons for excess are awaited (December 1976).

#### Ministry of Health and Family Planning

(8) 43—Ministry of  
Health and Family  
Planning 68,18,000 68,32,979 14,979

Excess occurred under 'A.—Secretariat—Social and Community Services', 'A. 1—Secretariat', 'A. 1(2)—Department of Family Planning' (expenditure Rs. 17.23 lakhs; provision Rs. 16.95 lakhs). Reasons for excess are awaited (December 1976).

#### Ministry of Home Affairs

(9) 46—Ministry of  
Home Affairs 2,70,37,000 2,78,45,667 8,08,667

Excess occurred mainly under 'A. 1—Secretariat' (expenditure Rs. 228.99 lakhs; provision Rs. 215.26 lakhs). Reasons for excess are awaited (December 1976).

(10) 48—Department of  
Personnel and  
Administrative  
Reforms 7,09,93,000 7,24,68,713 14,75,713

Excess occurred mainly under 'D.—Police', 'D. 1—Criminal Investigation and Vigilance', 'D. 1(1)—Central Bureau of Investigation' (expenditure Rs. 337.38 lakhs; provision Rs. 310.08 lakhs). Excess was mainly due to payment of arrears of pay, additional dearness allowance and purchase of vehicles and office equipments.

(11) 49—Police 194,27,04,000 200,11,04,521 5,84,00,521

Excess occurred mainly under (i) 'A.—Police', 'A. 1—Central Reserve Police' (expenditure Rs. 5653.81 lakhs; provision Rs. 5455.34 lakhs), (ii) 'A. 2(1)—Directorate General of

Border Security Force' (expenditure Rs. 6758.53 lakhs; provision Rs. 6463.99 lakhs), (iii) 'A. 4—Assam Rifles' (expenditure Rs. 3320.32 lakhs; provision Rs. 3124.32 lakhs) and (iv) 'A. 8—Other Expenditure', 'A. 8(2)—Charges paid to Other Governments, Departments, etc.' (expenditure Rs. 661.95 lakhs; provision Rs. 442.00 lakhs). Excess was mainly due to revision of pay scales, payment of arrears of travel expenses, more expenditure on purchase and maintenance of vehicles, sharing of expenditure on certain cryptographic material produced by the Ministry of Defence and more reimbursement for J & K Militia due to payment of additional dearness allowance.

(12) 52—Delhi	111,20,37,000	112,27,13,567	1,06,76,567
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Excess occurred mainly under (i) 'A.—General Services', 'A. 14—Public Works', 'A. 14(3)—Maintenance and Repairs' (expenditure Rs. 168.73 lakhs; provision Rs. 110.00 lakhs) and (ii) 'A. 14(6)—Suspense' (expenditure Rs. 312.21 lakhs; provision Rs. 125.00 lakhs).

Excess of Rs. 7.19 lakhs under (i) was due to more expenditure on maintenance and repairs of buildings. Reasons for other excesses are awaited (December 1976).

(13) 54—Andaman and Nicobar Islands	21,05,22,000	22,53,30,096	1,48,08,096
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Excess occurred mainly under (i) 'A.—General Services', 'A. 12—Public Works', 'A. 12(4)—Machinery and Equipment', 'A. 12(4)(1)—New Supplies' (expenditure Rs. 45.39 lakhs; provision Rs. 30.00 lakhs), (ii) 'B.—Social and Community Services', 'B. 1—Education', 'B. 1(1)—Primary', 'B. 1(1)(1)—Government Primary Schools' (expenditure Rs. 97.48 lakhs; provision Rs. 70.72 lakhs), (iii) 'B. 4—Housing', 'B. 4(1)—Government Residential Buildings', 'B. 4(1)(1)—Construction' (expenditure Rs. 46.77 lakhs; provision Rs. 31.27 lakhs), (iv) 'C.—Economic Services', 'C. 9—Forest', 'C. 9(4)—Forest Conservation and Development', 'C. 9(4)(1)—Conservation and Development' (expenditure Rs. 206.42 lakhs; provision

Rs. 143.77 lakhs), (v) 'C. 9(6)—Forest Produce', 'C. 9(6)(5)—Chattan Saw Mill' (expenditure Rs. 85.61 lakhs; provision Rs. 69.21 lakhs) and (vi) 'C. 15—Roads and Bridges', 'C. 15 (1)—District and Other Roads', 'C. 15(1)(2)—District Roads' (expenditure Rs. 33.29 lakhs; provision Rs. 16.08 lakhs). The excesses under the above heads were mainly due to increased expenditure on maintenance and repairs of machinery, revision of pay scales and increase in cost of labour and materials, accelerated progress of works and payment of additional dearness allowance.

(14) 56—Dadra and Nagar Haveli	1,47,71,000	1,47,87,909	16,909
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Excess occurred mainly under 'A.—General Services', 'A. 12—Public Works', 'A. 12(6)—Suspense' (expenditure Rs. 15.00 lakhs; provision Rs. 10.00 lakhs) and was due to adjustment of debits relating to previous years.

(15) 57—Lakshadweep	2,72,20,000	2,78,33,700	6,13,700
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Excess occurred mainly under 'B.—Social and Community Services', 'B. 1—Education', 'B. 1(1)—Primary', 'B. 1(1)(2)—Government Primary School' (expenditure Rs. 38.47 lakhs; provision Rs. 31.24 lakhs) and was mainly due to revision of pay scales of teachers, enhancement of dearness and other allowances and increase in cost of mid-day meals and more expenditure on improvement of school buildings.

#### Ministry of Information and Broadcasting

(16) 62—Ministry of In- formation and Broadcasting	42,65,000	43,33,326	68,326
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Excess occurred under 'A. 1—Secretariat', and was mainly due to payment of additional dearness allowance.

#### Ministry of Labour

(17) 66—Labour and Employment	38,44,01,000	39,25,53,887	81,52,887
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Excess occurred mainly under 'A.—Labour and Employment', 'A. 1—Labour', 'A. 1(8)—Social Security for Labour',

'A.1(8)(1)—Family Pension-cum-Life Assurance Scheme', 'A.1(8)(1)(1)—Employees Family Pension Scheme 1971', 'A.1(8)(1)(1)(1)—Government's Share of Contribution to the Family Pension-cum-Life Assurance Fund for Industrial Workers' (expenditure Rs. 934.00 lakhs; provision Rs. 783.88 lakhs) and was mainly due to refund of excess collection of insurance premium and payment of arrears of Government's share of contribution to the Fund.

#### Ministry of Shipping and Transport

(18) 76—Roads	77,82,54,000	77,85,41,053	2,87,053
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Excess occurred mainly under 'A.—Roads and Bridges', 'A. 2—National Highways', 'A. 2(1)—Maintenance' (expenditure Rs. 2139.89 lakhs; provision Rs. 1882.53 lakhs).

Reasons for excess are awaited (December 1976).

#### Ministry of Steel and Mines

(19) 81—Mines and Minerals	31,47,93,000	32,73,02,217	1,25,09,217
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Excess occurred mainly under 'A.—Mines and Minerals', 'A. 1—Geological Survey of India', 'A. 1(3)—Mineral Exploration', 'A. 1(3)(2)—Machinery and Equipment' (expenditure Rs. 625.78 lakhs; provision Rs. 428.72 lakhs).

Reasons for excess are awaited (December 1976).

#### Ministry of Works and Housing

(20) 89—Ministry of Works and Housing	57,65,000	59,92,468	2,27,468
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Excess occurred under 'A.—Secretariat—General Services', 'A. 1—Secretariat' (expenditure Rs. 59.92 lakhs; provision Rs. 57.65 lakhs) and was mainly due to more expenditure on dearness allowance, overtime allowance and other compensatory allowances, conferences, printing, postal charges, etc.

(21) 92—Housing and Urban Development	9,97,48,000	10,11,91,491	14,43,491
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Excess occurred mainly under 'A.—Housing', 'A. 3—Government Residential Buildings', 'A. 3(3)—Maintenance and Repairs', 'A. 3(3)(1)—Ordinary Repairs' (expenditure Rs. 439.86 lakhs; provision Rs. 353.59 lakhs) and was mainly due to more expenditure on maintenance and repairs of residences, rise in cost of material and labour and payment of additional dearness allowance.

#### Department of Science and Technology

(22) 101—Survey of India	17,10,04,000	17,55,46,919	45,42,919
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Excess occurred mainly under 'A.—Scientific Services and Research—Survey of India', 'A. 3—Development Project Surveys' (expenditure Rs. 503.05 lakhs; provision Rs. 405.62 lakhs) and was mainly due to purchase of photo machines and more expenditure on air photography.

#### Capital Section

##### Ministry of Energy

(1) 29—Coal and Lignite	302,60,92,000	323,10,45,499	20,49,53,499
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Excess was due to an adjustment of Rs. 20.97 crores under the head 'AA. 1(1)—Investment in Neyveli Lignite Corporation Limited' in the accounts for 1975-76 instead of in 1972-73. The excess does not require regularisation in terms of paragraph 4.26 of 45th Report of the Public Accounts Committee (3rd Lok Sabha), 1965-66.

##### Ministry of Health and Family Planning

(2) 44—Medical and Public Health	39,37,63,000	45,58,07,562	6,20,44,562
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Excess occurred mainly under (i) 'AA.—Capital Outlay on Medical', 'AA. 1—Medical—Allopathy', 'AA. 1(1)—Medical Stores', 'AA. 1(1)(3)—Purchase of Materials in India and Abroad' (expenditure Rs. 1585.32 lakhs; provision Rs. 1200.00 lakhs) and (ii) 'BB.—Capital Outlay on Public Health, Sanitation and Water Supply', 'BB. 1(1)—Malaria Eradication Programme', 'BB. 1(1)(1)—National Malaria Eradication Programme' (expenditure Rs. 2471.13 lakhs; provision Rs. 2027.37 lakhs). Excess under (ii) was mainly due to increased activi-



ties under the National Malaria Eradication Programme and larger purchase of insecticides. Reasons for excess under (i) are awaited (December 1976).

**Ministry of Home Affairs**

(3) 52—Delhi                      54,19,41,000                      61,29,74,475                      7,10,33,475

Excess occurred mainly under 'BB.—Capital Account of Social and Community Services', 'BB. 4—Capital Outlay on Urban Development', 'BB. 4(1)—Large Scale Acquisition, Development and Disposal of Land in Delhi' (expenditure Rs. 1368.31 lakhs; provision Rs. 675.00 lakhs).

Reasons for excess are awaited (December 1976).

(4) 53—Chandigarh                      4,88,94,000                      4,89,37,854                      43,854

Excess occurred under 'CC.—Capital Account of Economic Services', 'CC. 2—Capital Outlay on Agriculture', 'CC. 2(1)—Manure and Fertilizers' (expenditure Rs. 7.52 lakhs; provision 'Nil').

**Ministry of Shipping and Transport**

(5) 76—Roads                      70,14,63,000                      70,80,95,412                      66,32,412

Excess occurred mainly under 'AA.—Capital Outlay on Roads and Bridges', 'AA. 1—National Highways', 'AA. 1(1)—Major Works' (expenditure Rs. 5681.78 lakhs; provision Rs. 4800.00 lakhs) and was mainly due to more expenditure on major works on National Highways.

**Ministry of Steel and Mines**

(6) 79—Department of  
Steel                      285,79,34,000                      287,11,08,054                      1,31,74,054

Excess occurred mainly under 'AA.—Capital Outlay on Mining and Metallurgical Industries', 'AA. 1—Iron and Steel', 'AA. 1(1)—Investment in New Steel Plants' (expenditure Rs. 141.74 lakhs; provision 'Nil').

Reasons for excess are awaited (December 1976).

**Department of Atomic Energy**

(7) 96—Nuclear Power  
Schemes                      43,18,69,000                      43,48,03,262                      29,34,262

Excess occurred mainly under 'AA.—Capital Outlay on Power Projects—Nuclear Power Schemes', 'AA. 2—Rajasthan Atomic Power Station Unit I' (expenditure Rs. 214.85 lakhs; provision Rs. 72.06 lakhs), 'AA. 3—Rajasthan Atomic Power

Station Unit II' (expenditure Rs. 608.12 lakhs; provision Rs. 528.55 lakhs), 'AA. 6—Narora Atomic Power Station' (expenditure Rs. 863.52 lakhs; provision Rs. 501.68 lakhs), 'AA. 7—Other Expenditure', 'AA. 7(2)—Waste Immobilisation Plant at Tarapur' (expenditure Rs. 225.69 lakhs; provision Rs. 143.05 lakhs) and was mainly due to adjustment of cost of material, certain additional works undertaken, more expenditure on procurement of certain equipment for the hospital, more expenditure on salaries of staff, accelerated progress of civil works, import of materials/components for local fabrication and procurement of certain critical equipment, more expenditure on electrical works and accelerated progress in the delivery of equipment.

(b) *Excess over charged appropriations.*—There were excesses of Rs. 7.34 crores in 2 appropriations in the Revenue Section and Rs. 0.15 crore in 3 appropriations in the Capital Section. These also require regularisation under Article 115 of the Constitution. The details are :—

#### *Revenue Section*

##### **Ministry of Finance**

(1) *Interest Payments*      1220,82,16,000      1228,16,01,152      7,33,85,152

Excess occurred mainly under 'A.—Interest Payments', A. 1—Interest on Internal Debt', 'A. 1(2)—Discount on Loans' (expenditure Rs. 842.35 lakhs; provision Rs. 200.00 lakhs), 'A. 2—Interest on External Debt', 'A. 2(22)—Interest on Loans from Exim Bank Japan' (expenditure Rs. 3205.01 lakhs; provision Rs. 2689.70 lakhs) and 'A. 3—Interest on Small Savings, Provident Fund, etc.', 'A. 3(3)—Interest on State Provident Funds' (expenditure Rs. 9767.05 lakhs; provision Rs. 8877.39 lakhs).

Reasons for excess are awaited (December 1976).

##### **Ministry of Health and Family Planning**

(2) 44—Medical and  
Public Health      1,06,000      1,06,405      405

Excess occurred under 'B.—Public Health, Sanitation and Water Supply', 'B. 1—Public Health and Sanitation', B. 1(5)—Training', 'B. 1(5)(1)—National T. B. Training Institute, Bangalore'.

### Capital Section

#### Ministry of Home Affairs

(1) 53—Chandigarh	6,00,000	15,00,001	9,00,001
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Excess occurred under 'BB.—Capital Account of Social and Community Services', 'BB. 5—Capital Outlay on Urban Development', 'BB. 5(1)—Chandigarh Capital Development', 'BB. 5(1)(1)—Construction' (expenditure Rs. 15.00 lakhs; provision Rs. 6.00 lakhs). Excess was due to more awards by courts.

#### Ministry of Shipping and Transport

(2) 77—Ports, Light Houses and Shipping	2,53,72,000	2,58,41,701	1,69,701
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Excess occurred under 'CC.—Capital Outlay on Ports, Light Houses and Shipping, 'CC. 1—Ports', 'CC. 1(2)—Mangalore Port', 'CC. 1(2)(2)—Acquisition of land' (expenditure Rs. 13.42 lakhs; provision Rs. 8.72 lakhs) and was due to payment under court decrees.

#### Ministry of Works and Housing

(3) 90—Public Works	23,74,000	25,27,446	1,53,446
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Excess occurred mainly under 'AA.—Capital Outlay on Public Works', 'AA. 1—Construction', 'AA. 1(1)—Original Works' (expenditure Rs. 24.53 lakhs; provision Rs. 23.10 lakhs).

Reasons for excess are awaited (December 1976).

25. *Savings in voted grants and charged appropriations.*—The overall saving of Rs. 655.89 crores was the net result of excesses and savings as shown below :—

	Savings		Excesses		Net Savings — Excess +	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Voted Grants	117.00	521.41	15.81	35.08	-101.19	-485.33
	(in 76 grants)	(in 48 grants)	(in 22 grants)	(in 7 grants)		
Charged Appropriations	0.70	76.16	7.34	0.15	+6.64	-76.01
	(in 36 appropriations)	(in 24 appropriations)	(in 2 appropriations)	(in 3 appropriations)		

It would be seen from Appendix IV that in 22 grants (6 grants in the Revenue section and 16 grants in the Capital section), the savings (more than Rs. 5 lakhs in each case) exceeded 20 *per cent* of the funds ; in 16 grants (Revenue 4 and Capital 12) of these cases, the savings exceeded 30 *per cent*.

Out of the final saving of Rs. 638.41 crores (Rs. 117.00 crores in Revenue section and Rs. 521.41 crores in Capital section) under voted grants, savings in 5 grants, particulars of which are given below, accounted for savings of Rs. 498.12 crores (Rs. 44.02 crores in Revenue section and Rs. 454.10 crores in Capital section) :—

### *Revenue Section*

(1) 12-Foreign Trade and Export Production Rs. 28.90 crores

Saving occurred mainly under (i) 'A. 7(5)—Market Development' (Rs. 3.46 crores), (ii) 'A. 8(1)—Marketing Development Fund' (Rs. 87.28 crores), (iii) 'D. 3(2)—Scheme suggested by the Study Team in Handloom Industry' (Rs. 1.88 crores).

Saving was mainly due to (i) receipt of lesser claims for reimbursement of import duty, (ii) abolition of Marketing Development Fund and (iii) non-finalisation of certain schemes.

(2) 55-Arunachal Pradesh Rs. 15.12 crores

Saving was mainly due to Arunachal Pradesh becoming Union Territory with Legislature from 15th August 1975.

### *Capital Section*

(1) 2-Agriculture Rs. 304.10 crores

Saving occurred mainly under 'AA. 3(1)—Purchase of Fertilizers' (Rs. 301.86 crores) and was mainly due to decrease in the cost of imported fertilizers.

(2) 12-Foreign Trade and Export Production Rs. 133.40 crores

Saving occurred mainly under 'GG.2—Loans to Government of U.S.S.R.', 'GG. 2(1)—Technical credits incorporated in Trade

Agreements' (Rs. 125.47 crores) and was mainly due to slow pace of drawals of Technical credits by U.S.S.R. and lesser actual requirements of the two Governments.

(3) 30-Ministry of External Affairs

Rs. 16.60 crores

Saving occurred mainly under 'AA. 1—Loans to Government of Bangladesh' (Rs. 18.00 crores) and was mainly due to fall in commitments.

(ii) The rest of the saving under voted grants of Rs. 140.29 crores (Rs. 72.98 crores in Revenue section and Rs. 67.31 crores in Capital section) largely occurred in the revenue and capital sections of the following grants :—

#### *Revenue Section*

		<i>Controlling Ministry</i>
2-Agriculture	(Rs. 6.48 crores)	Agriculture and Irrigation
23-Power Development	(Rs. 7.39 crores)	Energy
32-Customs	(Rs. 5.69 crores)	Finance
40-Transfers to State and Union Territory Governments	(Rs. 5.93 crores)	Finance
67-Law, Justice and Company Affairs	(Rs. 8.04 crores)	Law, Justice and Company Affairs

#### *Capital Section*

42-Loans to Government Servants, etc.	(Rs. 9.15 crores)	Finance
55-Arunachal Pradesh	(Rs. 5.24 crores)	Home Affairs
70-Petroleum and Petro-Chemicals Industries	(Rs. 9.81 crores)	Petroleum and Chemicals
87-Aviation	(Rs. 7.87 crores)	Tourism and Civil Aviation

### CHAPTER III

#### CIVIL DEPARTMENTS

##### MINISTRY OF AGRICULTURE AND IRRIGATION

(Department of Food)

AND

##### MINISTRY OF COMMERCE

26. *Import of rapeseed and rapeseed oil from Canada.*—Mention was made in paragraph 8.6 of the Report on Union Government (Commercial), 1974, Part II about import of rapeseed against loan assistance received under the Canadian Development Assistance Programme for 1969-70 and 1970-71; the loans were for Canadian \$ 33 lakhs and \$ 65 lakhs respectively against which 77,500 tonnes of rapeseed were imported. The imported rapeseed was allotted to the State Governments in the eastern region, mainly West Bengal, Assam and Bihar, for crushing and supplying oil through fair price shops.

During 1971-72, 16,200 tonnes of rapeseed were received free of cost as Canada's contribution for relief of refugees from erstwhile East Pakistan (now Bangladesh).

Consequent on discussion between the representatives of Canada and India about Canadian assistance in the form of rapeseed, Canada offered (July 1972) to supply during 1972-73 rapeseed worth Canadian \$ 110 lakhs FAS at the port of loading as a grant; all expenses for shipping, insurance, stowing, trimming etc., were to be borne by Government of India. Before the formal offer was made by Canada in July 1972 an Indian company 'X' wrote to the State Trading Corporation of India on 8th April 1972 pointing out that considerable saving of foreign exchange

could be effected by importing rapeseed oil instead of rapeseed and suggested that, if necessary, the seed could be got crushed in Canada, the resultant oil brought to India and the rapeseed oilcake sold in Europe. Subsequently, on 25th April 1972 the company wrote to the State Trading Corporation again pointing out that "asking for large quantities of straight oil may not produce sufficient response as the Canadian crushers like to hedge their seed supplies and oilcake sales and this would tend to push the price up. Consequently under Canadian aid the best method would be to buy the seed and arrange a simple crushing contract with the oil millers". While considering the suggestion of the company it was held (28th April 1972) by Government that ".....what we had asked for, and have been offered, is the seed and not the oil. Besides, import of seed has an inherent advantage in that it helps to utilise idle oil-milling capacity in this country" and that to "follow the straight-forward course of getting the import as rapeseed, as already arranged" seemed best. About 79,800 tonnes of rapeseed were imported against the Canadian assistance for 1972-73.

In June 1973, the Canadian authorities wished to know whether part of the grant of Canadian \$ 150 lakhs for 1973-74 would be accepted by India as rapeseed oil.

The economics of importing rapeseed oil in preference to rapeseed were then examined and it was worked out in June-July 1973, on the basis of prices then prevailing, that on overall cost basis import of rapeseed oil would have a price advantage of about \$ 121 per tonne as compared to the net cost of oil (after allowing for credit for export of oilcakes) extracted in India from imported rapeseed. However, it was decided (July 1973) to utilise a portion of the Canadian grant for import of rapeseed (so long as rapeseed was being offered as gift) to meet the demand of certain eastern States for utilising the oil crushing capacity in those States. Accordingly, 18,456 tonnes of rapeseed costing about Canadian \$ 47.4 lakhs and about 13,969 tonnes of rapeseed oil costing about Canadian \$ 93.6 lakhs were imported against the Canadian grant for 1973-74. As in 1972-73, all

expenses for shipping, insurance, stowing, trimming etc., were borne by Government of India for these imports also.

For 1974-75 Canada offered (December 1974) a grant of Canadian \$ 90 lakhs for import of rapeseed oil and Canadian \$ 60 lakhs for import of rapeseed. Subsequently, because of the difficulty experienced in disposing of the stocks of rapeseed (6,300 tonnes in February 1975) Canada was persuaded to allow import of rapeseed oil against the entire grant for 1974-75 and 14,050 tonnes of rapeseed oil were imported against this grant. Another grant of Canadian \$ 17 lakhs was given in December 1974 for meeting the expenses for shipping, insurance etc., of the imports of rapeseed oil against the grant mentioned above. In addition, a supplementary grant of Canadian \$ 50 lakhs was given in March 1975 for import of rapeseed and 13,416 tonnes of rapeseed were imported against that grant.

It was decided (August 1975) to obtain rapeseed oil against the entire grant of Canadian \$ 80 lakhs for 1975-76 for import of rapeseed or rapeseed oil.

Rapeseed oil imported since 1973-74 against Canadian assistance was distributed for manufacture of vanaspati.

As mentioned above, 1,57,300 tonnes of rapeseed were imported against the loans for 1969-70 and 1970-71 and the grant for 1972-73. It was only in June-July 1973 that Government went into the economics of importing rapeseed oil in preference to rapeseed. If the price advantage (\$ 121 per tonne) in importing rapeseed oil as calculated in June-July 1973 is any indication, substantial benefit would have accrued even if a part of the Canadian assistance had been utilised for import of rapeseed oil in those years. The Department of Food stated (October 1976) that "import of rapeseed took place under grants and it would not be proper to examine the transactions from the restricted angle applying commercial norms alone. Apart from the prices of oil/seed, other factors like the availability, suitability of the commodity with reference to its end use, other incidental benefits such as utilisation of idle milling capacity, providing



additional employment and production of animal feed etc. had been taken into account in 1972 in deciding to continue to import rapeseed. Canadian offers till 1972-73 were for rapeseed and we had no indication whether Canadians had the oil and would supply it if we so desired. In view of the then prevailing circumstances, there was no reason to have a definite preference for oil and hence we did not sound the Canadians regarding the possibility of getting oil instead".

The Department of Food also stated (October 1976) that "the import of rapeseed at that time was primarily for augmenting the availability of edible oils to consumers in the Eastern region" and that "the rapeseed oil produced in Canada is through the solvent extraction process and it has necessarily to be refined before it can be distributed for human consumption, as is the case with all solvent extracted oils". However, the department has not indicated the cost of refining rapeseed oil obtained through solvent extraction process.

Indigenous production of mustard and rapeseed during 1965-66 to 1973-74 was as follows :—

	(lakh tonnes)*
1965-66	12.98
1966-67	12.28
1967-68	15.68
1968-69	13.47
1969-70	15.64
1970-71	19.76
1971-72	14.33
1972-73	18.08
1973-74	16.92

It will appear from the above that between 1965-66 and 1973-74 the highest indigenous production of mustard and rapeseed was 19.76 lakh tonnes in 1970-71 followed by 18.08 lakh tonnes in 1972-73 ; in both these years only rapeseed was imported. Even in 1969-70, in which year also only rapeseed

\*Source : Indian Agriculture in Brief.

was imported, indigenous production of 15.64 lakh tonnes of mustard and rapeseed was almost equal to the production of 1967-68 and much higher than the production in other three earlier years.

As has been mentioned (October 1976) by the Department of Food, our country is generally short of oil and oilseeds. The Department of Food also stated that for 1973-74 it had "opted for supply of rapeseed oil which was also cheaper as compared to rapeseed got crushed in India with a view to supplementing the indigenous availability of oils in the manufacture of vanaspati". The Department of Food further stated (October 1976) that use of imported rapeseed oil for manufacture of vanaspati was permitted for the first time in March 1973 and that prior to 1973-74 rapeseed oil was not imported as "the industry was not technically equipped to hydrogenate rapeseed oil because of certain operational and technological problems both at the refining and hydrogenation stages".

*Purchase of rapeseed and rapeseed oil.*—According to the agreements for the loans and grants provided by Canada up to 1972-73, rapeseeds were purchased by the Canadian International Development Agency through the Canadian Commercial Corporation. The State Trading Corporation acted more or less as handling agent for shipment and distribution inside the country for which it was entitled to a commission of 2 per cent of the landed cost.

Average monthly international price of rapeseed oil rose to \$ 427 per tonne in June 1973 from \$ 324 per tonne in April 1973. The average prices were \$ 526 and \$503 per tonne for July 1973 and August 1973 respectively. The price was \$ 564 per tonne on 16th August 1973, but came down to \$ 469 per tonne on 23rd August 1973. The sudden fall in price was stated to be due to huge soyabean supplies but it was anticipated at that time that a fresh rise might occur in the near future. The average monthly international price came down to \$ 446 per tonne in September 1973. The price again started rising from October

1973, the average for which month was \$ 472 per tonne. The average monthly international price thereafter rose to \$ 633 per tonne in January 1974.

From 27th August 1973 to 12th September 1973 a delegation from the State Trading Corporation was in Canada to negotiate arrangements for import of rapeseed oil on commercial basis. The delegation of the State Trading Corporation was authorised by Canada to purchase rapeseed oil against the aid for 1973-74. Accordingly, Government authorised this delegation to purchase rapeseed oil within the ceiling of Canadian \$ 450—500 per tonne. The purchases negotiated by the delegation were either linked to the Chicago Board of Trade closing soyabean oil prices or prices to be established by State Trading Corporation calling for world tenders at the time of each shipment; the offer for the first shipment of 5,000—8,000 tonnes was on a fixed price basis of Canadian \$ 452 per tonne c.i.f. west coast India. These offers were telexed to India by the delegation on 1st September 1973. It appears that “the full and correct interpretation of the proposals could not be made by the Department of Food”. On 5th September 1973 the delegation sent another proposal for purchase of 23,000 tonnes of rapeseed oil for supply by 31st March 1974 at prices based on Chicago price for soyabean oil. As the suppliers did not agree to the revised price ceiling of Canadian \$ 400—425 per tonne intimated by Government on 4th September 1973, based on prevailing international prices, no contract could be finalised. The delegation thereafter obtained four firm offers for 23,000 tonnes on c.i.f. basis and linked to Chicago price for soyabean oil; the price was provisionally assessed as Canadian \$ 445 per tonne. On 14th September 1973 it was decided to authorise the Regional Manager of the State Trading Corporation at New York to finalise contracts for 23,000 tonnes of rapeseed oil (against Canadian aid) for shipments between November 1973 and March 1974 within the ceiling of Canadian \$ 445 per tonne as the average of c&f India prices for various shipments. While the Regional Manager of the State Trading Corporation was negotiating with the suppliers, the president of a Canadian firm visited New Delhi and

offered on 28th September 1973, 16,000 tonnes of rapeseed oil for delivery between December 1973 and March 1974 at the price of Canadian 549.29 per tonne c&f. This offer was considered in an inter-ministerial meeting on the same day, *i.e.*, 28th September 1973; but the price was considered very high as compared to the prevailing prices according to Chicago closings for soyabean oil on that day which were \$ 516.39 per tonne for December 1973 shipments and \$ 497.66 per tonne for March 1974 shipments, the price differential between soyabean oil and rapeseed oil (price of which is lower) being usually \$ 15 per tonne. Another offer was made by the Indian agent of the same company on 16th October 1973 for 5,000—8,000 tonnes for shipment in March 1974 at Canadian \$ 539.77 per tonne c&f Bombay or Kandla. On 17th October 1973, the State Trading Corporation gave a counter-offer of Canadian 475 per tonne based on the ruling price as derived from the Chicago soyabean oil price on 15th October 1973 at \$ 490.70 per tonne. This counter-offer was not accepted by the company.

On 24th November 1973, the Department of Food informed the State Trading Corporation that all purchases of rapeseed and rapeseed oil against the aid for 1973-74 would be made by the Canadian International Development Agency as before. The Canadian Commercial Corporation concluded three contracts for a total quantity of about 14,000 tonnes of rapeseed oil at prices ranging from Canadian \$ 596.71 to 741.76 per tonne c&f India against the aid for 1973-74 ; purchases at these rates cost about Rs. 248 lakhs more as compared to the assessed price of Canadian \$ 445 per tonne c&f indicated in the meeting of 14th September 1973 and about Rs. 138.76 lakhs more as compared to the price of Canadian 549.29 per tonne c&f offered on 28th September 1973. Entire quantity of about 18,500 tonnes of rapeseed was also purchased by the Canadian International Development Agency against the grant for 1973-74.

Canada also authorised Government of India to purchase rapeseed or rapeseed oil against the grant of Canadian \$ 150 lakhs

for 1974-75. As Canada agreed to utilisation of the entire grant for purchase of rapeseed oil, the State Trading Corporation invited tenders on 31st December 1974 for purchase of rapeseed oil. In response the following two offers for 13,600 tonnes in all were received :

Tenderer	Quantity	Shipment	Price (per tonne)
‘X’	9,400 tonnes $\pm 5$ per cent	(a) Late January 1975/ early February 1975	Canadian \$ 1077.41 C & F Bombay or Kandla
		or	
		(b) Latter half of March 1975	Canadian \$ 1013.91 f.o.b. Vancouver
‘Y’	4,200 tonnes $\pm 5$ per cent	(a) Late January 1975/early February 1975	Canadian \$ 1076.95 C & F Bombay
		or	
		(b) Late March 1975	Canadian \$ 1013.45 f.o.b. Vancouver

The above prices were stated to have been found about 23 per cent higher over Chicago (Vancouver price) and 16 per cent over Rotterdam prices. The above offers were, however, accepted on 8th January 1975. In addition, 450 tonnes of rapeseed oil were purchased in February 1975 at the rate of Canadian \$ 805.90 per tonne f.o.b. Vancouver with the balance available from the grant of Canadian \$ 150 lakhs for 1974-75; the price was 16 per cent higher than the prevailing international price.

The Department of Food stated that “from the very beginning of our Canadian oilseed purchase relationship, it was the Canadian International Development Agency itself which had offered to effect purchases of rapeseed on our behalf as, in its view, it could go about this discreetly without affecting market sentiment unduly as might well be the case if we had handled the purchases from India by calling for tenders etc.....”

It was in this context and also in view of the difficulties encountered by the STC delegation in respect of price formula

in negotiating with the Canadian suppliers—of whom only one who is found to be submitting offers all the time—that the Government came to the conclusion regarding the desirability of reverting to the procedures followed all along, *viz.*, purchase of rapeseed oil being effected by CIDA itself and not by us”.

The Department of Food also stated (October 1976) that “it was purely a coincidence that the oil prices suddenly rose in the second half of November 1973, just when CIDA seems to have gone into the market. This could in no way be held against the correctness of the considered view taken by us in September 1973 regarding the initial offer received by the STC delegation in Canada and the subsequent two offers which were found to be unacceptable both by the STC and the Department of Economic Affairs having regard to the circumstances prevailing at that time”. However, as mentioned earlier when there was a sudden fall in price of rapeseed oil in August 1973 it was anticipated that a fresh rise might occur in the near future and, in fact, price started rising from October 1973.

#### MINISTRY OF COMMERCE AND DEPARTMENT OF REVENUE AND BANKING

27. *Export Credit (Interest Subsidy) Scheme, 1968.*— In June 1968, the Export Credit (Interest Subsidy) Scheme, 1968, (hereafter referred to as the Scheme), effective from 3rd March 1968, was introduced as an export promotion measure. (Certain revisions were made in November 1968).

Under the Scheme export credit is allowed by banks at concessional rates of interest. In return Government pays a

subsidy of 1.5 *per cent* on such export credits to the financing banks. The Reserve Bank of India administers the Scheme and pays the subsidy to the financing banks on quarterly basis on behalf of Government. The Reserve Bank sends to Government monthly statements of payments made to, and amounts recovered, if any, from the banks. Some salient features of the Scheme are as follows :—

(i) *Types of credit facilities available to the exporters.*—

- (a) Packing credit or pre-shipment credit for financing purchase, processing or packing of goods is allowed on the basis of letters of credit or firm export orders secured by an exporter from a buyer outside India. Such credit is also allowed to the extent of claims for duty drawback or cash incentive payable by Government.

Lodgment of export orders or letters of credit for sanctioning of packing credit or pre-shipment credit has been waived by the Reserve Bank in respect of certain specified commodities like tea, tobacco, diamonds, other precious stones, etc.

- (b) Post-shipment credit against export bills or claims for duty drawback or cash incentive payable by Government.

In the cases of those who have obtained pre-shipment credit or packing credit such credit is converted into post-shipment credit on receipt of export bills; in addition post-shipment credit is also admissible against claims for duty drawback or cash incentive payable by Government.

(ii) Maximum period up to which export credit could be granted from time to time and the ceiling on the rate of interest applicable thereto are indicated below; extension of time may,

however, be granted with the approval of the Reserve Bank of India.

Date	Rate of interest (Both for pre-shipment and post-shipment credit)	Maximum admissible period	
		Pre-shipment	Post-shipment
(1)	(2)	(3)	(4)
3-3-68 to 15-4-71	6% per annum	180 days	180 days
16-4-71 to 15-11-73	7% per annum	180 days	180 days
16-11-73 to 18-4-74	8% per annum	180 days	180 days
19-4-74 to 22-7-74	9% per annum	90 days	120 days for exports to Western hemisphere (viz. North, Central and South America) 90 days for export to other countries.
23-7-74 to 24-9-74	10½% per annum	90 days	120 days for exports to Western hemisphere (viz. North, Central and South America) 90 days for exports to other countries.
25-9-74 to 26-5-75	11½% per annum	90 days	120 days for exports to Western hemisphere (viz. North, Central and South America) 90 days for exports to other countries.
27-5-75 and onwards	(i) 11½% per annum	(a) 90 days for exports of items other than (b) below. (b) 180 days on credits given for construction contracts abroad and export of such categories of medium and heavy engineering goods as may be specified by the Reserve Bank of India from time to time.	-do-



(1)	(2)	(3)	(4)
	(ii) $13\frac{1}{2}\%$ per annum	(a) Further 45 days beyond the first 90 days if the extension is for reasons beyond the control of the exporter for exports other than (b) below.	
		(b) Further 90 days beyond the first 180 days (with the approval of RBI) for export of specified items and construction contracts abroad, if the extension was for reasons beyond the control of the exporter.	

Credits for exports on deferred payment terms.

3-3-68 to 18-4-74	6% per annum
19-4-74 to 24-9-74	7% per annum
25-9-74 and onwards	8% per annum

(iii) *Method of repayment of Credits.*—Pre-shipment credit or packing credit may be repaid as follows :—

- (i) by export bills relating to export of same goods for which the pre-shipment credit or the packing credit was granted;
- (ii) by adjustment against any fresh credit granted for export of same goods;
- (iii) by remittances received from abroad for export of same goods;
- (iv) by payments received from Government as duty drawback or cash incentive for export of same goods.

Post-shipment credit may be repaid by remittances received from abroad for export of same goods, or by payments received

as duty drawback or cash incentives for the export of same goods.

Interest subsidy is not admissible if repayment is not made in the above manner.

(iv) *Obligation of the banks.*—Grant of subsidy under the Scheme is subject to *inter alia* the following conditions :

- (a) The banks should not charge from the exporter a rate of interest in excess of the rates prescribed by the Reserve Bank of India from time to time.
- (b) The banks should ensure that the packing credit advance is cleared only in the manner indicated in (iii) above.

The table below sets out amounts of subsidy granted under this Scheme from its inception, as intimated (November 1976) by the Reserve Bank of India.

Year	Public Sector commercial banks (Stat <sup>y</sup> Bank of India and its subsidiaries and nationalised banks)	Private sector commercial banks	Total
	(Rupees in lakhs)		
1968-69	79.19	58.74	137.93
1969-70	253.25	89.14	342.39
1970-71	269.10	100.88	369.98
1971-72	290.79	109.49	400.28
1972-73	396.85	103.48	500.33
1973-74	323.68	126.59	450.27
1974-75	539.05	186.33	725.38
1975-76	799.70	136.99	936.69
	TOTAL		3863.25

The export credit outstanding on 31st March of each year, as intimated (November 1976) by the Reserve Bank of India, is indicated below :

Year	Public sector commercial banks	Private sector commercial banks	Total
	(Rupees in crores)		
1970	N.A.	N.A.	322.00
1971	N.A.	N.A.	374.00
1972	356.00	93.00	449.00
1973	416.00	108.00	524.00
1974	615.00	160.00	775.00
1975	588.00	119.00	707.00
1976	799.00	151.00	950.00

N.A.— Not available.

As on 30th June 1975, there were 18,730 branches of commercial banks, 15,077 in public sector and 3,653 in private sector. Export credit transactions took place in 780 branches of the public sector commercial banks and 75 branches of private sector commercial banks. A test check of the accounts of export credits in 65 branches of public sector commercial banks and 39 branches of private sector commercial banks disclosed the following :—

#### (A)—PACKING CREDIT

*Packing credit not utilised for exports.*—(i) Packing credit advances of about Rs. 16.90 crores were refunded in cash between 1970 and 1975 in 542 cases test-checked by audit ; in these cases no exports were made. Of this, Rs. 5.87 crores relate to public sector commercial banks and Rs. 11.03 crores relate to private sector commercial banks. Interest subsidy of Rs. 6.08 lakhs paid to the financing banks for the above exports is to be refunded (November 1976) ; of this, Rs. 1.60 lakhs are recoverable from 5 private sector commercial banks.

(ii) While inspecting the packing credit account of an export corporation maintained in a nationalised bank 'A' in New Delhi, the Reserve Bank had pointed out (March 1975) that some of the remittances liquidating packing credits appeared to relate to sale proceeds in the domestic market. The bank 'A' reported in May 1975 that packing credits to the extent of Rs. 22.35 lakhs had been liquidated during September 1971 to May 1972 by sale proceeds in the internal market. The Reserve Bank of India stated (November 1976) that the bank "has to refund the excess subsidy, if the same has not already been done by adjustment through the quarterly claim statements".

*Export through Export Houses.*—Instructions issued by the Reserve Bank in July 1969 provided that those who did not have export orders or letter of credit in their own name but were supplying goods for export by export houses/agencies could also get packing credit at concessional rate subject *inter alia* to the following conditions :—

- (a) The bank should obtain from the export house/agency a letter setting out the details of the export order and the portions thereof to be executed by the supplier of goods for export and also certifying that the export house/agency has not obtained and will not ask for packing credit for such portion of the order as is to be executed by the supplier of goods for export who has applied for packing credit.
- (b) The bank should obtain through the supplier of goods for export a certificate from the export house/agency at the end of every quarter that the goods supplied under this arrangement have in fact been exported, indicating *inter alia* particulars of the relative export bills negotiated.
- (c) The bank should obtain an undertaking from the supplier of goods for export that the advance payment, if any, received from the export house against the export order would be credited to the packing credit account.

A test-check of the packing credit accounts of some suppliers who received packing credits for supply of goods to export houses/agencies disclosed the following :—

(i) The requisite certificate from the export houses/agencies about exports having been made, indicating details of export bills negotiated, were not obtained in 31 cases, in which about Rs. 120 lakhs were paid as packing credit by 4 branches of 3 commercial banks in the public sector during 1974-75 to suppliers of goods for exports. In the absence of this certificate interest subsidy of Rs. 0.40 lakh approximately paid on the amount was not admissible.

In all these cases, besides the suppliers, the export houses/agencies also obtained by November 1974 packing credits for Rs. 89 lakhs for the same export order. Only in February 1976 the Reserve Bank of India permitted payment of export credits both to the suppliers of goods and the export houses/agencies for the same export subject to the overall time limit.

(ii) A nationalised bank 'B' in Calcutta, extended packing credits (Rs. 238.69 lakhs) during 31st July 1970 to 31st March 1974 to a manufacturer of goods for export, having no valid export order or letter of credit in his favour, on the basis of contracts entered into by it with five other firms. The prescribed certificates, required to be furnished by the manufacturer from such firms, indicating the details of export orders and exports effected, were not obtained by the bank. Subsidy to the extent of about Rs. 1.27 lakhs was not, therefore, admissible.

The Reserve Bank of India stated (November 1976) that in the above cases "audit observations are being followed up with the individual banks and in the light of the banks comments, refund of any excess subsidy claimed will be obtained".

*E.C.G.C. premia interest and other items treated as advances.*—(i) Certain banks debited the premia payable to the Export Credit and Guarantee Corporation (ECGC) payable by exporters and the interest on the packing credit to the accounts

of the respective parties for their packing credits. The amounts so debited were thus automatically treated as packing credits for the purpose of claiming interest subsidy. Such amounts do not seem to constitute packing credits within the meaning of the Scheme as packing credit is meant for financing purchase, processing or packing of goods; the interest subsidy paid on such amounts during January 1969 to November 1975 to three branches of two nationalised banks test checked worked out to Rs. 0.73 lakh. The Reserve Bank of India stated (November 1976) that "there is no objection to the debiting of interest and ECGC Commission to the packing credit account as they constitute export finance costs and the entire packing credit advances is required to be repaid in the prescribed manner out of the export proceeds".

(ii) In a branch of a nationalised bank 'C' at Jaipur, packing credit/post-shipment credit was not granted as such, but drawing limits were fixed for each exporter, and all expenses of any kind made by the intending exporter up to the limit of his drawing limit were treated as pre-shipment/post-shipment export finance (upto 1973) and interest subsidy was claimed thereon. These expenses included payments to 'Travel Agencies', 'Rotary Club', L.I.C. Premia, and to self and individuals, which could not be covered under the definition of packing credit advances. The Chartered Accountants appointed by the bank for certifying correctness of their claim of subsidy as required under the Scheme, expressed their inability to certify the correctness of the subsidy claims for 1972. Subsidy of Rs. 5,107 was refunded by the Bank (August 1974). The accounts for the year 1969 to 1971, and for 1973 also contained such amounts and, therefore, the bank's claim of interest subsidy for the above period amounting to Rs. 11,170 was also not in order. The Reserve Bank of India stated (November 1976) that "necessary refund will be obtained in the light of audit observations".

*Non-maintenance of distinct accounts.*—The Scheme requires the banks allowing packing credits to exporters to segregate and

maintain separately the accounts of every packing credit. It is also obligatory on the part of the banks to ensure that each packing credit is liquidated by the proceeds of the relative export and/or duty drawbacks or cash incentive for such export. The intention is to watch export performance against each individual credit and to allow subsidy with reference thereto.

Instead of maintaining separate account for each packing credit, some banks maintained a running account of all the packing credits given to a particular exporter from time to time; fulfilment of export commitment against any individual credit was not, therefore, susceptible of verification. Due to maintenance of accounts in this way, it was also not possible to ascertain from these accounts whether the repayments were made in time. These banks claimed subsidy on all packing credit advances as a matter of course without excluding those advances or parts thereof, which had already been realised or which remained outstanding beyond the prescribed period of 180/90 days from the date of their payment or against which exports did not materialise, either fully or partially. In the absence of clear evidence of fulfilment of export commitments, admissibility of substantial amounts of subsidies (Rs. 28.50 lakhs) paid during 1968 to 1975 to 7 branches of 4 public sector commercial banks, which were test checked, is not clear. The Reserve Bank of India stated (November 1976) that "refund of any ineligible subsidy claimed would be obtained".

*Interest subsidy claimed for periods beyond prescribed maximum period.*—Interest subsidy on export credit advances was admissible for a maximum period of 180 days up to 18th April 1974, and for 120/90 days from 19th April 1974 to 26th May 1975. In a number of cases banks claimed interest subsidy beyond the prescribed maximum period without obtaining Reserve Bank's approval. Excess subsidy paid to 30 branches of 19 banks during March 1968 to March 1975 for periods in excess of the prescribed maximum period was Rs. 10.14 lakhs.

The Reserve Bank of India stated (November 1976) that the banks "will have to make necessary refunds of any subsidy claimed in excess.....".

*Subsidy on sticky advances.*—(i) Firm 'P', a proprietary concern dealing in export of tea was granted export credit from time to time during 1973 and 1974 by the Calcutta branch of a nationalised bank 'D'.

While packing credit granted during 1973 was liquidated, out of such credits aggregating Rs. 50 lakhs granted during January 1974 to February 1974, Rs. 47.85 lakhs (including interest) remained outstanding. Subsequent investigation by the bank of the account of packing credits allowed to 'P' disclosed the following :—

- (a) While debiting packing credit account, sale orders were not kept on record of the bank.
- (b) The bank purchased export bills amounting to Rs. 14.15 lakhs during June 1974 and July 1974. Out of this amount packing credits to the extent of Rs. 5.48 lakhs only was adjusted. The balance (Rs. 8.67 lakhs) was credited to the current account of 'P', thereby enabling it to draw funds to that extent. This facility was in contravention of the Scheme, which enjoins that proceeds of export bills should be adjusted against the relative packing credit.

A suit was filed in the Calcutta High Court in August 1974 for recovery of Rs. 47.85 lakhs due under the packing credit account. In 1974 the matter was handed over to the CBI also for investigation

The bank lodged a claim (1974) for Rs. 35.89 lakhs with the Export Credit and Guarantee Corporation Ltd.

The bank has refunded interest subsidy amounting to Rs. 2,426 obtained during April 1974 to June 1974. Interest



subsidy (Rs. 9,150) obtained for previous quarters is also required to be refunded.

The Reserve Bank of India stated (November 1976) that the "interest subsidy claimed on the ineligible advances should be refunded by the bank.....".

(ii) A partnership firm 'R' exporting supari, black pepper and cardamoms was granted packing credit of Rs. 15 lakhs during February 1971 to April 1971 by the Mangalore branch of Bank 'D' against hypothecation of goods; the amounts remained outstanding. Subsequent investigation by the bank disclosed that the credit (Rs. 15 lakhs) granted to 'R' was not utilised for the purpose stipulated in the Scheme, that there was practically no stock to cover the outstandings of Rs. 15 lakhs, and that the documents for four contracts amounting to Rs. 4.45 lakhs presented against packing credits had allegedly been tampered with.

The subsidy of Rs. 39,869 paid to the bank on the export credit given to 'R' is yet to be recovered (November 1976).

(iii) A contract for supply of 492 wagons to a foreign country valued at US \$ 55,84,200 on C & F basis was entered into by State Trading Corporation of India (1970) and supply of wagons and shipment were entrusted by the Corporation under a back-to-back contract to a private limited company 'S'.

A branch of a nationalised bank 'A', in Bombay, advanced packing credit to 'S' during April 1970 to February 1974 for purchase of raw materials and also towards manufacturing cost including labour charges. The validity of the letter of credit was, however, extended only up to December 1973. The Reserve Bank of India also had recommended to Government extension of the packing credit up to December 1973.

'S' shipped in all 306 wagons during February 1973 to December 1973, and the proceeds of the export bills amounting to Rs. 2.68 crores were credited to its packing credit account.

The remaining 186 wagons still remain to be exported (November 1976). In the wake of a steep rise in freight rates and manufacturing cost, the company stopped its manufacturing activities from February 1974 and the bank stopped further advances. The company, however, did not refund the packing credit. As on 30th April 1976, Rs. 598.61 lakhs were outstanding against 'S' as packing credit (Rs. 403.56 lakhs) and interest (Rs. 195.05 lakhs).

The amount of packing credit loan is covered by the Export Credit and Guarantee Corporation. A total amount of Rs. 8.08 lakhs towards payments of ECGC premium was debited to the company's packing credit account, which is not covered by the provisions of the scheme.

The bank obtained subsidy amounting to Rs. 29.51 lakhs from September 1972 to March 1976, of which Rs. 16.40 lakhs relate to the period after December 1973. The Reserve Bank of India intimated in November 1976 that the bank 'A' "will have to refund the excess subsidy claimed".

*Delay in adjustment of packing credit.*—Packing credits are required to be liquidated by proceeds of export bills negotiated/purchased by the financing bank. A test check disclosed that two banks did not adjust packing credits on the same day on which bill was purchased, resulting in excess claim of subsidy.

Interest subsidy amounting to Rs. 0.19 lakh (459 cases) received in excess during 1968-69 to 1974-75 in this way is yet (November 1976) to be refunded. The Reserve Bank of India stated (November 1976) that "refund of the excess subsidy will be obtained in the light of banks' comments on the audit observations".

#### (B)—POST-SHIPMENT CREDIT

*Lines of credit.*—Some banks are allowing lines of credit to banks in foreign countries for negotiating documents drawn under letters of credit against the latter's undertaking to reimburse the former within 180 days from the date of negotiation

of the documents. For such credits these banks are charging interest at rates not exceeding the concessional rates of interest for export credits laid down by the Reserve Bank of India from time to time, from the foreign banks, and are claiming interest subsidy. In the normal course, when a usance bill (payable on a specified future date) is presented to the bank, the bank purchases the same and reimburses to the exporter an amount after deducting interest at prescribed rate. Under the arrangement of line of credit, though the bill is a usance bill, the exporter is paid the full amount of the bill, and interest at concessional rate is recovered from the foreign bank. In effect, therefore, remittance of foreign exchange is delayed for usance bills notional due dates of which are earlier than the dates of expiry of 180 days from the date of negotiation of the documents. Besides, the foreign banks get the benefit of concessional rates of interest meant for exporters of this country. The Reserve Bank clarified (April 1970) that such credits would not be in the nature of export credit as defined in the Scheme, and banks would not therefore be eligible for interest subsidy thereon.

It was seen in the course of test-check that five nationalised banks had obtained interest subsidy on such lines of credit. Overpayments on this account work out to Rs. 14 lakhs, out of which Rs. 2 lakhs relate to the period after the date of the Reserve Bank's clarificatory orders referred to above. Two banks have refunded the subsidy claimed by them on this account (Rs. 13.30 lakhs) from their own funds. The balance of Rs. 0.70 lakh is yet to be refunded by the remaining three banks (November 1976). The Reserve Bank of India stated (November 1976) that the banks "have already been advised about the ineligibility of such lines of credit for interest subsidy. The remaining subsidy will be got refunded".

#### *Export bills for collection*

(i) *Advances against export bills for collection.*—Interest subsidy on export credit allowed against a usance bill for

collection is admissible only upto a notional due date (*i.e.* arrived at after adding tenor of the bill, transit period and grace period where applicable), subject to the overall time limit prescribed (180/120/90 days, as the case may be).

It was seen in the course of test-check that in 3 public sector commercial banks there were numerous instances where interest subsidy had been claimed for periods beyond the due date of such bills upto the date of realisation (subject to the maximum of 180/90 days).

These banks did not maintain separate accounts for each export credit as required, but kept them on running account basis, for all the export credits given from time to time, in which export credits were debited and proceeds of export bills were credited. This automatically led to subsidy being claimed till the date of realisation from abroad irrespective of the due date of the bills.

The total amount of subsidy obtained for bills for collection in the above three banks was Rs. 8.19 lakhs approximately (upto March 1975). Actual amounts of excess claims, which require voluminous calculations by the banks, are yet to be worked out and refunded to Government (November 1976). The Reserve Bank of India stated (November 1976) that the "banks will be required to refund any excess subsidy claimed beyond the due dates of the bills in respect of advances against bills for collection. They will also be advised to maintain separate accounts".

(ii) *Bills for collection converted as bills purchased.*— Interest subsidy on export bills is admissible for transit period against a demand bill, and upto notional due date in the case of usance bill, subject to the prescribed maximum period.

Sometimes the exporter presents a bill to the bank merely for collection, and the bank purchases it at a later date at the exporter's request. Subsidy against such bills is admissible

only for the unexpired portion of the total period, after deducting the period between the date of submission of the bill in the first instance and the date of purchase from the total period for which subsidy is admissible. It was seen in a test-check that four branches of 3 nationalised banks and 2 branches of 2 private sector commercial banks claimed and received during 1968 to 1975 subsidy on such bills for the full period, including the expired portion of the tenor; the excess drawal of subsidy in these cases was Rs. 0.18 lakh.

The Reserve Bank of India stated (November 1976) that subsidy "will be admissible from the date of purchase of the bill or the grant of advance in case such an advance is granted against the bill received for collection. Any excess subsidy claimed will have to be refunded".

*Belated receipt of export proceeds.*—The Scheme contemplates grant of subsidy on bills purchased/negotiated only if the bill is paid within a period not exceeding 180 days from the date of expiry of the normal transit period in the case of demand (sight) bills, and the due date in the case of usance bills. Some banks, however, claimed and obtained subsidy even when the proceeds were received beyond the stipulated period of 180 days. In the cases test-checked such drawal of subsidy, amounting to Rs. 0.91 lakh in 6 branches of 5 banks, is yet to be refunded (November 1976). The Reserve Bank of India stated (November 1976) that "ineligible subsidy will be got refunded from the banks".

*Claims beyond date of realisation of export proceeds.*—According to the definition given in the Scheme, "post-shipment credit" means any loan or advance granted or any other credit provided by an institution to an exporter of goods from India, from the date of extending the credit after shipment of goods to the date of realisation of export proceeds.

According to paragraph 2(ii) of the Scheme, subsidy is payable in the case of any export credit which is in the form of purchase, negotiation or discounting of a bill, on the amount

of bill which is purchased/discounted. In a circular issued by the Reserve Bank in February 1969, it was clarified that in respect of demand bills (also called sight bills) the bank may claim subsidy for the normal transit period even if a bill was paid before the expiry of such period. When a bill is paid, there would be no credit thereafter. Consequently, interest subsidy should not have been allowed after the date of payment of bills. It was noticed in test-check that 4 branches of 2 public sector commercial banks claimed interest subsidy for the full transit period although export proceeds had been realised earlier. The amount of interest subsidy received by these banks for periods beyond the date of realisations of export proceeds was Rs. 4.69 lakhs. The Reserve Bank of India stated (November 1976) that "normal transit period is so fixed as to be just adequate to cover the time required for transmission of documents and remittance of funds. Such advance payments as may be there regarding sight bills, would be marginal and it will not be practicable and worthwhile to calculate and refund subsidies in such cases. The procedure of allowing banks to claim subsidy for the normal transit period on sight bills needs no change".

In the case of usance bills, it was clarified in the circular of February 1969 mentioned above that subsidy was payable for what was termed as the 'notional due date' (*viz.* the number of days composed of the normal transit period, plus the tenor of the bill, plus the grace period where applicable). It was provided that if acceptance of a bill was deferred and the actual due date fell later than the notional due date, subsidy would be payable only upto the notional due date. This has been interpreted by some banks to mean that even if the export proceeds were realised before the notional due date, subsidy can be claimed for the full notional period. As explained earlier, there should be no question of interest subsidy after the date of payment of bills.

In 13 branches of 10 public sector commercial banks and 6 branches of 5 private sector commercial banks test-checked,

amount of interest subsidy paid for periods beyond the date of realisation of export proceeds was Rs. 2.57 lakhs; of this amount, Rs. 1.19 lakhs were paid to private sector commercial banks. The Reserve Bank of India intimated (November 1976) that "the proportionate subsidy for the rebated period would be refundable .....

*Claims on rupee bills.*—Among the cases test-checked, a branch of State Bank of India deducted interest due on rupee bills at the initial stage itself and paid only the net amount as export credit, but preferred claims on the gross amount. Subsidy on the difference between the gross amount of the rupee bills and the actual amounts of export credits paid after deduction of interest, during 1974-75 was Rs. 1.00 lakh approximately. The Reserve Bank of India stated (November 1976) that the "banks are entitled to subsidy on the amount of the bill purchased/discounted and as such there is no objection to their claiming subsidy on the gross value of rupee bills".

*Wrong computation of transit period.*—The Scheme permits interest subsidy for transit period in respect of bills (sight bills as well as usance bills) in accordance with certain scales laid down. Fourteen branches of 12 banks claimed and obtained interest subsidy on the basis of transit period not calculated in accordance with the above, resulting in excess claim of subsidy amounting to Rs. 0.47 lakh; of this amount, Rs. 0.37 lakh was received by 5 private sector commercial banks. The Reserve Bank of India stated (November 1976) that "excess subsidy will have to be refunded by the banks concerned".

*Irregular claims on grace period.*—In the case of usance bills, transit and grace periods are to be added to the tenor of the bill for the purpose of claiming the subsidy. The Foreign Exchange Dealers' Association of India has issued two lists (October 1972) showing countries where grace period is applicable and where it is not applicable. Ten branches of 9 banks, however, allowed grace period on bills drawn on banks in foreign countries for which it was not applicable. Excess

drawal of interest subsidy on this account works out to Rs. 0.59 lakh in the cases test-checked in Audit. It was stated by the Reserve Bank of India in November 1976 that the excess subsidy would have to be refunded by the banks.

### (C)—OTHER POINTS

*Export of de-oiled cakes.*—Normally, apart from credit allowed against amounts of duty drawbacks and cash incentives packing credit to the extent of value of export order only is admissible at concessional rate of interest under the Scheme. With packing credit so restricted, the exporters of de-oiled cakes experienced difficulties in obtaining funds which were far in excess of the value of the relative export order for purchase of the raw materials required (*viz.* groundnuts, seeds, etc.).

The Reserve Bank of India, therefore, permitted (June 1970) grant of packing credit advances in such cases to exporters of de-oiled cakes to the extent of value of raw material required for producing cakes covered by the relative export order. Interest subsidy on credit obtained in excess of the export value was available up to 30 days from the date of extraction of oil.

A private sector commercial bank 'H' in Bombay allowed packing credits at concessional rate for the excess amount till the goods were exported (or a maximum period of 90 days, whichever was earlier), instead of restricting the period to 30 days from the date of extracting the oil in respect of the amount drawn in excess of the value of export order. The bank obtained Reserve Bank's consent to this arrangement on the ground that the exporter was not selling the oil (and realising cash), but was utilising it for manufacture of other products (*viz.* vanaspati, soap etc.). The amount in excess of export orders after the date of extraction of oil was used for manufacture of goods meant for internal consumption and this should not have been treated as part of export credit. Thus an unintended benefit was derived by the exporter. At the instance of Audit, since July 1975 the Reserve Bank has been



allowing the concession only up to the date of extraction. The overpayments in past cases are yet to be worked out and refunded by this bank (November 1976). The Reserve Bank of India stated (November 1976) that "it is not intended to grant concessional pre-shipment credit against the bye-product oil. Bank has been advised to refund the excess subsidy claimed".

### *Exports of tea*

(i) *Delay in repatriation of export proceeds.*—Packing credits are granted against tea exports without lodgement of export order/letter of credit. Substantial quantities of tea are exported every year to a foreign country 'M' for sale in auction. The tea meant for sale in auction is usually shipped by the exporter to his foreign agent on consignment basis. No indication of when the sale will be completed or what price the consignment will fetch in auction is available at the time of shipment. Thereafter, the exporter draws a usance bill on his foreign agent for notional value of a consignment, which is usually less than the actual value realised in auction.

In the case of firm 'V' enjoying export credit facilities from the private sector commercial bank 'H' in Calcutta, considerable delays in repatriation of foreign exchange earned by the foreign agent in 1973-74 were noticed. Instances of such delays are given in Appendix 'V'. Delay occurred in two stages. First the foreign agent waited for almost the full period of usance of the bill before remitting the value thereof to India, even where auction sales had been completed earlier. Second, the amounts in excess of the value mentioned in the relative usance bills were retained by the foreign agent for 2 to 7 months from the date of auction. Since there was no bill or other document for the extra amount, foreign exchange involved, instead of being repatriated to India, was kept with the foreign agent for some time.

(ii) *Subsidy in respect of outstanding balances.*—In November 1967, the Reserve Bank of India directed that in April and

May each year the banks should review the position of tea exports to see whether the value of tea exported in the year ended 31st March preceding was sufficient to liquidate the packing credit advanced during that year. According to the instructions of the Reserve Bank, interest on outstanding balances as on that date was to be charged at the banks usual rate from the dates of payment of the respective advances. Interest subsidy was not, therefore, admissible on outstanding balances (as on 31st March each year) of packing credits.

Two private sector commercial banks 'H' and 'J' in Calcutta, claimed interest subsidy on such outstanding balances at the end of each financial year from 1969-70 to 1974-75. The excess amount of subsidy drawn was Rs. 3.52 lakhs.

(iii) *Credit extended to tea exporters beyond prescribed percentage.*—Taking into account the seasonal pattern of, and the regional variations in, tea exports, the following limits for export credits were prescribed by the Reserve Bank of India in November 1967 as percentages of the credit limit sanctioned in the preceding year for each exporter.

	North India	South India
April to June	4	24
July to September	36	33
October to December	45	26
January to March	15	17

The above limits were withdrawn in May 1973, as according to the Reserve Bank of India, "certain practical difficulties were reported in implementing the procedure of granting packing credit advances on a quarterly basis....."

Although prior to May 1973, it was obligatory on the part of banks to restrict credit in each quarter upto the percentage indicated above, bank 'J' in Calcutta, did not in many cases observe the prescribed percentage, which resulted in excess drawal of subsidy amounting to Rs. 1.50 lakhs during March 1968 to 31st March 1973.

*Non-submission of certificates from Auditors.*—The Scheme requires the banks to submit to the Reserve Bank of India by 30th September every year a certificate from a Chartered Accountant about the correctness of subsidy claimed by them in the preceding calendar year.

An analysis of outstanding certificates, as intimated by the Reserve Bank of India, is given below :

Year for which certificates are in arrears	No. of banks
1968 } 1969 }	1
1970	2
1971	3
1972	7
1973	14
1974	22

Comments of the Reserve Bank of India on this paragraph were forwarded (December 1976) to Audit by the Department of Revenue and Banking.

#### MINISTRY OF COMMERCE

28. *Cash assistance for export of Aluminium Conductor Steel Reinforced.*—There are 46 units in the organised sector producing Aluminium Conductor Steel Reinforced and All Aluminium Conductor (hereafter referred to as ACSR and AAC respectively); production during the last four years was as follows :—

Year	Production (Tonnes)
1972	85,025
1973	58,150
1974	26,709
1975	46,494

Besides, there are a large number of units in the small-scale sector.

The principal raw materials required for ACSR are EC grade aluminium and high-tensile steel wire rods. Both these materials are now available from indigenous sources.

Export of aluminium conductors during the past four years has been as follows :—

Year	Quantity (Tonnes)	Value (Rs. in crores)
1972-73	5,444	2.54
1973-74	4,980	2.79
1974-75	4,486	4.10
1975-76	4,593	5.21

There are more than thirty varieties of ACSR of different dimensions and specifications. On an average the weight of aluminium content is about two-thirds the total weight, and that of steel about one-third.

*Export Incentives.*—In June 1966, Government authorised import replenishment of 90 per cent for export of AAC and ACSR. However, while sanctioning (August 1966) cash assistance ranging between 10 and 25 per cent of f.o.b. realisations for export of various engineering goods with effect from 6th June 1966 Government did not sanction any cash assistance for export of AAC and ACSR because the effective justifiable rate of cash assistance was negligible in the light of the very high import replenishment and consequential low value-added.

Subsequently in December 1966 cash assistance at 10 per cent for export of AAC and ACSR was sanctioned with retrospective effect from 6th June 1966, on the ground that the prevailing rate of duty draw-back was based on the presumption that only 50 per cent of the aluminium content of aluminium

conductors was being imported, whereas, in practice exporters were using imported aluminium to the extent of 100 *per cent*.

By 1969, however, indigenous EC grade aluminium became readily available. Consequently, import replenishment for export of AAC and ACSR was reduced from 90 *per cent* to 5 *per cent* and 20 *per cent* respectively from 1st January 1970. The point made in December 1966 for sanctioning cash assistance at 10 *per cent* that duty draw-back did not take into account the very high import content was no longer valid. Nevertheless, simultaneously cash assistance for export of AAC and ACSR was increased to 15 *per cent* for one year from 1st January 1970; the reasons for the increase *inter alia* were that earnings of exporters of substantial premia on the very high import replenishment which they had been enjoying earlier would be reduced and they would have to pay more for indigenous raw materials as compared to imported raw materials.

The matter was, however, referred to the Cost Accounts Branch of the Ministry of Finance in March 1971. Meanwhile, in February 1971, continuance of cash assistance at 15 *per cent* upto 31st March 1972, was sanctioned. In May 1972, its continuance upto 31st March 1973 was sanctioned.

On the basis of the reports of the Cost Accounts Branch, cash assistance for export of ACSR was reduced from 15 *per cent* to 9 *per cent* from 1st April 1973, while that for export of AAC was continued at 15 *per cent*.

On further examination cash assistance for export of ACSR was abolished from 1st April 1974 while that for AAC was reduced to 10 *per cent*.

In October 1975, however, cash assistance for export of ACSR was restored at the rate of 5 *per cent* for October 1975 to March 1976. Import replenishment was continued at the rate of 20 *per cent*.

In January 1976, it became known that international tenders to the extent of Rs. 300 crores for projects of high-tension power transmission-lines were in the process of being floated by certain countries. For competing in these tenders three exporters of transmission-line towers were said to have formed themselves into a consortium. The consortium, it was stated, had submitted a photostat copy of a very low quotation dated 28th November 1975 of a country 'P' for 'Zebra' category of ACSR.

In an inter-ministerial meeting held on 21st January 1976, the question of increasing cash assistance for export of ACSR from 5 *per cent* to 15 *per cent* and simultaneous reduction of import replenishment from 20 *per cent* to 5 *per cent* was considered. A suggestion was made in the meeting that a quick examination of cost data might be conducted, since cash assistance at a higher rate would need adequate justification. The Ministry of Commerce, however, stated in the meeting that cost data need not be sent to the Cost Accounts Branch as there was no longer any question of applying marginal or total cost principle for determining cash assistance levels, and because views of the Cost Accounts Branch would not be available within a short time. It was decided in that meeting that the Ministry of Commerce and Director General, Technical Development (DGTD), should consider the question of allowing 15 *per cent* cash assistance on the strength of the photostat copy of the quotation of country 'P'.

On 6th February 1976, company 'X' which was leading the transmission-line tower consortium, requested the Ministry of Commerce for early sanction of higher cash assistance for export of ACSR as the last date for submission of tenders to country 'Q' was 3rd March 1976.

On 7th February 1976, DGTD supported the proposal for increasing cash subsidy for export of ACSR to 15 *per cent* and simultaneous reduction in import replenishment from 20 *per cent* to 5 *per cent* on the ground that Indian exporters of ACSR had

the following disadvantages as compared with foreign exporters :—

(a) Disparity between Indian and international prices of raw materials, viz. EC grade aluminium and high-tensile steel wire rods:	7 per cent of f.o.b. realisation (assumed as Rs. 8,200 per tonne).
(b) Non-refundable sales tax :	4 per cent of f.o.b. realisation.
(c) (i) Conversion costs from aluminium ingots to aluminium wire strandings through properzi rods:	} 4 per cent of f.o.b. realisation.
(ii) Conversion cost from high-tensile steel wire rods to high-tensile steel wire :	
(iii) Cost of drums:	
(iv) Cost of packing and forwarding:	
(v) Port charges:	
(vi) Cost of transportation of raw materials from different centres to factories of ACSR manufacturers:	
TOTAL	15 per cent

In working out the disparity between Indian and international prices of raw materials, DGTD arrived at a difference of Rs. 750 per tonne in the case of aluminium ingots of 99.7 per cent purity by comparing an assumed international price of Rs. 5,800 per tonne (f.o.b.) with the *ex-factory* price of Indian aluminium which was Rs. 6,552 per tonne. In the case of high-tensile steel wire rods also the disparity was taken as Rs. 750 per tonne, though no calculation for the same was given. The net disparity between Indian and international prices of raw materials was thus taken as Rs. 750.

The above figure was compared with an assumed f.o.b. realisation of Rs. 8,200 per tonne of ACSR, based on the quotation of country 'P' for 'Zebra' type of ACSR mentioned earlier. On this basis the disparity worked out to 9 per cent of

f.o.b. realisation but it was taken as 7 per cent. Adding to this 8 per cent more for the other elements of disparity DGTD concluded that Indian exporters had a relative disadvantage to the extent of 15 per cent of f.o.b. realisation.

On 11th February 1976, the Ministry of Finance agreed to the proposal for grant of 15 per cent cash assistance for export of ACSR from a prospective date, subject to independent verification of the correctness of the quotation of country 'P' through India's commercial representatives abroad.

On 20th February 1976, increased cash assistance for export of ACSR at the rate of 15 per cent of f.o.b. realisation was sanctioned from that date to 31st March 1976. Simultaneously, the import replenishment was reduced from 20 per cent to 5 per cent.

The Ministry of Commerce was requested by Audit (on 29th July 1976) to clarify whether the country 'P's quotation had been independently verified through our country's commercial representatives abroad and, if so, to indicate findings of such enquiry. The Ministry of Commerce stated (December 1976) that "it has not been possible for the Ministry to independently verify the country 'P's quotation in view of the fact that no diplomatic relations are maintained with country 'P'".

The statistics compiled by the Director General, Commercial Intelligence and Statistics, Calcutta (DGCIS) show that since 1974-75 there has been a marked improvement in the unit-value realisations from export of aluminium conductors. The average unit-value, which was Rs. 5,600 per tonne in 1973-74, rose to Rs. 9,140 in 1974-75. During the period April 1975 to December 1975 it was Rs. 10,300 per tonne.

In addition to export to foreign countries which are shown in the statistics compiled by DGCIS substantial quantities of ACSR



are supplied by Indian exporters to power projects in India which are financed by loans from the International Development Association (IDA). These supplies are eligible for import replenishment and cash assistance at par with exports. For this purpose, f.o.r. project—site value is assumed as f.o.b. value. Further, while comparing Indian quotations with those of other countries, the value of import duty on the supplies offered by foreign countries is added to their c.i.f. bid prices, upto a limit of 15 per cent of such c.i.f. bid prices. (Customs duty on import of ACSR into India is 40 per cent *ad valorem*).

In the past few years, orders to the following extent were placed with Indian exporters for supplies to IDA aided projects in India :—

	Rs. crores.
1972-73	4.07
1973-74	1.80
1974-75	9.51
1975-76	14.48

The dates of placement of such orders during 1975-76 were as follows :—

	Rs. lakhs
April 1975	1,209.42
November 1975	39.20
5th January 1976	65.10
6th January 1976	134.26

A test-check of 16 such contracts awarded between January 1975 and early January 1976 showed the following

unit-value realisations for 'Zebra' variety of ACSR and other varieties :—

Company	Date of contract	Variety of ACSR	Strandings		Weight (Kg/Km)	F.o.r. rate per Km as per contract (Rs.)	F. o. r. rate per tonne calculated on the basis of column. 7 (Rs.)
			Aluminium number/diameter (mm)	Steel number/diameter (mm)			
1	2	3	4	5	6	7	8
1.A	6-1-75	Leopard	6/5.28	7/1.76	492.6	5,141	10,436
2.B	9-1-75	Morkulla	NA*	NA*	NA*	24,000	NA*
3.C	9-1-75	Morkulla	NA*	NA*	NA*	26,000	NA*
4.D	9-1-75	Morkulla	NA*	NA*	NA*	23,140	NA*
5.C	6-2-75	Kundah	42/3.50	7/1.94	1,282	24,552	NA*
6.C	14-3-75	Zebra	54/3.18	7/3.18	1,619	14,898	11,621
7.B	8-4-75	Zebra	54/3.18	7/3.18	1,619	17,590	10,865
8.B	8-4-75	Panther	30/3.00	7/3.00	973.8	17,500	10,809
9.D	11-4-75	Panther	30/3.00	7/3.00	973.8	9,000	9,242
10.A	23-4-75	Sheep	30/3.99	7/3.99	1,725	9,500	9,756
11.A	23-4-75	Zebra	54/3.18	7/3.18	1,619	10,137	10,410
12.D	23-4-75	Zebra	54/3.18	7/3.18	1,619	18,449	10,695
13.A	30-4-75	Drake	NA*	NA*	NA*	18,869	11,655
14.A	30-4-75	Deer	30/4.27	7/4.27	1,977	19,996	12,351
15.E	5-1-76	Panther	30/3.00	7/3.00	973.8	17,738	NA*
16.F	15-1-76	Panther	30/3.00	7/3.00	973.8	20,428	10,333
						9,660	9,920
						9,444	9,698

\*N.A.—Not available.

The unit-value per tonne could not be worked out in four cases for want of information about the weight per kilometer. Out of the remaining 12 cases, in nine cases the unit-value exceeded Rs. 10,000 per tonne, in one case it was nearly Rs. 10,000 and in the remaining two cases also more than Rs. 9,000. In the four contracts for 'Zebra' variety, the unit-value was Rs. 10,865, Rs. 10,809, Rs. 11,655 and Rs. 12,351 per tonne.

Thus realisations were in excess of Rs. 8,200 assumed while increasing cash assistance from 5 per cent to 15 per cent on 20th February 1976. The Ministry of Commerce stated (December 1976) that "f.o.b. realisation of Rs. 8,200 was assumed on the basis of the quotation from country 'P' for 'Zebra' type ACSR, a photostat copy of which was produced by the consortium of exporters of transmission line towers". The Ministry further stated that the request for enhancement of cash assistance was considered in the context of the tenders invited by country 'Q' and as "the last date for submission of which was fast approaching, there was no time for detailed check up of the actual realisations being made either on the basis of DGCI&S statistics or with reference to the IDA contracts quoted by Audit".

A test-check of the records in one office of Joint Chief Controller of Imports and Exports (JCCIE) in New Delhi disclosed that as on 20th February 1976 (when cash assistance was increased to 15 per cent), delivery dates in respect of supplies worth Rs. 8.14 crores approximately were still pending (Rs. 6.92 crores for supplies to IDA aided projects in India, and Rs. 1.22 crores for export to country 'R'). The test-check further showed that cash assistance of Rs. 14.62 lakhs (at the rate of 15 per cent) was paid for supplies of ACSR to IDA aided projects in India during 20th February 1976 to 31st March 1976. Cash assistance of Rs. 7.06 lakhs was also paid by JCCIE, New Delhi, for export of ACSR to country 'R' made during the same period. But for the increase sanctioned on 20th February 1976, cash assistance would have been less by Rs. 9.75 lakhs and Rs. 4.71 lakhs respectively.

The transmission-line-tower consortium ultimately failed to secure the contract of country 'Q'. The company 'X' stated in April 1976 that the manufacturers of ACSR had not agreed to the terms of payment stipulated by country 'Q' and that its two associates had withdrawn their proposal of joint participation in the above tender. While the purpose for which cash assistance had been increased to 15 *per cent* was not served, the extra benefit stood extended for other contracts for exports and supplies to IDA aided projects already secured. The Ministry of Commerce stated (December 1976) that "even though the immediate cause for consideration of the enhancement was provided by this tender yet, according to the prevailing Government policy, cash assistance rates were to be applied on the products in general and not for any individual exporter or individual contract. Since supplies made against IDA projects are also treated as physical exports, export assistance was equally applicable to such supplies".

As indicated below the international price of steel wire rods increased from Rs. 1,991 per tonne to Rs. 2,172 per tonne during January 1976 to March 1976, while the domestic price remained constant.

Month	International price quoted in London Metal Bulletin or ordinary steel wire rods (f.o.b. UK)		Indian price for exporters
	\$	Rs.	Rs.
		(Price per tonne)	
January 1976	220	1,991	1,409
February 1976	235	2,127	1,409
March 1976	240	2,172	1,409

During March 1976 international price of EC grade aluminium of 99.7 *per cent* purity steadily moved up as follows,

while the domestic price of Indian EC grade Aluminium, which is also controlled by Government, remained constant :

Date	International price		Indian domestic price
	Average price quoted in London Metal Bulletin (c.i.f. Europe)		
	£	Rs.	Rs.
	(Price per tonne)		
26-2-76	387.5	7,057	6,552
4-3-76	400	7,285	6,552
8-3-76	410	7,467	6,552
11-3-76	420	7,649	6,552
22-3-76	427.5	7,785	6,552

Continuance of cash assistance on ACSR export at the rate of 15 per cent was sanctioned in March 1976 for three months more from April 1976 to June 1976. The Ministry of Commerce stated (December 1976) that "Cash assistance rates on export of a large number of time bound engineering items were to be reviewed in the light of a new criteria prescribed for fixation of cash assistance. Since it was not found possible to complete reviews of all such items in time for consideration by Cash Assistance Review Committee it was proposed and finally agreed by the Committee to extend the existing scales of all such items, for 3 months up to 30th June 1976. ACSR was only one of the time bound items and was covered by the general decision".

A reference to the records in one office (*viz.* JCCIE, New Delhi) made in the last week of July 1976 showed that claims for cash assistance on exports and for supplies to IDA aided projects of ACSR worth approximately Rs. 2.67 crores during April 1976 to June 1976 had been lodged and were under scrutiny. (Rs. 1.56 crores were supplies to IDA aided projects in India, and Rs. 1.11 crores were exports to country 'R'). If these claims are otherwise in order, cash assistance of over Rs. 40 lakhs, at 15 per cent of f.o.r./f.o.b. realisations would become payable. But for the increase sanctioned in March 1976, cash assistance in these cases would have been less by over Rs. 26 lakhs.

Domestic prices of both steel wire rods and EC grade aluminium remained constant during April 1976 to middle of July 1976, while international prices of both moved up as shown below :

### Steel

Month	International price quoted in London Metal Bulletin for ordinary steel rods (f.o.b.—UK.)		Indian price for exporters
			Steel wire rods
	\$	Rs.	Rs.
			(Price per tonne)
April 1976	240	2,182	1,409
May 1976	255	2,318	1,409
June 1976	255	2,318	1,409
July 1976	255	2,325*	1,409

### Aluminium

Date	International price		F.o.b. price	Indian domestic price
	Average price quoted in London Metal Bulletin (c.i.f. Europe) £ upto 30th June			
	\$	Rs.	Rs.	Rs.
				(Price per tonne)
25-3-76	432.5	7,877	7,047	6,552
8-4-76	452.5	7,683	6,853	6,552
14-4-76	467.5	7,938	7,108	6,552
23-4-76	472.5	8,023	7,193	6,552
14-5-76	492.5	8,164	7,334	6,552
17-5-76	497.5	8,247	7,417	6,552
20-5-76	502.5	8,330	7,500	6,552
4-6-76	520	8,360	7,530	6,552
11-6-76	530	8,520	7,690	6,552
15-6-76	535	8,601	7,771	6,552
25-6-76	547.5	8,801	7,971	6,552
1-7-76	\$ 970	8,842	8,012	6,552
8-7-76	\$ 985	8,979	8,149	6,552
15-7-76	\$ 995	9,070	8,240	6,552

\*conversion rate changed from 1st July 1976.

On 30th July 1976 sanction was issued for continuing the cash assistance at 10 *per cent* retrospectively from 1st July 1976 for nine months up to March 1977. The Ministry of Commerce stated (December 1976) that the following factors were taken into account in sanctioning the cash assistance.

- “1. Export potential and domestic availability as well as supply elasticity of the products ;
2. Import content of domestic value added ;
3. Approximate implicit subsidy, if available under the Import Replenishment scheme ;
4. Compensation for irrecoverable taxes and levies ;
5. Costs of entry into new markets ;
6. Difference between the domestic cost and international prices of indigenous inputs and raw materials”.

## DEPARTMENT OF CULTURE

### 29. *Archaeological Survey of India.*—

#### *Introduction*

The Archaeological Survey of India was originally established in 1861 with exploration of antiquities as its programme but has over the years enlarged its activities. The Survey now engages itself in the preservation of centrally protected monuments and sites; architectural surveys; exploration and excavation of ancient sites; maintenance of gardens at monuments; chemical preservation of sculptures, monuments and other works of art; epigraphical research; maintenance of archaeological museums; publications and implementation of the Antiquities and Art Treasures Act, 1972.

The Survey which is an integral part of the Department of Culture functions under the Director General-*cum-ex officio* Joint Secretary to the Government of India assisted by a team of officers and specialists.

The Survey has 11 circles each headed by a Superintending Archaeologist. These circles are responsible for the maintenance and special repairs of monuments. There are also eleven branches located in different places dealing with specialised items of work viz. Chemistry Branch for looking after the chemical preservation of sculptures and monuments, Garden Branch for maintaining and laying out gardens at monuments and sites; two Epigraphy Branches for the collection and decipherment of inscriptions with headquarters at Mysore for Sanskrit and Dravidian inscriptions and Nagpur for Arabic and Persian inscriptions, three Excavation Branches for carrying out exploration and excavation at different archaeological sites, Prehistory Branch for undertaking investigation of prehistoric sites and the Museum Branch for organising 18 museums for the display of antiquities in the site museums and two branches for temple survey projects.

A school of Archaeology which imparts training to the post-graduate students in professional archaeology also functions as a wing of the Directorate.

The actual expenditure incurred by the Department under various heads for the last five years ending March 31, 1976 is given below :—

Head of Account	1971-72	1972-73	1973-74	1974-75	1975-76
	(in lakhs of rupees)				
Directorate	66.34	67.90	74.69	108.65	108.91
Conservation of Ancient Monuments (including special repairs and maintenance)	105.08	140.16	211.21	281.24	312.45
Archaeological exploration and excavations	13.24	16.27	18.70	25.20	36.49
Central Archaeological Museums	13.36	13.02	18.00	20.87	26.81
Works	2.54	4.77	5.89	9.19	12.04
TOTAL	200.56	242.12	328.49	445.15	496.70

Dissemination of knowledge relating to archaeology is one of the major responsibilities of the Survey and for this purpose the Survey publishes journals, excavation reports, books on epigraphy,



books on general archaeological subjects and guide books. The expenditure on publications during the last five years was as follows :—

Year	Amount (in lakhs of rupees)
1971-72	0.78
1972-73	1.19
1973-74	1.35
1974-75	3.41
1975-76	1.68

### *Journals*

The following journals are published by the Survey :—

(i) *Indian Archaeology—A Review*.—This is an annual journal started in 1953-54. It contains a description of archaeological activities in the country during the year. The activities cover excavations, explorations, epigraphy, archaeological gardens, preservation of monuments etc. relating not only to the Archaeological Survey of India, but also to State Archaeological Surveys, Universities and other Research Departments. The journal also covers numismatics and treasure trove, other important discoveries, museums, architectural survey of temples, archaeological chemistry and publications.

From the issues relating to the years 1961-62 onwards, the publication of the journal is generally behind schedule by three years; the journal for 1971-72 was published in 1975 and the journals for subsequent years are yet to be published.

The Survey stated (September 1976) that the material to be included in the issues of the journal for the years 1972-73 and 1973-74 has been edited and is being made press-ready while the material for 1974-75 and 1975-76 is being edited. The issues for 1965-66 and 1966-67 were delayed by seven and nine years respectively. The unusual delay was attributed by the Survey (December 1976) to a decision taken in 1969 to first publish 1968-69 issue and then to clear the back numbers as on that date.

(ii) *Ancient India*.—This is an annual journal started in 1946 and contains excavations and survey reports which are not

very large and articles on various subjects pertaining to archaeology. Usually four to five reports and articles are included in each issue.

The Survey has published only one volume of this journal during the last eight years (1968—75) as may be seen from the table below :—

Year to which volume of the journal pertains	Year of Publication
1962 } 1963 }	1963
1964 } 1965 }	1967
1966	1973
1967 to 1975	Not yet published.

It is proposed to publish the papers read at the International Conference on Archaeology held in December 1961 in New Delhi, in the next four issues of the journal pertaining to the years 1967—70. The work of editing these papers is stated to be in progress. Material for the next three issues (1971—73) was also stated to be available with the Survey. As for the delay in the issue for 1964 and 1965 which were published as a single volume in 1967, it was attributed to the need to obtain the clearance of the Chief Controller of Printing and Stationery for printing through private press. In December 1968 the Survey was included in the category of Scientific Organisations which are permitted to undertake printing of their publications through private presses without obtaining any clearance from the Chief Controller of Printing and Stationery, but it was stated (December 1976) that formalities of inviting quotations for printing took sometime before the issue for 1966 could be sent to the press. This volume was published in 1973.

(iii) *Epigraphia Indica*.—This is a biennial journal started in 1892 and consists of eight parts—one part is issued in a quarter. The inscriptions other than those relating to Arabic and Persian scripts on archaeological monuments and plates and other articles found during excavations are copied, studied, translated and incorporated in this journal.

The issues of this journal pertaining to the year 1969 (Volume XXXVIII—Parts 1, 2, 3 and 4) have been published. One issue of this journal pertaining to the year 1968 (Volume XXXVII—Part 8) and two issues for the year 1970 (Volume XXXVIII—Parts 6 and 7) were stated to be with the press since 1972. The volumes for the last six years (1970—75) are in arrears except for the issue for the first quarter of 1970, which was published in April 1976.

(iv) *Epigraphia Indica (Arabic and Persian supplement)*.—This is an annual journal started in 1907-08 and contains the inscriptions relating to Arabic and Persian scripts.

The issues of this journal upto the year 1970 have been published. The issues for the remaining years (1971—75) are in arrears. The manuscript for 1971 was stated (December 1976) to be with the press since November 1974. Issues for 1972 and 1973 were stated to have been completed and were to be sent to the press shortly while those for 1974 and 1975 were stated to be under completion (December 1976).

### *Excavation Reports*

One of the main tasks of the Survey is excavation which is likely to throw light on India's heritage of culture. The selection of sites for excavations is based on :—

- (i) The reports of 'on the spot' study of the various sites done by officers of the regional circles of the Survey;
- (ii) Information based on the known historical facts or results of the past excavations; and
- (iii) Information given by the members of the public regarding finds.

On completion of an excavation a report containing an accurate statement of the facts of the excavation, the site plan,

the relationship of the buildings and the objects of culture or cultures, a brief definition of cultures in the light of the present knowledge and a precise account of the work done is normally to be compiled and published soon after the excavation is completed. Such a report will comprise the following parts :

I. General—indicating details of sites, location, cultural sequence, chronology and structural evidence.

II. Finds, such as pottery, sculptures, coins and other relics.

III. Reports by specialists relating to chemical analysis of animal remains, plant remains and fabrics etc.

Prior to 1954-55 the various circles of the Survey did not undertake excavations. The excavation work was entrusted to a separate excavation branch set up in 1944 (the number was increased to three branches by September 1971). Since 1954-55 the circles have also been permitted to undertake excavations and as a result of this and due to expansion of the excavations branch the number of excavations increased from 9 between 1946-47 and 1953-54 to 78 between 1954-55 and 1974-75.

There has been considerable delay in the compilation and publication of such reports. A number of reports remained unpublished several years after the completion of the excavations as would be seen from the following table :

Sl. No.	Year of completion of excavation	No. of excavations	No. of detailed reports already published by the Survey or by other agencies	No. of excavations for which detailed reports have not been published so far
1.	1947-48 to 1954-55	18	13	5
2.	1955-56 to 1959-60	17	1	16
3.	1960-61 to 1964-65	34	4	30
4.	1965-66 to 1969-70	15	1	14
5.	1970-71 to 1974-75	3	..	3
TOTAL		87	19	68

The Survey stated that in respect of the 68 excavations for which the reports have not been published on the lines indicated above, summary reports have been published in the annual journal of the Survey entitled 'Indian Archaeology—A Review' except that the summary report pertaining to 1972-73 excavations at Purana Quila has been prepared but is awaiting the publication of the journal. It was stated by the Department that the summary reports contain all the basic facts relating to location, cultural sequence, chronology and important finds including distinctive ceramic industries. Very often these were illustrated with photographs and line drawings to make them as informative as possible. It was also stated that the excavators on their part submitted "fairly detailed reports", but during the process of editing only the objective data was retained for publication in the Review and that these summary reports had been profitably used by research scholars.

The Survey stated that "a convention has grown that an excavation which has a limited scope like the clearance of debris, rescue-work and ascertainment of the potentialities of a site through a culture-sequence, and is of a scale where the number of finds is not sufficiently large, does not warrant a detailed treatment. Summary reports of such excavations are considered sufficient, otherwise it would entail unnecessary expenditure without serving any useful purpose. Furthermore, many excavators, after publication of the summary report in *Indian Archaeology—A Review*, write interpretative articles based on the findings from such excavations". The Survey stated that in 55 of the 68 excavations it was not necessary to publish detailed reports.

It was, however, seen that formal decisions had not been recorded in the light of the data available, that detailed reports in the prescribed format were not necessary, and that summary reports were sufficient in respect of the 55 excavations referred to above.

The Survey stated (January 1977) that all proposals for explorations and excavations were now being examined by the Central Advisory Board of Archaeology which *inter alia* also considered the question of publication of reports, and the non-preparation of detailed reports had not in any manner affected the utility of such excavations. It has also been stated that in future the procedure would be modified and the decision recorded after the completion of each excavation.

The position in regard to the remaining 13 excavations in respect of which even according to the Survey's own assessment, detailed reports are considered necessary was as under (December 1976) :

(i) The excavation at Rugar (including Bara and Alamgirpur) was completed in 1955 but after completion of the field work, the excavator was posted to other duties. The work of compilation of the report was taken up in October 1970 by the excavator who was posted as special officer to compile the report. He worked on that post till 1974. The report is not yet press-ready as the illustrative material is not complete.

(ii) The excavation at Nagarjunkonda was completed in 1961. The officer-in-charge of the excavation who was posted in 1971 as special officer to compile the report, worked on that post till 1975 and compiled only part I of the report which was published in 1975. After the retirement of the principal excavator, Part II of the report was being compiled by another officer who had been closely associated with the excavation and was expected to be ready by April 1977.

(iii) The report of excavation at Lothal (completed in 1963) was sent to press in 1966. As the press to which the work was entrusted did not have necessary diacritical marks required for printing, the report was returned to the Department in 1970.

The report had since been under revision by the author and was sent to another press in August 1973 but has not been printed so far.

The excavator himself published in 1973 a book entitled 'Lothal Indus Civilisation' which is an interpretative analysis of the Indus Civilisation based on evidence obtained from Lothal.

(iv) The report of excavation at Dharnikota (completed in 1965) was reported to be ready since November 1974. The Survey expects to publish it in one of the issues of Ancient India.

(v) In respect of excavation at Burzahom (completed in 1969), the excavator was given an extension of service till 31st March 1977 to compile the report and the work of compilation was reported to be at an advanced stage (December 1976).

(vi) Non-compilation of the reports in respect of excavations at Ratnagiri—Orissa (completed in 1958), Kalibangan—Rajasthan (completed in 1969) and Purana Quila (completed in 1973) was attributed by the Survey to their inability to spare the officers-in-charge of the excavations from their present duties to make the reports press-ready.

(vii) The final reports of the excavations at Nagda (completed in 1956), Adamgar (completed in 1961), Ujjain (completed in 1965), Malvan (completed in 1970) and Surkotada (completed in 1972) had already been compiled and were awaiting editing.

In the case of 19 excavations for which detailed reports have already been published, there was considerable delay in the

publication of the following reports :—

Name of the Excavation	Periods during which excavation was carried out	Year in which the manuscript was press-ready	Year of the publication of the report
Sunur	1950—52	1959	1959
Rangpur	1953—55	1962	1963
Amrithamangalam	1954—55	1968	1973
Kesarapalli	1961—62	1968	1973

The delay in the publication of these reports was attributed by the Survey to the fact that the excavators were engaged in other duties and the delay in the decision on printing policy.

The delay in the publication of excavation reports was also commented upon in the report of the Review Committee set up by the Government of India in 1965 under the Chairmanship of late Sir Mortimer Wheeler (*ex-Director General of Archaeological Survey*) to assess the work of Archaeological Survey of India. The Committee in its report submitted in April 1965 observed  
 ..... More serious is the accumulation of unpublished excavations; at the present moment no fewer than 14 excavation reports are outstanding, some of them (including one of the most important) going back to 1955. This is wrong, whatever the cause. It cannot be too often emphasised that *unpublished excavation is destruction* and is, therefore, wholly unjustifiable (Para 40)'. The Committee recommended that 'The first objective at the present must be to clear up the back-log of reports on work already done. This in some cases may involve the placing of the officers concerned on special duty for a strictly limited period, with firm orders to produce satisfactory reports by the end of that period. Nor should this period of grace be unduly long, six months would normally be a generous allowance (Para 43)'.



In pursuance of the recommendations of the Review Committee, two posts of special officers were created initially for a period of one year but were renewed thereafter to clear the arrears of compilation of excavation reports and the excavators at Rupar (including Bara and Alamgirpur) and Nagarjunkonda were appointed special officers on 29th October 1970 and 20th November 1971 respectively to compile the reports. A text of the report for excavation at Rupar and part report for excavation at Nagarjunkonda were compiled by these special officers. These officers have retired on 30th September 1974 and 5th March 1975 respectively.

At the end of November 1976 in respect of 9 out of 14 excavations commented upon by the Wheeler Committee the reports are yet to be published.

### *Survey Reports*

The Department conducted three Temple Architecture Surveys during the period 1955—71 viz. Pallava Cave Temples, Temples of Deccan and Temples of Kerala. There was considerable delay in the publication of reports for these surveys as indicated below :—

- (i) Pallava Cave Temples (numbering 35) were surveyed during 1955—58 and the survey report was published in 1964.
- (ii) Temples of Deccan (numbering 58) were surveyed during 1964—67. The survey report has been compiled but remains to be published. It was stated by the Survey that the illustrated material was being made press-ready (December 1976).
- (iii) Kerala Temples (numbering 250) were surveyed during 1968—71. It was stated by the Survey that the survey report was in the press and expected to be published by the end of 1976.

### *Books on Epigraphy*

(a) *Annual Report on Epigraphy*.—The publication of annual report was started in 1905. These reports contain captions of the inscriptions on various monuments or copper plates, stones and other material found during excavation, exploration or otherwise during a year. Such reports were published upto 1968-69 except for 1967-68. Seven reports for 1967-68 and 1969-70 to 1974-75 have not been published so far. It was stated by the Department that the manuscripts for these reports were ready for printing. The manuscripts for the reports for 1967-68, 1969-70, 1970-71 and 1971-72 were with the Government of India Press, Calcutta since November 1968, February 1971, March 1972 and February 1973 respectively. The material for the years 1972-73 to 1974-75 has not been sent to the press because of the inability of the press to print the material of the earlier years already sent to them.

(b) *South Indian Inscriptions (Text Series)*.—The detailed studies of the South Indian Inscriptions are published as a separate volume in this series which was started in 1890. It is an occasional publication and the volumes in the series are issued as and when the material is collected. The manuscripts of five volumes of this series are ready since July 1976; but the work of printing was held up due to non-availability of suitable presses as the work involved was of highly technical nature. Out of these five volumes, two volumes are now with a private press and one volume has been sent to the Tamil Nadu Government Press in November 1976.

(c) *Corpus Inscriptionum Indicarum Series*.—The texts of the inscriptions pertaining to a particular period or dynasty are collected and their detailed study is published as a separate volume in this series which was started in 1874. This is an occasional publication and the volumes are sent to the press as and when their manuscripts are received by the Department from the authors. Two volumes of this series are in press since 1973 and 1974 respectively and another volume has been sent to the press in November 1976.

### *Memoirs Series*

The excavation and survey reports which are voluminous and other scholarly works on archaeological topics are published in this series which was started in 1919. It is an occasional publication and only seven volumes were published during the period 1947—75 out of the 76 volumes published in all so far.

### *Miscellaneous Books on Archaeology*

In addition to the books published under particular series mentioned above, the Department has also published some individual titles on topics relating to archaeology *e.g.*, Ajanta Murals, Story of Indian Archaeology and Archaeological Remains, Monuments and Museums etc.

### *Guide Books*

Guide Books on various Archaeological monuments which are of interest to tourists or general public are published in English and Hindi. The Department has published 30 Guide Books in English (including 11 Guide Books which are out of print) and 8 in Hindi (including 6 Guide Books which are out of print) so far (December 1976). Manuscripts of 6 Guide Books are lying for more than 10 years for vetting by departmental officers who are to do this job in addition to their other duties.

### *Reprinting of old publications*

The Department has so far issued 228 publications (excluding publication on epigraphy and guide books)—75 Archaeological Survey of India reports, 76 memoirs on Archaeological subjects, 36 annual reports of Director General, Archaeology (1902-03 to 1937-38), 22 volumes of Ancient India Journal (1946—66) and 19 volumes of annual journal, Indian Archaeology—A Review (1953-54 to 1971-72).

The Department has only 24 publications (4 volumes of Ancient India, 19 volumes of Indian Archaeology—A Review and one memoir) in stock available for sale.

According to the information available with the Department 81 publications which were more than 50 years old and for which the Department's copyright was no longer valid, have been reprinted by a private publisher. In 1970-72, the Survey entrusted the reprinting of 11 publications (Ancient India Volume 1 to 4 and 6 to 11, Memoir No. 22 and a monograph on Texila) to private publishers after inviting quotations. The remaining 112 publications are out of stock.

To a query as to why the reprinting of publications of the Department before the expiry of copyright was not undertaken in view of the fact that they constituted valuable cultural property and had also foreign exchange earning potential, it was stated by the Department (December 1976) that the reprinting of old publications could not be undertaken largely due to the inadequacy of staff and funds at their disposal. It was further stated that there were limited but genuine demand for the earlier out-of-stock publications and the reprinting of out-of-stock publications which had considerable market for sale was under consideration.

#### *Price Fixation*

The sale price of publications was fixed after taking into account the cost of paper, cost of printing and binding, cost of preparation of blocks, remuneration paid to outside author etc. Thereafter 60 *per cent* of the cost of production is added for overhead expenses. In December 1975, Ministry of Education and Social Welfare laid down a pricing formula for publication brought out by that Ministry. According to this formula, overhead charges of 100 to 200 *per cent* of the direct cost are to be added for fixing the sale price. It was, however, stated by the Survey that this formula would make the Survey's publications costlier and the very purpose of dissemination of knowledge about our cultural heritage would be defeated if these publications were not within means of a larger section of the public. The Survey had further stated that it would be desirable that the overhead charges to be added to the direct cost should be kept at the minimum only to cover dealer's commission, postage charges, etc.

*Sales*

The present arrangements for the sale of publications of the Survey are as follows :—

- (a) There is a sales counter at the headquarter of the Survey, where all publications are available for sale. There is also a sales counter in the office of the Chief Epigraphist, Mysore, where books on epigraphy are on sale.
- (b) Sale counters have also been set up at the site museums and various monuments.
- (c) Publications of the Survey are also available for sale at the various Circle Offices of the Survey.
- (d) Since 1975-76 the Publications Division of the Ministry of Information and Broadcasting and the Publication Section, Ministry of Education and Social Welfare are also selling books on behalf of the Survey.
- (e) The Survey participated in the World Book Fairs held at New Delhi during 1971-72 and 1975-76. The Survey also participated in the sixth and seventh Book Fairs held at Bombay in 1974 and at Hyderabad in 1975 respectively.

A trade discount of 25 *per cent* is allowed to the approved book sellers of the Directorate of Publications, Ministry of Works and Housing and the Publications Division of the Ministry of Information and Broadcasting on the sale of publications.

It was stated by the Survey that a sale promotion officer had recently been appointed and it was hoped that the sale of their publications would be better organised through their own offices and also through book sellers and agents (December 1976).

## MINISTRY OF HOME AFFAIRS

30. *Ration Money*.—In respect of non-gazetted personnel of the Border Security Force (B.S.F.) set up in 1965, Government laid down in September 1966 the scales of ration and rates of contribution of Government towards the cost of ration effective from July 1966 ; the scales of ration and the rates of contribution of Government were modified in April 1968 and September 1973.

(i) (a) In November 1966, the Director General, Border Security Force, issued instructions to the effect that contribution of Government for ration was not payable to non-gazetted personnel of B.S.F. during the periods they were on leave. In June 1968, the instructions were modified and it was decided by the Director General that “the grant of free rations will be admissible to non-gazetted members of the B.S.F. during leave other than casual leave at 50 *per cent* of the full rates” since “the grant of ration or ration allowance in lieu thereof is of the nature of compensatory allowances”.

The Ministry of Finance whose concurrence was sought for regularisation of such payment for ration during leave, objected to it in January 1972 and such payments were stopped from 5th March 1973.

During June 1968 to March 1973, Rs. 40.12 lakhs had been paid as contribution of Government for ration to non-gazetted personnel during the periods of leave.

(b) The B.S.F. scale of ration prescribed by Government from time to time was applicable to only non-gazetted staff of the B.S.F. It was decided by the Director General, Border Security Force, in November 1966 that “non-gazetted staff” included all combatants irrespective of the duty allotted to them.

In April 1967, however, the Director General, Border Security Force, decided that since non-gazetted medical and veterinary staff (classified as non-combatant) “are deployed, they are entitled to rations just like the other combatant staff”.

Government accepted this position and declared the non-gazetted medical and veterinary staff as combatants from 19th January 1976.

During the period from April 1967 to January 1976 Rs. 6.57 lakhs were paid as contribution of Government for ration to non-gazetted medical and veterinary staff, when no contribution was admissible for such staff.

The Ministry of Home Affairs stated (November 1976) about (a) and (b) above that "the proposal for regularisation of the above amounts is being examined.....". The Ministry also stated that "apart from the combatation of the para-medical staff which has already been given effect to, a separate proposal for grant of ration money during leave is under consideration .....

(ii) Government's contribution towards the cost of ration of non-gazetted personnel fixed from time to time for area 'X' was as follows :—

	(Rupees per head per month)
Effective from	
July 1966	21
April 1968	24
September 1973	30

Two rifle battalions 'A' and 'B' of an old established regional Force were inducted into the B.S.F. in April 1968 and September 1969 respectively and remained deployed in their original area of operation 'X'. As a special case the non-gazetted personnel of these two battalions were authorised to draw ration at the scales to which they were entitled hitherto, for the period the battalions remained deployed in interior of that area; Government contribution for such ration was restricted to Rs. 70.50 per head per month. When a regular B.S.F. battalion 'C' was moved to that area in April 1972, non-gazetted personnel of that

battalion also were allowed by the Director General, Border Security Force, the scale of ration admissible to non-gazetted personnel of battalions 'A' and 'B' and Government's contribution was made at rates ranging upto Rs. 70.50 per head per month. Contribution of Government for ration of non-gazetted personnel of battalion 'C' was actually to be paid at the rate fixed for area 'X' or at the rate at which this was being paid to them immediately before the battalion moved to area 'X', whichever was higher. As such, non-gazetted personnel of battalion 'C' were entitled to Rs. 24 per head per month from April 1972 to August 1973 and Rs. 61 per head per month, *i.e.*, the rate admissible at the place of their last posting, which was more than the rate for area 'X', from September 1973 to April 1974. In June 1972, the Ministry of Finance was approached for "extension of the concession of the grant of rations to the non-gazetted personnel of (battalion 'C') at the scale as admissible" to non-gazetted personnel of the battalions 'A' and 'B', but the Ministry did not agree (June 1972) on the ground that non-gazetted personnel of battalions 'A' and 'B' were allowed higher scale of ration money to prevent drop in their emoluments, "on the stipulation that it should not be quoted as a precedent" for other battalions similarly deployed. The Director General, Border Security Force, however, continued to allow ration at the higher scale to non-gazetted personnel of battalion 'C' till April 1974, when battalion 'C' was moved out of that area. This resulted in overpayment of Rs. 1.87 lakhs after allowing for the additional detachment allowance which would have been payable had contribution been paid to non-gazetted personnel of battalion 'C' at the rates to which they were entitled. The Ministry of Home Affairs stated (November 1976) that in order to keep up the morale of the personnel, the battalion had to make arrangements for supply of rations on the basis of the higher rate of Rs. 70.50 per head per month. The Ministry further stated that "the case has again been taken up with Ministry of Finance for issue of necessary orders for payment of ration money at the rate of Rs. 70.50 per head per month" to non-gazetted personnel of battalion 'C' for their stay in area 'X'.



## MINISTRY OF INFORMATION AND BROADCASTING

31. *Publications Division.*—The Division is responsible for publishing books, pamphlets, pictorial albums and journals to inform the general public about the policies and programmes of the Government and to enrich the cultural heritage of the country.

In 1962, the Ministry defined the functions of the Publications Division as follows :—

- (i) To publish books and pamphlets which impart factual information or information of a general educative type.
- (ii) To publish literature which is designed for publicity of various types.
- (iii) To publish literature of national significance but not necessarily of a literary type.
- (iv) To publish children's books of the same type as described above.
- (v) To publish speeches of national interest such as those of the President, the Vice-President and the Prime Minister.
- (vi) To publish pictorial albums.

A brief resume of some of the important series brought out by the Division is as under :—

- (i) *Builders of Modern India.*—The object of bringing out this series is to publish the biographies of those eminent sons and daughters of India who have been mainly instrumental in our national renaissance during the last 150 years and the struggle for independence about whom authoritative books are not easily available.

- (ii) *States of Our Union*.—To promote Inter-State understanding, it was decided in 1966 to publish books on different States in all languages.
- (iii) *Speeches of Leaders*.—Under this series, the Division brings out speeches of national leaders including Presidents, Vice-Presidents, Prime Ministers, etc.
- (iv) *Cultural Leaders of India*.—The publications under this series aim at creating a greater awareness of Indian culture and thought among the general reading public by offering them well written and authentic accounts of the life and work of the great figures since the earliest times who have contributed in a large measure to the evolution of culture and thought in India and influenced the mind and life of its people.
- (v) *Collected Works of Mahatma Gandhi*.—The main aim of this series is to publish all the speeches and writings of Mahatma Gandhi.

The annual income and expenditure of the Division during the years 1973-74 to 1975-76 was as follows :—

Income	1973-74	1974-75	1975-76
			(Lakhs of rupees)
(i) Publications Division Books	16.90	25.02	22.11
(ii) Commission earned on Non Publications Division Books	..	0.58	8.02
(iii) Journals	5.99	7.50	7.32
(iv) Advertisements	1.71	1.97	2.60
TOTAL	24.60	35.07	40.05

Expenditure	1973-74	1974-75	1975-76
		(Lakhs of rupees)	
(i) Salaries	39.93	53.17	59.21
(ii) Travelling Allowance	0.54	0.40	0.51
(iii) Other Charges	11.67	10.23	14.09
(iv) Commission allowed on sales to agents	4.87	7.61	7.66
(v) Publications (Printing and Publishing)	28.92	25.30	28.31
(vi) Professional and special services	1.83	2.40	2.31
TOTAL	87.76	99.11	112.09

The Division brought out 4,956 publications (priced and unpriced) in all till March 1976. The number of publications brought out during three years ending March 1976 is 134, 78 and 91 as against the target of 163, 210 and 159 respectively.

*Annual Programme.*—The annual publications programme of the Division is drawn up after consultation with the different Ministries and Departments of the Union Government and the States. Representatives of the Central Ministries are invited for a discussion before the draft programme is finalised for submission to the Secretary and the Minister. The programme so framed is intended to reflect the felt needs of the Union and the State Governments in terms of publicity. It was, however, observed that no annual programme was drawn up in any of the four years ending March 1976; the titles brought out were those which were carried over from previous years and important *ad hoc* assignments selected in consultation with the Ministry. The Ministry explained (December 1976) that it was not possible to chalk out annual programmes for those years as there had been a huge back log of publications which were not printed because of paper shortage, cut in allocation of funds and power shortage, etc.

A programme to bring out 25 pamphlets in English, Hindi and other regional languages on the 25th anniversary of India's independence was chalked out in August 1971. Later, in September 1972, one more topic 'Indian Administration' was

included. In all 50 pamphlets were actually brought out after the 25th anniversary (15th August 1972) was over—English (20), Hindi (20), Marathi (5), Bengali (3), Oriya (1) and Punjabi (1), (20 in 1972-73, 19 in 1973-74, 1 in 1974-75 and 10 in 1975-76) and an expenditure of Rs. 1.39 lakhs was incurred on printing. As the manuscripts were not received in time and the occasion for which these were proposed to be brought out had already expired, it was decided (July 1975) that the pamphlets to be published in the remaining languages should be abandoned. The Ministry stated (December 1976) that the pamphlets in English were mostly brought out in time, but difficulty was experienced in bringing out Hindi and regional language versions for want of suitable presses. It was also stated that the work of writing the pamphlets was allotted to certain eminent writers, who could not complete the assignment in the specified duration. In December 1975, 0.84 lakh copies (out of 2.20 lakhs printed copies) of 34 pamphlets which had cost Rs. 0.42 lakh, were weeded out and distributed free to libraries, etc.

With a view to promote Inter-State understanding, the Conference of State Ministers of Information held in July 1966, approved the programme of publication of books on different States in all languages. It was also decided that the State Governments would render all possible assistance in bringing out this series. The basic material for the books on the respective States was to be furnished by the State Governments. However, except Kerala, no other State Government furnished the draft material for publication of these books and the work was entrusted to certain authors (not belonging to the Division) on a remuneration of Rs. 500 in each case. It was decided that the Division would bring out the series in English, Hindi and all the regional languages but, anticipating that the sale potentiality of these publications in regional languages might be poor, it was decided in the Conference of State Ministers of Information held in December 1972 that the Union Government would bring out this series in English, Hindi and the language of the States whereas the State Governments should make arrangements for

translation and publishing the books brought out by the Division. The Division has so far (August 1976) brought out 22 and 10 publications in the series of 'States of Our Union' in English and Hindi respectively and only two in regional languages—Malayalam and Marathi. Except Punjab, all other State Governments expressed inability (January 1974) to publish this series in the respective regional language of the State for want of financial resources.

The Division intended in 1958-59 to publish biographies of 125 outstanding figures from different spheres of life, who have moulded the mind, life and thought of the people, poets and dramatists, founders of the philosophical systems and religious movements, social philosophers, writers on science, aestheticians and hymnists, mystics and music composers etc. in 13 volumes but only 2 volumes, each comprising 6 biographies, could be brought out till December 1976. The position of remaining 11 volumes comprising 113 biographies in December 1976 was as under :—

(Number of biographies)			
Under production	Awaiting printing, etc. for want of remaining scripts	Manuscripts not received	Unassigned titles
16	60	25	12

The Ministry explained (December 1976) that the authors for those biographies are all eminent scholars who have specialised in Indology and ancient culture of India. Such scholars being not many, the selection of authors is limited. The Ministry further stated that it was proposed to regroup the available biographies and publish them in 7 reorganised titles.

#### *Printing*

The Division has been exempted from the requirement to get the printing jobs executed through the agency of the Controller of Printing and Stationery ; it gets the work done

from private printers, for which purpose a panel of printers is maintained. The panel is formed by inviting applications from printers by open advertisement. The selection of printers is made by a Press Selection Committee headed by the Director. The panel is reviewed from time to time to add new firms or delete those whose performance is not upto the mark. The Division is empowered to award works to private printers provided the rates payable to them do not exceed by more than 50 per cent the revised schedule of rates of the Controller of Printing and Stationery. The jobs exceeding this limit are referred to the Ministry. The paper needed for printing is procured through the Controller of Printing and Stationery.

The Editorial Wing while furnishing the manuscripts with requisition slips to the Production Wing, categorises the titles under two categories namely 'Top priority' and 'As soon as possible'. While entrusting the material to the Production Wing, no time limit is specified for processing by that Wing. Consequently, there is considerable time lag in sending the material to the press and sometimes the publications do not come out by due dates. As stated earlier, some of the titles had to be eventually dropped.

The table below shows the time taken after the date of receipt of manuscripts in the Production Wing to allot the work of printing of publications to presses during three years ending March 1976 :

Year	Total releases excluding the series 'Collected Works of Mahatma Gandhi'	Less than 6 months	From 6 months to less than a year	From 1 year to less than 2 years	From 2 years to less than 4 years	From 4 years and above
1973-74	126	97	17	7	3	2
1974-75	70	40	16	12	2	..
1975-76	82	54	18	9	1	..

The long time taken in allotting the work to the presses was attributed by the Division to the following reasons :—

- (i) The printers are reluctant to take up the jobs due to low print order;
- (ii) The return of proofs, etc. is generally delayed;
- (iii) The paper required for publications is supplied late; and
- (iv) The payment of printers' bills is delayed.

In view of the above position, the Division finds it difficult to fix up the presses for its publications. In a number of cases, the tenders had to be reinvited and the jobs allotted to the presses had to be withdrawn from them and put to retender.

Generally, the presses are allowed a period of 90 days to complete the printing jobs. Clause 12(ii) read with clause 14 of the General Conditions of Contract enjoins that the printer to whom the contract is awarded is required to execute the work in a good and work-manlike manner and to the satisfaction of and by the time fixed by the Division and in case of default a sum not exceeding two *per cent* of composing, plate making and block making charges/printing and binding charges, will be deducted from the amount of the bill for every week's delay or part thereof in complying with the date of delivery of the proofs, fair copies respectively, but this clause shall not operate if the delay is occasioned owing to paper and/or binding materials not being received in time or other circumstances beyond the printer's control. The Director shall have the power to determine the scale of deduction in such cases under this clause and his decision shall be final. It was, however, observed that the Division was not taking appropriate action against any of the defaulting printers for delay in printing with the result that the release of the publications was delayed considerably after allotment of work to the presses, as would be

seen from the data given in the table and the instances mentioned below :—

Year	Total releases excluding 'Collected Works of Mahatma Gandhi'	Less than 3 months	From 3 months to less than 1 year	From 1 year to less than 3 years	From 3 years to less than 5 years	From 5 years to less than 7 years	From 7 years to less than 9 years
1973-74	126	49	37	32	1	1	6
1974-75	70	14	21	29	5	..	1
1975-76	82	31	19	24	6	2	..

The Ministry stated (December 1976) that the Division had a very limited number of printers on its panel and any action against a defaulting printer will only cause a further reduction in the size of the panel.

(i) The printing work of the publication 'Our Freedom Movement for Children' was awarded to a printer in June 1972 for printing in English, Hindi and eleven regional languages. The copies of the publication in English, Hindi, Tamil, Malayalam, Punjabi, Kannada and Telugu were released by July 1976 while those in Bengali, Oriya, Urdu, Assamese, Marathi and Gujarati have not been released so far (December 1976).

(ii) A title 'This India' was proposed to be brought out as part of the celebrations and publicity programme for the 25th Anniversary of India's Independence and was to be released before the anniversary year was over *i.e.*, by 15th August 1973. The publication was proposed to be brought out in English, Hindi and eleven regional languages at a cost of Rs. 9.26 lakhs with a total print order of 70,000 copies in all languages. The publication in Hindi, Punjabi and Bengali was brought out nearly two years after the stipulated period. The publication in other regional languages have not been released so far (December 1976).

(iii) In commemoration of birthday celebrations of Shri Jawahar Lal Nehru, it was proposed to publish a book



titled 'Nehru Story' on 14th November 1971 at a cost of Rs. 2.71 lakhs in English, Hindi and eleven regional languages. The total number of copies to be printed in all the languages was 1,00,000 and the printing and publishing work was awarded, to a press located in Faridabad, in February 1971. The publication was, however, actually published during the period from 12th November 1971 to 25th January 1975 in all languages.

*Release of publications.*—Publications brought out by the Division are shown as released on receipt of advance copies numbering 25 to 50 whereas the bulk copies are received much later. The table below shows instances of time taken by the Division in obtaining the remaining copies after the receipt of advance copies of publications during three years ending March 1976.

Period	1 to 3 months	Exceeding 3 months but upto 6 months	Exceeding 6 months but upto 9 months	Exceeding 9 months but upto one year	Exceeding one year but less than 2 years
Number of cases	138	51	18	5	5

It was also observed that 34 titles (14 in 1973-74, 9 in 1974-75 and 11 in 1975-76) were shown as released whereas as per stock registers the printed copies were actually received in subsequent years. The Ministry explained (December 1976) that "the delay in bulk supply does not adversely affect the prospects of publications. Normally all the copies of publications are sold over a period of 2 to 3 years. Receipt of bulk supply in instalments helps in saving expenditure on storage, space, etc."

*Pricing.*—

The publications of the Division are grouped for purposes of pricing into three categories—(a) plan publicity, (b) books of general interest to the public which it is desirable for Government to sponsor and make available in the interest of enlightened democracy and (c) special books which are in the national

interest but unlikely to be brought out by private authors or book trade.

The plan publicity publications were generally unpriced and printed in adequate quantities. The work of this type of publications has been transferred to the Directorate of Advertising and Visual Publicity from April 1975.

The prices of publications of general interest are to be fixed at 100 to 200 *per cent* over and above the direct cost of production and those of special publications, at 300 *per cent* or more over the cost of production. It was noticed that generally the overhead charges at 100 *per cent* and 300 *per cent* were added to the direct cost in respect of general and special types of books respectively. The Ministry, however, stated (December 1976) that wherever it was felt that higher price would not affect the saleability of a particular book, overhead charges were added beyond 100 *per cent* up to 200 *per cent* (for general publications) and beyond 300 *per cent* (for special publications).

*Sales.*—The Division sells its publications either directly at the headquarters or through sales emporia at Delhi, Bombay and Calcutta, a regional distribution office at Madras and sales depots set up at Yojana Bhavan and Patiala House. Sales are also made through authorised agents and booksellers.

Sliding rates of discount ranging between 10 *per cent* to educational institutions and libraries, 25 *per cent* to retailers, 33½ *per cent* to wholesale dealers and 33½ *per cent* plus 6 *per cent* to agents guaranteeing a purchase of rupees one lakh during each contract year are allowed. Forty five *per cent* and 55 *per cent* discounts are allowed on export prices to retailers and sole-selling agents abroad. A discount of 33½ *per cent* is allowed to the States' Directorate of Education and Public Relations over the bulk purchases made by them.

With a view to make available the publications of the Central and State Governments and other autonomous bodies

etc. under one roof, the scheme of setting up of sales emporia was envisaged, as decided in the Zonal Conferences of the State Ministers of Information held at Delhi, Calcutta and Bombay in 1968.

Sales emporia at Delhi, Bombay and Calcutta were set up between September 1973 and January 1974 and in other places, these are proposed to be set up gradually.

The Division also took over (July 1975) the sales of publications of the Ministry of Education, All India Handicrafts Board, Archaeological Survey of India, National Museum, Central Hindi Directorate, Council of Scientific and Industrial Research, Lalit Kala Akademi, Indian Council of Agricultural Research, National Book Trust, National Council of Educational Research and Training, Sahitya Akademi etc. The payments of sale proceeds of publications to autonomous bodies/ Government Departments are required to be made twice a year *i.e.* for the first half ending on 30th September, the payment is to be made by the end of November and that for the second half ending on 31st March, the payment is to be made by the end of May. As regards the Central Government Departments, payments are to be made by book adjustment. It was noticed that the sale proceeds realised on behalf of other organisations were not being paid to them regularly. Rupees 44.70 lakhs realised in 1974-75 and 1975-76 by the sales emporia at New Delhi and Calcutta were paid in 1975-76. The amount falling due on account of sale of books of sponsoring bodies at Bombay since its inception has not been worked out so far (December 1976).

The Ministry furnished (December 1976) the following statistics in regard to the sales of their publications.

- |  |                 |
|--|-----------------|
| 1. Total number of titles on sale as on 31st March 1976    | 741             |
| 2. Published price of stocks in hand as on 31st March 1976 | Rs. 84.09 lakhs |

The sale performance of the various categories of publications was reported as under :

(i) *Collected Works of Mahatma Gandhi and Gandhian Literature.*—Out of 162 titles (Published price : Rs. 30.13 lakhs) 76 per cent of 1 to 30 volumes in English and 60 per cent of 1 to 30 volumes in Hindi editions are reported to have been sold out. Fortyseven per cent of the stocks produced in respect of 31 to 62 volumes in English and 25 per cent of 31 to 60 volumes in Hindi have been sold.

(ii) *Publications of lasting interest including children's literature, biographies, art and culture, speeches, writings and others (English and Hindi).*—There were 389 titles with a published price of Rs. 27 lakhs in hand on 31st March 1976. No statistics in regard to the sale of this type of publications were furnished. However, it has been reported that these publications are selling satisfactorily.

(iii) *Slow moving publications.*—There were 23 titles (published price : Rs. 2.24 lakhs) in stock on 31st March 1976. Publications with a published price of Rs. 2.12 lakhs are in the process of weeding out.

(iv) *Regional language publications.*—Ninetysix titles with a published price of Rs. 6.72 lakhs were in stock on 31st March 1976. The Ministry explained that these publications are brought out as a matter of policy and not from the consideration of their sale potential.

(v) *Publications of other departments/agencies taken up for sale on commission basis.*—There were 47 titles with a published price of Rs. 13.93 lakhs in stock as on 31st March 1976. The Ministry explained that they had no liability regarding the books which remain unsold after having been given fair trial.

*Advertisements.*—The Division has appointed zonal sole-space selling representatives for the purpose of canvassing and securing advertisements for its publications. The advertisements

are also received direct and through other recognised advertising agencies. The zonal sole-space selling representatives and the recognised advertising agencies are allowed commission of 23 and 15 *per cent* respectively on advertisements received through them. In accordance with the terms of agreements entered into with zonal sole-space selling representatives, they are entitled to receive an over-riding commission of 8 *per cent* on the advertisements received through recognised advertising agencies and 2 *per cent* bonus on the entire business from their zone in addition to the aforesaid commission of 23 *per cent*.

The revenue realised from advertisements through the aforesaid sources in 3 years ending March 1976 is given below :—

Agreemental Year	Business received through			Total	Percentage of performance of business by the Zonal Advertising Representatives to the total business
	Advertising agencies	Direct	Zonal Advertising Representatives		
(Rupees in lakhs)					
1972-73	0.88	0.36	0.15	1.39	10.79
1973-74	1.17	0.35	0.18	1.70	10.59
1974-75	1.31	0.63	0.31	2.25	13.78

It would be noticed that 86 *per cent* of the business was received through advertising agencies and other sources. The sole-selling representatives handled barely 10 to 14 *per cent* of the total business, but continued to receive the over-riding commission of 8 *per cent* and 2 *per cent* bonus on business received through other sources.

*Publications weeded out.*—Out of 4,956 (priced and unpriced) titles brought out by the Division till March 1976, 1,176 priced titles (19,94,731 copies) worth Rs. 11.91 lakhs were weeded out by the Division upto December 1975. Out of 528 titles weeded out during the years 1973 and 1975,

percentages of copies of 115 titles weeded out ranged from 50.25 to 99.93. The Ministry stated (December 1976) that the number of Publications Division's own titles that have been weeded out was 1,096 (published price: Rs. 7.87 lakhs) and that the percentage of the value of publications weeded out was 1.5 per cent of the value of stores sold out till March 1976. The break up of 1,096 weeded out titles is as follows :—

English—566, Hindi—224, Regional Languages—294  
and Foreign Languages—12.

*Journals.*—The Division publishes seventeen journals comprising eleven fortnightlies, four monthlies and two quarterlies. Of these, Hindi and Urdu editions of the journals 'Aajkal' and the children's journal in Hindi 'Bal Bharati' are brought out on behalf of the Ministry of Information and Broadcasting. The journal 'Bhagirath' (English and Hindi) is published on behalf of the Central Water Commission. Other journals are sponsored by various Ministries of the Government of India. Except for the Planning Commission, the expenditure incurred on five sponsored journals is recovered from the sponsoring Ministries. As regards 'Bhagirath' (English and Hindi), the editorial assistance is provided by the sponsoring Commission.

In para 21 of their 38th Report 1964-65, the Public Accounts Committee (Third Lok Sabha) stressed the need for the amalgamation of journals of a similar nature to reduce the losses incurred thereon. In paras 22 and 24 of the Report *ibid*, the Committee suggested that the Ministry should explore the ways and means and take suitable steps to secure advertisements so that the losses incurred on publications may be minimised. Efforts should also be made to increase the sale of these publications. Besides, the free issues of publications should be restricted to the minimum in such a way that the magazines are sent free only to those persons who are really interested in them and had made requests for continuing their supply instead of mailing them mechanically according to the list as besides economy in their numbers, it would also make a saving on account of postage, etc.

In para 2.15 of their 76th Report 1972-73, the Public Accounts Committee (Fifth Lok Sabha) while appreciating that these journals form part of the publicity efforts of Government aiming at dissemination of information to the public and should not be measured merely in terms of profit and loss, felt that their commercial viability could not be ignored. In its view, the following steps amongst others, might help in making the journals self-supporting :—

- (1) Reduction in the cost of production by carefully fixing the print order in the light of experience regarding sale/issue of journals.
- (2) Periodical review of sale price of journals and advertisement rates with a view to meet the increasing cost.
- (3) Taking systematic and intensive sale promotional measures *e.g.* 'city agency' scheme already put into operation for increasing the circulation of these journals, etc.
- (4) Attracting advertisements by improving the contents of the journals, quality of printing and increasing priced circulation.

The Ministry, in their reply, had stated that an expert team (June 1973) had undertaken an indepth study of the journals and made recommendations on how these could be made commercially viable by increasing their circulation and attracting more advertisements.

The expert team suggested that the Division should be converted into an autonomous body which would build up professional expertise in sales management in course of time. As the team had studied only the journal part and had not examined the working of the Division as a whole, the Ministry decided (July 1976) not to convert the Division into an autonomous body. The expert team did not make any specific recommendations on the steps suggested by the Public Accounts Committee.

The table below shows the cost of production, revenue realised (including cost of free issues) and gross loss in the working of the journals for the years 1973-74 to 1975-76. It would be observed that the total loss on the journals as well as the value of copies supplied free progressively increased during the three years ending 31st March 1976; the increase being 29.56 and 79.63 *per cent* respectively during the two years. The sales through the agents etc. indicated a reduction of 5.73 *per cent* during 1975-76 in comparison to that during 1974-75.

Year	Cost of Production	Revenue realised through		No. of copies supplied free (In lakhs)		Value of copies supplied free	Revenue realised through Advertisement	Total	Gross loss
		Age-Subscribers	Sales to Ministries	Journals of Publications Division	Non-Publications Journals				
		(figures in lakhs of rupees)				(figures in lakhs of rupees)			
1973-74	16.83	2.90	3.08	0.19	4.44	1.62	1.55	9.15	7.68
1974-75	20.57	4.19	3.32	0.24	6.02	2.86	2.05	12.42	8.15
1975-76	22.87	3.95	3.37	0.21	6.24	2.91	2.69	12.92	9.95

The Ministry explained (December 1976) that the policy for the free distribution of non-Publications Division journals is decided by the concerned Department.

The financial results of the individual journals for the year 1975-76 indicate that journals are not even able to earn revenue equal to the rent of the building in which these are housed. As against the annual rent of Rs. 11,796, gross revenue realised from sales and advertisements during the year 1974-75 and 1975-76 in respect of Yojana (Tamil) was Rs. 9,872 and Rs. 8,420 respectively.

During 1973-74 some of the journals were not brought out for periods ranging between 2 and 5 months even though the full complement of staff of these journals remained in position during that period. The expenditure incurred on their pay and allowances amounted to Rs. 0.46 lakh.



Delays in the issue of journals ranging between 1 and 56 days (10 fortnightlies), 1 and 29 days (4 monthlies) and 4 and 38 days (2 quarterlies) during 1975-76 were also noticed. The Division attributed the delays to the long time taken by the editors in editing the material and the press in printing the journals. The Ministry stated (December 1976) that efforts were being made to ensure that the journals come out in time.

No overhead charges are added in working out the sale price of journals. The table given below shows the cost of production per copy in comparison to the selling price of the journals published by the Division. It would be observed that the selling price of the majority of the journals is far below the cost of production (excluding overheads), the cost of production being 3 to 6 times the selling price in the case of Yojana in regional languages.

Sl. No.	Particulars of the journals	Selling price	Cost of production per copy		
			1973-74	1974-75	1975-76
(figures in rupees)					
1.	Aajkal (Hindi)	0.75	1.92	2.30	2.32
2.	Aajkal (Urdu)	1.00	1.92	2.26	2.76
3.	Bal Bharati (Hindi)	0.60	0.79	0.87	1.04
4.	Yojana (English)	0.60	0.95	1.13	1.24
5.	Yojana (Hindi)	0.40	1.09	1.15	1.31
6.	Yojana (Assamese)	0.30	2.13	2.03	1.61
7.	Yojana (Bengali)	0.30	2.45	1.55	1.69
8.	Yojana (Marathi)	0.30	1.40	1.14	1.91
9.	Yojana (Malayalam)	0.30	1.92	1.53	1.46
10.	Yojana (Telugu)	0.30	1.26	1.59	1.53
11.	Yojana (Tamil)	0.30	2.12	1.56	1.04
12.	Yojana (Gujarati)	0.30	..	1.63	1.53
13.	Kurukshetra (English)	0.40	0.67	0.64	0.75
14.	Kurukshetra (Hindi)	0.50	1.09	1.62	1.64
15.	Indian and Foreign Review (English)	1.00	0.86	1.29	1.19
16.	Bhagirath (English)	1.50*	1.47	1.27	1.92
17.	Bhagirath (Hindi)	1.00	..	0.92	1.38

The Ministry explained (December 1976) that the journals are motivational and that the prices have got to be so fixed as to keep them within the reach of common man.

\*Selling price raised to Rs. 2 with effect from .. .. .

## MINISTRY OF SHIPPING AND TRANSPORT

### (Mangalore Harbour Project)

32. *Purchase of cranes.*—The Chief Engineer and Administrator, Mangalore Harbour Project placed an indent on the Director General, Supplies and Disposals, in August 1970, for procurement of four “Portal Level Luffing Grabbing Wharf cranes” for handling of ore, at an estimated cost of Rs. 50.00 lakhs. The project estimate provided for double rail crane track. Besides, double rails (105 pounds per yard) had also been provided (August 1969) in the agreement for construction of the wharf in the port. The specifications given in the indent were, however, for cranes to run on single rail (90 pounds per yard).

In November 1970, the Director General, Supplies and Disposals, invited tenders for the cranes. Based on the indent, the specifications attached to the tender notification (which later formed part of the contract) stipulated that the cranes should be designed to run on single rail (47.5 kilograms per metre). The tenders were opened on 19th February 1971. After obtaining recommendations of the project authorities, the Director General, Supplies and Disposals, placed an order in October 1971 for supply of four cranes, at their tendered cost of Rs. 49.28 lakhs, on company ‘A’ whose management was taken over by Government in March 1971 (it was acquired by Government in September 1976). According to the terms of delivery, the first crane should have been ready for inspection and despatch by 31st January 1973, and the rest were to be delivered at the rate of one crane per month thereafter.

In January 1972, the project authorities furnished the drawings of the tracks to ‘A’, indicating *inter alia* that double rails (105 pounds per yard) were being adopted and that the wheels of the cranes should be designed to run on such rails. ‘A’, however, held (February 1972) that the original tender documents contemplated single track only and the need for

double track constituted a modification of the original specifications and sought an extra payment of Rs. 15,000 per crane (Rs. 60,000 in all). The project authorities initially (March 1972) contested this claim. 'A', however, substantiated its claim (March 1972 and April 1972) quoting the tender specifications, which indicated that the original specifications referred only to single rail track. It also furnished break up of estimates etc. for the cranes for double rail track. The project authorities requested (April 1972) the Director General, Supplies and Disposals to obtain from 'A' detailed justification for the extra payment.

As the inspection wing of the Directorate General of Supplies and Disposals was unable to express any opinion about the reasonableness of the extra claim of 'A', the matter was referred to the Director of Inspection, Calcutta, on 30th May 1972. On 17th November 1972 the Director of Inspection, Calcutta, informed the Director General, Supplies and Disposals, that he was not the inspecting officer for this purpose. Thereafter on 8th March 1973, the Director General, Supplies and Disposals asked 'A' to furnish some more details in support of its extra claim. A representative of 'A' informed the Director General, Supplies and Disposals on 21st March 1973 that it was not possible for 'A' to give any more details.

In the meantime, the project authorities issued several reminders to the Director General, Supplies and Disposals, in July 1972, October 1972, November 1972 and February 1973 for early finalisation of the extra claim of 'A' as the port had no other crane. 'A' also issued several reminders to the Director General, Supplies and Disposals, in May 1972, June 1972, September 1972, November 1972 and January 1973. On 3rd April 1973, an officer of the project who visited the workshop of 'A' to ascertain the progress of manufacture of the cranes found that 'A' had not taken up the work as its extra claim had not been accepted. Thereafter, on 12th April 1973, the project authorities informed the Director General, Supplies and Disposals, that they had no objection to the acceptance of the

additional payment of Rs. 15,000 per crane. On 13th April 1973, the Director General, Supplies and Disposals, informed 'A' that its extra claim of Rs. 15,000 per crane had been provisionally accepted. 'A' informed the Director General, Supplies and Disposals, on 30th April 1973 that it was unable to proceed with the manufacture of the cranes on the basis of provisional acceptance of its extra claim and that if final acceptance of its claim was not intimated by 31st May 1973, it would be constrained to seek further enhancement of rates. Since the Director General, Supplies and Disposals, did not communicate acceptance of the extra claim of 'A' by 31st May 1973, on 13th July 1973 'A' revised its rate to Rs. 17,62,380 per crane (as against Rs. 11,36,180 plus Rs. 15,000 originally sought). It also raised the erection charges from Rs. 93,300 to Rs. 1,09,000 per crane. The delivery schedule also was changed by 'A' to 30th March 1975 for the first crane and one per month thereafter for the rest. In negotiations during November 1973, the prices were got fixed at Rs. 16,76,500 per crane, retaining the original rate of erection charges; according to the revised delivery schedule the first crane was to be despatched by 31st March 1975 and the remaining three cranes by 30th September 1975.

On account of the error in the original tender specifications and the delay of over a year (April 1972 to July 1973) in accepting the increase sought by 'A' there was extra expenditure of Rs. 21.01 lakhs computed with reference to the cost of the 4 cranes as per original contract inclusive of the extra payment initially demanded (at Rs. 11,36,180 plus Rs. 15,000 per crane) and the cost at the revised rate (Rs. 16,76,500 per crane). The Department of Supply intimated (January 1977) that out of the extra expenditure of Rs. 21.01 lakhs mentioned above, Rs. 8.80 lakhs were payable under the escalation clause in the agreement due to increase in wages and cost of raw material.

The cranes are yet to be commissioned; on 19th November 1976, the Director General, Supplies and Disposals, informed

the project authorities that 'A' proposed to commission the cranes according to the following programme.

	Date of commissioning
1st crane	February 1977
2nd crane	March 1977
3rd crane	April 1977
4th crane	May 1977

The port was opened to traffic on 4th May 1974. Upto July 1976, 1.40 lakh tonnes of iron, manganese and chromite ores were handled by the port manually in the absence of crane facilities.

### MINISTRY OF WORKS AND HOUSING

33. *Government of India Stationery Office.*—The Government of India Stationery Office in Calcutta and its three regional depots in New Delhi, Bombay and Madras are responsible for procuring and supplying stationery stores to all Government of India Offices in the country and abroad (except paper for printing in the case of Railways). As on 31st December 1975 there were 9,554 indentors served by the Stationery Office and its three regional depots. The number of indentors served by the regional depots in New Delhi, Madras and Bombay were 1,763, 1,126 and 500 respectively; the remaining 6,165 were served by the Stationery Office. The regional depot in Delhi serves the indentors in the capital and the States of Jammu and Kashmir, Punjab, Himachal Pradesh and Haryana, the depot in Bombay serves the indentors in Bombay city, and the depot in Madras serves the indentors in Tamil Nadu, Kerala, Karnataka, Pondicherry and some indentors of Andhra Pradesh. The indentors in other areas are served by the Stationery Office in Calcutta.

Indentors fall under the following categories :

(a) *Non-paying*

Indentors who are allowed to draw their supplies without payment of any charges.

All departments of the Government of India come under this category, except Defence, Railways, and Posts and Telegraphs.

(b) *Paying*

Indentors who are required to pay for their supplies.

Indentors belonging to Defence, Railways, Posts and Telegraphs Department and certain public sector undertakings and autonomous bodies fall under this category.

The following table shows the amounts initially provided in the budget for purchase of paper and other stationery items by the Stationery Office, and the actual expenditure incurred for the purchase of various items, during the past 5 years :—

	Budget provision			Actual expenditure		
	Paper	Other items	Total	Paper	Other items	Total
	(Rupees in lakhs)					
1971-72	550	150	700	618.57	88.41	706.98
1972-73	550	150	700	626.07	162.40	788.47
1973-74	675	125	800	579.83	180.80	760.63
1974-75	625	175	800	860.58	174.10	1,034.68
1975-76	1,000	350	1,350	1,001.05	354.96	1,356.01

*Supplies to indentors*

Even before the indents for a year are received, a forecast estimate of issues for that year is prepared by the Stationery Office in May/June of the preceding year generally on the basis of last 3 years demands/trends of demands. On the basis of estimated issues the procurement targets are fixed for each item after taking into account quantities likely to be available in stock and supplies likely to be received during the year against orders already placed.

From 1954-55, supply of stationery stores to various non-paying indentors is being regulated in accordance with certain quantity scales. Where feasible, the scales are related to sanctioned staff, number of sections, and number of typewriters. For items whose consumption depends on the nature of work in various offices, the requirements are based on average consumption during the preceding three years. Items which are not regulated by the above principles are to be indented on 'as required' basis, duly certified by the controlling officer. Indents

of paying indentors are, however, not subject to above quantity scales.

With a view to ensuring economy, consumption cuts are imposed in certain paper and paper made items like duplicating paper, white printing paper, typewriting carbon paper, stencil paper, note-sheets, envelopes, etc. On receipt of indent from an indentor, the Stationery Office and its regional depots work out the quantities to be supplied with reference to quantity scales and the economy cuts in force and the quantities thus arrived at are called admitted quantities.

The value of paper and stationery supplied to indentors in the last four years has been as follows :—

	(Rupees in lakhs)
1971-72	1,012
1972-73	1,011
1973-74	874
1974-75	1,273

A test-check of the records relating to supplies made in 1974-75 to representative indentors selected at random at the Stationery Office, Calcutta (100 indentors) and the regional depots in New Delhi (111 indentors), and Madras (100 indentors) disclosed that in the case of several important items many indentors received no supplies at all, and many others received less than 25 *per cent* of their admitted indents. Such short supplied items included essential paper and paper-made items like carbon, duplicating and typewriting paper, note-sheet blocks, books blank/ruled, envelopes, short-hand note-books, file boards and file-bands, as well as other commonly used stationery items like ink liquid, ink powder, type-writer ribbons, gum liquid, gum-Arabic, office paste, violet ink for rubber stamps, ink for rotary duplicator, paper weights, sealing wax, tags, etc.

For working out the total requirements of indentors and fixing appropriate procurement targets every year, the Stationery Office maintains a set of "quantity statements" in respect of

articles other than paper. Item-wise information regarding forecast estimates of issues during the forthcoming year, quantities contracted in the current year, demands and quantities passed for supply in the preceding year, etc. is recorded therein.

A scrutiny of quantity statements disclosed that in respect of several important items of stationery, the total quantities passed for supply or actually supplied during successive years fell far short of the accepted indents. Some examples are given below :—

(a) *Items procured through annual contract*

Items	Unit	Quantity as per admitted indents for			Quantity* passed for supply during	Quantity by which Col. 4 is less than Col. 3
		(a) 1972-73	(b) 1973-74	(c) 1974-75		
1	2	3			4	5
		(In lakhs)				
Ink (Fluid)	Phials	(a)	4.79		1.77	3.02
		(b)	5.77		2.56	3.21
		(c)	7.14		3.58	3.56
Ink (Powder)	Packets	(a)	11.12		3.32	7.80
		(b)	13.41		6.49	6.92
		(c)	13.58		6.99	6.59
Sealing Wax	Kgs.	(a)	9.76		6.87	2.89
		(b)	7.34		3.31	4.03
		(c)	9.94		5.20	4.74
T.W. Ribbons	Nos.	(a)	5.94		4.80	1.14
		(b)	7.80		5.72	2.08
		(c)	7.39		2.81	4.58
Paste**	Dozen	(a)	0.21		0.08	0.13
		(c)	0.17		0.01	0.16
Office	bottles	(a)	1,977.00		118.00	1,859.00
		(c)	3,122.00		278.00	2,844.00

\*Quantity actually supplied not available.

\*\*Biennial items-data for 1973-74 not available from quantity statement.



(b) *Items manufactured by Government presses*

Items	Unit	Admitted indents for (a) 1973-74 (b) 1974-75	Actual issues during (a) 1973-74 (b) 1974-75	Quantity by which Col. 4 is less than Col. 3
1	2	3	4	5
			(in lakhs)	
Note sheet blocks	Nos.	(a) 24.98 (b) 32.83	1.18 0.70	23.80 32.13
Short-hand note-books	Nos.	(a) 4.16 (b) 7.94	0.44 0.12	3.72 7.82
Books-ruled	Nos.	(a) 22.31 (b) 22.35	0.42 0.01	21.89 22.34
Envelopes	Nos.	(a) 2,618.00 (b) 3,769.00	344.00 399.00	2,274.00 3,370.00

*Procurement of paper*

Paper and paper products constitute the major items of supply by the Stationery Office and its regional depots. Among the discernible reasons for the shortfalls in the supply of paper and paper products, the following may be mentioned :—

- (i) Allotments made by the Director General, Supplies and Disposals have been far below the requirements and indents placed by the Stationery Office on the former for paper ;
- (ii) Actual orders placed by the Stationery Office have been to some extent less than the allotment made by the Director General, Supplies and Disposals in certain years ;
- (iii) Shortfalls in the supplies made by the paper mills, over the past several years.

The following table brings out the position :—

Rate contract period.	Quantity of indents placed by the Stationery Office*.	Allotment made by the Director General, Supplies and Disposals and proportion to Col. 2 in brackets.	Orders placed by the Stationery Office on mills and proportion to Col. 3 in brackets.	Quantity not ordered by the Stationery Office and proportion to Col. 3 in brackets.	Actual supply made by mills during the rate contract period against quantity shown in Col. 4.	Quantities short supplied by mills during the rate contract period and proportion to Col. 4.
1	(tonnes) 2	(tonnes) 3	(tonnes) 4	(tonnes) 5	(tonnes) 6	(tonnes) 7
1-12-71 to 30-11-72	43,670	35,294 (81%)	34,883 (99%)	411 (1%)	20,621 (59%)	14,262 (41%)
1-12-72 to 31-3-74	60,291	48,095 (80%)	46,532 (97%)	1,563 (3%)	24,177 (52%)	22,355 (48%)
1-4-74 to 31-3-75	49,031	24,461 (50%)	24,198 (99%)	263 (1%)	18,261 (75%)	5,937 (25%)
1-4-75 to 31-3-76	46,885	26,692 (57%)	22,780 (85%)	3,912 (15%)	18,511 (81%)	4,269 (19%)

NOTE.

\*Government of India Stationery Office's indents for paper are generally based on the preceding three years demands, plus any special demand received at the time of framing the estimates.

It was pointed out in paragraph 57 of the Report on the Union Government (Civil) for 1969-70 that Government had not been able to get from the paper mills a substantial quantity of paper it required (and for which rate contracts were being executed) or to get it in time. As a result, supply of paper by the Stationery Office to various offices had over the years been unsatisfactory and the offices were purchasing paper locally from the market at prices substantially higher than the rate contract prices. The Public Accounts Committee had observed in its 38th Report (5th Lok Sabha) 1971-72 that the Industry's reluctance to enter into a firm contract with Government was due to disparity between the rate contract price and open market price after decontrol of paper, which made the industry divert supply to the market thus starving Government of its legitimate and urgent requirements. The Committee urged that Government

should not be a helpless witness to this phenomenon, specially in view of the fact that reasonable price increases had been given in the rate contracts, and the paper industry as a whole was stated to have increased profits after decontrol.

Since 1971-72, the price paid by the Director General, Supplies and Disposals for paper has progressively gone up, as may be seen from the following trend in the case of white printing paper :—

<i>Rate contract period</i>	<i>Rate</i> (Rupees per tonne)
1-12-71 to 30-11-72	1,750
1-12-72 to 31-3-74	1,800
1-4-74 to 31-3-75	2,546
1-4-75 to 31-3-76	2,640

In spite of the progressively higher prices, the position of supplies has hardly improved, as brought out in the preceding table. The allocations made by the Director General, Supplies and Disposals for the Stationery Office in 1974-75 and 1975-76 was only 50 and 57 *per cent* of the requirements of the Stationery Office as compared to the allocation of 81 and 80 *per cent* in the preceding two contract periods.

The backlog in the supply of paper to the Stationery Office by the mills is as follows :—

As on	(tonnes)
1-4-72	24,578
1-4-74	29,842
1-4-75	26,846
1-4-76	31,070
1-8-76	26,932

The Department of Supply stated (December 1976) that “Although the various Paper Mills have been giving an undertaking to clear the backlog by a specified date, as a pre-condition for issue of the fresh R/C, in actual practice, it had not been possible for them to adhere to the same because it would be an uneconomical proposition to supply the paper, unless concurrent supplies are made in respect of the old R/Cs and the fresh R/C. Sometimes supply is held up for want of approval of samples or other amendments to be issued by the concerned DDO. In addition to this, supplies to some of the DDOs are for new varieties of paper, which are not covered by

the earlier backlogs. Taking an overall view of the whole matter and to avoid unnecessary legal confrontation, the Department had been taking a sympathetic view in the past and giving extension of time for clearance of the backlog at the old R/C rates.

This matter was reviewed recently in the Department..... It has been tentatively decided not to award rate contracts in future to those Paper Mills which have refused to honour their contractual obligations in clearing the backlog at old rate contract rates, unless it becomes necessary to do so by virtue of special circumstances.

It has also been decided to call for complete Supply Order files from the DDOs, where the supplies are still pending and there has been no favourable response from the Paper Mills to clear the backlog. On receipt of the relevant files, question of initiating legal action against the defaulting Paper Mills will be considered further in consultation with the Ministry of Law".

As regards the shortfall in the orders placed by the Stationery Office on the mills in 1975-76, which was 15 per cent of the allocation made by the Director General, Supplies and Disposals, the Stationery Office stated (November 1976) that it was due to following reasons :

- (i) reluctance of the mills to accept orders for less than 5 tonnes,
- (ii) difficulty in bringing the entire quantity required for indentors, whose accepted demands were for less than 5 tonnes. to the stock of the Stationery Office as it had limited storage capacity.

#### *Shortfalls and delays in supplies*

During a test-audit of the records in the Stationery Office and its three Regional depots the following points indicating the main reasons for which indentors either did not get, or did not get in time, the supplies they had indented were noticed :—

(i) *Procurement targets*

A scrutiny of the quantity statements maintained by the Stationery Office in respect of stationery articles other than paper showed that for several essential items, the anticipated issues for any given year had fallen short of the actual indents admitted for that year. Some examples are given below :—

(a) *Items procured through annual contracts*

Item	Unit	Estimated issues during	Admitted indents for	Quantity by which
		(a) 1972-73	(a) 1972-73	Col. 3 is
		(b) 1973-74	(b) 1973-74	less than
		(c) 1974-75	(c) 1974-75	Col. 4
1	2	3	4	5
			(in lakhs)	
Ink (fluid)	Phials	(a) 5.51	4.79	..
		(b) 5.86	5.77	..
		(c) 4.74	7.14	2.40
Ink (Powder)	Packets	(a) 11.00	11.12	0.12
		(b) 11.00	13.41	2.41
		(c) 9.50	13.58	4.08
Sealing wax	Kg.	(a) 5.80	9.76	3.96
		(b) 6.70	7.34	0.64
		(c) 7.15	9.94	2.79
T.W. Ribbons	Nos.	(a) 4.14	5.94	1.80
		(b) 5.16	7.80	2.64
		(c) 5.76	7.39	1.63
Paste*	doz.	(a) 0.14	0.21	0.07
Office	bottles	(c) 0.16	0.17	0.01
Tags*	Nos.	(a) 945.00	1,977.00	1,032.00
		(c) 1,450.00	3,122.00	1,672.00

\*Biennial items—data for 1973-74 not available from quantity statements

(b) *Items manufactured by Government presses*

Items	Unit	Estimated issues for	Admitted indents for	Quantity by which
		1974-75	1974-75	Col. 3 is
				less than
				Col. 4
1	2	3	4	5
			(in lakhs)	
Note-sheet blocks	Nos.	23.00	32.83	9.83
Short-hand Note-books	Nos.	3.50	7.94	4.44
Books ruled	Nos.	18.80	22.35	3.55
Envelopes	Nos	2,300.00	3,769.00	1,469.00

(ii) *Procurement of Stationery stores other than paper and paper products*

Stationery stores and certain types of paper like carbon, blotting, etc. are procured by the Stationery Office through quantity contracts/rate contracts on various contractors. Certain stores like short-hand notebooks, note-sheets blocks, blank and ruled books, etc. are manufactured by Government presses, to whom supplies of requisite paper are arranged by the Stationery Office.

A scrutiny of the quantity statements maintained by the Stationery Office in respect of articles other than paper showed that in many cases the quantities for which contracts were placed during successive years fell short of the procurement targets. Some examples are given below :—

(a) *Items procured from contractors*

Item	Unit	Procurement target for	Contracted quantity for	Quantity by which
1	2	(a) 1972-73 (b) 1973-74 (c) 1974-75	(a) 1972-73 (b) 1973-74 (c) 1974-75	Col. 4 is less than Col. 3
		3	4	5
(in lakhs)				
Ink (fluid)	Phials	(a) 4.94	1.60	3.34
		(b) 7.87	3.75	4.12
		(c) 5.73	4.40	1.33
Ink (Powder)	Packets	(a) 15.00	..	15.00
		(b) 12.00	7.44	4.56
		(c) 9.50	1.10	8.40
Sealing Wax	Kg.	(a) 6.00	5.80	0.20
		(b) 7.20	2.35	4.85
		(c) 6.45	4.20	2.25
T.W. Ribbons	Nos.	(a) 3.83	3.33	0.50
		(b) 31.39	5.97	25.42
		(c) 4.39	..	4.39
Paste* Office	Doz. bottles	(a) 0.35	0.20	0.15
		(c) 0.20	..	0.20
Tags*	Nos.	(a) 1,900.00	1,200.00	700.00
		(c) 2,900.00	1,200.00	1,700.00

\*Biennial items (a) 1972—74 and(c) 1974—76.

A scrutiny of the tender files for 1974-75 in the Stationery Office for some of the above items disclosed that contracts for several items had been placed for quantities considerably less than the procurement targets for 1974-75 because the suppliers had not fulfilled their commitments against their contracts for 1973-74 or preceding years, and the Stationery Office was expecting to receive substantial quantities against such backlogs during 1974-75 (to which extent the procurement target was scaled down). The suppliers in some of the cases happened to be serious defaulters in the past, and they failed to supply the quantities ordered for 1974-75 also. Nor were expectations of the Stationery Office about receipt of backlog quantities fulfilled. A few examples are given below :—

*Tags, white cotton*

The total procurement target for tags, white cotton 17.5 c.m. (Vocab M-074) and 12.5 c.m. (Vocab M-078) through biennial contract for 1974—76 were 400 lakh tags and 2500 lakh tags valued at approximately Rs. 1.38 lakhs and Rs. 11.88 lakhs respectively at the issue rates for 1974-75.

In February 1974, 500 lakh tags of 17.5 c.m. length (M-074) were outstanding against the contracts for the previous two biennial periods from the Project Officer, Rural Industries Project, Government of West Bengal, Barasat. In view of this it was decided not to order any fresh quantity. However, during those two years the Project Officer supplied only one lakh tags against his backlog, which stood at 441 lakh tags at the beginning of 1974-75. Another supplier 'A', who also had a backlog of 141 lakh tags at the beginning of 1974-75, supplied 131 lakh tags during 1974-75 and 1975-76.

As 1265 lakh tags of 12.5 c.m. length (M-078) were outstanding on 15th February 1974 against the contracts for the two preceding biennial periods, the procurement target was scaled down to 1200 lakh tags.

It was decided to award contracts for 600 lakh tags each to 'A' (a heavy defaulter in supply of this item as well as tags of 17.5 c.m. length), and 'B' (backed by the aforesaid Project Officer, who was himself a defaulter in supplying this item as well as tags of 17.5 c.m. length).

Supply orders for 399 lakh tags of 12.5 c.m. length (M-078) were placed in 1974-75 with 'A', who supplied no quantity during that year. Further supply orders for 98.35 lakh tags were placed with him during 1975-76. Against all these orders, he supplied only 18.70 lakh tags in 1975-76.

Supply orders for 353 lakh tags (M-078) were placed on 'B' in 1974-75 against which only 36.2 lakh tags were supplied during that year. Further supply orders for 97.36 lakh tags were also placed with 'B' during 1975-76. 'B' supplied only 124.43 lakh tags during 1975-76.

As regards the backlog, A' supplied 136 lakh tags during 1974-75 and 1975-76 against an outstanding quantity of 248 lakh tags, but the Project Officer made no supplies at all against his backlog, which stood at 1,060 lakh tags at the beginning of 1974-75.

#### *Sealing Wax black*

The procurement target for sealing wax black (Vocab M-060, 061, 061A) for 1974-75 was 5.65 lakh kilograms (value approximately Rs. 11.35 lakhs).

Although 'C' had a backlog of 2.40 lakh kilograms at the end of 1973-74 against the quantities ordered that year, the Stationery Office decided to scale down the procurement target to 4 lakh kilograms only as 'C' was not expected to honour its commitment in full. A contract for 4 lakh kilograms (  $\pm$  25 per cent) was placed on 26th March 1974 with 'D' who also had a backlog of 1.20 lakh kilograms of sealing wax black at the end of 1973-74 against past orders.

The total quantity ordered on 'D' was 5 lakh kilograms of sealing wax black but 'D' supplied only 59,400 kilograms during 1974-75 against this contract.



Against its backlog of 1.20 lakh kilograms at the end of 1973-74, 'D' made no supplies at all in 1974-75, 'C' supplied only 900 kilograms in 1974-75 against the backlog of 2.40 lakh kilograms at the end of 1973-74.

*Ink Fluid Fountain-pen Blue-black*

The procurement target for ink fluid fountain-pen blue-black (Vocab No. 1/012) for 1974-75 was 5 lakh (41,666 dozen) phials (value approximately Rs. 4.17 lakhs).

Two contracts for 2.25 lakh (18,750 dozen) phials and 1.5 lakh (12,500 dozen) phials had been awarded in March 1974 to 'E' and 'F' respectively, against which actual orders placed in 1973-74 had been 11,275 dozen and 8,504 dozen phials respectively. 'E' had not supplied any quantity during 1973-74 and 'F' had supplied only 4,288 dozen phials by the last week of February 1974.

The Stationery Office felt (March 1974) that it might be difficult to receive the entire backlog in view of the all-round increase in price, freight charges, etc. Accordingly, procurement target was scaled down to 4 lakh (33,333 dozen) phials (+ 25 per cent).

Incidentally, performance of 'E' in 1973-74 in supplying this item as well as several other allied items was as below :—

	Quantity ordered in 1973-74	Quantity supplied
	Dozen phials	Dozen phials
Ink Fluid Fountain-Pen Blue-black	11,275	Nil
Ink Fluid Fountain-pen black	8,355	Nil
Ink Fluid Red	1,496	Nil
Ink Powder Blue-black	30,668	Nil
Ink Powder Red	6,575	Nil

The Stationery Office stated in February 1974 that the performance of 'E' against the orders placed on it during 1973-74 depicted a deplorable position. Nevertheless, it was decided to award a contract for 2.5 lakh phials of ink fluid fountain-pen blue-black for 1974-75 to 'E' and another 1.5 lakh phials to 'F'.

A supply order was placed on 28th March 1974 for 20,749 dozen phials of ink fluid fountain-pen blue-black on 'E', who made no supply against that order either in 1974-75 or later. Further, a repeat order of 11,275 dozen phials was also placed with 'E' on 1st January 1976 against its backlog, but no supplies were made against that repeat order also.

A supply order for 12,500 dozen phials was placed on 'F' on 27th March 1974 against which it supplied only 355 dozens.

#### *Ink Powder Blue-black*

The procurement target for ink powder blue-black (Vocab. No. I/022) for 1974-75 was 6 lakh packets *viz.* 50,000 dozen packets (Value approximately Rs. 2.93 lakhs).

In 1973-74, contracts for 25,000 ( $\pm 25$  per cent) dozen packets and 15,000 ( $\pm 25$  per cent) dozen packets had been concluded with 'E' and 'F'. In that year 30,668 dozen packets and 13,635 dozen packets had been ordered against 'E' and 'F' respectively. 'E' did not make any supply during 1973-74, and 'F' supplied only 6,760 dozen packets. The total backlogs of the two firms against past orders at the end of 1973-74 were 30,668 dozen packets and 17,750 dozen packets respectively.

Incidentally, 'E' had also not made any supply against orders of various allied items placed on it in 1973-74, as stated earlier.

In response to tenders for supplies in 1974-75, 'E' and 'F' quoted prices which were higher than their previous year's prices by 9.3 per cent and 20 per cent respectively. Despite

the past performance of 'E' and 'F' mentioned above the Stationery Office expected that 'E' and 'F' would supply their backlog quantities during 1974-75 and placed a token trial order on 'G' on 5th March 1974 for supply of 5,833 dozen packets ( $\pm 25$  per cent) during 1974-75. No supply was made by this firm during 1974-75. 'E' and 'F' made no supplies during 1974-75 against their backlogs.

#### *Paper clips (Gem)*

The procurement target for paper clips (Gem) for the biennial period 1974—76 was 60,000 dozen boxes, (approximate value : Rs. 5.19 lakhs). In the first week of March 1974, when tenders for 1974—76 were considered, the Stationery Office had a stock of 11,355 dozen boxes, and supplies of 79,093 dozen boxes were pending from 'P' who had asked for an increase in price which had not been agreed to. Under the circumstances, a contract for 30,000 dozen boxes only was awarded to 'Q' with the intention of reviewing the position in July/August 1974, and including the item in the tenders for 1975-76, if necessary. 'P' did not make any supply during 1974-75/1975-76 against its backlog, which stood at 69,831 dozen boxes on 1st April 1974. 'Q' supplied only 7,410 dozen boxes in 1974-75. The position was not reviewed further in July/August 1974, as had been envisaged in March 1974, and no further action for procurement was taken during 1974--76.

#### *Office paste*

The procurement target for office paste (Vocab. No. M-036) for the biennial period 1974—76 was 20,000 dozen bottles (approximate value : Rs. 1.08 lakhs). In March 1974, when fresh tenders were considered, the Stationery Office had stocks of 300 dozen phials only, and 'R' had a backlog of 15,172 dozen bottles against its contract for 1972—74. In response to the tender enquiry in March 1974, 'R' did not make any offer. Five tenderers who responded were all new-comers and 4 of them were not recommended in inspection. The fifth had quoted very high rates. In view of this, and in view of supplies expected against the

backlog of 'R' the tenders were scrapped and it was decided to review the position in September 1974 with a view to including the item in the notice inviting tenders for 1975-76.

'R' delivered only 3,330 dozen bottles during 1974-75/1975-76 against its backlog which stood at 14,879 dozen bottles on 1st April 1974. But the position was not reviewed in September 1974 as envisaged in March 1974 and no further action for procurement was taken in 1974-75.

*Ink black for Gestetner*

The procurement target for 1974-75 for ink black for Gestetner rotary duplicator (Vocab. K-011) was 2.5 lakh tubes (approximate value : Rs. 10.88 lakhs). Against the contract for 1973-74 orders for 2.5 lakh tubes had been placed, against which only 750 tubes had been supplied upto February 1974, when the tenders for 1974-75 were considered. Since the Stationery Office had 0.13 lakh tubes in stock and supplies were pending against the contract for 1973-74, it was decided to scrap the tenders for 1974-75, and to go in for a limited tender enquiry in July 1974, if necessary.

'S' which had a backlog of 2.33 lakh tubes at the commencement of 1974-75, supplied only 1.41 lakh tubes during that year against the backlog of the contract for 1973-74. However, no limited tender enquiry was issued in July 1974, as envisaged in February 1974, and no further action was taken for procurement in 1974-75.

The Stationery Office stated (November 1976) that in consideration of economy "lowest rate is taken as the principal criterion in matter of deciding contract". The Stationery Office further stated that the suppliers sponsored by certain State Governments "generally quote competitive rates for these items and their quotations can be hardly ignored", and also that "unsteadiness of the market conditions in the relevant years seem to be one of the factors for non-supply of stationery stores by the contractor.....".

### *Performance against contracts*

With a view to ascertaining the actual performance of the contractors, a test check of 132 contracts placed by the Stationery Office in 1974-75 (value of contracts : Rs. 2.22 crores) was undertaken. The test check disclosed the following :

- (i) In 42 cases (value of the contracts : Rs. 84.65 lakhs), full supplies were effected by the suppliers in 1974-75.
- (ii) In 19 cases (value of the contracts : Rs. 7.97 lakhs), no supply whatsoever was made either in 1974-75 or later. Important items like envelopes, ink fluid and powder, ink violet for rubber stamps, pins plated, coloured pencils, erasers for typewriters, etc. were included in these contracts.
- (iii) In 3 cases contracts were cancelled, the reasons being the non-supply of raw materials in 2 cases (pencil carbon and typewriter carbon) and failure of the supplier to deposit security money (envelopes).
- (iv) In 21 cases (value of the contracts : Rs. 29.43 lakhs), no supplies were made in 1974-75, but partial supplies were made after 1974-75. Such contracts included items like envelopes, tags laces, waxless stencils, tracing cloth, etc.
- (v) In 47 cases (value of the contracts : Rs. 99.94 lakhs), partial supplies to the extent of Rs. 25.63 lakhs were made during 1974-75. A break-up of these cases is given below :—
  - (a) In 20 cases (value of the contracts : Rs. 59.74 lakhs), supplies were less than 25 per cent of the contracted quantities. The value of supplies made during 1974-75 was Rs. 6.15 lakhs only. These contracts included items like tags, sealing

wax, waxless stencils, lead pencils, correcting fluid etc.

- (b) In 12 cases (value of the contracts : Rs. 21.74 lakhs), supplies were between 25 and 50 *per cent* of the contracted quantities. The value of supplies made during 1974-75 was Rs. 7.45 lakhs only. Envelopes, typewriter carbon, pins plated, correcting fluid etc. were to be supplied against the contracts.
- (c) In 10 cases (value of the contracts : Rs. 12.24 lakhs), supplies were between 50 to 75 *per cent* of the contracted quantities. The value of supplies made during 1974-75, was Rs. 7.25 lakhs. Items like typewriter carbon, copying pencils, pins plated, gum powder, envelopes, etc. were to be supplied against these contracts.
- (d) In 5 cases (value of the contracts : Rs. 6.22 lakhs) supplies were above 75 *per cent*, but full quantities had not been supplied. The value of supplies made during 1974-75 was Rs. 4.78 lakhs. Such contracts included pin plated and carbon pencils.

In respect of 132 contracts for Rs. 2.22 crores test checked, the value of supplies made in 1974-75 was only Rs. 1.10 crores.

(iii) *Short supplies to regional depots*

The Regional stationery depots in New Delhi, Bombay and Madras annually assess the total quantities of each stationery article required by them during a particular year, prepare an indent for that year and forward the same to the Stationery Office.

A review of the indents made and the supplies received by the New Delhi and Bombay depots during 1974-75 disclosed the following; the quantities shown in brackets are the quantities indented by the depots.

*Paper and paper-made items*

(a) *New Delhi depot*

Out of the 76 paper and paper-made items indented by New Delhi depot, supplies of 47 were not at all received during 1974-75 against those indents. These 47 items included essential items like certain varieties of envelopes (25 crore nos.), white printing paper (5.2 lakh reams), typewriter carbon (6,500 reams), duplicating paper (14 lakh reams), typewriting paper (3.5 lakh reams) and books ruled (2.15 lakh nos.). Of these items, opening balance at the beginning of 1974-75 was *nil* for 40 items including specific articles mentioned above.

Out of the remaining 29 items supplies of 18 started only in the second half of the year.

Supplies were less than 25 *per cent* of the indents for 10 items, including note-sheet blocks (10 lakh nos.), short-hand note-books (5 lakh nos.), file boards (1 crore nos.), file bands (2 crores nos.), and certain varieties of duplicating paper (one lakh reams) and books ruled (1 lakh nos.).

Supplies were between 25 and 50 *per cent* only of the indented quantities for 8 items, which included items like books blank (90,000 nos.) and certain varieties of carbon paper (3,750 reams).

(b) *Bombay depot*

Similarly, out of the 57 paper and paper-made items indented by Bombay depot in 1974-75, no supplies of 24 items were received. These 24 items included certain varieties of envelopes (indented quantity : 3 lakh nos.), white printing paper (22,000 reams), typewriting carbon (500 reams), books ruled (1.75 lakh nos.), books blank (8,000 nos.) and exercise books (2.5 lakh nos.).

Out of the other 33 items supplies of 18 items started only in the second half of the year.

Supplies were less than 25 *per cent* of the indented quantities for 15 items, including certain varieties of envelopes (indented quantity : 19 lakh nos.), books ruled (15,000 nos.), books blank (1.05 lakh nos.), note-sheet blocks (2 lakh nos.), short-hand note-books (60,000), file boards (3 lakh nos.) and file bands (15 lakh nos.).

Supplies were between 25 and 50 *per cent* only of the indented quantities in 7 items, including certain varieties of duplicating paper (50,000 reams), typewriting paper (15,000 reams), etc.

Opening stock at the beginning of the year was *nil* for 8 of the items mentioned above.

The Stationery Office stated (November 1976) that "there was a shortfall to the extent of 50 *per cent* in respect of allocation of Paper and Paper-Boards from the DGS&D. Evidently there was difficulty to arrange full supply to the Depots. Regarding paper-made articles, it is further noticed that full supply in some cases was not available from the G. I. Presses even though basic materials were given to them presumably due to some difficulties at their end".

### *Other stationery articles*

#### *(a) New Delhi depot*

Out of the 100 items other than paper and paper-made articles indented by New Delhi depot in 1974-75, supplies of 53 items were not at all received. These 53 items included essential items like fountain-pen ink blue-black (72,000 phials), gum Arabic (50,000 kilograms), gum liquid (1.44 lakh bottles), office paste (2.16 lakh bottles), tags cotton white (2.5 lakh nos.), erasers (1,050 gross), oil for typewriters (15,000 phials), etc.

Out of the other 47 items, supplies in 28 items started in the second half of the year.



Supplies were less than 25 *per cent* of the indented quantity in 19 items, including ink powder red (indented quantity 1,000 gross packets), and certain varieties of pencils (5,500 gross), and coloured pencils (3,200 gross).

Supplies were between 25 and 50 *per cent* only of the indents in 13 items, including certain varieties of lead pencils (indented quantity : 5,000 gross) and coloured pencils (250 gross). Opening stock of 16 of the above items was *nil* at the beginning of the year.

(b) *Bombay depot*

Similarly, out of the 90 items other than paper and paper-made articles indented by Bombay depot in 1974-75, no supplies of 54 items were made in that year. These 54 items included ink fluid (15,000 phials), certain varieties of pencils (2.4 lakh nos.), coloured pencils (3.4 lakh nos.), oil for typewriters (20,000 phials), typewriter ribbons (6,400 nos.), gum Arabic (20,000 kilograms), gum liquid (10,000 bottles) and tags cotton white (83 lakh nos.).

Out of the other 36 items, supplies of 32 items started in the second half of the year.

Supplies were less than 25 *per cent* of the indented quantities for 11 items including erasers (10,000 nos.), erasers for typewriters (10,000 nos.), ink violet for rubber stamp (35,000 phials), office paste (6,000 bottles), paper clips gem (20,000 boxes of 144 clips each), pins (3 lakh packets), and tags cotton white (75 lakhs).

Supplies were between 25 and 50 *per cent* only of the indented quantities for another 11 items including sealing wax red (5,000 boxes), and paper weight glass (8,000 nos.).

There was no opening stock of 19 of the above mentioned items which included gum liquid and sealing wax.

(iv) *Delays in taking stores to stock*

Stores, even if actually received at a regional depot, are not available for issue to indentors unless they are actually taken

to stock. A review of the relevant records for 1974-75 in the regional depots and the Stationery Office disclosed that there were considerable delays in taking stores to stock after their receipt, as shown below :—

#### *Paper items*

Such paper consignments as are received at regional depots direct from suppliers are not pre-inspected. Samples thereof are to be forwarded to the Inspection Wing of the Stationery Office in Calcutta, within 7 days of receipt of consignments at the depot. After receipt of test reports approving the samples, the items are taken to stock. If no test report, is received within a prescribed period after the consignment's arrival (45 days in the case of sheet paper and 120 days in the case of reeled paper), the supplies may nevertheless be taken to stock.

Paper items received from the Stationery Office are already inspected, and can be taken to stock straightaway on arrival at the depot.

In the New Delhi depot, 37 paper consignments arrived after inspection, and were generally taken to stock within 7 days. One hundred and forty six other consignments received directly from suppliers required inspection after arrival in the depot. Of these one hundred and twenty nine consignments were taken to stock after more than a month (of which 52 consignments were taken to stock after more than 2 months).

The process of drawing samples and their despatch to the Stationery Office took more than 15 days for 24 consignments (of which, 4 consignments were taken to stock after more than a month). Test reports from the Stationery Office were received after a month for 37 consignments.

It took more than a month for taking 37 consignments to stock after receipt of test reports (of these, two consignments were taken to stock after more than 7 months).

Similar delays were noticed in the Bombay and Madras depots also.

A test-check of 300 items of paper consignments received in the Stationery Office disclosed that 263 consignments were taken to stock after more than a month. (Of these, 139 consignments took 2 to 4 months, 15 took 4 to 6 months and 12 took more than 6 months).

Samples were generally despatched to the Inspection Wing within 15 days for 276 consignments out of 300 consignments test-checked but receipt of test-reports from Inspection Wing took more than a month for 176 consignments. Also, after the receipt of test-reports, more than a month was taken in taking 86 consignments to stock, of which 50 consignments were taken to stock after more than 2 months. (In 3 cases the delay exceeded 4 months).

#### *Items other than paper*

All these items, whether received direct from suppliers or from the Stationery Office, are pre-inspected. The depots are not, therefore, to draw any samples and obtain test-reports before verifying the stores and taking them to stock.

In the New Delhi depot, 202 such consignments were received during 1974-75 (114 directly from suppliers and 88 from the Stationery Office). The time taken for taking them to stock exceeded 15 days in 70 cases. Of these 40 consignments took more than a month (one consignment after more than 3 months and another after more than 5 months respectively).

In Bombay depot, there were 129 such consignments in 1974-75 (49 received directly from suppliers and 80 from the Stationery Office). Sixtyeight of these consignments took more than a month for being taken to stock (3 of these consignments were taken to stock after more than 2 months).

In the Stationery Office, a test-check of 100 consignments other than paper disclosed that 66 consignments (pre-inspected) were taken to stock after more than a month. Of these, 21 took 2 to 4 months, 9 took 4 to 6 months, 3 took more than 6 months for being taken to stock.

The Stationery Office stated (November 1976) that action had been taken to obviate the delays "in future to credit the stores in stock".

(v) *Delays in despatch/delivery*

Stores are despatched to outstation indentors or delivered to local indentors on the basis of issue orders. In the case of local indentors, the indentors' representatives generally take delivery. For outstation indentors, the stores are despatched by rail.

A review of connected records in the New Delhi depot and the Stationery Office disclosed that there were considerable delays in delivery/despatch of supplies to indentors.

(a) *New Delhi depot*

Out of 2,309 issue orders prepared in 1974-75 for local indentors, in 95 cases the New Delhi depot took more than a month from the date of issue orders for delivering the stores (14 of these cases took more than 2 months).

As regards outstation indentors, there were 774 issue orders in 1974-75. In 204 of these cases the outstation indentors collected the stores from the godown of the depot without the intervention of the packing section usually which, on receipt of stores from godown, packs and despatches the stores to outstation indentors. In 23 of these cases the stores were delivered after more than a month from the date of issue order.

In 93 cases the stores were drawn by the packing section for despatch by rail, but supplies were subsequently collected by the indentors at the depot. In 39 of them there was a delay of more than a month (in 7 of the cases it was more than 3 months).

Out of 477 cases in which supplies were despatched by rail, the depot took more than a month from the date of issue order for despatching the goods in 453 cases. (Of these, 274 took 2 to 4 months, 89 took 4 to 6 months, and 7 took more than 6 months).

The delays occurred both in the godowns and the packing section. The godowns took more than a month to pass on the stores for packing in 269 cases, while the packing section took more than a month to hand over the goods to the transport contractor in 294 cases. (Out of the latter, 128 cases took 2 to 4 months, and 19 cases took more than 4 months).

In 152 cases the goods were despatched only in April-July 1975, viz., after the expiry of the year for which the supplies were meant.

(b) *Stationery Office, Calcutta*

A test-check of 145 issue orders for 1974-75 for supplies to outstation indentors (8 of whom took delivery at the Stationery Office) disclosed that in 142 cases more than a month was taken from the date of issue orders for effecting despatch/delivery of stores. Of these, 44 cases took 2 to 4 months, 26 took 4 to 6 months, and 64 took more than 6 months.

In 55 cases the godowns took more than a month for passing on the stores to the packing section. Of these, in 21 cases the delay at this point was between 3 to 6 months, and in 24 cases it was more than 6 months.

In 127 cases, the packing section took more than a month for packing and handing over the goods to the transport contractor. (Of these, in 28 cases the delay at this point was between 3 to 6 months, and in 26 cases it was more than 6 months). As regards local delivery, the Stationery Office stated (November 1976) that observance of various formalities preceding local delivery took about a month's time and that

consignments inspection was not carried out by the Stationery Office. For other 15 consignments the stores were found to be sub-standard on testing the samples at a later stage; meanwhile, however, Rs. 3.25 lakhs had been paid in these cases as the test reports had not been received within the prescribed period. No recoveries were made from suppliers for the poor quality of the stores.

The delays in receipt of test report by the depots from Inspection Wing in the case of post-inspected items have been commented upon in an earlier section of this review. As regards stationery stores other than paper and paper boards, which are to be inspected before despatch by the suppliers, the Stationery Office issued about 2,670 inspection notes during 1974-75. A random check of 100 such cases in the Stationery Office (in 69 cases suppliers were in Calcutta, in 14 in New Delhi, in 11 at Vijayawada and in 6 in Bombay) disclosed that in 66 cases more than a month was taken for conducting inspection, and in 37 cases more than a month was taken for issuing test reports thereafter. In 8 and 19 of the cases respectively, the processes took more than 2 months.

It was explained by the Stationery Office (November 1976) that in the main paucity of staff was seriously affecting inspection work. At present there are only 4 Inspecting Officers, all based in Calcutta, who have to be on tour for long spells throughout the year. A proposal for the creation of a post of Assistant Controller (Inspection Testing) with assisting staff at each of the three regional depots in New Delhi, Bombay and Madras was stated to have been held in abeyance for reasons of economy.

(ii) *Local purchase of stores*

In accordance with standing procedures laid down by Government local purchase of stationery stores can be made by indentors, subject to the condition that the over-all procurement of stores, including those received through the Stationery Office or the regional depots, does not exceed the permissible requirements of the indentors.

In the course of this review, 400 out of the 1,763 indentors served by the New Delhi depot, selected at random, were requested to furnish information regarding local purchases made by them in 1974-75. Replies received from 89 of them disclosed that as against stationery worth Rs. 12.46 lakhs supplied by the depot to them in 1974-75, (average : Rs. 14,005 per indentor), they had made local purchases to the extent of Rs. 6.09 lakhs (average : Rs. 6,843 per indentor). Eighty seven of the 89 indentors reported that the local purchases had been made because of insufficient supply/non-supply of stores by the depot.

From the details furnished by the indentors it was not possible to compare all the items locally purchased with those usually supplied by the depot. As regards items which could be so compared, a test-check of the details furnished by 38 indentors showed that as against an amount of Rs. 2.28 lakhs spent by them in making local purchases, their value according to the rate list of the Stationery Office would be Rs. 1.23 lakhs only. Such items included duplicating paper, envelopes, books ruled/blank, short-hand note-books, gum Arabic, fountain pen ink, typewriter ribbons, etc.

The Stationery Office stated (November 1976) that "reduced allocation of paper and paper boards by the D.G.S.&D. coupled with the unsteady market condition prevailing in the country was responsible for non/short supply of paper and miscellaneous stationery stores by mills/contractors . . . . .".

### (iii) Recoveries from paying indentors

In accordance with the procedure adopted by the Stationery Office/Depots, issue orders and price vouchers for all supplies made are passed on to the Stationery Office. To facilitate recoveries for supplies to paying indentors, (other than cash paying), names of concerned Accounts Officers are recorded on the respective price vouchers, and a statement showing the amounts for which debits are to be raised against the respective Accounts Officer of the paying departments is forwarded to the

Deputy Chief Pay and Accounts Officer, Calcutta for raising debits against the respective Accounts Officer by per contra credit to the receipt head. In case of non-acceptance of the debit by the Accounts Officer to whom the debit is passed on the entries are reversed, and the Stationery Office is advised of the non-acceptance of the debit.

There is no system of reconciliation to ensure that the cost of all supplies made to paying indentors has been recovered or that debits for all amounts advised to the Pay and Accounts Office in Calcutta for recovery have been actually accepted. In response to Audit query (March 1976) about the machinery to ensure that the Pay and Accounts Office has raised the debits in all cases, it was stated by the Stationery Office that "the non-acceptance of debits and/or rejection by indentors are known to this office only when the Pay and Accounts Officer, Calcutta informs this office about such non-acceptance. It is generally assumed that all debits stand duly raised against the indentors within the financial year unless otherwise intimated by the P.A.O. Calcutta".

While forwarding the comments of the Stationery Office to the paragraph in December 1976 the Ministry of Works and Housing stated that "the Department of Administrative Reforms has undertaken a study of 'Materials management and Inventory control' in the Stationery Office and their report in part has been received and a decision taken on the recommendation in that part. Further recommendations on the study are being awaited. It is hoped that with the implementation of the recommendations there will be considerable improvement in the working of the organisation. . . . .".

#### LOSSES AND IRRECOVERABLE DUES WRITTEN OFF/WAIVED AND *Ex gratia* PAYMENTS MADE

34. A statement showing losses and irrecoverable revenue, duties, advances, etc. written off/waived and also *ex gratia* payments made during 1975-76 is given in Appendix VI to this Report.



## CHAPTER IV

### WORKS EXPENDITURE

#### MINISTRY OF EXTERNAL AFFAIRS AND MINISTRY OF SHIPPING AND TRANSPORT

(Border Roads Development Board)

35. *Construction of India House.*—In November 1968, the Ministry of External Affairs entrusted the construction of 'India House' in an adjoining foreign country to the Border Roads Organisation. The project was to be taken up in phases and completed within a period of about 3 years from the date of administrative approval.

For Phase I of the project comprising the residence of the Head of the Mission, power house/generator shed and related services, Government accorded an *ad hoc* sanction in October 1969 for Rs. 6 lakhs which in February 1970 was superseded by a regular sanction for Rs. 42.45 lakhs (including Rs. 3.25 lakhs for central heating). In March 1973 the sanctioned estimate was revised to Rs. 40.12 lakhs due to deletion of arboriculture work and further revised in July 1974 to Rs. 36.34 lakhs due to deletion of the provision for central heating.

Phase II of the project comprising the chancery building, officers/staff quarters and related services was covered by a separate *ad hoc* sanction issued in November 1970 for Rs. 20 lakhs. This was superseded in August 1971 by a regular sanction for Rs. 63.53 lakhs (including Rs. 5.50 lakhs for central heating). In November 1972 the sanctioned estimate was revised to Rs. 60.03 lakhs due to deletion of the provision for

arboriculture work and revised again in July 1974 to Rs. 53.62 lakhs due to deletion of the provision for central heating.

In May 1974, a separate sanction was issued for the combined provision of central heating at a cost of Rs. 14.96 lakhs as against the original provision of Rs. 8.75 lakhs.

As against the revised sanctions of Rs. 89.96 lakhs for phases I and II (exclusive of central heating) issued in July 1974, the Chief Engineer of the Project re-assessed the cost at Rs. 160.44 lakhs in December 1974, and in August 1975 the estimated cost was revised to Rs. 165.53 lakhs by the Director General, Border Roads.

The increase of Rs. 75.57 lakhs (84 per cent) reflected in the revised estimates (August 1975) was attributed to the following :—

	Rupees in lakhs	
—increase in costs on account of—		
labour and materials;*	45.95	} 59.65
construction of stores etc;	13.70	
—change in quantities due to seismic considerations;		3.30
—change in scope of work;		2.21
—increase in departmental charges; and		8.76
—increase in contingency charges.		1.65
		75.57

Actual expenditure to the end of April 1976, was Rs. 175.44 lakhs and the revised estimates are yet to be sanctioned by Government (September 1976). The Border Roads Development Board stated (December 1976) that the increase in cost

\*Original estimates based on 1966 Schedule of Rates.

was due to factors which could not be anticipated at the time of according sanctions.

The accommodation for officers and staff had (except for final painting and polishing) been completed and was ready for occupation by September 1973. The water tank for supply of water was constructed in September 1973, and the generators for supply of electricity were installed by October 1973. The quarters were not, however, taken over by the Ministry of External Affairs due mainly to the delay in the completion of the chancery building and the residence of the Head of the Mission. While the quarters were subsequently taken over by September 1975, only 10 out of 37 quarters were in actual occupation as on 1st March 1976. Rupees 0.57 lakh were spent during October 1973 to February 1976 by way of rental of hired office/residential buildings; monthly rent of hired accommodation (including that vacated but not surrendered) continued to be paid at Rs. 1,967 after February 1976.

The Ministry of External Affairs stated (December 1976) that non-occupation of the quarters "was due to unavoidable reasons and functional considerations".

The original sanctions (February 1970/August 1971) included a provision of Rs. 8.75 lakhs for central heating arrangements in the residence of the Head of the Mission and the chancery building. In an inter-ministerial meeting held in February 1972 it was decided to invite a combined tender for the provision of central heating in both the buildings. Tenders were invited by the Director General, Border Roads, in July 1972; the tenderers were free to offer their own system of central heating giving full technical details in support thereof. Two tenders were received by the due date (14th September 1972) and on 13th December 1972, the Border Roads Development Board recommended to the Ministry of External Affairs the lower offer of 'A' for Rs. 8.85 lakhs based on the thermic fluid heating system. The offer which was valid until 12th January 1973, was later extended up to 28th February 1973.

In March 1973, the Ministry of External Affairs sought the advice of the Director General, Technical Development, on the comparative merits and demerits of different systems of central heating taking into account their long-term efficiency and economy. In May 1973, the Director General, Technical Development, intimated that both the thermic fluid and steam heating systems were widely used in foreign countries and could work efficiently if they were properly designed.

In June 1973, the Ministry of External Affairs made a reference to an Indian Mission abroad to ascertain and report on the standing of 'A' (subsidiary of a foreign company) in the line of central heating and its financial stability. The Mission was also asked to inspect a building fitted with a 'thermopac' central heating system and report on how it differed from the other based on steam heating. In August 1973, the Mission recommended the thermic fluid heating system as an efficient one and advised that necessary details regarding commissioning, guarantee and servicing be settled with 'A'.

Meanwhile, on 30th May 1973, 'A' while agreeing to extend the offer up to 15th June 1973, notified that the price would thereafter be increased by 6.9 per cent (i.e., Rs. 0.61 lakh). On 27th September 1973, 'A' stated that its revised offer was open until 15th October 1973, after which date it reserved the right to revise the offer completely.

On 14th November 1973, the matter was considered in an inter-ministerial meeting and it was decided that there was no need to invite fresh tenders and that the Border Roads Development Board should proceed with the installation of the 'thermopac' heating system offered by 'A' after obtaining necessary financial clearance. On 10th December 1973 this decision was conveyed to the Director General, Border Roads. On 11th December 1973, the latter contacted 'A' for extending the validity of the offer till 31st January 1974, but 'A' declined and a revised offer

was finally received on 20th March 1974. Details of the original and revised quotations are given below :—

	September 1972	May 1973	March <sup>1</sup> 1974
	(Rupees in lakhs)		
Residence of the Head of the Mission	4.97	5.31	7.67
Chancery building	3.88	4.15	5.69
	8.85	9.46	13.36

During negotiations in April 1974, 'A' agreed to reduce its offer by 3.9 *per cent* provided an 'essentiality certificate' was issued to it for the release of steel on priority. This was accepted and a contract was finally concluded by the Chief Engineer, Border Roads Organisation, on 14th May 1974, for a lump sum of Rs. 12.84 lakhs which was Rs. 3.99 lakhs (45 *per cent*) more than the original offer.

The work due for completion by June 1975 was completed in September 1975, but the plants could not be commissioned or tested due to certain civil works having been held over pending a decision of the Ministry of External Affairs about interior decoration work. In April 1976, 'A' was granted extension of time up to the end of December 1976.

The Ministry of External Affairs stated (October 1975) that it was essential to ensure that the central heating system to be finally selected was the most suitable and that delay in the acceptance of the tender was inescapable in the overall long-term public interest. The Ministry of External Affairs further stated (December 1976) that the formal order for interior decoration was issued on a private firm in September 1976.

**MINISTRY OF WORKS AND HOUSING**

(Central Public Works Department)

36. *Construction of a road.*—In June 1968, the Delhi Development Authority approved the alignment for construction of a 10,250 feet long road (No. 63) from Wazirabad barrage road at its junction with Loni Road to the border of Delhi with Uttar Pradesh towards Ghaziabad. This road was to meet the other portion of the road to be constructed in Uttar Pradesh by that State Government at the border. Estimated cost of the road in Delhi territory was Rs. 7.15 lakhs. The work was allotted by the Delhi Administration to a contractor in November 1969 for Rs. 7.51 lakhs for completion by 30th November 1971.

In early 1971, when the alignment of the road in Uttar Pradesh was ready, it was noticed that the tail end of the road constructed by the Delhi Administration was, at the border, 719 feet away from the place where it was to meet the other portion of the road to be constructed by Uttar Pradesh Government, as the alignment of the road constructed beyond the length of 3,300 feet from the Wazirabad road was different from that approved by the Delhi Development Authority. By then Rs. 7.82 lakhs had already been spent on the work and earthwork on the entire length of 10,250 feet of the road had been completed; only metalling and black topping were to be completed in about 10,196 feet and 8,177 feet respectively. The proportionate cost of the portion of the road to be abandoned due to wrong alignment was Rs. 4.36 lakhs. The Superintending Engineer, Circle No. II in whose jurisdiction the road was constructed reported to the Chief Engineer, Public Works Department of the Delhi Administration in June 1974 that land was acquired for the road according to the alignment which was actually adopted for construction of the road and that the demarcation of the same was seen by the officials of the Delhi Administration, Ministry of Shipping and Transport and Ghaziabad Improvement Trust but the mistake was not noticed then. The mistake does not appear to have been noticed

also when measurements were taken for payment to the contractor in course of execution of the work. The Ministry stated (September 1976) that "the road was to be aligned through flat cultivated land without any topographical features which could have served as a guide while laying out the road. The road alignment has a number of curves and it appears that the instrument used for laying curves was somewhat defective. ....".

An attempt was made in August 1971 to persuade the Uttar Pradesh Government to change the alignment of the portion of the road it was constructing so that it could meet the road already constructed by the Delhi Administration. The Uttar Pradesh Government, however, expressed (May 1972) its inability to do the same as it had already disposed of the land in the vicinity of the alignment of the portion of the road to be constructed by it. Thereafter in August 1972 the Delhi Administration suggested to the Delhi Development Authority construction of an 'S' curve to join the road constructed by the Delhi Administration with the other portion of the road in Uttar Pradesh. In a meeting held in April 1973, Delhi Development Authority expressed the view that the road should be shifted to its original alignment as this was an important road and as the road constructed on wrong alignment was causing obstruction to utilisation of about 65 acres of land meant for residential purpose. In May 1975, the Delhi Administration eventually decided that the original alignment approved by the Delhi Development Authority in June 1968 should be adhered to.

It was estimated in September 1975 that reconstruction, as per alignment approved in June 1968, of the portion of the road already constructed on wrong alignment would cost about Rs. 9.64 lakhs after allowing for use of earth and other material salvaged from the road already constructed, in addition to the cost of the land to be acquired according to the originally approved alignment. The Ministry stated (September 1976) that the Delhi Development Authority "will have to develop the

area on the south of the road and to construct more or less a parallel service road. A major length of the road on the alignment now proposed to be abandoned will be used by the DDA as part of the service road. DDA have agreed to reimburse the cost of the length of the road to be taken over by them and to that extent the expenditure incurred on that portion of the road will be saved".

The final decision of the Delhi Development Authority about use of the abandoned road is awaited (September 1976).



## CHAPTER V

### STORES PURCHASES

#### MINISTRY OF AGRICULTURE AND IRRIGATION

(Department of Food)

(ARMY PURCHASE ORGANISATION)

37. *Purchase of butter.*—Butter is purchased by the Army Purchase Organisation only from those suppliers registered with it. The number of registered suppliers was 6 in 1971 and 1972, 8 in 1974, and 9 in 1973 and 1975. During the four years 1971 to 1974 orders were placed on only three of them. One of those three ('A') is a co-operative and producer of a famous brand of butter, another ('B') is a State Government Undertaking and the third ('C') is a private concern. In 1975 orders were placed on two more suppliers, one of which was a State Government Undertaking ('D') and the other a private concern ('E'). The quantities ordered on these suppliers in each of the five years between 1971 and 1975, supplies against the orders of each year (including supplies made in subsequent years) and the supplies rejected are shown below :—

Year	Supplier	Quantity ordered	Supplies accepted (including supplies made in subsequent years)	Supplies rejected (including rejection of supplies made in subsequent years)	Remarks
(1)	(2)	(3)	(4)	(5)	(6)
1971	A	97	97	—	
	B	330	315	15	10 tonnes replaced in March 1972 and accepted. Order for balance 5 tonnes was cancelled.
	C	162	142	—	Supply position about 20 tonnes not known.

(1)	(2)	(3)	(4)	(5)	(6)
1972	A	300	277	23	Orders for 23 tonnes were cancelled.
	B	10	—	10	Order for 10 tonnes was cancelled.
	C	11	11	—	
1973	A	8	7	1	Order for 1 tonne cancelled.
	B	125	5	60	Order for 60 tonnes, which were not supplied, was cancelled.
	C	180	145	—	Order for 35 tonnes cancelled.
1974	A	171	156	15	Replaced later.
	B	56	56	—	
	C	158	158	—	
1975	A	—	—	—	Orders for 56.5 tonnes cancelled.
	B	80	23.5	56.5	
	C	—	—	—	

Butter purchased by the Army Purchase Organisation is governed by ASC specification No. 22. Till April 1973, the ASC specification for tinned butter did not contain any provision for yeast and mould count. On 22nd May 1973, the specifications were revised to allow for a maximum yeast and mould count of 20 per gramme. According to the Indian Standard methods of sampling and test for butter (IS. 3507—1966), however, if total yeast and mould count is less than 20 the butter is considered “good”, if it is between 21 and 50 the butter is considered “fair”, and if it is 51 and more the butter is considered “poor” (upto 100) and “very poor” (if the count is more than 100).

The following points were noticed in test audit of purchases of butter by the Army Purchase Organisation in the years 1972 to 1974 :

(i) On 20th June 1972, the Army Headquarters (Quarter Master General's Branch) sent an indent to the Department of

Food for procurement of 300 tonnes of butter during the period from September 1972 to February 1973 and 130 tonnes in July 1973 and August 1973. The purchases were made as follows :

(a) On the basis of a tender enquiry issued on 18th July 1972 an acceptance of tender was placed on 'A' on 19th August 1972 for supply of 300 tonnes of butter during September 1972 to February 1973 at Rs. 13.85 per kilogram (excluding taxes), which was the lowest rate offered.

Out of the 300 tonnes butter tendered by 'A' against the acceptance of tender dated 19th August 1972, 277 tonnes were accepted and 23 tonnes were rejected in inspection on 10th April 1973 (15 tonnes) and 7th May 1973 (8 tonnes) for the following reasons :

- (i) leakages in cans;
- (ii) rust spots along the inside seams of some of the cans;
- (iii) presence of objectionable taint in cans ;
- (iv) signs of curd separation in some cans ; and
- (v) high yeast and mould count.

At the request of 'A', it was allowed to make fresh supplies of 15 tonnes of butter rejected on 10th April 1973 but the fresh supplies were also rejected in inspection on 18th February 1974 for the following reasons :—

- (i) high yeast and mould count ;
- (ii) presence of mould discolouration ;
- (iii) presence of internal rusting on inside seams of cans;  
and
- (iv) presence of loose water droplets.

This quantity was cancelled on 28th February 1974 at the risk and expense of 'A'.

Order for 8 tonnes of butter rejected on 7th May 1973 was cancelled on 2nd June 1973 at the risk and expense of 'A'. On the basis of fresh tenders invited on 24th July 1973, an order for this quantity was again placed at the same price on 'A' on 22nd August 1973, but supplies of only 6.775 tonnes were accepted and supply of 1 tonne was rejected in inspection on 18th February 1974 for the reasons for which 15 tonnes were rejected on the same date as mentioned above.

On 25th March 1974, 'A' protested against the above rejections stating that all the conditions contained in Indian Standards Institution specifications ".....for sampling of butter as well as for storage of butter prior to examination ....." had not been strictly followed and, therefore, no butter could comply with the standards which had been prescribed under ASC specification for mould and microbiological standard. It also explained that the failure of lacquer on the inside seams of the cans was beyond the control of the tin manufacturers since the type of lacquer required for this purpose was not available in India and that no tinned butter would come up to the ASC specification for this item. 'A' stopped quoting against the tender enquiries issued during July 1973 to October 1974, except against tender enquiries for effecting risk purchase at its risk and expense.

Sixteen tonnes of butter tendered by 'A' which were rejected on 18th February 1974, as mentioned above, were subsequently purchased from it on 10th April 1974 at Rs. 13.85 per kilogram (excluding taxes).

(b) For supply of butter in July 1973 and in August 1973 the rate offered by 'C' initially on 26th July 1972 against the tender enquiry of 18th July 1972 was Rs. 15 per kilogram (excluding taxes); the quantity offered was 70 tonnes against 130 tonnes indented. Subsequently, 'C' offered on 23rd August 1972 to supply the entire 130 tonnes at the rate of Rs. 14.50 per kilogram (excluding taxes). 'A' also had offered on

31st August 1972 to supply 130 tonnes of butter at the rate of Rs. 13.85 per kilogram (excluding taxes) "provided there was no objection to the same being manufactured during flush season and stored under proper conditions until delivery". The Department of Food stated (December 1976) that it was then decided to "scrap the offer of—'C'—and consider the offer of—'A'—in consultation with Army Headquarters". On 9th October 1972 the Army Headquarters asked the Army Purchase Organisation to treat the demand for 130 tonnes of butter as "provisional". No purchase was, therefore, made against the tender enquiry of 18th July 1972.

The provisional indent for 130 tonnes of butter required in August 1973 was confirmed by the Army Headquarters on 2nd July 1973. Thereafter, on 16th July 1973, tenders were invited for supply of 130 tonnes of tinned butter in August 1973. On 18th July 1973, 'A' informed the Army Purchase Organisation that it would not be offering any supplies. The two offers received in response to this tender enquiry were :

	Quantity (tonnes)	Date of delivery	Rate per kilogram (ex- cluding taxes)
			Rs.
'B'	10	31st August 1973	20.25
	25	30th September 1973	} 17.60
	20	31st October 1973	
'C'	50	31st August 1973	15.23

These offers were open for acceptance till 4th August 1973. According to the weekly bulletins on agricultural prices prepared by the Economics and Statistics Directorate of the Ministry of Agriculture, the market price of butter in Bombay had risen from Rs. 13 per kilogram in January 1973 to Rs. 19 per kilogram at the end of July 1973. Yet, the rates quoted by 'B' and 'C' were considered by the Army Purchase Organisation to be very high as the last purchase price was Rs. 13.85 per kilogram (excluding taxes) in August 1972. On 3rd August 1973 (one

day before the offers were to expire) it was decided to negotiate with 'B' and 'C' for obtaining full requirements (130 tonnes) of butter at reduced prices.

Both 'B' and 'C' were, therefore, requested on 3rd August 1973 to extend the validity of their offer till 14th August 1973. In response, 'C' offered to supply the entire quantity of 130 tonnes at the rate of Rs. 19.80 per kilogram (excluding taxes) according to the following delivery schedule :

	(in tonnes)
By 30th August 1973	30
„ 10th September 1973	20
„ 30th September 1973	30
„ 30th October 1973	50

The offers were valid upto 14th August 1973. However, as a result of negotiations held on 14th August 1973, 'B' and 'C' revised their offers as indicated below :

	Quantity (in tonnes)	Date of delivery	Rate per kilogram (excluding taxes) Rs.
‘B’	10	30th September 1973	} 17.60
	35	31st October 1973	
‘C’	30	31st August 1973	} 19.50
	30	15th September 1973	
	10	30th September 1973	18.00
	30	31st October 1973	} 17.50
30	30th November 1973		

The Department of Food stated (December 1976) that “negotiations belied our earlier expectations to obtain more economical rates”.

An acceptance of tender was placed on 'C' on 20th August 1973, for supply of 60 tonnes (30 tonnes in August 1973 and 30 tonnes by 15th September 1973) of tinned butter at Rs. 19.50 per kilogram (excluding taxes) and another 60 tonnes (30 tonnes by October 1973 and 30 tonnes by November 1973) at Rs. 17.50 per kilogram (excluding taxes).

'C' did not make any supply in August 1973. The first lot of 30 tonnes was supplied by it only in September 1973.

Had the original offer of 'C' against the tender enquiry of 18th July 1972 for supply of 130 tonnes of butter in August 1973 at the rate of Rs. 14.50 per kilogram (excluding taxes) been accepted, the cost of 120 tonnes ultimately ordered on it on 20th August 1973 would have been less by Rs. 4.80 lakhs.

Even if 50 tonnes offered by 'C' at the rate of Rs. 15.23 per kilogram (excluding taxes) in response to tender enquiry in July 1973 were accepted, this quantity would have been available in August 1973 and its cost would have been less by Rs. 2.13 lakhs as compared to the rate allowed on 20th August 1973.

(ii) A tender enquiry was issued on 28th July 1973 for supply of 170 tonnes of butter during September 1973 to February 1974 and 158 tonnes in August 1974. Even before the tenders were opened on 14th August 1973, 'A' had informed the Army Purchase Organisation on 6th August 1973 that it would not be offering any supplies. The following two offers were received in response to the tender enquiry :—

	Quantity (in tonnes)	Date of delivery	Rate per kilogram (excluding taxes)
			Rs.
'B'	120	February 1974	15.80
'C'	170	February 1974	17.55
	158	August 1974	18.27

The offer of 'B' was accepted and an acceptance of tender was placed on it on 22nd August 1973 for supply of 120 tonnes of butter by February 1974 at the rate of Rs. 15.80 per kilogram (excluding taxes). An acceptance of tender was also placed on 'C' on the same day for supply of 60 tonnes of butter by January 1974 at the rate of Rs. 17.55 per kilogram (excluding taxes). It was decided on 26th August 1973 to invite tenders again in September 1973 for 158 tonnes required in August 1974, in the expectation of receiving more quotations and achieving economy through competition, as it was felt that the suppliers were taking undue advantage of the absence of any offer from 'A'.

Against 120 tonnes ordered on 'B' on 22nd August 1973, 60 tonnes of butter tendered by it for inspection till 15th January 1974 were rejected for various reasons, such as rusting of the inside seams of cans, high yeast and mould count, presence of black mould spots and loose water droplets and net weight of contents of cans being below specified limits. While protesting against the rejection of such large quantities of butter, 'B' pointed out on 2nd March 1974, that the standard as per ASC specification of maximum yeast and mould count "of 23 per gramme is much lower than the ISI specification which laid down the yeast and mould count of 50 per gramme and this too is for the products under refrigerated conditions..... The environmental conditions prevailing in the country make it rather impractical to produce butter of such high standards fixed for yeast and mould count". It was also pointed out by 'B' that the time taken for sampling and testing in the Army laboratory and acceptance and lifting of butter occasionally exceeded two months, during which period the butter was stored under normal environmental conditions thereby leading to multiplication of yeast and mould count. As regards internal rusting, 'B' mentioned that it was using lacquered cans manufactured by 'P', one of the premier can manufacturers in the country. 'B' also pointed out that the check samples left with it did not indicate any spots and there appeared to be some misunderstanding. It was also mentioned by 'B' that the lot rejected was got tested by it at the National Dairy Research Institute, Karnal, which declared the butter as satisfactory.

In a meeting held on 15th March 1974, the representatives of the Ministry of Defence wanted warranty for the butter for six months from the date of acceptance. 'B' declined to give such warranty as the butter was manufactured in November 1973 and 'at the most as an exception' it might be consumed by 30th April 1974. On 26th March 1974, 'B' asked for cancellation of the acceptance of tender dated 22nd August 1973 without financial repercussion on either side as further supplies by it might be rejected till the ASC specifications were modified. The order for the entire quantity of 120 tonnes was, however,



cancelled in parts between February 1974 and April 1974 at the risk and expense of 'B'.

Against the acceptance of tender placed on 'C' on 22nd August 1973 for supply of 60 tonnes of butter by 31st January 1974, it supplied only 25 tonnes in December 1973 and January 1974. The order for the balance quantity was cancelled on 25th March 1974 at 'C's' risk and expense. A risk purchase tender enquiry was issued on 15th May 1974. Since no offer was received, a tender enquiry was again issued on 19th July 1974. To this tender enquiry also, there was no response.

On 21st September 1974, two separate risk purchase tender enquiries were issued for procurement of 120 tonnes of butter at the risk and expense of 'B' and 35 tonnes of butter at the risk and expense of 'C'. Tenders were opened against both the risk purchase tender enquiries on 8th October 1974. 'A' submitted a single tender for supply of 155 tonnes of butter against both the risk purchase tender enquiries at the rate of Rs. 21 per kilogram (excluding taxes). This offer was the lowest and was accepted on 26th October 1974; supplies were completed by 'A' in November 1975.

Rupees 7.13 lakhs representing the extra expenditure incurred in repurchasing 120 tonnes of butter were claimed from 'B' on 18th September 1975. In the meantime, as 'B' disputed the right of the Army Purchase Organisation to cancel the acceptance of tender at its risk and expense, the matter was referred to an arbitrator in February 1975. The decision of the arbitrator is awaited (September 1976).

The cost of balance of 35 tonnes purchased from 'A' was Rs. 1.20 lakhs more as compared to the price of 'C', which defaulted in making the supply. The purchase of this quantity was not, however, treated as at the risk and cost of 'C'. The Department of Food stated (December 1976) that "when there were two different tender enquiries issued separately at the risk

and cost of two different firms, acceptance of one tender although it contained reference to both tender enquiries could have not resulted in legally valid risk purchase contracts against both firms". The Department of Food also stated (December 1976) that "the conditions of supply under the offer made by—'A'—for 155 tonnes were different from those of the original contract with—'C'—". Another tender enquiry was issued in November 1974 for purchasing 30 tonnes at the risk and expense of 'C', but the Army Headquarters informed the Army Purchase Organisation that "since all their requirements had already been covered, there was no further demand." Only Rs. 6,755 have been recovered from 'C' as general damages on the ground that "there is no risk purchase loss".

(iii) For purchase of 158 tonnes of butter required in August 1974 a tender enquiry was issued on 10th September 1973. 'A' informed the Army Purchase Organisation on 14th September 1973 that it would not be able to supply any butter due to limited milk collection. The only offer received was from 'C' at Rs. 23.60 per kilogram (excluding taxes). This price was considered to be very high, and was not accepted by the Army Purchase Organisation as it felt *inter alia* that having come to know that 'A' was not quoting, 'C' had offered very high rates. Another tender enquiry was issued on 25th February 1974. In response, again only one offer was received from 'C' for supply of 80 tonnes of butter in July 1974 at the rate of Rs. 28.30 per kilogram (excluding taxes) and for supply of 78 tonnes in August 1974 at the rate of Rs. 28.80 per kilogram (excluding taxes). The tender was scrapped as the price was considered to be very high and another tender enquiry was issued on 9th April 1974. This time also only one tender was received from 'C' which offered 80 tonnes of tinned butter in July 1974 at Rs. 29.40 per kilogram (excluding taxes) or 158 tonnes in August 1974 at Rs. 29.80 per kilogram (excluding taxes). It was felt by the Army Purchase Organisation that no other offer was forthcoming as 'B' and 'C' were "smarting under rejection of their supplies". Since, however, the Ministry of Defence required the butter and agreed to the acceptance of the offer, an acceptance of tender was placed

on 'C' on 4th May 1974 for supply of 80 tonnes of butter by July 1974 at the rate of Rs. 29.40 per kilogram (excluding taxes) and another 78 tonnes by August 1974 at the rate of Rs. 29.80 per kilogram (excluding taxes).

According to the weekly bulletins on agricultural prices prepared by the Economics and Statistics Directorate of the Ministry of Agriculture the whole-sale prices of butter in Bombay during 15th April 1974 to 1st November 1974 were as follows :—

	Rate per kilogram (excluding taxes)
	Rs.
15th April 1974 to 21st June 1974	18.60
28th June 1974 to 4th October 1974	19.60
11th October 1974 to 1st November 1974	20.50

The prices allowed to 'C' were appreciably higher than the whole-sale price in Bombay even allowing for the cost of containers. (In August 1973, 'B' had purchased containers for one pound of butter at 80 paise each).

'C' actually supplied 30 tonnes in July 1974, 20 tonnes in August 1974, 31 tonnes in September 1974 and 78 tonnes in October 1974; no reduction in prices was effected for the quantities of butter which were supplied after the due dates.

## MINISTRY OF ENERGY

(Department of Power)

38. *Purchase of Bearings.*—After considering the tenders received in response to two notices inviting tenders issued in August 1973 and September 1973 respectively for purchase of 3 types of

bearings, the Chief Purchase Officer, Beas Purchase Organisation, placed the following two acceptances of tender on 'A' :—

Indentors	Date of indent	Date of acceptance of tender	Type of bearing	Quantity (Number)	Value (Rupees)
Executive Engineer, 'X' Division	12th September 1973	26th February 1974	Rigid Roller Journal	18	7,200
Executive Engineer, 'Y' Division	24th August 1973	16th July 1974	Mine Car	300	57,000
			Flat Car tapper roller	200	14,000

'A' was neither registered with the Beas Project nor with the Director General, Supplies and Disposals. No security deposit or earnest money deposit was obtained from 'A' before issuing the acceptances of tender. On the other hand, the acceptances of tender provided for advance payment, against railway receipt of 90 *per cent* of the value of the bearings despatched. The Chief Purchase Officer, Beas Purchase Organisation stated (June 1976) that "there is no bar for placing orders on firms not registered with D.G.S.&D. or Beas Purchase Organisation as tenders invited through press are decided on merits. The order on 'A' was placed after approval by the competent authority and according to the procedure followed by the Beas Purchase Organisation.

If the firms are not registered with DGS&D or Beas Purchase Organisation, the safeguards other than obtaining a security deposit or earnest money are provided such as prior inspection by a representative of the Indentor or Beas Purchase Organisation's own Liaison Officer at Delhi, or its Clearance and Transportation Officer, Bombay."

Against the acceptances of tender of 26th February 1974 delivery was to be made within 3/4 weeks from the date of approval of sample. Before the other acceptance of tender was

issued on 16th July 1974, the Chief Purchase Officer had informed 'A' on 30th May 1974 telegraphically that the acceptance of tender was being issued and that 20 *per cent* of supply might be made immediately and the balance on approval of samples. Samples of bearings to be supplied against the acceptance of tender of 26th February 1974 were submitted by 'A' on 17th June 1974 to the Executive Engineer, 'X' Division through its representative. Samples of bearings to be supplied to the Executive Engineer, 'Y' Division were also submitted to him by the representative of 'A' on 18th June 1974. The samples were tested by the indenting officers and found satisfactory. In his letter dated 3rd July 1974, Executive Engineer, 'Y' Division, requested the Chief Purchase Officer to direct 'A' to supply all the bearings as the samples were found satisfactory by him, and forwarded a copy of this letter to 'A'. However, the acceptance of tender of 16th July 1974 provided for supply of twenty *per cent* of the bearings within 2/3 weeks and the balance within 4 weeks from the date of approval of initial supply. But on 25th July 1974 the Executive Engineer, 'Y' Division asked 'A' to despatch all the bearings at a time, instead of sending the first lot of 20 *per cent* for approval before supplying the balance.

In August 1974, 'A' despatched 24 boxes in three consignments against both the acceptances of tender. An advance payment of Rs. 69,786 was made to 'A' on 21st September 1974 against the proof of despatch. Four out of the 24 boxes were opened on 8th and 9th October 1974 and each was found to contain bricks. A telegram was sent to 'A' on 9th October 1974 stating that it was a clear case of cheating and requesting it to send its representative by 16th October 1974 for opening the remaining boxes in his presence. A registered letter was also sent to 'A' on the same day but this was received back on 5th November 1974 undelivered with the remark 'Left' recorded by the postal authorities on the envelope.

The project authorities lodged complaints with the police on 28th October 1974 and on 1st November 1974. Subsequently, the remaining 20 boxes were opened by a Deputy Superintendent

of Police, Central Bureau of Investigation; these too were found to contain bricks. The case is under investigation by the Central Bureau of Investigation (May 1976).

## MINISTRY OF EXTERNAL AFFAIRS

39. *Delays in placing purchase orders.*—Delays in placing purchase orders by the Supply Wing of the High Commission, London cost Rs. 3.50 lakhs in the following cases :

(a) An indent raised by the Navy in March 1973 for procurement of engine spares was crossmandated by the Director General, Supplies and Disposals, in June 1973 to the Supply Wing of the High Commission of India, London (formerly India Supply Mission); the latter received it in the second week of July 1973. In response to a limited tender enquiry of the Supply Wing of the High Commission, 'A' submitted an offer in October 1973. The offer was valid upto 22nd April 1974 and the prices offered were subject to a price escalation formula. This offer was subsequently extended by 'A' upto 29th August 1974.

An advance acceptance of tender for supply of engine spares worth about £ 14,268.44 (Rs. 2.71 lakhs approximately) was issued to 'A' on 6th August 1974 stating that a formal contract would be sent as soon as possible. According to the procedure laid down by the Director General, Supplies and Disposals, it is necessary to mention in the advance acceptance of tender that "the contract is concluded by this acceptance" and the formal acceptance of tender is required to be issued within 5 days; no such provisions were there in the rules for purchase by the Supply Wing of the High Commission. It was not mentioned in the advance acceptance of tender of 6th August 1974 that the contract was concluded by that acceptance. The formal acceptance of tender was issued by the Supply Wing of the High Commission only on 26th November 1974 wherein it was mentioned that an advance acceptance of tender was issued in August 1974. About the delay in issuing the formal

acceptance of tender the Ministry stated (April 1976) that "moving of the Supply Wing to India House and reallocation of work within the Supply Wing had caused some administrative dislocation. The position was further aggravated due to retrenchment/retirement of local based staff and the work was distributed amongst the remaining staff". The Supply Wing moved to India House in March 1974, reallocation of work within the Supply Wing was done in May 1974 and retrenchment/retirement of local based staff was effected on 31st December 1974, while the advance acceptance of tender was issued in August 1974 and the formal acceptance of tender in November 1974.

'A' declined (December 1974) to accept the contract on the ground that the prices quoted in October 1973 were no longer valid. The acceptance of tender was, thereafter, cancelled on 7th April 1975 without any financial repercussion on either side. On being consulted subsequently, the Legal Adviser to the High Commission stated (February 1976) that "since we had made our advance acceptance subject to formal contract to follow, which the other side had not seen, it is very doubtful whether a legally enforceable contract had come into existence with our advance letter of acceptance."

'A' submitted its revised quotations for some of the items in January 1975 and for the remaining in May 1975. These revised quotations were also subject to price escalation clause. Two contracts were concluded with 'A' in March 1975 and June 1975 on the basis of these quotations for total value of about £ 21,162.94 (Rs. 4.02 lakhs approximately). Purchase of the items at the revised rates cost about £ 7,086 (Rs. 1.34 lakhs approximately) more as compared to the prices quoted in October 1973.

The Ministry stated (February 1976) that "though the delay part in this case is attributable to a period of exceptional conditions, the Supply Wing has been asked to specifically devise definite inbuilt arrangements for ensuring strict watch over

progressing of indents at various stages and to plug any loopholes as may possibly lead to the delays of the type”.

(b) In June 1973, the Supply Wing of the High Commission, London, entered into a contract on behalf of 'X' for procurement of 85 units of a Defence store from 'B'. The contract provided for a fixed price of BF 39,000 per unit.

In March 1974, the Ministry of Home Affairs sanctioned procurement of 254 units of similar stores from 'B' at a cost not exceeding Rs. 27.94 lakhs, through the Supply Wing of the High Commission, London; of these, 200 units were for 'X' and 54 units for 'Y'.

'X' informed the Supply Wing of the High Commission on 30th March 1974 that indent for procurement of 254 units was being placed and wanted to know their cost.

The Supply Wing enquired from 'B' on 4th April 1974 whether order for 254 units more could be placed on the same terms and conditions as in the contract of June 1973. 'B' replied on 17th April 1974 that the previous price could not be maintained and offered a price of BF 47,975 per unit valid for 60 days. The Supply Wing communicated this offer to 'X' on 19th April 1974 asking for provision of additional foreign exchange apprehending that the indent might not provide sufficient foreign exchange. Copy of 'X's letter dated 5th April 1974 to the Director General, Supplies and Disposals, New Delhi, forwarding the indent for crossmandation and Government's sanction dated 25th March 1974 for purchase of 254 units and release of foreign exchange therefor, were received by the Supply Wing on 17th April 1974. On the basis of BF 47,975 per unit quoted by the firm, the foreign exchange of Rs. 27.94 lakhs released by Government was sufficient for 254 units.

The Supply Wing received the indents crossmandated by the Director General, Supplies and Disposals on 20th June 1974



(54 units for 'Y') and 17th July 1974 (200 units for 'X'). As the offer of 'B' had already expired, the Supply Wing wrote to it on 23rd July 1974 seeking confirmation that the offer would remain valid upto 15th August 1974.

'B' replied on 30th July 1974 that it was impossible to maintain the price quoted on 17th April 1974. On 9th August 1974 'B' informed the Supply Mission that the price per unit would be plus or minus BF 55,895, which price it was prepared to consider as a firm price "bearing in mind that the price to be invoiced if lower would be that resulting from the application of escalation clause".

The Supply Wing requested 'B' to extend the validity of this offer upto 15th November 1974. 'B' intimated on 19th August 1974 that the offer would be valid up to 30th September 1974 only.

In response to a letter received from 'Y' on 28th August 1974, the Supply Wing informed him on 30th August 1974 that the revised price valid up to 30th September 1974 was BF 55,895 per unit and requested release of additional foreign exchange of £ 44,213.

The additional foreign exchange indicated to 'Y' was for 254 units whereas only 54 units were meant for him. The additional foreign exchange was also wrongly indicated as £ 44,213 ; the actual requirement was £ 8,712 only of which 'Y' was to provide £ 1,852 and 'X' £ 6,860. The Supply Wing did not make any reference to 'X' about additional foreign exchange requirement at this stage.

On 19th September 1974 'Y' asked the Supply Wing to reduce the number of units proportionately so as to be within the foreign exchange sanctioned.

On 24th September 1974 the Supply Wing intimated the above offer of 'B' to 'X' and wanted its concurrence to restrict the number of units to availability of foreign exchange. The Supply Wing requested 'B' on 27th September 1974 to extend the validity of its offer up to 30th October 1974. 'X's confirmation for restriction of units to available foreign exchange was received by the Supply Wing on 28th September 1974; that being Saturday, the telex appeared to have been received by the dealing Directorate on the following Monday *i.e.* 30th September 1974.

Inviting reference to the telephonic talk of the Supply Wing's representative, 'B' sent a telex on 1st October 1974 intimating that it was not in a position to extend the validity of price quoted in its telex dated 9th August 1974 (BF 55,895 per unit) and offering a price of BF 33,000 per unit (September 1971 base price) with escalation clause to neutralise rise in cost.

The Supply Wing issued a telex on 3rd October 1974 (after expiry of the offer) placing order for 238 units at a fixed price of BF 55,895. 'B', however, expressed its inability to accept a fixed price and a contract was concluded on 10th October 1974 for procurement of 224 units (176 units for 'X' and 48 units for 'Y') at the rate of BF 33,000 (September 1971 base price) with price escalation clause.

'B' supplied 106 units in November 1975 and 118 units in February 1976. On the basis of escalation clause in the contract, the final price worked out to BF 59,086 per unit, against the offer of BF 55,895 per unit valid upto 30th September 1974; the 224 units, therefore, cost BF 714,784 (Rs. 1.49 lakhs approximately) more.

The Ministry stated (August 1976) that "there was some clerical oversight in approaching the indentor 'X' for allotment of additional foreign exchange. Their confirmation was received

in Supply Wing, London before the expiry of validity period of offer of the firm and necessary action was taken by the Supply Wing by approaching the firm on phone as the telex would have delayed in the destination and conveyed their acceptance of the offer except for schedule for delivery period”.

(c) An indent for procurement of 283 items of spares for helicopters at an estimated cost of £ 14,246.05 was received from the Naval Headquarters by the Supply Wing of the High Commission, London, in September 1973. It was indicated in the indent that on the last occasion such spares were obtained from ‘C’ against a contract of March 1971. The indenter was informed by the Supply Wing in November 1973 that procurement action was being initiated.

A quotation for 277 items costing £ 15,515.86 was received from ‘C’ in June 1974, which was valid up to 26th August 1974. ‘C’ mentioned in the quotation new part numbers for 18 items out of 277 ; part numbers of the remaining spares were the same as mentioned in the previous contract of March 1971 and the indent mentioned above. No order was placed by 26th August 1974. The pending quotation came to light some time in December 1974 and a telex accepting the offer was issued to ‘C’ on 18th December 1974. ‘C’ informed the Supply Wing on 23rd December 1974 that it could not link the telex acceptance with its quotation. The Supply Wing could not give to ‘C’ a copy of its quotation of June 1974 as the file containing the quotation was in the meantime lost in the Typing Pool where it was stated to have been sent for typing the contract. The file was reconstructed from the papers available with the Naval Headquarters and a copy of the quotation of June 1974 was furnished to ‘C’ only on 22nd April 1975. ‘C’ declined to accept the order and informed the Supply Wing on 29th April 1975 that the offer had expired in August 1974. ‘C’ offered to quote afresh in case the Supply Wing was still interested in purchasing the spares. As the spares were urgently required by the Naval Headquarters fresh quotation was obtained in May 1975 and

order was issued (May 1975) for the spares at a cost of £ 19,049.97. Compared to the price quoted by 'C' in June 1974 the spares would cost £ 3,534.11 (Rs. 0.67 lakh approximately) more.

The prices of spares quoted by 'C' in May 1975 were subject to escalation. In the order placed in May 1975 the prices quoted were taken as firm prices. While acknowledging the order 'C' stated on 8th July 1975 that its acceptance of the order was subject to its standard terms and conditions of sale. The final price may, therefore, be different from what has been indicated in the order of May 1975.

The Ministry of External Affairs attributed (August 1976) the delay to dislocation of work in the Supply Wing due to the following factors :—

- (i) shifting of the Supply Wing in March 1974,
- (ii) internal re-organisation within the Supply Wing involving transfer of work from one directorate to another, and
- (iii) unsettled conditions due to large scale retirement/ resignation of locally recruited personnel.

The Ministry further stated (August 1976) that following remedial measures had been taken :

- (a) launching of operation 'QPSPUR' in January 1975 for immediate processing of pending indents ;
- (b) creation of credit control cell to process payment problems ;

- (c) setting up of 'Dataplex' to cut down delays in typing of contracts; and
- (d) creation of Centralised Indent Processing Cell.

## MINISTRY OF SUPPLY AND REHABILITATION

### (Department of Supply)

40. *Purchase of non-ferrous metal products.*—According to the principles followed by the Directorate General of Supplies and Disposals, contracts should, as far as practicable, be placed on fixed price basis and contracts, subject to price variation clause, should be placed only where such a course is inescapable, e.g. stores involving substantial use of non-ferrous metals, such as, copper, zinc, etc.

Imports of non-ferrous metals are canalised through the Minerals and Metals Trading Corporation of India. Imports of copper, zinc and lead from 1971-72 onwards, as compared to indigenous production were as follows :—

Year	Copper		Zinc		Lead	
	Indigen- ous pro- duction	Imports	Indigen- ous pro- duction	Imports	Indigen- ous pro- duction	Imports
	(in tonnes)					
1971-72	..	56,173	24,607	70,500	..	35,320
1972-73	12,446	49,702	22,837	76,802	2,893	41,972
1973-74	12,740	48,679	22,466	62,672	2,700	35,555
1974-75	12,818	36,409	22,781	66,644	3,800	37,258

Minerals and Metals Trading Corporation's prices of copper, zinc, lead and tin for actual users were as follows during January 1973 to December 1975; the prices rose rapidly from

March 1973 onwards till September 1974 and started declining from October 1974 :—

Year	Copper	Zinc		Lead		Tin
		High grade	Special grade	99.99%	99.97%	
(Rupees per tonne)						
January-February 1973	14,250	5,675	5,750	4,570	4,525	47,220
March 1973	16,780	6,215	6,290	4,920	4,880	47,980
April-June 1973	19,095	6,340	6,415	5,090	5,060	51,200
July-September 1973	21,090 *25,755	6,660	6,735	5,665	5,635	52,795
October-December 1973	25,755	9,435	9,510	6,240	6,210	64,510
January-March 1974	29,560	13,710	13,785	7,785	7,755	75,110
April-June 1974	34,080	15,035	15,110	9,505	9,420	1,02,710
July-September 1974	34,080	16,660	16,810	9,400	9,175	1,12,495
October-December 1974	30,000	15,475	15,625	9,025	8,940	1,10,400
January-March 1975	26,000	14,000	14,150	8,855	8,765	1,02,140
April-June 1975	26,000	14,675	14,825	8,855	8,765	97,140
July-September 1975	26,000	14,675	14,825	8,855	8,765	84,950
October-December 1975	26,000	13,740	13,895	7,855	7,765	96,845

\*From 25th August 1973

Test-check of a few contracts for purchases of non-ferrous metal-products executed during March 1972 to October 1976 disclosed the following :—

*Gun metal ingots*

Gun metal is an alloy of tin (5 to 7 per cent), lead (1 to 3 per cent), zinc (2 to 3 per cent) and copper (remainder). An acceptance of tender was placed on 'A' on 26th February 1973 for supply of 25 tonnes of gun metal ingots at Rs. 14,180 per tonne and 25.45 tonnes at Rs. 14,390 per tonne to South Central Railway by 15th September 1973. Another acceptance of tender for supply of 37.5 tonnes of gun metal ingots to South Central Railway by December 1973, at the rate of Rs. 14,250 per tonne was also placed on 'A' on 28th March 1973.

The prices of copper, tin and lead started rising from March 1973. 'A' did not make any supplies against the acceptances of tender of 26th February 1973 and 28th March 1973. In May 1973, 'A' requested the Director General, Supplies and Disposals to cancel the acceptances of tender without financial repercussions on either side.

On being consulted the Ministry of Law stated (May and June 1973) that risk purchase was not possible against either of these two contracts for the reasons stated below :—

- (i) in the acceptance of tender dated 26th February 1973 there was an omission to incorporate the provision about risk purchase,
- (ii) although 'A' had stated in its tender that payment of security deposit should be waived, it was stipulated in the acceptance of tender of 28th March 1973 that security deposit of Rs. 1,719 would have to be furnished by 'A' by 30th April 1973. In the opinion of the Ministry of Law there was no concluded contract as the acceptance of tender was at variance with the tender submitted by 'A'. It may be mentioned in this connection that on receipt of the acceptance of tender 'A' again requested the

Director General, Supplies and Disposals on 4th April 1973 for waiver of the security deposit as it was a registered supplier and was exempted from paying security deposit against certain other acceptances of tender. Before, however, the letter waiving security deposit was issued on 11th May 1973, 'A' requested the Director General, Supplies and Disposals on 8th May 1973 for cancellation of the acceptance of tender.

Despite the opinion of the Ministry of Law, the acceptance of tender dated 26th February 1973 was cancelled on 11th July 1973 at the risk and expense of 'A'. Against the risk purchase tender enquiry, tenders were opened on 7th September 1973. The lowest offer of Rs. 19,000 per tonne was again received from 'A', the offer was subject to price variation based on Minerals and Metals Trading Corporation's prices of raw materials. As a result of negotiations held on 20th September 1973, 'A' agreed to make supplies against both the acceptances of tender dated 26th February 1973 and 28th March 1973 by 31st August 1974 at an increased price of Rs. 18,500 per tonne. Consequently, the acceptance of tender dated 26th February 1973 was reinstated on 9th October 1973. Supplies against both the acceptances of tender were to commence in November 1973 and completed by August 1974.

However, due to further increase in the price of copper, tin and zinc, 'A' did not make any supplies. On 4th April 1974, it requested for cancellation of both the acceptances of tender without any financial repercussions on either side. The Ministry of Law, on being consulted, reiterated on 10th June 1974 its earlier advice that the acceptance of tender dated 28th March 1973 had not brought about any concluded contract and could not, therefore, be cancelled at the risk and expense of 'A'. When 'A' reminded the Director General, Supplies and Disposals, on 23rd August 1974 for cancellation of both the contracts, the case was referred to the Ministry of Law again on 27th November 1974. On 31st May 1975, the Ministry of Law revised its earlier opinion of June 1974 and stated that due to issue of the amend-



ment letter dated 9th October 1973 to the acceptance of tender dated 28th March 1973, refixing the delivery period as November 1973 to August 1974 and increasing the contract price from Rs. 14,250 to Rs. 18,500 per tonne, a fresh contract had come into being which could be cancelled at the risk and expense of 'A'; the date of breach was, however, determined as 31st August 1974. The acceptance of tender dated 28th March 1973 was thereafter cancelled on 26th June 1975, more than nine months after the date of breach of the contract. Gun metal ingots were purchased against the cancelled contract in August 1975 at prices ranging from Rs. 22,880 to Rs. 23,680 per tonne.

The acceptance of tender dated 26th February 1973 was also referred to the Ministry of Law on 21st June 1975 for advice as to whether it could be cancelled at the risk and expense of 'A'. The Ministry of Law advised on 8th July 1975 that this acceptance of tender could also be cancelled at the risk and expense of 'A' treating 31st August 1974 as the date of breach. The contract was cancelled accordingly on 15th July 1975 more than ten months after the date of breach of the contract. Gun metal ingots were purchased against this cancelled contract in December 1975 at the rate of Rs. 23,450 per tonne.

Apart from the delay in obtaining supply, purchase of 87.95 tonnes of gun metal ingots at the increased prices cost about Rs. 8 lakhs more as compared to the original prices in the acceptances of tender dated 26th February 1973 and 28th March 1973. As the risk purchases were not effected by 28th February 1975, i.e. within six months from the date of breach (31st August 1974) of the contracts, only general damages are recoverable.

The department stated (January 1977) that on 27th September 1976 Rs. 4.25 lakhs were claimed as general damages from 'A'; the amount is yet to be recovered (January 1977).

#### *Leaded bronze ingots*

Leaded bronze is an alloy of copper (71 to 78 per cent), tin (6 to 8 per cent), lead (14 to 16 per cent) and zinc (0.5 per cent maximum).

(i) On the basis of tenders opened on 23rd March 1973 against an advertised tender enquiry, for supply of 206.7 tonnes of leaded bronze ingots to South Central Railway, acceptances of tender were placed on 'B' and 'C' on 2nd April 1973 as per details given below :—

'B' : 50 tonnes by 7th February 1974 at the rate of Rs. 13,050 per tonne. The quantity on order was increased on 13th April 1973 to 100 tonnes.

'C' : 56.7 tonnes by 1st June 1974 at Rs. 13,050 per tonne.

Due to increase in the price of copper, tin and lead etc., 'B' did not make any supplies. In October 1973, it applied for an increase in price. On 3rd February 1974, however, it offered 500 kilograms of the material for inspection and requested the Director General, Supplies and Disposals on 4th February 1974, to extend the delivery period by three months. It was, therefore, given an extension, (on 28th February 1974) from 7th February 1974 to 31st May 1974. This extension was neither acknowledged nor acted upon by 'B', but since its claim for an *ad hoc* price increase was being considered by the department, a performance notice-cum-extension letter was issued to it on 16th August 1974 for completing supplies by 15th September 1974. 'B', however, did not make any further supplies and pointed out on 11th September 1974 that the delivery period refixed was not in accordance with the terms of its tender. The Ministry of Law was, therefore, consulted on 28th November 1974 and it advised on 19th December 1974 that since the extensions had not been accepted by 'B' the contract could be cancelled at its risk and cost treating 7th February 1974 as the date of breach, provided the contract was not kept alive after 15th September 1974. However, in the meantime, the Director of Inspection, Calcutta had issued an inspection note on 1st November 1974 accepting 500 kilograms of the material offered by 'B' for inspection on 3rd February 1974. This note had the effect of keeping the contract alive after 15th September

1974 and consequently, another performance notice-cum-extension letter was issued to 'B' on 21st January 1975, for execution of the contract by 30th April 1975. 'B' did not make any supply. Because of further correspondence that took place **subsequently between the department and 'B' it became necessary** to issue yet another performance notice-cum-extension letter on 22nd March 1976, asking 'B' to complete supplies by 30th June 1976. As 'B' still did not make any supply, the contract was finally cancelled on 29th June 1976 in consultation with the Ministry of Law. According to that Ministry, the date of breach was 7th February 1974 and no risk purchase was, therefore, possible as the period of six months for making risk purchase was over by then.

In the meantime, the indentor first reduced his demand on 20th September 1975 to 60 tonnes and withdrew it completely on 23rd September 1976. However, when asked to clarify as to why he had also sent a fresh indent on 31st August 1976 for procurement of 112 tonnes of the same material, he confirmed on 5th October 1976 that his total requirement was for 112 tonnes. Consequently, on the basis of tenders opened on 27th August 1976 against a tender enquiry issued on 6th August 1976, for supply of 60 tonnes of leaded bronze ingots, acceptances of tender were placed on 'C' (35 tonnes) and 'D' (25 tonnes) in October 1976 for supply of a total quantity of 60 tonnes of the ingots at Rs. 21,500 per tonne. The balance quantity of 40 tonnes has not yet been purchased (October 1976). Purchase of 60 tonnes of the ingots at the increased price cost about Rs. 5.07 lakhs more as compared to the original price in the acceptance of tender dated 2nd April 1973. As no risk purchase was possible, only general damages are recoverable from 'B'.

Against the acceptance of tender placed on 'C' on 2nd April 1973 for supply of 56.7 tonnes of leaded bronze ingots by 1st June 1974, it supplied only 11.313 tonnes by that date. In the meantime there were increases in the price of copper, tin, lead etc, and 'C' did not make any further supplies. At the

request of 'C' the date of delivery was first extended on 5th July 1974 till 15th October 1974 and again on 7th April 1975 upto 30th June 1975. As, however, 'C' did not make any further supplies, the acceptance of tender was cancelled on 18th October 1975 at the risk and expense of 'C', after consulting the Ministry of Law. The balance 45.387 tonnes were purchased in March 1976, from 'C' at Rs. 20,180 per tonne, which cost Rs. 3.24 lakhs more as compared to the price in the acceptance of tender of 2nd April 1973. As, however, according to the Ministry of Law the date of breach was 1st June 1974, the prescribed period of 6 months for risk purchase was over even before the acceptance of tender was cancelled in October 1975. Rupees 3.42 lakhs were claimed from 'C' on 6th October 1976 as general damages including difference in sales tax, but the amount has not yet been paid by it (October 1976).

(ii) On 31st October 1973, a limited tender enquiry was issued for procurement of 300 tonnes of leaded bronze ingots for South Eastern Railway. Tenders were opened on 23rd November 1973. The lowest offer was received from 'E' for supply of only 100 tonnes of the material at a fixed price of Rs. 23,250 per tonne. This offer was accepted on 7th December 1973. 'E' completed supplies on 19th July 1974.

The next higher offers from 'B' and 'C' at Rs. 23,950 per tonne were ignored as these firms had failed to supply this material against the acceptances of tender dated 2nd April 1973. The next higher offer of 'F' for supply of 20 tonnes of the material at Rs. 26,200 per tonne was also ignored on account of unsatisfactory performance of 'F' against an acceptance of tender dated 31st March 1973 for supply of Aluminium Chromium Master Alloy. The next higher offer was from 'D' at Rs. 26,500 per tonne for 50 tonnes, at Rs. 27,500 per tonne for the second slab of 50 tonnes, Rs. 29,500 per tonne for the third slab of 50 tonnes and Rs. 30,500 per tonne for the fourth slab of 50 tonnes. These prices were based on the prices of copper, lead and tin at

Rs. 27,080, Rs. 6,240 and Rs. 64,510 per tonne respectively and were subject to variation, according to a prescribed formula on the basis of rise or fall in the prices of these metals fixed by the Minerals and Metals Trading Corporation.

As a result of negotiations with the Director General, Supplies and Disposals, 'D' modified its offer on 29th November 1973 to Rs. 26,500 per tonne for the first slab of 50 tonnes and to Rs. 27,500 per tonne for the balance quantity of 250 tonnes, subject to the price variation mentioned above. An acceptance of tender was placed on 'D' on 12th December 1973 for supply of 200 tonnes of the material by 30th June 1974. 'D' tendered only 86.4 tonnes of the material for inspection by 30th June 1974.

London Metal Exchange price of copper (wire bars) per tonne gradually declined from £ 1,269.70 in April 1974 to £ 1,191.50 in May 1974. Similarly, price of lead, per tonne declined gradually from £ 293.90 in April 1974 to £ 229.39 in December 1974. The price of tin also gradually declined from £ 3,851.25 in April 1974 to £ 3,082.56 in December 1974 per tonne. Besides, in response to another tender enquiry, the rates accepted in August 1974 for leaded bronze ingots were between Rs. 21,540 and Rs. 22,750 per tonne. Despite the above, extensions were granted to 'D' on 6th September 1974 for completing supplies by 15th October 1974 and again on 7th November 1974 for completing supplies by 31st January 1975. Between July 1974 (*i.e.* after expiry of original period of delivery) and November 1974 'D' supplied 113.6 tonnes of the ingots, for which it got prices between Rs. 30,420 and Rs. 36,160 per tonne under the price variation clause. As compared to the highest price of Rs. 22,750 per tonne accepted in August 1974, cost of 113.6 tonnes of the ingots supplied by 'D' after June 1974 was about Rs. 11.64 lakhs more.

The department stated (January 1977) that "During the later half of 1974, many firms did not have sufficient orders to book their capacity, and as a result cheaper prices were being obtained".

(iii) In terms of an acceptance of tender placed on 'G' on 23rd August 1974, it was to supply 25 tonnes of leaded bronze ingots at Rs. 21,540 per tonne, 17 tonnes at Rs. 21,730 per tonne and 42.20 tonnes at Rs. 22,750 per tonne, by 31st May 1975. It supplied 14.39 tonnes of the material on 20th December 1974. In the meantime, as the workers of its factory had gone on strike from 22nd October 1974, 'G' wanted on 4th November 1974 that delivery against the acceptance of tender should be deemed to be suspended during the period of the strike. On being consulted, the Ministry of Law advised on 27th February 1975 that since the strike in the factory of 'G' had continued for a period exceeding sixty days, the Director General, Supplies and Disposals, could terminate the acceptance of tender for the unsupplied quantity.

As prices of non-ferrous metals had started declining from October 1974, a standby tender enquiry was issued on 22nd February 1975 for supply of the outstanding quantity of 69.81 tonnes of leaded bronze ingots. Tenders were opened on 29th March 1975. The lowest offer received was from 'C' at Rs. 20,800 per tonne. However, before any decision was taken to cancel the acceptance of tender on 'G' it informed the Director General, Supplies and Disposals on 16th May 1975 that the strike at its factory had been called off and supplied 68.72 tonnes of the material on 9th June 1975 *i.e.* within the grace period of 21 days from the stipulated date of delivery. It was allowed to supply the balance 1.10 tonnes by December 1975. Had the contract of 'G' been cancelled immediately after receipt of the advice of the Law Ministry on 27th February 1975, keeping in view the declining prices of non-ferrous metals since October 1974 and 69.81 tonnes of the ingots been purchased from 'C' the cost would have been less by about Rs. 1 lakh.

The department stated (January 1977) that "..... the decision to cancel the acceptance of tender on ...('G')... could not be carried out as the lowest offers received against cancelled tender enquiry were from .....('B').... and

.....('C').....who had against contracts No..... defaulted in supply for the same item..... Hence, it was decided to call for this firm as well as other firms who were reliable to negotiate terms and conditions to ensure supplies. These negotiations were to take place on 27-5-75 but in the meanwhile on 13-5-75, ....('G')....offered the balance quantity for inspection.....and also informed us on 16-5-75 that the strike had been called off”.

### *Zinc base alloy ingots*

Zinc base alloy is produced from zinc (96 per cent) and aluminium (3.9 per cent). Zinc used in production of this alloy is required to be of a very high purity (99.99 per cent).

An acceptance of tender for supply of 67 tonnes of zinc base alloy ingots at a fixed price of Rs. 6,200 per tonne was placed on 'H' on 8th March 1972. The ingots were to be supplied by 31st December 1972; 'H' supplied only 22.40 tonnes of the ingots by that date. It tendered 38.80 tonnes of the ingots for inspection on 28th December 1972 from which samples were selected in early January 1973 by the Inspector of Metals, Ministry of Defence for laboratory analysis. On 25th April 1973 'H' asked for refixation of the delivery period so as to allow 10 to 12 weeks for completion of inspection by the inspecting officer. After consulting the Ministry of Law, the Director General, Supplies and Disposals, issued a performance notice-cum-extension letter to 'H' on 25th May 1973 for completion of supplies by 15th July 1973. This conditional extension of delivery period was accepted by 'H' under protest. It requested the Director General, Supplies and Disposals, on 13th July 1973 for a further extension of the delivery period by 8/10 weeks. The delivery period was extended on 30th July 1973 till 20th October 1973. In the meantime, the price (for actual users) of high grade zinc was increased by the Minerals and Metals Trading Corporation from Rs. 5,260 per tonne in March 1972 gradually to Rs. 9,510 per tonne in October 1973. As no further supplies were made by 'H', the acceptance of

tender was cancelled on 25th February 1974 for the balance 44.61 tonnes at the risk and expense of 'H' in consultation with the Ministry of Law. The cancelled quantity (44.61 tonnes) was ordered on 'I' in July 1974 at the rate of Rs. 25,000 per tonne; the price paid to 'I' was Rs. 8.38 lakhs more as compared to the price of 'H'. As the Ministry of Law had determined 31st December 1972 as the date of breach, the period of six months for making risk purchase was already over on 30th June 1973 and only Rs. 0.14 lakh was recovered (August 1975) as general damages from 'H'.

#### *Anti-friction metal ingots*

Anti-friction metal is an alloy of lead (80 per cent), antimony (15 per cent) and tin (5 per cent).

An acceptance of tender was placed on 'J' on 18th April 1973 for supply of 204 tonnes of anti-friction metal ingots to Eastern Railway by 30th September 1974 at prices between Rs. 6,149 and Rs. 6,449 per tonne. 'J' supplied 62.198 tonnes of the ingots by August 1973. Another quantity of 1.33 tonnes tendered by it for inspection in June 1973 and August 1973 was accepted in inspection on 22nd July 1974 but this quantity was not supplied by 'J'. On 9th October 1974, the consignee informed the Director General, Supplies and Disposals, that the material supplied by 'J' did not conform to specifications. In a joint inspection held on 4th December 1974 'J' agreed to replace the substandard material and its representative was a signatory of the minutes of that meeting. On 19th December 1974, however, 'J' asked the consignee to "first of all reject the stores and in accordance with the terms and conditions of the contract". On being consulted on 28th December 1974, the Ministry of Law advised on 13th February 1975 that the contract for the unsupplied quantity had been kept alive "as the consignee and the firm agreed that the stores received at the destination may be rejected and that the firm should replace the stores so rejected", and could not be cancelled at its risk and expense without issuing a performance notice. A performance notice was issued to 'J'



on 19th February 1975 to complete supplies by 15th March 1975, but it did not make any supply. However, as the consignee wrote a letter to 'J' on 1st April 1975 about the contract, that had the effect of keeping the contract alive further. Another performance notice was, therefore, issued to 'J' on 23rd May 1975 for completion of supplies by 30th June 1975. On being consulted again on 23rd July 1975, the Ministry of Law advised on 6th September 1975 that the acceptance of tender could be cancelled at the risk and expense of 'J' treating 30th September 1974 as the date of breach. The acceptance of tender for the balance quantity of 141.8 tonnes was thereafter cancelled on 25th September 1975, more than eleven months after the date of breach of the contract, and as such no risk purchase was possible.

One hundred and fifty tonnes of the ingots (including the rejected quantity of 8.2 tonnes) purchased subsequently in January 1976 at prices between Rs. 11,250 and Rs. 11,650 per tonne cost Rs. 7.90 lakhs more as compared to the price payable to 'J'. Rupees 5.23 lakhs were claimed from 'J' on 30th March 1976 as general damages. 'J' has not paid this amount so far (December 1976).

The department stated (January 1977) that the claim for Rs. 5.23 lakhs "has to be referred to arbitration in consultation with the Ministry of Law".

#### *Aluminium chromium master alloy*

An indent was sent by an Ordnance Factory to the Director General, Supplies and Disposals, in December 1972 for procurement of 138 tonnes of aluminium chromium master alloy (aluminium content 95 *per cent*) by April 1974. A tender enquiry

was floated on 20th January 1973 and tenders were opened on 23rd February 1973. Of the six offers received, the lowest and only acceptable offer was from 'F' which offered to supply the material at the rate of 5 to 7 tonnes per month at the following rates :—

- Rs. 11,300 per tonne for the first lot of 50 tonnes;
- Rs. 11,600 per tonne for the second lot of 50 tonnes;
- and
- Rs. 12,000 per tonne for the balance quantity of 38 tonnes.

Supply was to be completed by April 1974. The above prices were based on the controlled price of aluminium in February 1973 and were subject to adjustment based on price variations. The price of indigenously produced aluminium in February 1973 as fixed by the Department of Mines under the Aluminium (Control) Order 1970 was Rs. 5,586 per tonne.

The offer of 'F' was open for acceptance till 27th February 1973. As the funds provided by the indenter were inadequate for procurement of the entire indented quantity, an advance acceptance of tender was placed on 'F' on 27th February 1973 for supply of 50 tonnes of the material at the rate of Rs. 11,300 per tonne by 7th January 1974. The formal acceptance of tender was issued on 31st March 1973. Subsequently, on 29th March 1973, the indenter confirmed provision of additional funds and agreed on 12th April 1973 to accept the delivery schedule offered by 'F'. On 10th April 1973, 'F' agreed to accept an order for the balance quantity of 88 tonnes provided the Director General,

Supplies and Disposals, got an order issued by Director General, Technical Development directing the indigenous producers of aluminium to release the requisite quantity of aluminium to it. The quantity on order on 'F' was increased on 13th April 1973 by 88 tonnes for supply by 31st July 1975 or earlier. The Director General, Technical Development, was requested by the Director General, Supplies and Disposals, on 16th April 1973 to issue instructions to the indigenous producers for release of requisite quantity of aluminium to 'F'. However, due to shortage of indigenously produced aluminium, the Director General, Technical Development, under instructions issued by the Department of Mines on 30th May 1973, asked the Minerals and Metals Trading Corporation, on 26th June 1973, to release 132 tonnes of imported aluminium to 'F'. Consequently, Minerals and Metals Trading Corporation offered, on 20th July 1973, to supply 132 tonnes of imported aluminium to 'F' at the rate of Rs. 6,740 per tonne.

As Minerals and Metals Trading Corporation's price for imported aluminium was higher than the controlled price of indigenously produced aluminium and as the acceptance of tender on 'F' included a price variation clause based on the price of indigenously produced aluminium, 'F' requested the Director General, Supplies and Disposals on 20th June 1973 to increase the price for the additional 88 tonnes by Rs. 1,263.71 *i.e.* the difference in prices of imported aluminium and indigenous aluminium, in case it was not possible to release indigenously produced aluminium. The Director General, Supplies and Disposals, did not increase the price on the ground that there was no such provision in the acceptance of tender. Thereafter, on 10th August 1973, 'F' asked for cancellation of the order for additional quantity of 88 tonnes without financial repercussions. The case was referred to the Ministry of Law on 6th November 1973. That Ministry returned the case on 16th November 1973 desiring a discussion for clarification on certain points; the discussion took place on 30th October 1974 when the Ministry of Law advised cancellation of the order for the additional

quantity of 88 tonnes without financial repercussions on either side, as requested by the firm, on the ground that "it will be very difficult to contend that a concluded contract had come into existence in the eye of law", as the amendment of the acceptance of tender on 13th April 1973 for inclusion of the additional 88 tonnes "was not in accordance with the offer made by the firm, namely, that Director General, Supplies and Disposals should make available the necessary raw materials from Director General, Technical Development or the primary producer". The acceptance of tender was amended accordingly on 23rd December 1974. Supplies against the original acceptance of tender for 50 tonnes were completed by 'F' in August 1975.

For the balance 88 tonnes, an acceptance of tender was placed on 'K' in February 1975 and supply was completed by it by January 1976. The prices paid to it were Rs. 19,100 per tonne for 5.7 tonnes, Rs. 19,653.44 per tonne for 58.3 tonnes and Rs. 23,826.97 per tonne for 24 tonnes. The purchase of 88 tonnes from 'K' cost Rs. 6.79 lakhs more as compared to the price demanded by 'F' in August 1973.

41. *Purchase of D.D.T.—'H'*—a public sector undertaking—is the only manufacturer of technical D.D.T. in the country. It also imports technical D.D.T. through the State Trading Corporation for meeting the requirements of Government.

D.D.T. 50 *per cent* w.d.p. (water dispersible powder) is made by 'H', some formulators in the small scale sector under the control of State Governments, and sixteen licensed units borne on the list of the Director General, Technical Development. From May 1967 all such private formulators are entirely dependent on 'H' for allotment and supply of technical D.D.T.

The Director General, Supplies and Disposals, concluded from time to time rate contracts with private formulators for supply of D.D.T. 50 *per cent* w.d.p. to various indentors upto September 1973. When tenders were invited in April 1973 for concluding rate contracts for supply of D.D.T. 50 *per cent*

w.d.p. from October 1973 onwards, all the offers received were subject to receipt of technical D.D.T. from 'H'. The matter was discussed in an inter-departmental meeting in February 1974, in which it was decided that from then onwards all indentors should obtain requirements of D.D.T. directly from 'H', except the Ministry of Defence for which supplies would be arranged by the Director General, Supplies and Disposals, from 'H'.

The following points were noticed in test-check of certain purchases of D.D.T. 50 per cent w.d.p. for the Ministry of Defence from the latter part of 1972 onwards :

(i) One of the suppliers having a rate contract with Director General, Supplies and Disposals for supply of D.D.T. 50 per cent w.d.p. during October 1971 to September 1973 was 'A'; the rate of 'A' and the rates of 'H' for technical D.D.T. and D.D.T. 50 per cent w.d.p. during that period were as follows :—

Period of rate contract of 'A'	Rate of 'A' for D.D.T. 50 per cent w.d.p.	Rate of 'H' for D.D.T. 50 per cent w.d.p. (per tonne)	Rate of 'H' for technical D.D.T.
October 1971 to September 1973	Rs. 4,298 f.o.r. Bombay	Upto 14th December 1972	Upto 18th July 1972
		Rs. 4,700	Rs. 4,900
		15th December 1972 to 10th March 1974	19th July 1972 to 23rd January 1973
		Rs. 6,000	Rs. 5,300
			24th January 1973 to 13th March 1974
			Rs. 5,900

On 18th August 1972, 'A' approached the Director General, Supplies and Disposals, for an increase in the rate contract price from Rs. 4,298 to Rs. 4,548 per tonne on account of increase in the rate of technical D.D.T. by 'H' from Rs. 4,900 to Rs. 5,300 per tonne. The Director General, Supplies and Disposals, did not agree to this as there was no provision in the rate contract for any such increase in price.

On receipt of an indent in November 1972 from Army Headquarters, the Director General, Supplies and Disposals, placed an order on 'A' on 22nd December 1972 for supply of 72 tonnes of D.D.T. 50 *per cent* w.d.p. by 30th April 1973 at the rate contract price of Rs. 4,298 per tonne.

While acknowledging receipt of the supply order, 'A' informed the Army Headquarters on 8th January 1973 that till an adequate quantity of technical D.D.T. was released to it by 'H', the supply order would be kept pending and requested the Army Headquarters to write to 'H' for supplying adequate quantity of technical D.D.T. to it. 'A' also sent a copy of this letter to the Director General, Supplies and Disposals, for assistance in obtaining technical D.D.T. from 'H'. On 26th April 1973, the Army Headquarters informed the Director General, Supplies and Disposals, that 'H' had informed it that required quantity of technical D.D.T. had been supplied to 'A'.

Instead of making any supply, on 4th June 1973, 'A' asked for increase in price of D.D.T. 50 *per cent* w.d.p. on the ground that 'H' had increased the price of technical D.D.T. from Rs. 4,900 to Rs. 5,900 per tonne, and pointed out that against the allocation of 300 tonnes of technical D.D.T. for 1972-73, it had received only 100 tonnes and against the allocation of 500 tonnes for 1973-74, it had not received any supply till then. For supply of 72 tonnes of D.D.T. 50 *per cent* w.d.p., 36 tonnes of technical D.D.T. were required by 'A'. The Ministry of Chemicals and Fertilisers stated (August 1976) that between December 1972, when the order for 72 tonnes was placed on 'A' and April 1973, when the supply was to be completed, 'H' had supplied 90.45 tonnes of technical D.D.T. to 'A'.

The Director General, Supplies and Disposals, while rejecting the demand for enhancement of the rate contract price, informed 'A' on 27th June 1973 that if it failed to complete

supply against the "outstanding orders very quickly", the orders would be cancelled at its risk and cost.

By the end of June 1973, 'A' tendered only 12 tonnes of D.D.T. 50 per cent w.d.p. for inspection; these were accepted in July 1973 and despatched thereafter by 'A' to the consignees. For the balance quantity of 60 tonnes, a notice was issued to 'A' on 9th November 1973 to complete supplies by 15th February 1974, but it did not make any further supply. On 7th February 1974, 'A' finally expressed its inability to supply any more quantity due to non-availability of technical D.D.T. After consulting the Ministry of Law (in February 1974), the order for the balance 60 tonnes was cancelled on 15th April 1974 at the risk and expense of 'A'. By then 'H' had increased its prices; the prices were as follows immediately before that date, *i.e.* 15th April 1974 and thereafter :

D.D.T. 50 per cent w.d.p.		Technical D.D.T. (per tonne)	
11th March 1974 to 23rd April 1974	Rs. 9,000	14th March 1974 to 23rd April 1974	Rs. 11,600
24th April 1974 to 31st March 1975	Rs. 8,000	24th April 1974 to 31st March 1975	Rs. 9,500

For purchasing 60 tonnes of D.D.T. 50 per cent w.d.p., the order for which had been cancelled on 15th April 1974 at the risk and expense of 'A', a risk purchase tender enquiry was issued on 19th April 1974 for supply by October 1974. In response nine offers were received; no offer was received from 'H'. Out of the nine offers only two, from 'B' and 'C', were found acceptable for valid risk purchase as the remaining seven offers were subject to assistance being given by the Director General, Supplies and Disposals, for release of technical D.D.T. (there was no such provision in the cancelled contract with 'A'). The rates offered by 'B' and 'C' were Rs. 13,500 and Rs. 14,000 per tonne respectively. 'B' quoted for supply of only 20 tonnes but it subsequently withdrew its offer on 17th July 1974 due to paucity of technical D.D.T. Even though

'H' had not quoted against the risk purchase tender enquiry, it was requested by the Director General, Supplies and Disposals, on 19th June 1974 to send its quotation on a firm price basis within ten days. On 3rd July 1974, 'H' intimated that as the type of packing specified (polythene bags, each containing 50 kilograms of 50 *per cent* D.D.T. w.d.p., repacked in wooden cases) in the tender enquiry was not currently used by it, it would not be possible for it to supply the material in the packing indicated in the tender enquiry. 'H' also pointed out that it had received another acceptance of tender in June 1974 from the Director General, Supplies and Disposals, for supply of 87 tonnes of D.D.T. 50 *per cent* w.d.p., to Army Headquarters by 30th November 1974, against which it had not commenced supplies for want of certain amendments to the acceptance of tender particularly regarding the packing. 'H' stated that it could supply another 60 tonnes of D.D.T. 50 *per cent* w.d.p., after three months of its completing the supplies of 87 tonnes of D.D.T. 50 *per cent* w.d.p., provided its packing was acceptable. As this was a case of risk purchase, no order was placed on 'H' as the packing offered by it was different from that specified in the order of 22nd December 1972 placed on 'A'. An advance acceptance of tender was, therefore, placed on 'C' on 6th August 1974 for supply of 60 tonnes of D.D.T. 50 *per cent* w.d.p. at Rs. 14,000 per tonne. At that time the rate of 'H' was Rs. 8,000 per tonne. 'C' completed the supplies in February 1975.

As compared to the rate in the supply order dated 22nd December 1972 on 'A', an extra expenditure of Rs. 5.82 lakhs was incurred in the purchase of 60 tonnes of D.D.T. 50 *per cent* w.d.p. from 'C'.

A demand notice for Rs. 5.82 lakhs was sent to 'A' on 11th October 1974. However, 'A' obtained a stay order from the High Court in November 1974 restraining the Director General, Supplies and Disposals, from recovering this amount. No amount has so far been recovered from 'A' (October 1976).



(ii) In November 1973, indents were received from the Army Headquarters for supply of 87 tonnes of D.D.T. 50 *per cent* w.d.p. and 216 tonnes of technical D.D.T. by April 1974 and March 1974 respectively. Limited tender enquiries were issued in December 1973. For supply of 87 tonnes of D.D.T. 50 *per cent* w.d.p., only two offers of Rs. 7,000 per tonne f.o.r. destination and Rs. 8,000 per tonne f.o.r. Bombay respectively were received; both the offers were subject to release of technical D.D.T. by 'H'. For technical D.D.T. three offers of Rs. 8,000, Rs. 9,000 and Rs. 10,000 per tonne respectively were received for supply of imported technical D.D.T. subject to issue of import licences by Government. No order was placed on any of the tenderers.

No offer was received from 'H' whose rates at that time were Rs. 6,000 per tonne for D.D.T. 50 *per cent* w.d.p. and Rs. 5,900 per tonne for technical D.D.T. respectively. As mentioned earlier, it was decided in February 1974 that all indentors should obtain their requirements of D.D.T. direct from 'H' except the Ministry of Defence for which the Director General, Supplies and Disposals, would arrange supplies from 'H'. On 11th June 1974, orders for supply of 87 tonnes of D.D.T. 50 *per cent* w.d.p. at Rs. 8,000 per tonne and 216 tonnes of technical D.D.T. at Rs. 9,500 per tonne were placed on 'H'. It was, however, stipulated in the contract that payment was to be made at the prices prevailing on the date of actual delivery. Supplies were completed by 'H' in September 1975. The rates of 'H' were increased from April 1975 to Rs. 10,000 per tonne for D.D.T. 50 *per cent* w.d.p. and Rs. 12,930 for technical D.D.T.; 44.5 tonnes of D.D.T. 50 *per cent* w.d.p. were supplied by 'H' between April 1975 and September 1975.

(iii) In October 1974, the Army Headquarters sent an indent for supply of 65 tonnes of D.D.T. 50 *per cent* w.d.p. and 70 tonnes of technical D.D.T. by April 1975. Against this

indent, the Director General, Supplies and Disposals, issued a limited tender enquiry on 28th December 1974.

The tenders were opened on 18th January 1975. Out of the 7 offers received, the lowest was from 'H' at the rate of Rs. 8,000 per tonne for D.D.T. 50 *per cent* w.d.p. and Rs. 9,500 per tonne for technical D.D.T. subject to the condition that its prices prevailing on the date of actual delivery would be applicable. The offer of 'H' was also subject to the condition that the material would be supplied under ISI mark and would not be subject to inspection by the purchaser before despatch to the consignees; this condition was not acceptable to the indenter as there was possibility of supplies being substandard, 'H' was, therefore, requested on 17th February 1975 to withdraw the condition and to agree to the inspection clause as provided in the previous acceptance of tender placed on it. The latter replied on 21st February 1975 that it was agreeable to inspection of the material by the purchaser before despatch, but if the material was not released by the Inspecting Officer within fifteen days from the date on which it was offered for inspection, it ('H') would be free to dispose of the material and would not be held responsible for non-supplies. The time limit of fifteen days for completing inspection was not acceptable to the indenter. As 'H' was not willing to withdraw this condition, its offer was ignored. The next acceptable offer for D.D.T. 50 *per cent* w.d.p. from 'C' at Rs. 11,500 per tonne was valid till 10th May 1975; an advance acceptance of tender for supply of 65 tonnes of D.D.T. 50 *per cent* w.d.p. was placed on 'C' on 9th May 1975.

For supply of 70 tonnes of technical D.D.T. only 'H' had sent a quotation and since its offer was considered to be unacceptable due to reasons stated above, the Army Headquarters was asked on 16th May 1975 to arrange direct purchase. Subsequently, on 5th July 1975, 'H' agreed to extend the time limit for inspection from 15 days to 30 days as a special case. An acceptance of tender for supply of 70 tonnes of technical

D.D.T. at Rs. 12,930 per tonne was, thereafter, placed on it on 25th August 1975.

As compared to the price quoted by 'H', 65 tonnes of D.D.T. 50 per cent w.d.p. purchased from 'C' cost Rs. 0.97 lakh more. The department of Supply stated (October 1976) that "in the absence of any other acceptable offer being available and because of the attitude of the undertaking in stipulating unacceptable conditions, the DGS&D was left with no choice.....".

It will appear from the above instances that not only purchases had to be made at higher cost, but also supplies to Army Headquarters were delayed. In June 1971, instructions were issued by Government to the effect that Government departments should invariably purchase their requirements from public sector undertakings to the maximum extent possible, even with a price preference to a prescribed extent. The department of Supply stated (October 1976) that "as per rules in force, Tender Enquiry cannot be issued exclusively in favour of the firm, including Public Sector Undertakings unless the demand is accompanied by a Proprietary Article Certificate. Secondly, there have been instances when D.G.S.&D. have obtained cheaper rates for the formulated material from private firms, as compared to the rates quoted by.....'H'".

The Ministry of Chemicals and Fertilisers had, however, stated in August 1976 that "DGS&D should settle rate contract with.....'H' ..... rather than exploring various nooks and corners".

42. *Purchase of cotton waste.*—"Cotton waste white unteased superior" is used in axle boxes by the railways and is procured by the Director of Supplies (Textiles), Bombay.

As on 26th June 1971, the Director of Supplies (Textiles) had with him 25 indents from the railways for 17.11 lakh

kilograms of unteased white cotton waste. Normally 50 *per cent* of the total demand is indicated in the tender enquiry with a view to obtain competitive prices as the traders normally quote prices on slab basis, their rates being higher for subsequent slabs. It was decided on 18th June 1971 that tenders would be invited for only 50 *per cent* of the quantity in the indents in hand then. In the notice inviting tenders issued on 26th June 1971 for purchase of several varieties of cotton waste, the quantity for unteased white cotton waste was, therefore, indicated as 8.60 lakh kilograms.

Offers were received (August 1971) from 15 firms. Each tenderer quoted different rates for different specified quantities. The following were the quantities and the rates offered by these firms :—

	Quantity (in lakh kilograms)	Rates per 50 kilograms (Rupees)
'A'	3.60	140.00 to 155.75
'B'	1.90	133.00 to 155.00
'C'	1.73	118.55 to 129.95
'D'	0.75	118.90 to 124.95
'E'	0.65	123.00 to 145.50
'F'	0.58	125.00 to 150.00
'G'	0.50	119.55 to 129.55
'H'	0.55	121.47 to 127.47
'I'	0.50	114.50 to 124.50
'J'	0.40	112.50 to 123.50
'K'	0.20	119.55 to 121.65
'L'	0.20	125.37 to 145.00
'M'	0.25	135.00
'P'	1.00	115.00
'Q'	0.40	115.00 to 118.50

The notice inviting tender stipulated that the purchaser will have a right to increase the quantity offered by 25 *per cent*. 'A', 'C', 'E', 'H' and 'P' agreed to this condition. Others did not agree to the stipulation about 25 *per cent* increase in quantity offered, and quoted for specific quantities. Taking into

account the 25 per cent additional quantity agreed to by 'A', 'C', 'E', 'H' and 'P', the total quantity offered by the 15 tenderers mentioned above was 13.44 lakh kilograms. The offers were valid upto 3rd November 1971.

There was fall in prices of cotton between January 1971 and April 1971. In May 1971, however, the prices of cotton started increasing; this increasing trend continued upto August 1971 and, thereafter, the prices again started decreasing till December 1972. From January 1973 the prices started rising again.

Earlier orders for unteased white cotton waste were placed in February 1971 at prices between Rs. 95.00 and Rs. 110.00 per 50 kilograms. The prices offered against the tender enquiry of June 1971 were substantially higher than those prices. The Director of Supplies (Textiles), Bombay proposed to the Director General, Supplies and Disposals on 8th September 1971 that orders might be placed for 6.06 lakh kilograms which had been offered at prices between Rs. 112.50 and Rs. 135.00 per 50 kilograms. The Director General, Supplies and Disposals was of the opinion (11th October 1971) that it would not be advisable to make purchases at those rates as that would have repercussion on future purchases. It was decided on 26th October 1971 by the Department of Supply that only 3.03 lakh kilograms offered at prices upto Rs. 124.00 per 50 kilograms should be purchased. Orders were placed for this quantity (3.03 lakh kilograms) on 3rd November 1971.

A new short dated tender enquiry was issued on 3rd December 1971. By then more indents had been received and the total quantity to be procured was 29.48 lakh kilograms, including the balance of 14.08 lakh kilograms, in the indents in hand at the time of issuing the notice inviting tenders on 26th June 1971.

The quantity indicated in the tender enquiry of 3rd December 1971 was 29.48 lakh kilograms. Offers were received from

14 firms as shown below : the offers were valid upto 22nd March 1972 :—

	Quantity (in lakh kilograms)	Rates per 50 kilo- grams (Rupees)
'A'	3.75	145.05 to 148.95
'B'	2.45	156.00 to 179.00
'C'	0.84	148.90 to 165.90
'D'	0.80	132.00 to 175.00
'F'	0.40	146.00 to 168.00
'G'	0.35	148.90 to 165.90
'H'	1.05	145.00 to 153.00
'I'	0.50	144.50 to 158.95
'J'	0.60	168.51 to 181.51
'K'	0.20	160.90 to 168.90
'L'	0.20	139.97 to 148.97
'M'	0.50	184.95 to 190.00
'N'	0.60	147.00 to 150.00
'O'	0.25	175.00

'A', 'C', 'E', 'G', 'H' and 'N' agreed to the condition about 25 per cent increase in quantity offered at the option of the purchaser; others did not agree to this. Taking into account the additional quantity that would be available from 'A', 'C', 'E', 'G', 'H' and 'N', the total quantity offered by the 14 firms was only 14.34 lakh kilograms.

The Department of Supply stated (December 1976) that "the subject tender enquiry was floated in anticipation that in view of the expected arrival of new cotton crop, prices of cotton waste would also show the downward trend. Contrary to expectation, offers received were in the range of Rs. 145 to Rs. 190 per 50 kilograms as against the offers received earlier against the tender enquiry opened on 3-8-71 namely Rs. 112 to Rs. 135".

From December 1971 the prices of cotton were declining; this declining trend continued upto December 1972. The Director of Supplies (Textiles), Bombay expected (23rd February 1972) that there was a reasonable chance of prices

being reduced if negotiations were held with the tenderers. The negotiations were, however, held on 4th and 5th April 1972, *i.e.* after the date of validity of the offers had already expired. Instead of reducing their prices, the tenderers quoted higher rates for reduced quantities as shown below :—

	Quantity (in lakh kilograms)	Rates per 50 kilograms (Rupees)
'B'	2.25	185.00
'C'	0.98	180.00 to 215.00
'E'	0.30	182.00 to 190.00
'F'	0.20	180.00 to 215.00
'G'	0.38	180.00 to 215.00
'H'	1.00	184.00 to 215.00
'I'	0.20	185.00 to 215.00
'K'	0.20	180.00 to 190.00
'L'	0.25	182.37 to 188.37
'N'	0.50	182.00 to 188.00
'O'	0.31	175.00

These revised offers were valid upto 22nd April 1972. 'A' stated in course of negotiations that it had a certain quantity of unteased white cotton waste of inferior quality and offered to quote rates for the same if the cotton waste of inferior quality was acceptable. It was proposed by the Director of Supplies (Textiles), Bombay on 9th April 1972 that 6.56 lakh kilograms covering requirements from March 1972 to December 1972 as per delivery schedule indicated in the indents would be purchased at the revised rates between Rs. 175.00 and Rs. 190.00 per 50 kilograms offered in course of negotiations. Before, however, the orders were placed for 6.56 lakh kilograms, 'A' quoted on 15th April 1972 Rs. 175.00 per 50 kilograms f.o.r. Delhi/Bombay provided the entire quantity was purchased from it. 'A' promised to complete delivery by December 1972. Before accepting this offer of 'A', further negotiations were held with all the tenderers on 29th April 1972 after getting their revised offers extended upto 8th May 1972. During the negotiations only 'C' offered a small quantity of 0.05 lakh kilograms

at Rs. 165.00 per 50 kilograms. No other offer lower than that of 'A' was received. On 1st May 1972 'A' offered to supply the entire quantity of 29.48 lakh kilograms at Rs. 174.50 per 50 kilograms. Accordingly, orders were placed on 19th May 1972 for 29.43 lakh kilograms at Rs. 174.50 per 50 kilograms on 'A' and for 0.05 lakh kilograms at Rs. 165.00 per 50 kilograms (less 1 per cent discount) on 'C'. Total cost of these 29.43 lakh kilograms at these rates was Rs. 102.70 lakhs.

Out of 13.44 lakh kilograms available against the offers received in response to the invitation of tenders in June 1971, only 3.03 lakh kilograms were purchased. Had the balance 10.41 lakh kilograms available been purchased against these offers the cost would have been Rs. 29.77 lakhs, as against Rs. 36.32 lakhs at the rate of Rs. 174.50 per 50 kilograms paid to 'A' for the equivalent quantity. Similarly, 12.73 lakh kilograms more could be purchased for Rs. 38.90 lakhs against the lower offers received in response to the tender enquiry of 3rd December 1971, as against Rs. 44.41 lakhs at the rate of Rs. 174.50 per 50 kilograms paid to 'A' for that quantity. Out of 29.43 lakh kilograms ordered on 19th May 1972, 23.14 lakh kilograms would have cost less by Rs. 12.06 lakhs, had this quantity been purchased against the lower offers received in response to the tender enquiries of June 1971 and December 1971.

43. *Purchase of rope sisal.*—In January 1972, the Army Headquarters, placed an indent on the branch office of the Director General, Supplies and Disposals, in Calcutta for supply of 3.23 lakh metres of rope sisal by 31st March 1973 or earlier. An acceptance of tender was accordingly placed on 'A' in December 1972 (cost : Rs. 4.83 lakhs) for supply of three varieties of rope sisal by 28th February 1973 at the latest, at the rates of Rs. 1.18 (1.70 lakh metres), Rs. 1.68 (1.22 lakh metres) and Rs. 2.95 (0.31 lakh metres) per metre. While acknowledging the acceptance of tender on 17th January 1973, 'A' requested



the Director General, Supplies and Disposals, either to cancel the contract or to extend the delivery period by at least 3/4 months on the ground that the sisal fibre expected to be received from the State Trading Corporation was not forthcoming; 'A' also stated that there was unprecedented shortage of sisal fibre due to unexpected drought in producing countries. On 29th January 1973, the Director General, Supplies and Disposals, sought the opinion of the indentor. The indentor stated on 28th February 1973 that it was "apparent that the firm has neither the capacity nor the desire to supply the stores" and requested the Director General, Supplies and Disposals, to keep these aspects in view in deciding whether any useful purpose would be served by extending the delivery period or the acceptance of tender might be cancelled at the firm's risk. On 25th May 1973, the Director General, Supplies and Disposals, informed the indentor that 'A' was "holding considerable licence at their credit", but due to about 100 per cent rise in price of sisal in 4/5 months it was "facing difficulty in importing raw material within valid foreign exchange sanction" and requested the indentor to reconsider the matter, pointing out that it would be difficult to obtain supply from open market against risk-purchase tender enquiry as the sources of supply were limited. The indentor, thereafter, agreed on 15th June 1973 to the extension of delivery period by six months. On 30th June 1973, the delivery period was extended upto 31st December 1973 subject to liquidated damages for delay in supply.

On 15th February 1974, it was ascertained from the representative of 'A' that it had not till then manufactured the item to be supplied for want of raw material; the officials of the Director General, Supplies and Disposals, who met the representative of 'A' advised it to apply for extension of delivery period. On 2nd April 1974, 'A' applied for extension of delivery period by 8/10 months or cancellation of the acceptance of tender without financial obligations on either side. On 5th April 1974, the Director General, Supplies and Disposals, sought the advice of Ministry of Law whether the acceptance

of tender could be cancelled at the risk and expense of 'A'. On 10th April 1974, the Ministry of Law stated as under :—

“In this case the extended date was upto December 1973 which was acknowledged by the firm (on 2-4-1974). The contract may be cancelled. In case, however, if the firm is able to prove the non-availability of raw-material in contradistinction to the difficulty of availability of raw-material, then the non-performance may be excusable”.

On 23rd April 1974, the acceptance of tender was cancelled by the Director General, Supplies and Disposals at 'A' 's risk and expense. Under the rules, a performance notice was required to be given to 'A' for completing supply by a certain date, and the contract could be cancelled at the risk and expense of 'A' only after the expiry of the notice. While advising on 10th April 1974 that the contract might be cancelled, the Ministry of Law did not point out the need for issuing a performance notice. The Director General, Supplies and Disposals, also did not issue any performance notice, required under the rules. On 20th June 1974, clarification was sought by the Director General, Supplies and Disposals, from the Ministry of Law whether the risk purchase could be effected with reference to the higher tender received from 'B', against the re-purchase tender enquiry issued on 28th May 1974. On 22nd June 1974, the Ministry of Law stated as under :—

“Even assuming, as the department appears to have done, that 31-12-1973 is the date of breach, the department issued cancellation order on 23-4-1974. Thus we would feel that after 31-12-1973 the contract was continued and time had ceased to be the essence of contract. Hence, without issuing performance notice, as the department states in its instant reference dated 20/21-6-1974, the cancellation is not in order. A performance notice has to be issued before cancellation can be made. Since it is almost now 6 months from 31-12-1973, we

would feel no risk-purchase would be legally tenable at this stage”.

As the date of breach was 31st December 1973, risk purchase was to be effected by 30th June 1974. The need for the performance notice was pointed out by the Ministry of Law on 22nd June 1974, after which only 8 days were left for the risk-purchase, which was not made.

On 15th July 1974, an acceptance of tender was placed on 'B' for supply of 3.23 lakh metres of rope sisal (cost Rs. 14.67 lakhs) of the three varieties for which order was placed on 'A', at the rates of Rs. 3.46 (1.70 lakh metres), Rs. 4.96 (1.22 lakh metres) and Rs. 8.73 (0.31 lakh metres) per metre. 'B' supplied in all 3.21 lakh metres at a cost of Rs. 14.59 lakhs (1.69 lakh metres at the rate of Rs. 3.46 per metre, 1.21 lakh metres at the rate of Rs. 4.96 per metre and 0.31 lakh metres at the rate of Rs. 8.73 per metre). As compared to the rates of 'A' the cost of 3.21 lakh metres purchased from 'B' was Rs. 9.78 lakhs more.

The balance quantity of 1,866 metres was cancelled by the indenter.

The department stated (September 1976) that “performance notice was not issued to the firm, as the Ministry of Law had not advised as such when the matter was referred to them .....”. The department further stated that “a demand notice for Rs. 13.4 lakhs has been placed on the defaulting firm..... as general damages. The letter was issued on 9-8-1976, in consultation with the Ministry of Law”.

44. *Purchase of oil paste.*—‘A’ is a small scale industrial unit and is registered with the Director General, Supplies and Disposals since April 1971 as an approved supplier of oil paste with a monetary limit of Rs. 5 lakhs for individual orders. As per capacity report dated 15th May 1968 furnished by the Director of Inspection, ‘A’ was capable of manufacturing 25 tons of oil paste per month working on three shifts.

On 24th July 1972, a running contract was placed on 'A' for supply of upto 2.37 lakh kilograms of oil paste for zinc oxide paints at Rs. 4.76 per kilogram. The contract was effective from 15th June 1972 to 14th June 1973; during this period there was no other running contract for such oil paste. The total quantity of oil paste required to be purchased against the indents received from the 5 Railways for supplies by 14th June 1973 was 1.72 lakh kilograms. Out of this, 0.43 lakh kilograms were purchased from 'B' at Rs. 4.15 per kilogram against the reservation clause of an acceptance of tender of November 1971. The balance 1.29 lakh kilograms were ordered on 'A' on 24th July 1972 against the running contract of that date; 'A' completed supplies in November 1972.

For supply of oil paste for zinc oxide paints during 15th June 1973 to 14th June 1974 and from 15th June 1974 to 14th June 1975, running contracts were entered into by the Director General, Supplies and Disposals, with firms other than 'A'. No running contract for this item was awarded to 'A' for the above periods as the rates quoted by it were higher than the lowest acceptable offers.

In October 1974, a tender enquiry was issued for supply of 2.25 lakh kilograms of oil paste for zinc oxide paints on running contract basis during January 1975 to June 1976. Tenders were opened on 15th November 1974. The lowest quotation received was from 'A', which offered to supply the entire quantity of the oil paste at Rs. 11.25 per kilogram (including excise duty of Re. 0.30 per kilogram). Supplies were to commence within two/three months from the date of receipt of the order and to be made at the rate of 25,000 kilograms per month or more as required by the purchaser. On the ground that no order had been placed on 'A' for quite sometime, a running contract was placed on it on 11th March 1975 for supply of only 40,000 kilograms of oil paste; 'A' completed supplies in April 1975.

In March 1975, orders were placed for 1.29 lakh kilograms more of the oil paste, on eight other firms at higher prices

ranging from Rs. 12.80 to Rs. 15.40 per kilogram. These firms supplied 1.25 lakh kilograms of the oil paste between June 1975 and March 1976 and order for 4,000 kilograms on one firm was cancelled without any financial repercussions on either side. If a single running contract had been placed on 'A' on 11th March 1975 for supply of the entire quantity of 1.69 lakh kilograms of the oil paste, it would have been possible to purchase 1.25 lakh kilograms of the oil paste, which were supplied by other firms at higher prices, from 'A' at a lesser cost of Rs. 3.81 lakhs.

The department of Supply stated (August 1976) that in November 1972, the Railway Board had informed the Director General, Supplies and Disposals, that for such paint requirements as were used for the painting of Railway wagons, orders should be placed only on firms which were approved by the Research, Designs and Standards Organisation (RDSO) of the Railways. The department of Supply further stated that although 'A' was not approved by the RDSO, still an order for 40,000 kilograms was placed on it in March 1975 mainly because 'A' had supplied this item in the past and its rate was the lowest and that it was only in April 1976 that the Railways had categorically clarified that approval of the RDSO was not required for this item. Therefore, the Director General, Supplies and Disposals was not free, in the beginning of 1975, to place the entire order or even the major portion of it on a firm not approved by the RDSO.

It may be mentioned that the Directorate General, Supplies and Disposals, had informally ascertained from the Railway Liaison Officer as early as in March 1973, while finalising the running contract for the period from 15th June 1973 to 14th June 1974, that oil pastes did not 'come within the purview of paints for wagons', and as such this item was not covered by the instructions from Railway Board restricting purchase of paints for wagons only from such of the firms as were approved by the RDSO. Apart from this, no stipulation regarding approval of the tendering firms by the RDSO was included

in the three tender enquiries issued by the Director General, Supplies and Disposals, in December 1972, December 1973 and October 1974 for conclusion of running contracts for supply of oil pastes during 15th June 1973 to 14th June 1976. The department of Supply, however, stated (November 1976) that there was an inadvertent omission to include the clause about approval of firms by RDSO in the tender enquiry issued in October 1974 for concluding running contract for supplies during January 1975 to June 1976.

45. *Purchase of paints and thinner for paints.*—Tenders were invited on 24th August 1974 for supply of the following two types of paints and one type of thinner for synthetic paints to an ordnance factory during April 1975 to September 1975:—

- (i) Thinner 'X' (For synthetic paints)—0.30 lakh litres.
- (ii) Paint 'Y' (RFU finishing)—1.50 lakh litres.
- (iii) Paint 'Z' (RFU priming)—1.50 lakh litres.

Samples of paints 'Y' and 'Z' were to be submitted for inspection by the Chief Inspector of Materials of the Ministry of Defence. The latter did not require sample of thinner 'X' as it was "purely composition specification and the material can be supplied by almost all capable firms".

Tenders were opened on 17th September 1974. The prices offered were as follows :—

Thinner 'X' Rs. 3.70 to Rs. 13.30 per litre.

Paint 'Y' Rs. 12.42 to Rs. 19.42 per litre.

Paint 'Z' Rs. 12.00 to Rs. 20.15 per litre.

All the offers were valid till 17th November 1974 except those of 'A' and 'B' which were valid upto 17th October 1974; 'A' and 'B' also extended the validity of their offers upto 17th November 1974 for paints for 'Y' and 'Z' only.

The lowest offer of Rs. 3.70 per litre for the thinner 'X' was from 'C'. The second lowest and third lowest offers of

Rs. 4.97 per litre and Rs. 5.12 per litre from 'A' and 'B' respectively were valid upto 17th October 1974.

On a reference from the Director General, Supplies and Disposals, dated 10th October 1974 for making a counter-offer of Rs. 12.00 per litre for paints 'Y' and 'Z', the department of Supply, ordered on 15th October 1974 that the Director General, Supplies and Disposals, should hold negotiations with the tenderers for the paints 'Y' and 'Z'. While agreeing with the Director General, Supplies and Disposals, that order for thinner 'X' could be placed on the lowest tenderer *i.e.* 'C' subject to acceptance of its delivery period by the ordnance factory, the department of Supply pointed out that there was no provision for approval of sample in the tender enquiry and advised that "since the price variation range of tenders is considerable, extreme caution has to be taken".

On 22nd October 1974, the ordnance factory intimated acceptance of the delivery schedule offered by 'C'. The Director General, Supplies and Disposals, decided on 19th November 1974 to discuss also the rates offered for thinner 'X' at the time of negotiations for paints 'Y' and 'Z'. In the meantime, the Director General, Supplies and Disposals had requested the Inspector of General Stores of the Ministry of Defence on 8th November 1974 to submit a capacity report on 'C' by 15th November 1974.

All the offers (except those of 'A' and 'B' for thinner 'X', which expired on 17th October 1974) were got extended upto 17th December 1974.

Although 'C' had earlier agreed to the extension of its offer upto 17th December 1974, in course of negotiation on 6th December 1974 it stated that it would accept order for thinner 'X', only if orders for at least 0.10 lakh litres of each of the paints 'Y' and 'Z' were also placed on it. On the same day 'C' wrote a letter to the Director General, Supplies and Disposals, conveying the same and agreeing to keep its offer open upto 31st December 1974. All the other offers (except those

of 'A' and 'B' for thinner 'X') were also got extended upto 31st December 1974.

The capacity report on 'C' for supply of thinner 'X' was received from the Defence Inspector on 10th December 1974. The Director General, Supplies and Disposals, however, decided (on 13th December 1974) to await reports on samples of paints 'Y' and 'Z' before placing any order for thinner 'X'.

On 28th December 1974 sample of 'C' for paint 'Y' was rejected in inspection.

The purchases were made as follows :—

- (i) Although 'F' had offered (on 7th December 1974) to supply the entire quantity of 1.50 lakh litres of paint 'Y' and its offer (Rs. 12.60 per litre) was the lowest, order for only 1 lakh litres was placed on it on 31st December 1974. The balance 0.50 lakh litres was ordered on 'G' (0.25 lakh litres) and 'H' (0.25 lakh litres) on 21st January 1975 at the rates of Rs. 12.95 per litre and Rs. 13.25 per litre respectively on receipt of reports on their samples. Had the entire quantity of 1.50 lakh litres of paint 'Y' been ordered on 'F', there would have been saving of Rs. 0.25 lakh.
- (ii) As reports on samples for paint 'Z' of other tenderers had not been received, on 31st December 1974, orders were placed for 0.90 lakh litres of paint 'Z' on 'D' (0.60 lakh litres) and 'E' (0.30 lakh litres) at the rates of Rs. 12.90 per litre and Rs. 15.50 per litre respectively. 'D' had offered to supply the entire quantity of 1.50 lakh litres of paint 'Z'. While sample of 'D' for this paint was acceptable, that of 'E' was found to have rectifiable defects. Had order been placed for the entire 0.90 lakh litres of paint 'Z' on 'D' on 31st December 1974, there would have been a saving of Rs. 0.78 lakh.



- (iii) When 'C' was requested on 31st December 1974 to extend its offer upto 31st January 1975, 'C' demanded on 4th January 1975 increase in price for thinner 'X' from Rs. 3.70 to Rs. 7.90 per litre. Its sample for paint 'Z' having been found in the meantime acceptable (on 23rd December 1974), an order for 0.30 lakh litres of this paint was placed on it on 21st January 1975 at the rate of Rs. 12.50 per litre (reduced price offered on 6th December 1974). Despite this, during negotiation on 22nd January 1975 'C' reduced its price for thinner 'X' only marginally from Rs. 7.90 to Rs. 7.15 per litre, as against its initial offer of Rs. 3.70 per litre.

As the Director General, Supplies and Disposals, felt that 'C' had increased its price for thinner 'X' after coming to know that offers of 'A' and 'B' had expired, orders were placed on 'C' for 0.15 lakh litres of thinner 'X' on 19th February 1975 at the rate of Rs. 7.15 per litre, and on 'I' for the balance 0.15 lakh litres at the rate of Rs. 8.00 per litre; the cost of 0.30 lakh litres of thinner 'X' at these prices was Rs. 1.16 lakhs more as compared to price (Rs. 3.70 per litre) offered by 'C' initially. The department of Supply stated that the "rate of Rs. 3.70 quoted by.....'C'..... could not be held realistic, and if an order had been placed at that price, the result might have been either default in supply or supply of sub-standard material".

46. *Purchase of rot-proof bituminous surfacing.*—Against an operational indent (June 1968) of the Army Headquarters an acceptance of tender for Rs. 5.05 lakhs was placed by the Directorate of Supplies and Disposals, Calcutta, on 'A' on 7th September 1968 for supply of 5,462 rolls (1,74,784 metres) of "rot proofed surfacing bituminous pre-fabricated P.B.S. No. 75", at the rate of Rs. 289 per 100 metres. The contract provided that before commencing bulk manufacture, 'A' would submit advance sample of finished pre-fabricated bituminous surfacing along with samples of component materials for test and approval.

The supply was to be completed by 30th November 1968. 'A' was a past supplier of pre-fabricated bituminous surfacing.

On 12th September 1968, 'A' submitted advance samples of pre-fabricated bituminous surfacing and the component materials to the Inspecting Officer. On 8th October 1968 the Inspecting Officer pointed out, in the main, to 'A' that the breaking strength of the basic (hessian) fabric used (170 kilograms/10 centimetres width in weft) was much less than the prescribed minimum (225 kilograms/10 centimetres width), zinc content of the rot proofed hessian calculated on the weight of basic hessian was only 0.29 *per cent* as against 0.80 *per cent* prescribed and the weight of finished pre-fabricated bituminous surfacing was more. The inspecting officer asked 'A' to rectify the defects in bulk supply suggesting *inter alia* that breaking strength may be 180 kilograms/10 centimetres in weft provided the total breaking strength in warp and weft was not less than 380 kilograms. On 19th October 1968, the Directorate of Supplies and Disposals, Calcutta, directed 'A' to rectify the defects and ensure supply in time strictly according to specification. On 12th November 1968, 'A' informed the Directorate of Supplies and Disposals, Calcutta that it had not succeeded in procuring the specified type of special basic hessian and sought the help of the latter in procuring the same. This request was turned down by the Directorate of Supplies and Disposals, Calcutta, on 25th November 1968, as there was no provision for it in the contract.

On 21st November 1968, 'A' wanted extension of delivery period upto 15th January 1969 stating that it could not locate a supplier for the basic hessian fabric. After the consent of the indenter to the extension of the delivery period was received on 20th December 1968, an amendment to the acceptance of tender was issued on 10th February 1969, extending the delivery period upto 15th March 1969.

Even before this amendment to the acceptance of tender extending the delivery period was received by it, 'A' sent a

sample of basic hessian fabric on 11th January 1969 for inspection. The inspecting officer sent his report on this sample to the Directorate of Supplies and Disposals, Calcutta, on 14th February 1969. Thereafter, the inspecting officer informed the Directorate of Supplies and Disposals, Calcutta, on 23rd June 1969 that deviation in "warp breaking strength of the hessian cloth upto 140 kilograms/10 centimetres would be permitted provided that the total of warp and weft breaking strength per 10 centimetres is 365 kilograms minimum" and indicated price reductions proportionate to the reduced warp breaking strength, but no intimation about this was sent by him to 'A'. A copy of the communication dated 23rd June 1969 was endorsed to the Inspector of General Stores of the Ministry of Defence in Calcutta, who drew the attention of the Directorate of Supplies and Disposals, Calcutta on 31st July 1969 to the report on the sample sent on 14th February 1969 and enquired whether 'A' would be able to supply the pre-fabricated bituminous surfacing by using the basic hessian as per sample submitted on 11th January 1969. In the meantime 'A' had informed the Directorate of Supplies and Disposals, Calcutta on 11th March 1969 that it would not be able to adhere to the extended delivery period upto 15th March 1969 as it had not received the decision on the sample of basic hessian fabric submitted on 11th January 1969. On 5th September 1969, 'A' again informed the Directorate of Supplies and Disposals, Calcutta that it was still awaiting decision about the sample of basic hessian fabric submitted by it, and that on receipt of the decision it would apply for further extension. Even after this the decision of the inspecting authority does not seem to have been communicated to 'A' formally. Only on 10th September 1969, a representative of 'A' was told of the deviation with reduction in price. On 28th October 1969, 'A' informed the Directorate of Supplies and Disposals, Calcutta, that it had not been able to locate a source of supply for the basic hessian fabric and that supply of the pre-fabricated bituminous surfacing was dependent on availability of the basic hessian fabric at an economical price. On being approached on 1st November 1969, the Ministry of Law informed the Directorate of Supplies and Disposals, Calcutta, on 10th November 1969

that the Directorate would not be justified in resorting to risk purchase and recovering the extra cost from 'A' since 6 months had elapsed from the date of breach *viz.*, 15th March 1969.

Thereafter, on 14th January 1970 the delivery period was extended upto 15th March 1970. On 3rd April 1970, 'A' demanded increase in price from Rs. 289 per 100 metres to Rs. 407.04 per 100 metres stating that the price of hessian was increased by one of the mills from Rs. 112.50 per 100 metres at the time of tendering in September 1968 to Rs. 170 per 100 metres. On 13th April 1970, the Directorate of Supplies and Disposals, Calcutta assessed that the price of hessian had increased by about 12.4 *per cent* over the price prevailing when 'A' had tendered (September 1968) and also considered that the price of bitumen required for bitumanising hessian cloth had also possibly increased. Nevertheless, the Directorate of Supplies and Disposals, Calcutta, decided not to allow the increased price as it was about 41 *per cent* more than the price as per acceptance of tender and about 27 *per cent* more than the second lowest offer (Rs. 321 per 100 metres) in September 1968. The acceptance of tender was cancelled on 19th June 1970 subject to recovery of general damages.

Fresh tenders were invited on 27th June 1970. On 8th July 1970, two offers were received but the rate offered in both (Rs. 894 per 100 metres) being too high were rejected. Tenders were invited again on 22nd July 1970. The rates offered were Rs. 612.30 and Rs. 567.20 per 100 metres. One thousand three hundred and sixty five rolls (43,680 metres) were purchased at the rate of Rs. 567.20 per 100 metres from 'B' on 10th February 1971; the cost of these rolls (Rs. 2.47 lakhs) was Rs. 1.21 lakhs more as compared to the price originally quoted by 'A'. The remaining 4,097 rolls were not purchased.

General damages are yet to be assessed and recovered from 'A' (October 1976).

## CHAPTER VI

### FINANCIAL ASSISTANCE GIVEN BY GOVERNMENT

47. (i) *Loans and advances.*—Details of loans and advances paid by Union Government during 1975-76 are given in paragraph 14.

(ii) *Grants.*—During 1975-76 Rs. 1828.51 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	38,26.11
(ii) Other grants to State Governments	11,80,25.44
(iii) Grants to Union Territory Governments	70,74.42
(b) Grants to statutory bodies, non-Government institutions or bodies and individuals (the details of grants Ministry-wise are given in Appendix VII of the Report)	5,39,25.39

Some of the important points noticed in Audit, under section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, of bodies/authorities substantially financed by Union Government are mentioned in paragraphs 49 to 52.

### MINISTRY OF EDUCATION AND SOCIAL WELFARE

48. *University Grants Commission.*—

#### *Introductory*

The University Grants Commission set up in 1953 under a resolution of the Government of India was reconstituted as a corporate body in November 1956 in accordance

with the provisions of the University Grants Commission Act, 1956. According to Section 12 of the Act, "it shall be the general duty of the Commission to take, in consultation with the universities or other bodies concerned, all such steps as it may think fit for promotion and co-ordination of university education and determination and maintenance of standards of teaching, examination and research in universities". Between 1957-58 and 1975-76 the Government of India sanctioned a sum of Rs. 421 crores as grants to the Commission who in turn, disbursed a sum of Rs. 413 crores as grants to universities and colleges; expenditure of Rs. 3.50 crores was incurred on Commission's staff and certain direct schemes executed by the Commission leaving an unspent balance of Rs. 4.50 crores by the end of 1975-76.

The Commission consists of a Chairman, a vice-chairman and ten other members, all appointed by the Central Government under Section 5(1) of the Act. The Act further provides that two of the members shall be chosen from among the officers of the Central Government (at present Secretary, Ministry of Education, Social Welfare and Culture and Secretary, Department of Expenditure in the Ministry of Finance), not less than four shall be chosen from teachers of universities and the remainder from persons who have knowledge or experience in agriculture, commerce, forestry or industry or are members of the engineering, legal, medical or any other learned profession or are vice-chancellors of universities.

The Public Accounts Committee, in its 114th Report of Fourth Lok Sabha (April 1970), recommended that an appraisal of the functioning of the Commission should be conducted early and the report laid on the Table of the House. A review committee was accordingly set up by the Ministry of Education and Social Welfare in August 1974 with the following terms of reference :—

“To review the functioning of the University Grants Commission, with particular reference to co-ordination and determination of standards of higher education, and

make recommendations as to measures conducive to more effective discharge of its responsibilities”.

The committee submitted its report on 12th February 1977.

Under section 19(2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, read with section 19 of the University Grants Commission Act 1956, the accounts of the Commission are audited by the Comptroller and Auditor General and the accounts so audited together with the Audit Report thereon are forwarded to the Central Government who cause the same to be laid before both Houses of Parliament. Significant points noticed in the course of audit are also included in Comptroller and Auditor General's Report on Union Government (Civil). Such mention was made in the reports for the year 1967, 1968, 1969, 1970, and 1970-71. The succeeding paragraphs indicate some of the important points noticed in the course of audit of the accounts of the Commission conducted in 1976.

*Summary of receipts and payments.*—The receipts and payments of the Commission have been steadily increasing, as would be seen from the following table :—

Year	Receipts			Payments		
	Non-Plan	Plan	Total	Non-Plan	Plan	Total
	(in lakhs of rupees)			(in lakhs of rupees)		
1969-70	870.00	1477.07	2347.07	905.78	1494.64	2400.42
1970-71	984.82	2186.33	3171.15	982.55	1910.14	2892.69
1971-72	1038.46	2308.92	3347.38	1036.78	2405.08	3441.86
1972-73	1092.61	2750.00	3842.61	1089.62	2827.99	3917.61
1973-74	1157.98	2249.00	3406.98	1181.51	2425.95	3607.46
1974-75	2088.00	2636.50	4724.50	2190.10	2510.68	4700.78
1975-76	3072.84	3095.00	6167.84	2984.62	2860.60	5845.22

(Source : Annual Accounts of the respective years).

During the same period, there was considerable expansion in higher education as indicated below :—

Year	Number of universities and deemed universities	Number of colleges*	Total enrolment in universities and colleges other than intermediate, pre-university and pre-professional courses (in lakhs)
1	2	3	4
1969-70	89	3,297	17.93
1970-71	93	3,604	19.54
1971-72	99	3,896	20.65
1972-73	103	4,158	21.68
1973-74	104	4,308	22.34
1974-75	111	4,388	23.67

\*Out of the above, 2,973 colleges had been recognised as eligible for assistance by the Commission as on 1st December 1975.

The Commission is financed almost entirely out of Government grants. Separate funds are provided by the Government for meeting the Non-Plan and Plan expenditure of the Commission. A summary of the expenditure as per the accounts of the Commission relating to Non-Plan and Plan items for the three years 1973-74, 1974-75 and 1975-76 is given in the table below:—

	1973-74	1974-75	1975-76
	(in lakhs of rupees)		
Non Plan :			
1. Administration charges	46.23	58.69	63.62
2. (i) Block grants to central universities	759.17	1200.00	1721.00
(ii) Block grants to deemed universities	..	..	176.77
3. Maintenance grants to constituent and affiliated colleges of Delhi University	285.10	617.17	824.27
4. Grants to central universities for schemes not covered under block grants	91.01	314.24	198.96
<b>TOTAL</b>	<b>1181.51</b>	<b>2190.10</b>	<b>2984.62</b>



	1973-74	1974-75	1975-76
	(in lakhs of rupees)		
Plan :			
1. Grants to central/state universities for humanities	293.75	327.91	306.82
2. Grants for science	473.97	609.07	781.88
3. Grants for engineering and technology	194.98	271.02	393.64
4. Grants to constituent/affiliated colleges	680.28	381.16	277.63
5. Grants for miscellaneous schemes (Examination Reforms, Correspondence Courses, Adult Education, etc.)	769.86	905.29	1077.21
6. Miscellaneous expenditure (incurred by the Commission)	13.11	16.23	23.42
TOTAL	2425.95	2510.68	2860.60

One of the main functions of the Commission is the determination and maintenance of standards of teaching, examination and research in universities. In this regard the Commission has been guided in its programmes by—(1) the standards committee set up by the Commission in 1961, (2) the report of the Education Commission set up by the Government of India in 1964, (3) the resolution on National Policy on Education issued by the Government of India based on the Education Commission's report in 1968.

The committee on standards submitted its report in May 1965. The Estimates Committee noted in April 1966 that action taken on the reports of expert committees had been simply to forward them to the universities and State Governments for their views and comments or for suitable action. They had felt that the Commission should pursue the recommendations of these expert committees and keep a record regarding implementation and that the powers given to the Commission under sections

12, 13 and 14 of the Act might be invoked, where necessary. The Public Accounts Committee in its 114th Report (April 1970) also took note of the reply of the Ministry of Education that some of the recommendations of the standards committee were under various stages of implementation. The recommendations of the Education Commission were considered by an implementation committee of the Commission in May 1967. The recommendations were also considered in a conference of vice-chancellors convened in September 1967. The minutes of the meeting of the implementation committee and the recommendations of the conference of vice-chancellors were both placed before the Commission in October 1967 when the Commission desired that the proceedings of the vice-chancellors' conference should be brought up again in the next meeting of the Commission. This, however, does not appear to have been done. The Commission stated (October 1976) that the recommendations of the Education Commission had been taken into account in finalising the Fourth Five Year Plan.

The resolution on National Policy on Education issued by the Government of India in 1968 was considered by the Commission in 1969. The Commission took note of the fact that a panel on education set up by the Planning Commission had proposed a sum of Rs. 181.00 crores as allocation for higher education in the Fourth Five Year Plan and that the matter might again be considered when the resource position became known sometime in April-May 1969.

The Plan outlay of the Commission was fixed in May 1970 at Rs. 115.00 crores. This included a sum of Rs. 8.50 crores specifically for teacher education and adult education. The Commission, while considering this allocation in July 1970, desired that the schemewise allocation should be worked out within the ceiling of Rs. 115 crores. In doing so, the provision for teacher education and adult education was restricted to Rs. 3.00 crores. Later the plan outlay of the Commission was

increased to Rs. 120.15 crores due to increase in provision for technology and for the Jawaharlal Nehru university. A final *inter se* allocation as between the various schemes within the ceiling of Rs. 120.15 crores was not, however, specifically approved by the Commission.

In March 1971 the Commission considered a suggestion of the Planning Commission that it should restore the cut made in the allocation for teacher education and adult education. The Commission observed that it recognised the importance of the development of teacher education and desired that a note on the progress so far made and development programmes to be undertaken in the Fourth Plan period might be placed before it. Though the allocation for teacher education and adult education was subsequently increased to Rs. 4.00 crores, the Commission does not appear to have specifically considered this allocation.

The progress of Fourth Five Year Plan schemes was reviewed by the Commission only once during the Fourth Plan period in October 1972. An appraisal of performance on the Fourth Five Year Plan was forwarded to the Government and the Planning Commission in October 1974 but this appraisal was not specifically considered by the Commission.

The Commission stated (January 1977) that the progress of plan schemes is reviewed every year at the time of proposing and revising the annual budget requirements and that the budget estimates including annual outlays for plan schemes are invariably put up before the Commission every year. It was also stated that in view of uncertainties of the final allocations and in the light of advice received from expert committees, the Commission had revised the individual outlay of various such schemes from time to time.

The following table indicates the progress of the Fourth Five Year Plan schemes with reference to the allocations :—

S. No.	Name of the Scheme	Allocation approved by the Commission in March 1971	Allocation shown in appraisals (October 1972 and October 1974)	Actual expenditure shown in appraisal (October 1974)
		(in crores of rupees)		
<b>CATEGORY A</b>				
1.	Expansion and Improvement of Undergraduate Education	15.00	16.83	24.84
2.	Expansion and Improvement of Postgraduate Education and Research and Legal Education	39.50	30.00	36.53
3.	New Universities and University Centres	8.65	8.65	6.35
4.	Technical Education	11.00	11.00	10.41
5.	Medical Colleges and Attached Hospitals of Aligarh, Banaras and Delhi Universities	..	3.82	4.73
<b>TOTAL A</b>		74.15	70.30	82.86
<b>CATEGORY B</b>				
1.	Correspondence Courses	1.00	1.00	0.12
2.	Special Schemes of promotion of Science Education	2.00	3.00	1.66
3.	Centres of Advanced Study	8.00	8.00	4.01
4.	Special Assistance to Selected Colleges	1.00	3.00	1.61
5.	Faculty Improvement Programmes	6.10	6.10	4.42
6.	Teacher Education	2.50	3.50	1.18
7.	Adult Education	0.40	0.50	0.02
<b>TOTAL B</b>		21.00	25.10	13.02
<b>CATEGORY C</b>				
1.	Student Amenities	8.00	6.00	4.75
2.	Scholarships/Fellowships	5.00	5.75	3.88
3.	Hostels	2.00	5.00	4.86
<b>TOTAL C</b>		15.00	16.75	13.49
<b>CATEGORY D</b>				
1.	Other schemes	10.00	8.00	4.21
<b>GRAND TOTAL</b>		120.15	120.15	113.58

It will be noted that the schemes of the Commission fall under four broad categories.

- (1) General development programmes such as provision of additional academic and residential accommodation, additional teaching and technical staff, equipment, books and journal, workshop facilities and the like;
- (2) Quality improvement and other special programmes like Centres of Advanced Study, College Science Improvement Programme, College Humanities Improvement Programme, Restructuring of Courses, Examination Reforms, Faculty Improvement Programmes, Correspondence Courses and other similar programmes;
- (3) Students Welfare Programmes including Student Aid Fund, scholarships, fellowships and hostels; and
- (4) Other schemes.

An analysis of the figures in the table above shows that in the allocations approved by the Commission a sum of Rs. 25.10 crores was provided for quality improvement and other special programmes while for schemes for general development programmes a sum of Rs. 70.30 crores was provided. Against the above allocations the actual expenditure incurred was Rs. 13.02 crores (shortfall : 49.2 *per cent*), and Rs. 82.86 crores (excess : 17.9 *per cent*) respectively. There was also shortfall in respect of students welfare programmes to the extent of 19.5 *per cent*. The proportionately lower allocation given for the quality improvement and other special programmes and the lack of adequate implementation of these programmes are particularly significant considering the fact that in the total Plan outlay for the country as a whole including Central and State Governments for university education (Rs. 183.52 crores) a predominant share (Rs. 123.00 crores) was earmarked for the University Grants Commission.

The Commission stated (December 1976) that "in the context of inadequate resources the bulk of the universities and colleges are still not having minimum required physical infra-structure facilities. Within the resources made available to the Commission, a major portion is, therefore, made available to these institutions to build up physical facilities. The Commission, at the same time, is also sponsoring quality improvement programmes in selected universities and colleges". It was stated that it had deliberately refrained from invoking provisions under different sections of the Act as they would not help to bring about the required changes and these provisions were bound to be ineffective in the context of overall inadequacy everywhere. It was also stated that the additional expenditure incurred on general development programmes was unavoidable because of the inevitable requirements and general development which included creation of additional facilities for classrooms, libraries, laboratories, equipments, books, hostels and staff quarters. The rise in prices in construction and even in procuring books and equipments was responsible for this.

*Analysis of grants to universities and colleges.*—The development grants were distributed to various universities and colleges between 1969-70 and 1975-76 to the extent indicated below for execution of various schemes of development approved by the Commission from time to time.

	1969-70 to		1975-76	Total	Per- centage to total of grants	Per- centage of grants released during 1969-70 to 1973-74	Per- centage to student enrol- ment in 1973-74
	1973-74	1974-75					
	(Amount in lakhs of rupees)						
Central universities	2214.32	628.98	756.25	3599.55	21.8	19.9	1.7
Deemed universities	475.50	176.69	232.13	884.32	5.4	4.3	0.3
State universities	4907.60	1259.46	1507.39	7674.45	46.0	44.1	12.4
Delhi colleges	815.32	41.91	37.16	894.39	5.4	7.3	2.8
Other colleges	2719.49	412.01	354.86	3486.36	21.4	24.4	82.8
<b>TOTAL</b>	<b>11132.23</b>	<b>2519.05</b>	<b>2887.79</b>	<b>16539.07</b>			

The share of grants to other colleges decreased from 24.4 per cent during the Fourth Five Year Plan period to 16.4 per cent in 1974-75 and 12.4 per cent in 1975-76.

The larger proportionate share of grants to central and deemed universities was attributed by the Commission to the following :—

(i) grants to central universities not only included development grants which were normally paid to other universities but also grants paid for the medical colleges and hospitals attached to two central universities ;

(ii) grants for campus development were paid only to central universities as grants for state universities were provided by the State Governments ; and

(iii) assistance to the central universities for all the schemes was on cent *per cent* basis, whereas in the case of the state universities, in certain cases, *e.g.* construction of hostels and staff quarters, the same was provided on a matching basis.

*Plan grants to universities.*—It was noticed that the grants released to the various state universities varied considerably. An analysis of grants paid in the Fourth Plan period to 71 such state universities that existed at the commencement of the Plan revealed the following position :—

Number of state universities	Enrolment in 1973-74	Amount (in lakhs of rupees)	Percentage to total grants to the state universities
A set of 12 universities	87,469	2,069.19	42.2
A set of another 12 universities	13,274	198.86	4.1
Remaining 47 universities	2,21,518	2,639.55	53.7

The *inter se* disparity in release of grants was attributed by the Commission to (i) non-availability of matching grants from State Governments according to prescribed pattern of assistance and (ii) varying stages of development of the universities themselves.

*Expansion and Improvement of Undergraduate Education.—*

A sum of Rs. 16.83 crores was earmarked for the scheme in the Fourth Five Year Plan and a sum of Rs. 26.00 crores has been earmarked in the Fifth Plan. During the Fourth Plan the sum actually utilised was Rs. 24.84 crores. This amount included a basic grant of Rs. 5.39 crores sanctioned to various colleges for books and equipments and Rs. 8.15 crores sanctioned for the development of Delhi colleges. The balance of Rs. 11.30 crores was disbursed to other colleges under the scheme of Expansion and Improvement of Undergraduate Education. Under this programme assistance is provided in the following manner:

Assistance is provided to colleges on requests for specific purposes such as hostels, library and laboratory facilities, books, etc. subject to a prescribed pattern of assistance under which the Commission meets 50 to 100 *per cent* of expenditure depending on the item concerned and subject again to a ceiling of Rs. 3 lakhs for the period 1966-67 to 1973-74. In special cases, however, an additional grant of Rs. 1 lakh was available to a college on the usual sharing basis. Special book grant ranging from Rs. 4,500 to Rs. 6,500 per annum was also given to all colleges, in addition to grant ranging from Rs. 5,000 to Rs. 10,000 to certain colleges for purchase of equipments in accordance with the norms and ceilings. The assistance is given after scrutiny of the applications received from individual colleges provided the colleges concerned have given an undertaking in regard to meeting the matching grants required for various purposes. The assistance was not provided on the basis of any assessed needs of the colleges or on the basis of norms related to students enrolment etc.



It was noticed that there was wide diversity in the grants released to different colleges as may be seen from the table below :

Number of the universities to which the colleges were affiliated	Year	Grants released (in lakhs of rupees)	Percentage to total assistance
A set of 21	1972-73	492.47	55.4
	1973-74	301.90	43.7
	1974-75	273.52	60.3
	1975-76	215.93	60.8
Another set of 21	1972-73	47.06	5.0
	1973-74	38.50	5.6
	1974-75	48.93	10.8
	1975-76	34.26	9.7
Remaining 31	1972-73	349.77	39.6
	1973-74	350.75	50.7
	1974-75	130.90	28.9
	1975-76	104.67	29.5

NOTE: Grants released to the colleges affiliated to agricultural universities being negligible, have been excluded from the above table.

There were 4,308 colleges out of which 2,977 were recognised by the Commission as on 1st December 1974 as eligible for assistance. It was stated that several colleges could not avail of the assistance on account of difficulty in regard to requirement of matching grant. In this connection, it was noticed that the Education Commission had recommended that the University Grants Commission in consultation with State Governments should examine the question of classification of colleges in terms of level and achievement and make use of it in the allocation of grants to colleges under the Fourth Five Year Plan. The recommendation does not seem to have been specifically considered by the Commission.

The Plan outlay is meant to be utilised for new programmes during a Plan period while the level of expenditure reached at

the end of a particular Plan is treated as maintenance expenditure to be met from Non-Plan funds. It was noticed that a sum of Rs. 5.88 crores was paid as maintenance grants to the newly established constituent/affiliated colleges of Delhi University from the Plan funds. A test check revealed that a number of these colleges had, in fact, been in existence even in the earlier Plans.

*Correspondence Courses.*—The resolution on the National Policy on Education issued by the Government of India in 1968 envisaged the development of correspondence courses on a large scale at the university stage. The Estimates Committee had also noted in their report (1965-66) that correspondence courses had great advantages in a big but poor country like India and that by these means opportunities for education and training could be made available very widely at comparatively low cost. A sum of Rs. 1 crore was allocated for this purpose in the Fourth Five Year Plan. The Commission decided in July 1967 to provide support to the introduction of these courses upto a limit of Rs. 5 lakhs for a period of 4 years or the actual deficit whichever was less. The annual report of the Commission for the year 1972-73 also took note of the fact that the scheme of correspondence courses had developed certain difficulties in the course of its implementation in the past decade and that the Education Commission had suggested that one-third of the university level enrolment should be covered by correspondence courses and that this had not happened. It was further noted in the same report that sometimes courses had been started without adequate previous preparation and there were some academic and operational difficulties which had caused anxiety. It was stated that these problems were being examined by expert committees and that it should be possible to raise the standard of this method of instruction as well as cover more and more students and disciplines during the next Plan.

During 1974-75, 12 universities were offering correspondence courses at various levels and the number of students enrolled was 64,846. The total expenditure incurred by the Commission on the correspondence courses during the Fourth Plan period was only Rs. 12 lakhs against the allocation of Rs. 1 crore. Against

the Fifth Plan allocation of Rs. 1 crore, expenditure of Rs. 15.60 lakhs had been incurred on this scheme in the first 2 years of the Plan. The Commission stated that guidelines had been laid down for the introduction of correspondence courses at undergraduate and postgraduate levels from 1974-75 onwards so that standards comparable to full-time instructional programmes would be maintained by the schools and institutes of correspondence courses under the auspices of various universities in the country. The Commission had also decided that grants would be provided for core staff, preparation of reading material, contact programmes, visiting lecturers, books and journals and postal library services. It was stated that the shortfall in the Fourth Plan was due to the fact that the fees realised for correspondence courses was considerable and the income from fees, etc. was adequate to meet the major part of the expenditure. Also, only 11 universities could start a limited number of correspondence courses in the Fourth Plan as against 20 universities originally envisaged.

*Centres of Advanced Study.*—In 1963-64 the Commission approved the establishment of 26 Centres of Advanced Study in science, humanities and social sciences. These centres are designed to serve the urgent need in the field of higher education to strengthen the quality of teaching and research particularly at the post-graduate level by channelling the existing resources effectively on a highly selective basis. The basic purpose of the scheme of the Centres of Advanced Study is to encourage the "pursuit of excellence" and team work in studies and research and to accelerate the realisation of international standards in specific fields. In 1967-68 another 4 centres were established. The Education Commission in its report (1966) recommended that it was necessary to strengthen and expand the programme of establishment of Centres of Advanced Study and that one way of doing this would be to establish a cluster of advanced studies in some of the universities as had been done in a particular university. Fifty centres, including some in modern Indian languages, were recommended to be established over the next 5 to 10 years and one of them was to concentrate on developing an inter-disciplinary approach

to education. Other areas not covered at that time, such as agriculture, engineering, medicine and modern Indian languages were also to be covered. An allocation of Rs. 16 crores was envisaged by the panel on education but the final allocation provided in the Fourth Plan was Rs. 8 crores. The actual utilisation was, however, Rs. 4.01 crores.

The work of 25 centres which completed 10 years as advanced centres was reviewed by an assessment committee appointed by the Commission in 1973-74. On the basis of the report of the assessment committee and on the advice of the standing committee for this programme, the Commission decided (July 1974) that recognition of 7 centres on which Rs. 2.09 crores had been spent in the form of fellowships, scholarships, teacher fellowships, books and equipments and additional staff, may be withdrawn from 1st April 1974. The number of effective Centres of Advanced Study during 1974-75 was 23. The Commission had decided that assistance under this programme in future should be made available only for a period of 5 years and the State Government/ university should take over the recurring liability after the end of the period as committed expenditure.

*College Science Improvement Programme.*—The College Science Improvement Programme was initiated by the Commission in 1970-71 to accelerate the development of science capabilities of predominantly undergraduate colleges. In order to improve the range of undergraduate education in the sciences and expand opportunities for undergraduates to pursue useful scientific careers, the project aimed at beneficial effects on teachers and students, subject matter and methods of instruction, syllabi, curricula and individual courses, facilities, equipments, workshop, library and teaching materials. The programme was taken up at two levels:—

- (i) In selected colleges to include the entire science faculty ; and
- (ii) University Leadership Project in any one science subject in all the colleges affiliated to a university.

During 1970-71 to 1974-75 the Commission released grants of Rs. 207.68 lakhs to 111 colleges affiliated to 42 universities under item (i) above.

Seventynine colleges which started their activities up to 1971-72 relating to item (i) above were to complete their first phase of the programme by March 1975 and were to be visited by regional committees for proper appraisal of the work done. The regional committees, however, had visited only 14 of these colleges in the west and north regions between July and November 1974. The Commission had not constituted any committee to visit the remaining 65 colleges. It, however, approved follow-up proposals relating to 28 out of the 65 colleges at a cost of Rs. 51.25 lakhs and grants released on this account amounted to Rs. 9.68 lakhs upto September 1976.

According to reports received by the Commission, 45 colleges could not complete the first phase of programme till September 1976; extension for completing the first phase of programme was given from time to time to these colleges.

In respect of six colleges to whom grants of Rs. 13.45 lakhs were released in the first phase, the Commission decided not to provide any further grant for the second phase on the ground that their implementation of the programme was not satisfactory.

In regard to the University Leadership Project referred to at item (ii) above, till March 1975, 25 departments relating to 14 universities were selected for participation in the programme. For the Fifth Five Year Plan the Commission had decided that every university which had more than 20 affiliated colleges providing undergraduate studies be invited to take up a University Leadership Project in each of the major subjects where it had strong viable departments. Nevertheless, till March 1976, no new department was brought under the purview of the project. During 1970-71 to 1974-75 the Commission released grants of Rs. 93.50 lakhs for implementation of the Leadership Project.

A test check in Audit of the grants for the University Leadership Project disclosed that the Commission was releasing on account grants without taking into consideration progress of expenditure and/or large scale unutilised funds.

A few such cases are indicated below :—

University	Subject	Grants released		Expenditure incurred against grants
		Date	Amount in lakhs of rupees	
A	Mathematics	July 1970	0.10	Against the grant of Rs. 1.70 lakhs released upto March 1971 expenditure incurred was Rs. 0.67 lakh. Further, grants amounting to Rs. 2.80 lakhs were paid during 1971-72 without obtaining the progress of expenditure; the university already had unspent balance of Rs. 1.03 lakhs as on 31st March 1971.
		August 1970	0.40	
		November 1970	1.20	
		November 1971	2.00	
		March 1972	0.80	
B	Mathematics	January 1971	0.80	The flow of expenditure was Rs. 0.12 lakh and Rs. 1.15 lakhs during 1970-71 and 1971-72 respectively. The progress of expenditure as such did not warrant release of grant amounting to Rs. 0.40 lakh in March 1972.
		January 1972	0.80	
		March 1972	0.40	
C	Physics	June 1974	2.50	The progress of expenditure was not received till September 1976. Nevertheless the second instalment of the grant of Rs. 1.50 lakhs was released in February 1976.
		February 1976	1.50	

D	Physics	June 1974	1.00	The university spent Rs. 1.19 lakhs upto July 1975 when the unspent balance amounted to Rs. 0.81 lakh. Grants amounting to Rs. 1.00 lakh and Rs. 0.50 lakh were released in October 1975 and July 1976 respectively without obtaining any further progress of expenditure.
		November 1974	0.50	
		June 1975	0.50	
		October 1975	1.00	
		July 1976	0.50	
E	Botany	September 1973	1.50	After incurring expenditure of Rs. 0.08 lakh the university held unspent balance of Rs. 1.42 lakhs on 31st March 1975. The university incurred further expenditure of Rs. 1.25 lakhs leaving unspent balance of Rs. 0.67 lakh as on 31st March 1976. The Commission, however, released another instalment of grant amounting to Rs. 3.00 lakhs in July 1976 without obtaining the progress of expenditure after March 1976.
		April 1975	0.50	
		July 1976	3.00	

A review of the performance of some of the universities under the Leadership Project as per progress reports, materials given to expert committee, etc. revealed the following position :

In one university, the committee appointed by the Commission noted in 1974 that most of the colleges were starved for lack of basic equipments and library facilities. Still the university spent only a sum of Rs. 2.76 lakhs for the purpose against an allocation of Rs. 6 lakhs. In another university, out of an allocation of Rs. 3 lakhs for books and equipment, only Rs. 0.47 lakh were spent and no affiliated college was rendered any assistance under the scheme.

*Basic Research Work for Industrial Development.*—A sum of Rs. 45 lakhs was provided for a scheme of Basic Research for Industrial Development. An expert committee was appointed by

the Commission in May 1971 to consider the question of collaboration and inter-linking of universities, research and development laboratories and industry. The committee recommended (May-June 1971) the implementation of a few projects as pilot projects for achieving this collaboration. The projects were proposed to be undertaken jointly by the National Physical Laboratory, Indian Institute of Technology, New Delhi, Indian Institute of Science, Bangalore, University of Madras, Associate Instrument Manufacturers, New Delhi and Shriram Institute of Industrial Research, New Delhi. Proposals were stated to be at the formulation stage even at the time the Commission submitted its appraisal on Fourth Five Year Plan to the Government/Planning Commission (October 1974).

*Payment of development grants to universities.*—For sanction of assistance under this head, the universities were required to submit their proposals for the relevant plan period within certain ceilings indicated by the Commission. On receipt of proposals from the universities, "visiting committees" were constituted, one for each university during Fourth Plan period and for a group of universities during the Fifth Plan period. The members of the visiting committees were selected by the secretary/Chairman of the Commission from a panel available with the Commission's office, generally a month in advance of the dates proposed for visit to a university. During the Fifth Plan, a representative of the respective State Government was also associated with the visiting committee. The visiting committees were also assisted by one to three officers of the Commission. Normally a week before the visits, the ceilings prescribed and the list of points to be considered was furnished to the members of the committee. The officers of the Commission assigned for the committee were required to collect all relevant data relating to schemes already approved by the Commission and also any other point which the Commission might desire the committee to discuss. The visiting committees were required to meet at the assigned university campus, hold discussions with the vice-chancellors, teachers and students of the universities, examine the progress made in implementation of the previous plans and reports of the committees constituted by the



Commission from time to time (e.g. review committee, standards committee, examination reforms committee, etc.) and finalise their recommendations which were expected to be specific and translated in financial terms. It was seen that the visiting committees for the Fourth Plan visited various universities for very short periods as detailed below :

Number of universities	Number of days of visit by the visiting committees
10	1 day
34	2 days
8	3 days

The recommendations of the committee were then put up to the Commission, who considered and approved the same, sometimes with variations. Based on the Commission's decision, allocations were made for specified programmes. Before incurring any expenditure in the Plan period, the universities were, however, required to obtain specific approval of the Commission by submission of detailed plans and estimates for execution of each project.

Based on such recommendations of the visiting committees, it is reported that a sum of Rs. 64.52 crores was allocated during the period 1966-67 to 1973-74 to 70 universities and 8 deemed universities. The amount disbursed to these universities against the above allocation amounted to Rs. 47.97 crores. Grants amounting to Rs. 0.43 lakh were also released to one deemed university against which there was no allocation. An analysis of the disbursement *vis-a-vis* allocation made revealed the following position :—

Universities/deemed universities which received grants	Number	Amount allocated (in crores)	Amount disbursed of rupees)
(i) Less than 25 per cent of the allocation	4	2.68	0.39
(ii) Between 25 and 50 per cent of the allocation	5	7.92	3.12
(iii) Between 50 and 75 per cent of the allocation	23	18.32	12.13
(iv) Between 75 and 100 per cent of the allocation	37	28.20	24.10
(v) More than 100 per cent of the allocation	9	7.40	8.23

A scrutiny of some of the recommendations of a few visiting committee reports and their implementation during the Plan period disclosed the following :

(i) *Modifications*.—Several universities submitted proposals for execution of schemes not considered or not included in the visiting committees' recommendations in place of schemes recommended by the visiting committees and approved by the Commission. So long as such programmes were within the overall financial ceiling prescribed by the Commission for the university concerned, the modifications proposed by the universities were approved by the Commission's Office/Chairman. In this connection the Commission stated that the visiting committees had to suggest programmes within a pre-decided outlay and very often some of the schemes which the university would have liked to be included were left out as other equally urgent schemes were accommodated within the outlay available. When the university made a decision about the relative urgency of programmes, the Commission had been accepting such new programmes within the overall allocation available to universities as primarily the universities were the best judges of urgent programmes to be implemented in a particular plan period.

(ii) *Establishment of the Institute of Basic Medical Sciences in a University*.—In a certain university, the Commission agreed in June 1960, on the basis of recommendations of visiting committee, to the establishment of an Institute of Basic Medical Sciences. The cost of the building with equipments etc., was expected to be about Rs. 25.7 lakhs of which Commission's share (2/3rd) worked out to Rs. 17.13 lakhs. In addition, 50 per cent of the expenditure on salaries of teaching and other staff was to be borne by the Commission. Later in 1961 it was noticed that the State concerned had established in 1955 a similar institute (Institute of Medical Sciences) and the university already had postgraduate departments in bio-chemistry and physiology. The Commission accordingly felt that there should be coordination between the various wings and the

university was advised that pending consideration of the scheme by an expert committee no commitments other than those already made (which were of a minor nature) should be made under the scheme. The expert committee recommended in 1962 the integration between clinical and non-clinical subjects for execution of the scheme. However, without making any modification in the scheme, the Commission released grants of Rs. 9.85 lakhs at the rate of 2/3rd of the total cost upto March 1971. The Commission also agreed (February 1972) to give further grants amounting to Rs. 11.50 lakhs for additions to buildings with cent *per cent* assistance as against prescribed ceiling of 2/3rd. The grants released upto August 1976 were Rs. 9.00 lakhs. The Fifth Plan visiting committee again observed in its report (September 1975) that there was absence of a working arrangement between the Postgraduate Institute of Basic Medical Sciences and the nearby hospital/institute of the State Government which had clinical facilities. The work of the departments of pathology, microbiology and pharmacology especially was hampered due to their lack of access to hospital facilities. It had stated, "It is no use sinking in, the University Grants Commission's money merely for the perpetuation of mediocrity". It had recommended that the institute should be handed over to State Government or a new hospital should be started which, it thought, was a very expensive proposition, if the scheme was to be made successful. The Commission stated that the observations of the Fifth Plan visiting committee were brought to the notice of the university with a request that a decision in this regard may be expedited in consultation with the State Government and furnished before 31st December 1976. It had also intimated the university that all grants to it would be withheld if no settlement was brought about regarding the availability of clinical services from the Government hospitals in the nearby building of the institute so that collaboration of clinical and non-clinical activities could be brought about.

(iii) *Construction of library building by a university.*—In September 1970 the Commission agreed to the construction of a

library building for a particular university at an estimated cost of Rs. 5.00 lakhs, the Commission's share being Rs. 3.33 lakhs. The university subsequently (February 1972) proposed to construct a bigger library building comprising nine floors at an estimated cost of Rs. 50.00 lakhs, the total built up area being 1.22 lakhs square feet. Considering the huge expenditure, the university decided in February 1972 to undertake the construction of the building in two phases, the first phase to be taken up during the Fourth Plan at an estimated cost of Rs. 25 lakhs and to be completed by December 1973. In May 1973, the Commission agreed to provide Rs. 16.12 lakhs as its share in the first phase of construction. This provision included Rs. 3.33 lakhs as spillover of the provision for the library building made in the Third Plan and Rs. 9.79 lakhs from savings anticipated by the university by dropping the construction of social sciences block, mathematics block, printing press, women's hostel, non-resident students centre, etc. already approved, as also anticipated savings of Rs. 3.00 lakhs by non-appointment of certain staff. The balance amount was to be arranged by the university from the State Government and other sources.

Till September 1976 the university had spent Rs. 60.00 lakhs on the first phase of construction. During this period in addition to Rs. 16.05 lakhs paid by the Commission, the Ministry of Education had paid Rs. 3.00 lakhs as *ad hoc* grants for the purpose. The university had also borrowed Rs. 22.00 lakhs from a bank, the rate of interest being 11.5 *per cent*. The first phase of construction has not, however, been completed so far (September 1976).

The visiting committee of the Commission while assessing the Fifth Plan requirements of the university observed (November 1974) that the building over which Rs. 60 lakhs have already been spent, out of which Rs. 22.00 lakhs is money borrowed at a heavy rate of interest will according to university estimates need another Rs. 50 to 60 lakhs for its completion and in view

of the rapidly rising cost of material, it may cost much more by the time it is actually completed. When completed, the building will be completely out of tune with the other buildings on the university campus or other university campuses in India. It will also not be of great functional importance. The building had been designed with a view to accommodating 20 lakhs of books, which no university, however old, possesses in India or is likely to possess in the near future. While realising that leaving the construction of the building at this stage would involve a complete waste of Rs. 60.00 lakhs so far invested in it, it was difficult for the Commission's visiting committee to understand or suggest how the additional cost involved could be met with, without allowing the basic academic needs of the university to remain unsatisfied. The committee, however, further observed that the State authorities themselves were aware of the incongruity of building up the library block on such a grandiose plan at a time when the State as well as country were passing through economic crisis. The committee was not convinced that (1) construction of this nature would be in conformity with the present design of the building and would not completely mar its beauty, or (2) that the building would be well suited for the location of the teaching departments. The building when completed would need central heating system which would cost another Rs. 11.00 lakhs for first floor and mezzanine floor only.

With reference to the above observations of the visiting committee, it was decided by the Commission in July 1975 that the possibility of utilising a part of the library building for accommodating the social sciences department for which a provision of Rs. 12.00 lakhs was recommended by the visiting committee separately could be examined and if necessary, the amount utilised towards construction of the library building. The case is still under examination (November 1976). The Commission stated (December 1976) that a committee to look into the academic work of the university has been constituted and the Commission would take further steps in this respect on the basis of advice that would be tendered by this committee.

*Adult Education Programmes.*—Against an allocation of Rs. 50 lakhs for this scheme during the Fourth Plan period the actual expenditure was Rs. 2 lakhs. For the Fifth Plan grants amounting to Rs. 6.42 lakhs were released by the Commission in 1974-75 and 1975-76. A committee appointed in October 1969 by the Commission for implementing the scheme had made its recommendation in June 1970. In May 1971 the Commission decided the pattern of assistance as 75 per cent from the Commission and 25 per cent from the State Government, subject to a ceiling of Rs. 3 lakhs during Fourth Plan. Thereafter, the schemes were to be continued by the universities with assistance from the State Governments. For want of assurance of future assistance from the States, only a few universities and that too where the scheme was already in operation in some form or other, came forward for implementing the scheme. In August 1973, however, it was decided that assistance by the Commission would be continued in Fifth Plan as well.

*Scheme for the preparation of university level books by Indian authors.*—In connection with the availability of quality books in science and technology the Education Commission noted in 1966 that the country had the talent and other resources required to produce first rate books but it appeared that what was lacking was determination and planned effort. They recommended that the Inter University Board and the Commission should take a lead in the matter so that by the end of the Fourth Plan, most of the books required at the undergraduate level and a considerable number at the postgraduate level were produced within the country. No action on the above recommendation was taken until the Ministry of Education and Social Welfare entrusted in 1970-71 to the Commission a scheme to encourage Indian authorship in the production of manuscripts of quality books. The scheme covered not only science books but also other books in humanities and social sciences. Under this scheme the Commission was to make available opportunities and financial support to university teachers and other scholars in the preparation of books of high quality. The scheme, however, does not by

itself provide for publication of the books. A committee of three persons is constituted for each title undertaken under the scheme. This committee is concerned mainly in ensuring proper standard and quality of the manuscript and may make suitable suggestions to the author in this regard. The same committee is to evaluate the final manuscript and make suitable recommendations for its publication. Only original writings are to be covered under the scheme and no translations of available books are permissible.

The Ministry of Education and Social Welfare provided a grant of Rs. 41 lakhs to the Commission during the years 1971-72 to 1975-76 out of which Rs. 36.94 lakhs including Rs. 1.18 lakhs as administrative charges were released to 53 universities and 34 colleges upto 31st March 1976. Till 30th June 1976 the Commission had cleared 362 projects in various disciplines after screening by subject panels. Fifty-five of these projects were, however, subsequently cancelled. Of the remaining projects, the position as on 1st November 1976 was as under :—

- 4 projects completed and books published.
- 43 manuscripts completed and evaluated as suitable for publication (including 4 for which no evaluation was considered necessary).
- 18 projects completed and awaiting evaluation.

The position in respect of the remaining projects was as under :—

— In progress for less than 3 years	105
— In progress between 3 and 4 years	52
— In progress for more than 4 years	85

As stated earlier, the scheme does not provide for the publication of the approved manuscripts. The Commission, however, recommended from 1974-75 approved manuscripts for subsidies under the scheme of the National Book Trust for subsidising university level books provided the author approached the Commission in this regard.

*Publication of learned works and doctoral theses.*—The Commission was providing assistance since 1955 to the universities for publication of learned works and doctoral theses. During the years 1966-67 to 1973-74 the Commission allotted Rs. 30.05 lakhs to 78 universities including deemed universities. Thirteen universities to which Rs. 5.35 lakhs were allotted did not, however, draw any amount. Grants claimed and paid to the remaining universities were Rs. 11.63 lakhs (i.e. 38.7 per cent of the allocation).

With a view to examining the progress of implementation of this scheme the Commission had called for (March 1973) certain information from all the universities. No information in this regard was received from nine of them. Information received from the remaining universities indicated that in all 350 titles were selected by the universities for publication. Of this, information about the print order in respect of 50 titles was not received. Of the remaining 300 titles, order was given in respect of one print for 25,333 copies. Print order in respect of 225 titles varied between 500 and 1,000 copies, 41 titles between 1,000 and 1,500 copies and 20 titles between 2,000 and 3,000 copies. The remaining 13 titles were printed with less than 500 copies.

Regarding the position of unsold copies, information received by the Commission in 1974 indicated that not even one out of 500 copies of a publication brought out by a certain university in 1964-65 was sold. The same was the case with three other universities in respect of 1,000, 1,100 and 1,000 copies of their publications brought out in 1968, 1969 and 1971 respectively (January 1975).



The Commission stated (December 1976) that in order to overcome the deficiencies and weaknesses in the implementation of the scheme, new guidelines have been framed.

*National award of prizes to Indian authors.*—As a part of its programme to promote Indian authorship in relation to the writing of university level books, the Ministry of Education and Social Welfare provided a grant of Rs. 7.87 lakhs during 1973-74 to the Commission to be utilised by conferring recognition at the national level to Indian authors producing outstanding works in Indian languages (excluding English) and by awarding them prizes valuing Rs. 10,000 each. The maximum number of prizes to be awarded was 100 in a year for the best books published within a specified period in any of the Indian languages on subjects or branches of subjects taught at university level. The guidelines for the implementation of the scheme were formulated by the Commission in July 1973 and entries for the first award were invited through press notification in August 1973. In response, about 900 entries were received. The Commission stated (December 1976) that the processing of these entries was delayed due to late appointment of staff. The assessment is expected to be completed by March 1977 and awards are likely to be announced in 1977-78.

The expenditure incurred on the implementation of the scheme between 1973-74 and 1975-76 was Rs. 0.24 lakh which worked out to 3 per cent of the grant provided.

*Grants for construction of buildings.*—A large part of assistance provided by the Commission to universities and colleges is towards the construction of educational buildings, staff quarters, hostels and campus facilities. The Commission does not, however, have any technically qualified personnel to assist it in the planning of buildings or in the scrutiny of plans and estimates, completion documents, etc., submitted by grantee institutions. Grants were approved on the basis of estimates and plans prepared by qualified architects. The Commission allows 4 per cent of building costs towards preparation of plans and estimates

and for supervision of construction. A scrutiny of some of the building grants provided by the Commission disclosed that :

- in some cases there were considerable revision of costs initially estimated, within two or three years.
- there were long delays in completion of buildings.
- completion reports were awaited even in respect of many completed works.
- periodic reports on progress in construction were not insisted upon except at the time of request for the next instalment of grant.
- there was no inspection or other arrangements to see if the buildings constructed conformed to approved plans. •

In this connection, it was observed that in December 1972 the Commission considered a note on the procedure followed in regard to proposal for construction of buildings under the scheme of assistance to colleges. It came to its notice that even though the Commission allowed 4 *per cent* of the building cost for preparation of plans and estimates and for supervision, the required competent supervision was not available to a number of construction works undertaken in different parts of the country. It was stated that one possible reason was the growing tendency to engage architects from outstations. For instance, many colleges in different states engaged architects from one particular station. Some of these firms were found to be supervising 90 to 100 projects at a time scattered over 5 to 6 different states even though such firms did not appear to have the necessary number of technically competent and qualified staff to undertake a required periodically and regular visits to all the construction sites. The Commission

decided to constitute a committee to examine the procedure for sanction of grants to the colleges for construction of buildings. It had also been observed that in some cases even substandard building materials were used. However, based on the recommendations of the above committee, a revised procedure was adopted for colleges from February 1974. Under this procedure, a building committee, consisting of representatives of the management, local public works department, an engineer member of the locality and principal of the college, is entrusted with the responsibility of supervising the construction work. In this connection, it was noticed that the Chairman of the Commission had also ordered (January 1974) that an enquiry be made from the officers concerned as to how two firms of architects in a particular station "managed to corner" over 200 building projects (costing Rs. 3.22 crores under execution in seven or eight states) whose supervision was not considered to be "satisfactory by any standards".

The Commission stated (December 1976) that enquiries made from available officers of the college division of the Commission revealed that the selection of architects/engineers was entirely the responsibility of the grantee institutions concerned and that as soon as it came to the notice of the Commission that a few firms at a particular station were in charge of a number of construction works at long distances, the matter was taken up with the institutions and universities concerned regarding the day to day supervision of such works. The Commission had also taken up with the vice-chancellors of universities concerned regarding the suitability of engaging such outstation architects. The grants payable in respect of such projects were released only when the Commission was satisfied from the replies received from the universities that the supervision was satisfactory.

*Maintenance grants to central and deemed universities and Delhi colleges.*—The Commission has been entrusted with the disbursement of maintenance grants to the central universities, certain deemed universities and colleges in Delhi. The number

of such institutions and the grants paid to them between 1969-70 and 1975-76 are given below :

Year	Central universities		Deemed universities		Delhi colleges	
	Number	Amount	Number	Amount	Number	Amount
1	2	3	4	5	6	7
(Amount in lakhs of rupees)						
1969-70	4	631.25	..	..	40	243.00
1970-71	5	711.64	..	..	40	232.06
1971-72	5	758.89	..	..	40	239.57
1972-73	5	800.21	..	..	40	247.85
1973-74	5	850.18	..	..	45	285.10
1974-75	5	1,514.24	..	..	55	617.17
1975-76	5	1,919.96	2	176.77	55	824.27

On the basis of students enrolment, the per capita maintenance grant for the year 1973-74 for the central universities was as under :—

	Rs.
University A	5,443
University B	2,808
University C	2,358
University D	1,174
University E	1,072

The Commission stated that the per capita grant was comparatively less in the case of university D as the bulk of the development and recurring expenditure was met from the Plan Funds.

### *Financial Control*

*Budget.*—(i) Under section 17 of the University Grants Commission Act 1956 the Commission is to prepare annually a budget for its direct expenditure and for grants etc. to be given by it to universities etc. The budget is to be in a prescribed form and is to be submitted to the Government. Section 12 of the Act empowers the Commission to inquire into the financial needs of the universities and allocate and distribute, out of the funds

of the Commission, grants for maintenance and development of the universities and for any other general or special purpose. The requirement of finances for any year is considered by the Commission sometimes in the preceding October-November and proposals are sent to Government of India for consideration and allocation of funds.

The Government of India intimate the funds likely to be provided in their budget by February—April. It was seen that the revision of the budget was not considered in the light of the actual budget provision until October-November as indicated below :

Year	Original estimates		Government's allocation		Revised estimates
	Month in which Commission approved annual budget estimates	Amount proposed (in crores of rupees)	Month in which Government of India communicated its allocation	Amount allocated (in crores of rupees)	Month in which revised estimates based on Government's allocation were approved by the Commission
1970-71	November 1969	35.33	February 1970	31.08	November 1970
1971-72	November 1970	37.24	February 1971	35.37	October 1971
1972-73		Not available			
1973-74	November 1972	48.27	April 1973	34.03	November 1973
1974-75	November 1973 and again in May 1974	51.42 45.71	March 1974	45.71	November 1974
1975-76	November 1974	48.01	February 1975	51.28	October 1975

It was stated by the Commission that the allocation for 1976-77 communicated by the Government (2nd March 1976) was reported to the Commission on 22nd March 1976.

(ii) It was noticed that there were large variations between revised estimates approved by the Commission (in October/

November each year) and the final expenditure as indicated below :—

Head of Account	1969-70		1970-71		1971-72		1972-73		1973-74	
	Revised Estimates	Actuals	Revised Estimates	Actuals	Revised Estimates	Actuals	Revised Estimates	Actuals	Revised Estimates	Actuals
(Figures in lakhs of rupees)										
<i>Plan</i>										
1. Grants for humanities	142.00	171.74	170.00	209.63	226.00	254.10	303.00	304.72	328.36	293.75
2. Grants for science	311.00	360.56	350.00	345.42	330.00	404.09	650.04	674.82	441.12	473.97
3. Grants to constituent/affiliated colleges	413.00	354.93	627.10	740.35	1022.56	900.14	913.04	859.09	785.45	680.28
4. Miscellaneous schemes	563.15	334.68	670.90	422.64	775.11	646.46	1037.65	776.95	939.94	769.85
5. Seminars and conferences	11.90	4.59	6.50	5.74	18.16	9.51	13.66	12.85	13.75	13.11
<i>Non-Plan</i>										
1. Grants to affiliated colleges of Delhi University	202.00	243.00	213.15	232.06	239.60	239.57	241.75	247.85	253.84	285.10

Though a monthly statement of expenditure against the budget provision is placed before the Commission for information, there was no system or procedure for analysing the causes of variations and obtaining the approval of the Commission for such variations.

*Form of Accounts.*—Section 19 of the University Grants Commission Act provides that the Commission shall compile a statement of accounts in such form as may be determined by the Government of India in consultation with the Comptroller and Auditor General. The form of statement of accounts now in vogue was prescribed in consultation with the Comptroller and Auditor General and adopted from 1963-64. The form of statement of accounts then approved does not provide for programme-wise break up of plan expenditure. There are also no subsidiary registers maintained by the Commission for compiling the expenditure under Plan programmes and reconciling the same with the figures compiled in the accounts. Consequently, varied figures of expenditure on Plan programmes incurred between 1969-70 and 1973-74 were reported in different documents (Rs. 109.88 crores as per Annual Reports, Rs. 110.64 crores as per Annual Accounts and Rs. 113.58 crores as per the Fourth Five Year Plan Appraisal submitted by the Commission to the Government).

*Watch over utilisation of grants paid by the Commission.*—During the period 1958-59 to 1974-75, the Commission disbursed a sum of Rs. 34,380.13 lakhs as grants to various universities and colleges. According to the procedure adopted by the Commission till 1971-72 to watch utilisation, each grantee institution was required to submit periodic progress report and a statement of expenditure. On the expiry of the prescribed period, a statement of accounts was to be rendered by the grantee institutions followed up by a copy of audited statement of accounts. Based on these returns the various branches in the Commission's office which sanctioned the grants were to complete their records and issue certificates of utilisation to the accounts branch of the

Commission. There were, however, heavy arrears in the issue of utilisation certificates. The Estimates Committee stated (April 1966) that they were "inclined to take a serious view of the casual treatment given by the Commission to the issuance of the certificates." They also regretted that the Ministry of Education and Social Welfare had not, under powers vested in them, issued directions even though large amounts had been given by the Commission for which the utilisation certificates had not been issued. The Committee, therefore, suggested that the whole matter should be considered at a high level and suitable measures taken. The Public Accounts Committee in its 114th Report (April 1970) reiterated, *inter alia*, the suggestions made in its earlier report (41st Report—1965-66) that in order to enforce financial discipline in case of persistent default without valid reason, the question of withholding further grants should be seriously considered. While taking note of the difficulties in furnishing the utilisation certificates, the Public Accounts Committee desired that this question should be considered in consultation with Audit in all its aspects and a suitable arrangement worked out for streamlining the procedure for issue of utilisation certificates.

Pursuant to this, it was decided by the Commission in consultation with Audit in October 1970, that certificates of utilisation would be issued on the basis of progress reports and accounts of utilisation without waiting for audited accounts, and also that the Commission would conduct a supplementary check on the certificates after the audited accounts were received. The institutions were also asked to furnish with effect from 1967-68 statements of unutilised grants as on 31st March each year, so as to enable the Commission to examine the position of unutilised grants and to take steps, where necessary, to withhold further grants. Besides, an officer was appointed with effect from 11th September 1970 for visiting various universities which were in heavy arrears for taking remedial measures.

The position of outstanding utilisation certificates as on 30th September 1976 compared to the position in April 1970,



when the matter was discussed by the Public Accounts Committee is indicated in the following table :—

Year	As reported to the Public Accounts Committee in April 1970—position as upto February 1970		Position as upto September 1976	
	Number of items	Amount in lakhs of rupees	Number of items	Amount in lakhs of rupees
1	2(a)	2(b)	3(a)	3(b)
1953-54 to				
1957-58	410	193.30	Nil	Nil
1958-59	408	175.39	88	27.47
1959-60	765	252.17	129	34.00
1960-61	1,100	314.37	258	39.39
1961-62	1,458	522.46	438	102.02
1962-63	2,001	507.99	934	137.28
1963-64	2,745	680.14	1,205	209.13
1964-65	4,248	762.03	1,798	216.46
1965-66	5,485	1,083.23	2,154	277.05
1966-67	5,268	1,208.68	1,985	281.01
1967-68			2,813	365.43
1968-69			3,359	389.32
1969-70			5,148	337.38
1970-71			6,347	980.20
1971-72			7,418	1,724.36
1972-73			5,788	2,036.77
TOTAL	23,888	5,699.76	39,862	7,157.27

It would be seen that despite the simplification of procedure the number of cases of outstanding utilisation certificates has not gone down. Further 12,427 items valued at Rs. 55.38 crores in respect of grants sanctioned during 1973-74 and 1974-75 also became outstanding by 30th September 1976. It may be noted that out of 23,888 items (Rs. 57.00 crores) reported outstanding

to the Public Accounts Committee in April 1970, 8,989 items (Rs. 13.24 crores) were outstanding (September 1976).

According to information obtained by the Commission from the universities, the unspent balances with the universities as on 1st April 1975 was Rs. 6.74 crores. No break-up of these balances indicating the years from which these were outstanding was available with the Commission. No information about the unspent balances lying with the colleges was called for by the Commission (December 1976).

Some of the items pertaining to the period 1958-59 to 1962-63 for which utilisation certificates have not been issued so far (October 1976) are as under :

Grants paid to	Amount (in lakhs of rupees)
Indian Institute of Science	48.28
Mysore University	38.75
Punjab University	36.46
Delhi University	26.56
Banaras Hindu University	20.50
Poona University	14.42
Osmania University	14.04
Aligarh Muslim University	12.92
Utkal University	12.97
Lucknow University	11.79

*Maintenance of block accounts of assets.*—Each grantee institution, other than the central universities and colleges of Delhi University, is required to maintain a block account of assets created out of financial assistance from the Commission. Annually each institution has to furnish a certificate to the Commission in a prescribed form to the effect that proper accounts of the assets had been maintained, the assets had not been encumbered or disposed of and that they had been utilised for

the object for which assistance was given. No watch over receipt of such certificates was kept in the Commission; most of the institutions did not, in fact, furnish the certificates. There were no records to show that the assets were being utilised for the purpose for which the same were acquired and that the Commission had satisfied itself in this regard. The Commission stated (December 1976) that the universities had been asked to furnish the pending certificates before the end of March 1976. The institutions had further been informed that non-submission of such certificates would result into stoppage of grants, etc. Names of institutions from which such certificates were still awaited and whether any action was taken against them by the Commission are not known (December 1976).

*Surplus funds.*—Section 16(2) of the University Grants Commission Act, 1956 enjoins that all money belonging to the fund of the Commission should either be deposited in bank or invested in such manner as may be decided by the Commission with the approval of the Central Government. In November 1972 Audit had pointed out that though on many occasions the balance with the Commission had exceeded Rs. 50.00 lakhs, the same was not invested even in short-term deposits which could have earned some interest. Cases in which balances had exceeded the above limit during 1968-69 to 1975-76 are indicated below :—

Year	Between Rs. 50 lakhs and Rs. 200 lakhs	Between Rs. 201 lakhs and Rs. 500 lakhs	Over Rs. 500 lakhs
1968-69	3 Months	7 Months	—
1969-70	3 "	4 "	4 Months
1970-71	2 "	2 "	7 "
1971-72	5 "	3 "	3 "
1972-73	3 "	3 "	4 "
1973-74	3 "	6 "	1 Month
1974-75	3 "	6 "	2 Months
1975-76	1 Month	4 "	7 "
<b>TOTAL</b>	23 "	35 "	28 "

The Commission stated that various practical difficulties are encountered in estimating the cash requirements in respect of 3000 colleges and 90 universities spread over the whole country and that the cash balances commented upon by Audit were not a continuous balance existing from a single receipt of grants but were the cumulative result of subsequent receipt of grants from the Government as well as expenditure. Since the main objective of the Commission was to release grants as and when required to the universities and colleges with least delay to enable them to function efficiently and since the Commission was not a profit-making organisation required to invest funds and earn interest, it was hoped that the practical difficulties would be taken into account and the suggestion to invest surplus cash balance from time to time in short-term deposits would not be pressed.

#### 49. *National Book Trust.*—

##### *Introduction*

The National Book Trust was constituted in 1957 and registered as a Society in 1959 for producing good literature and making it available in all Indian languages at moderate prices and also fostering book-mindedness in the country. Consequent on a review of the work of the Trust by a committee appointed by Government at the end of 1961 the aims and objectives of the Trust were re-defined in September 1962 as under :—

- (a) To produce and to encourage production of good literature and to make such literature available at moderate prices to the public;
- (b) In furtherance of the above objectives to publish, more particularly, books of the following types in English, Hindi and other languages recognised in the Constitution of India :
  - (i) The classical literature of India;
  - (ii) Outstanding works of Indian authors in Indian languages and their translation from one Indian language to another;

- (iii) Translation of outstanding books from foreign languages;
- (iv) Outstanding books of modern knowledge for popular diffusion;
- (c) To bring out book-lists, arrange exhibitions and seminars and take all necessary steps to make the people book-minded;
- (d) To establish or promote the formation of regional Book Trusts in different parts of the country with objectives similar to those of the Trust.

The affairs of the Trust are managed by a Board of Trustees and an Executive Committee. The Board which functions under a Chairman appointed by the Government of India, has among its members one representative each from the Sahitya Akademi and the Ministries of Information and Broadcasting, Education and Finance.

The Trust depends for its activities mainly on grants-in-aid given to it by the Government of India, though it also earns revenue by sale of publications.

Pursuant to the recommendations of the Public Accounts Committee, Government set up a review committee in August 1973, to go into, *inter alia*, the working of the Trust and assess the extent of realisation of its objectives and also to suggest future lines of programme for the Trust for the next 10 years. The review committee made several recommendations (June 1974) covering general administration, publishing, production, editing, fairs and exhibitions, promotion and sales, policy etc. The committee also observed that they had deliberately refrained from attempting a simple direct response in regard to the first item of their terms of reference, regarding assessment of the extent to which the Trust had realised its objectives and that in actual fact, the whole report related to this item of reference as well as to another item under which they were asked to suggest future lines of programme for the next 10 years; in regard to the latter item they observed that the committee had concentrated on

recommending action that needed to be taken immediately and the detailed 10-year programme was something which should be worked out by the Trust and its Executive Committee for the usual 5-year period with detailed yearly plans though the general guideline recommended by them would be relevant. In October 1976 Government accepted for implementation most of the recommendations made by the review committee.

The accounts of the Trust relating to the period from 1972-73 to 1975-76 were audited under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

In addition to its own schemes of publishing and promotional activities certain publishing and promotional schemes are assigned to the Trust from time to time by the Ministry of Education for which special grants are given by Government. The Trust is also implementing a scheme financed by USAID authorities out of P.L. 480 funds. The annual receipts and expenditure of the Trust during the years 1972-73 to 1975-76 were as follows :—

Particulars	1972-73	1973-74	1974-75	1975-76
	(Rupees in lakhs)			
Receipts :				
1. Opening balance	8.36	40.40	14.00	35.99
2. Grants-in-aid				
(a) From Government of India	59.08	11.93	43.71	49.70
(b) From USAID—P.L. 480	8.19	1.20	28.93	15.13
3. Sale of Publications	11.37	3.48	4.97	6.72
4. Exhibitions	2.61	3.10	2.23	7.91
5. Miscellaneous	(—)0.02	0.07	0.53	0.89
TOTAL	89.59	60 18	94.37	116.34

Particulars	1972-73	1973-74	1974-75	1975-76
	(Rupees in lakhs)			
Expenditure:				
1. Salaries and other office expenditure excluding those charged to Assigned Schemes	4.01	3.94	6.34	7.40
2. Own Schemes of publishing and promotional activities	9.95	10.27	7.03	7.42
3. Assigned Schemes inclusive of establishment and other administrative expenditure charged to them	31.43	27.11	37.94	52.96
4. USAID—P.L. 480	3.80	4.86	7.07	14.07
TOTAL	49.19	46.18	58.38	81.85

It may be seen from the table below that the grants released by Government of India were in excess of the requirement of the Trust.

	1972-73	1973-74	1974-75	1975-76
	(Rupees in lakhs)			
Expenditure out of grants received from Government of India	45.39	41.32	51.31	67.78
Own receipts	13.96	6.65	7.73	15.52
Unspent balance of Government Grants carried over	8.36	36.01	13.27	13.40
Deficit (—) Surplus (+)	(—)23.07	(+)1.34	(—)30.31	(—)38.86
Grants received from Government of India	59.08	11.93	43.71	49.70

For the year 1974-75 the Trust proposed (October 1973) a budget that entailed a grant-in-aid from Government of India of Rs. 144.38 lakhs. Against this the budget provision made by Government was about Rs. 45 lakhs. Regulation 7 of the bye-laws of the Trust lays down that the budget has to be recast in accordance with the allotment made by the Government

and final sanction of the Board obtained to the budget before the beginning of the financial year; however, the recast budget was placed before the Board of Trustees only in October 1974.

*Publishing.*—The publishing activity of the National Book Trust comprises :

- (a) own programmes; and
- (b) programmes assigned by the Ministry of Education.

*Own Programmes.*—Under its own programmes the Trust has brought out publications under six series namely :—

- (a) *India—the Land and the People*  
(series commenced in 1964-65)

This series is addressed to the non-specialist reader and provides information on Indian topics in a simple readable form. As more and more volumes are published in the series it will serve increasingly as a comprehensive library on India. So far 196 original titles and translations have been published (March 1976).

- (b) *National Biography*  
(series commenced in 1965-66)

This is a series of short informative biographies of national figures. Original titles and translations numbering 252 have so far been published (March 1976).

- (c) *Young India Library*  
(series commenced in 1968-69)

This series is also designed for young adults and includes short books of special interest to them. So far 29 original titles and translations have been published (March 1976).

- (d) *Popular Science*  
(series commenced in 1966-67)

This series gives the ordinary reader an idea of recent development in science and the place of science in every day life.



So far 6 original titles and translations have been published (March 1976).

(e) *Folklore of India*

(series commenced in 1968-69)

This series deals with the subject region-wise, volume by volume and attempts to provide factual information in an interesting form for readers thus promoting inter-regional understanding. So far 11 original titles and translations have been published (March 1976).

(f) *World of Today*

(series commenced in 1971-72)

This series presents composite and interesting accounts of various countries of the world including their history, geography, arts and culture. So far 7 original titles and translations have been published (March 1976).

There was no long term programme in regard to the titles to be published under the above series. The Ministry of Education stated (November 1976) that "though long term plans indicating the titles proposed to be brought out over a period of time are not drawn up from time to time, the Trust's publications are brought out under well conceived series, which serve as a long term programme, under which individual titles, depending on the availability of funds are taken up for publication on a year to year basis".

In addition to the above series, the Trust had also brought out some *ad hoc* publications on special occasions (100 titles) and also 97 books of general nature.

*Assigned Schemes—*

(i) *Nehru Bal Pustakalaya*.—The Education Commission had recommended in 1966 that "At present there is hardly any common book which all the students in India read"; and that "if we had, say, a set of 100 books on different topics written by the best of our scholars which would be

translated and be available in every school and if an average student were expected to read them in his school course as a matter of routine, the entire thinking of the rising generation would be different and national integration could be immensely strengthened". The recommendation was considered by a committee of Members of Parliament which recommended that "It is essential that an increasing number of common books should be read by all school students in the country. For this purpose, the Government of India should undertake, sponsor or promote the production of a series of books on different topics of national interest. These should be written by the most competent persons in the field, translated in all the Indian languages, priced exactly the same in every language and made available in the library of every school".

In accordance with these recommendations, the Government of India sanctioned a scheme entitled 'Nehru Bal Pustakalaya' and entrusted the same to the National Book Trust for implementation towards the end of 1968-69. The National Book Trust was to be given grant-in-aid of Re. 1.00 per copy for the number of copies printed and the books were to be sold at a price of Rs. 1.50 in the open market and at 50 *per cent* of the cost price to the State Governments. Money earned by the Trust by sale of books was to be taken into account in releasing subsequent grants. A sum of Rs. 5 lakhs was released during 1968-69 and an allocation of Rs. 75 lakhs was made during the Fourth Plan period (1969-70 to 1973-74) for bringing out 1300 titles. During the Fifth Five Year Plan an allocation of Rs. 46 lakhs has been provided for the scheme.

Grants totalling Rs. 51.95 lakhs have been released to the Trust upto 31st March 1976 for this scheme against which the Trust has incurred an expenditure of Rs. 58.69 lakhs. The sale proceeds of the books during the same period amounted to Rs. 7.53 lakhs. Titles numbering 404 have been published in 13 languages with a total of 35.55 lakh copies. Of this 19.38 lakh copies were sold till March 1976. The Ministry of Education stated (November 1976) that grants were released

on the basis of actual requirements of the Trust necessitated by the rise in cost of production of titles in the series.

(ii) *Aadan Pradan*.—In December 1968 the Ministry of Education assigned to the National Book Trust for implementation a scheme entitled “Aadan Pradan”. Under this scheme the most representative and well-known books of each language, more especially recent and contemporary ones, which would enable the reader from other languages to understand and appreciate the way of life, the feelings, the urges and the peculiar human quality of the region of the language were to be translated and published in other languages included in the Eighth Schedule to the Constitution. Outstanding books symbolic of each language were also to be taken up. To implement the scheme the Trust proposed an allocation of Rs. 157 lakhs for bringing out 1320 titles during the Fourth Plan period (1969-70 to 1973-74) but the Government approved an allocation of Rs. 50 lakhs. Panels of three advisers, one for each of the twelve languages comprising prominent literary men and critics in the various languages were set up by the Chairman of the Trust for recommending the titles to be taken up under the scheme. The selection of 117 books in 12 languages was completed by December 1972. By the end of the Fourth Plan 153 titles were published and 285 titles have been brought out upto August 1976. During the Fourth Plan period the Trust had spent Rs. 29.62 lakhs by utilising the grant of Rs. 28.09 lakhs released by Government and part of the revenue of Rs. 1.53 lakhs earned by sale of these books.

Out of Rs. 38.73 lakhs spent by the Trust till 31st March 1975, Rs. 20.95 lakhs were utilised on salaries, furniture, office expenses, translation, honorarium to reviewers, royalty to authors and publicity. As the sale price of the books was fixed at twice the cost of production excluding the cost of preparation of manuscript, translation etc. and as out of the sale value 50 per cent is provided as commission to distributors, the net sale proceeds which would be realised by the Trust even if all the books were sold, would be only of the order of Rs. 18 lakhs,

against the total expenditure of Rs. 38 lakhs. Out of about 2000 copies of each title published (except in the case of Urdu where it was 1100) 57 per cent of total number of copies published upto 1972-73 remained unsold. Also 65 per cent of books published between 1973-74 and 1974-75 remained unsold on 31st March 1976.

*Selection of titles and authors.*—The titles and authors are selected each year on the recommendations of panels constituted for different subjects. These panels consist of 3 to 5 members nominated by the Chairman. There was also a general advisory committee consisting of 12 members constituted by the Chairman whose function, it was stated by the Trust, was to generally advise on new titles to be considered for publication.

The recommendations of the panels and of the advisory committee as well as other suggestions, if any, received from other sources are considered by the secretariat of the Trust and orders of the Chairman are obtained.

*Selection of Translators.*—As part of its activities, the Trust brings out translations of its books in the languages included in the Eighth Schedule to the Constitution. While considering the Aadan Pradan Scheme the Chairman of the Trust emphasised in 1968 that a careful search of talent for translation work should be made and that the work might require supervision by a few experts. The selection of translators either for this scheme or for other schemes of the Trust is not approved by the Executive Committee or by a panel of experts or by the Chairman. The translators are approved by the Director of the Trust on the recommendation of the language editors. The Trust has stated (November 1976) that the present procedure is being followed partly through practice and partly after consideration of the other alternatives which could have been adopted but were found impracticable and that the value of approval of selection of translators by the Executive Committee would be limited as the Committee did not consist of language experts.

*Pricing Policy.*—For the first five years of the establishment of the Trust, the Publications Division was handling the printing and sale of its books. In 1962, when this work was taken over by the Trust, it was decided to fix the selling price of its publications at 2 to  $2\frac{1}{2}$  times of the cost of production (printing, paper, blocks and binding) and preparation of the manuscript (*i.e.*, the expenditure on translating, evaluating the work and the royalty on the original work). Pursuant to the recommendations of the Public Accounts Committee in its 29th Report (3rd Lok Sabha) the pricing policy of the Trust has been under constant review. In 1965, it was decided that the books should be priced taking into account the cost of production, saleability and the purpose of the book. Later, in 1969, it was decided to provide suitable funds for publicity in order to give a fillip to the sale of the publications and at the same time preclude them from entering the pricing structure. Keeping these guidelines in view the Trust has generally been fixing the price of Indian language books at twice the bare cost of production (composing, printing, paper, blocks and binding) and  $2\frac{1}{2}$  times this cost for English language books. As a trade discount of 40 to 50 *per cent* of the selling price of the books is allowed to the distributors in different languages, the net receipts from sale could be expected to cover the bare cost of production (without including overheads, staff and publicity expenses) and that too, if the entire edition is sold and the sale proceeds are realised in full.

The review committee recommended (June 1974) that all the publications of the Trust should be priced at  $2\frac{1}{2}$  times the bare cost of production and the discount to sole distributors should be at 45 *per cent* of the selling price. Since the cost of production has considerably increased in recent years, the Trust proposes to fix the prices of some of their books, on an experimental basis, by including overheads to the cost of production, but fixing the selling price by applying a multiplier, which is lower than that in vogue at present, to the cost of production thus arrived at; the price thus calculated would be further reduced wherever desirable, by reviewing every title.

The Ministry of Education have stated (November 1976) that the results of this experimental measure will be reviewed in due course and also that, in view of the objectives of the Trust to provide moderately priced books to the public, an element of subsidy in the pricing of its publications was inevitable.

*Sale of Publications.*—The Trust has furnished (December 1976) the following statistics in regard to sales of its publications as on 31st March 1976 :

1. No. of titles	1367
2. No. of copies printed	61.32 lakhs
3. Value of copies printed	Rs. 177.69 lakhs
4. No. of copies sold and distributed free for promotion purposes and gifted from weeded out stocks	33.61 lakhs
5. No. of copies of pre-1969 titles distributed free	1.29 lakhs
6. No. of copies remaining undisposed of	26.42 lakhs
7. Value of copies remaining undisposed of	Rs. 76.01 lakhs
8. Cost of production of copies remaining undisposed of	Rs. 43.35 lakhs

The 86th Report (5th Lok Sabha) (April 1973) of the Public Accounts Committee had taken note of the statement of the Ministry of Education and Social Welfare that new contracts with distributors were being entered into by the Trust language-wise and that in the new contracts there was a specific clause to the effect that the distributors would have to purchase a certain number of copies initially on outright basis upon publication of each title, and that there was also a guarantee to take over the unsold stocks, if any, after a certain period. Between September 1968 and February 1973 the Trust had appointed 12 sole distributors after negotiations. One of these was for Hindi and English and the rest for regional languages. The agreements

provided for a discount of 40 to 50 *per cent* to sole distributors. The sole distributors undertook to purchase a certain number of copies (250 to 2000) immediately on publication and also guaranteed to sell the remaining copies within two years in respect of Nehru Bal Pustakalaya and within 5 years in respect of other publications. All unsold copies of publications brought out by the Trust during the currency of the agreement were also to be paid for by the sole distributors at the end of 2 years or 5 years as the case may be. It was also provided that the Trust would not normally make any direct sales of Hindi and English publications to any Government organisation. If any such direct sale was made the Trust was to limit the discount to 25 *per cent* for English publications and 33 *per cent* for Hindi publications for bulk orders of more than 200 copies of each title. In case of publications of other languages the Trust could make direct sales to Government organisations but an overriding commission of 7½ *per cent* was to be paid to the distributors on such sales. The discount of 50 *per cent* was not considered too high by the Ministry of Education on account of the fact that the sole distributors had given a guarantee to clear the entire stocks within a specified period.

In February 1973, however, the Executive Committee of the Trust decided that "In order to promote the sale of Trust's publications the Trust should try to modify its contracts with the sole distributors so that it does not have to pay overriding commission to them for the books sold by the Trust and that if it becomes necessary the Trust should be prepared to lose for some time to ensure that its books are distributed and read widely".

In pursuance of the above decision, the Trust started undertaking direct sales from 1972-73.

As some of the sole distributors objected to the direct sales of the Trust, the possibility of terminating the contract with the distributors who were not taking sufficient interest in promoting sale of Trust books and were not rendering timely accounts and the enforcement of the various provisions of the contract, was discussed by the Trust with its legal advisers (May 1974).

The legal opinion was that the Trust, by undertaking direct sales operated outside the strict limits of the contract with the distributors and that the provision regarding the distributors' responsibility for the clearance of the entire stocks though legally enforceable was rather impracticable and had in any case been seriously compromised by the fact that the Trust itself had been committing a violation of the contract by making direct sales. The Trust accordingly decided not to enforce the provisions of the contract and instead to revise the agreement with the sole distributors (July 1975).

So far (November 1976) 3 new agreements have been entered into with the distributors, one each for Bengali, Gujarati and Marathi books. The Trust also stated (November 1976) that no change was necessary in respect of Kannada, Malayalam, Telugu and Tamil as the contracts were already non-exclusive. The sole distributor for Hindi and English publications (which account for more than 50 *per cent* of the total publications of the Trust) did not execute the revised agreement. In fact the sole distributor stopped functioning as such after September 1975 and had not lifted any copies of the Trust publications though the agreements entered into with him in May 1971 for Hindi and May 1972 for English, were to be in force for a period of 5 years. The Trust stated (November 1976) that the contract had not been formally terminated and that some matters arising out of the working of the contract are still under negotiation with the firm and the terminal arrangements were under discussion. A sum of Rs. 3.62 lakhs was stated to be due from the sole distributor as on August 1976.

*Physical verification of stocks and stores.*—As on 31st March 1976, the Trust had a closing balance of stocks and stores valued at Rs. 86.24 lakhs. This comprised :

	(Rupees in lakhs)
Undisposed of books with the Trust and distributors, supplied on consignment basis	71.64
Paper for printing books	5.72
Furniture and equipment	7.87
Library books	1.01
<b>TOTAL</b>	<b>86.24</b>



This does not include furniture and equipment valued at Rs. 5.23 lakhs, including items worth Rs. 4.83 lakhs purchased for organising World Book Fair in 1975-76 which have not been incorporated in the stores and stock exhibited in the Balance Sheet by the Trust.

It was stated by the Trust (January 1977) that physical verification of books was attempted for the first time in May 1974, but on a test-check of the report of verification, the Trust found that the balances shown in the report had not been arrived at correctly, and there were major discrepancies. The report was considered unreliable and the Trust decided not to take any action in pursuance of this report. The next verification of the stock of books was attempted in April 1975, but this verification also suffered from deficiencies as in the first report. The Trust stated that an examination of the causes that led to the failure of the two successive attempts revealed that for want of space, the verified bundles had inadvertently been mixed with the unverified ones leading to distortions in balances. No verification of books has been attempted thereafter due to various administrative difficulties.

The Trust further stated that in view of the practical difficulties it had been decided (October 1976) by the Executive Committee that the physical verification of books would be carried out in a phased manner and completed over a period of three years. The Trust stated (January 1977) that they hoped to begin shortly title by title verification of books in accordance with the decision of the Executive Committee.

*Scheme for subsidising university level books by Indian authors.*—One of the major problems confronting the development of higher education in the country is the non-availability of reasonably priced text books in various disciplines both for use as text books and as reference material. Under collaborative arrangements made by the Government of India with the Governments of United Kingdom, United States of America and USSR, standard educational works originally published in these countries are made available in the Indian market for sale at subsidised prices. As this was found to hamper the growth of

Indian authorship and extend our dependence on foreign books, a scheme for subsidising the republication of standard books by Indian authors was introduced during the Third Plan. As this scheme was found unworkable due to certain defects in it a new scheme was sanctioned and entrusted to the Trust for implementation in 1970.

Under the terms of the scheme, the books selected for subsidy were to be standard educational works in the form of text books, reference books or other reading material and had to be got reviewed by experts from a panel recommended by the organisation concerned with the subject like University Grants Commission, Indian Council for Agricultural Research etc. Books already published or unpublished manuscripts were eligible for assistance under the scheme and the books selected were to serve a felt need. Assistance to the publishers/authors was to be provided in the form of subsidy, the quantum of which was to be fixed by the Trust, in each case on the basis of the estimated cost of production. The Trust was also to prescribe, in advance of publication, the maximum retail selling price and the discount to be given to retail sellers and, in fixing the selling price, the prices of similar books sold in the market were to be taken into account.

The scheme was included in the Fourth Five Year Plan with an outlay of Rs. 3 crores. The Trust was authorised to utilise upto 1 per cent of the provision for administrative expenses. The grants released by Government and the expenditure incurred by the Trust upto 1975-76 are given below :—

Year	Opening balance brought forward from last year	Grant released by Government	Total funds available	Expenditure incurred	Unspent balance
			(Rupees in lakhs)		
1969-70	—	0.23	0.23	—	0.23
1970-71	0.23	4.77	5.00	3.38	1.62
1971-72	1.62	2.50	4.12	1.43	2.69
1972-73	2.69	13.74	16.43	4.40	12.03
1973-74	12.03	—	12.03	7.91	4.12
1974-75	4.12*	12.07	16.19	12.04	0.03*
1975-76	0.03	11.97	12.00	11.96	0.04

\*Rs. 4.12 lakhs were refunded in cash to the Government in 1974-75.

It would be seen that the accumulation of unspent balances of the grant was of the order of Rs. 12 lakhs at the end of 1972-73. This balance was adjusted by the Ministry only in 1973-74 by not releasing any grant for that year and by a cash refund of Rs. 4.12 lakhs in the beginning of the year 1974-75. Out of the grants received for the scheme upto the end of 1975-76 the Trust utilised Rs. 7.33 lakhs for administrative expenses that worked out to 18 *per cent* of the total expenditure against the stipulated 1 *per cent* of the total provision of the scheme. The Ministry of Education explained (November 1976) that the Trust was allowed to recruit staff from time to time, taking into account the need for the same and that the internal work study unit of the Ministry is likely to undertake shortly a work measurement study of the Trust to determine the staff actually required by the Trust in its various operations.

No subsidy was released to the publishers by the Trust in 1969-70. In 1970-71, Rs. 4.77 lakhs were released to the Trust for this assigned scheme. Of this Rs. 3 lakhs were utilised by the Trust to defray the expenses of publishing seventeen titles under its own series "India—the Land and the People".

Of the 104 titles subsidised under the scheme upto March 1976 seventeen were original manuscripts taken up for publication and 87 were republications of already published works. It was seen in test check that some of the publications had already undergone numerous reprints with the first edition having been published over fifteen years back.

For the implementation of the scheme wide publicity was stated to have been given mainly by distributing a brochure containing the details thereof to various universities, affiliated colleges, aided institutions and visitors to the Regional Exhibitions, Book Fairs etc. There was, however, no prior

consultation with universities and colleges regarding the type of books to be subsidised in the interest of the students.

Of the 104 titles subsidised under the scheme 43 titles were published by two firms who received a subsidy of Rs. 21.30 lakhs out of the total subsidy of Rs. 29.53 lakhs released for all the publications. It was stated by the Trust that the higher quantum of subsidy to the two firms was due to the fact that they had not only brought out over 40 *per cent* of the total number of titles subsidised under the scheme; but many of their publications consisted of "bulky titles with huge print runs".

In addition to the Government of India scheme on subsidy to university level publications, the National Book Trust also operates another scheme for which the funds are provided by USAID authorities from P.L. 480 funds. Under the first agreement in this regard USAID provided Rs. 11.40 lakhs of which Rs. 9.46 lakhs were utilised by the Trust for payment of subsidies to the publisher from 1972-73 to 1974-75 and the balance of Rs. 1.94 lakhs was refunded to USAID authorities. The second agreement which was entered into on 1st October 1974 provided for Rs. 63.74 lakhs to be utilised upto 31st December 1976. A sum of about Rs. 25.54 lakhs has so far been utilised (October 1976) from these funds. The arrangement for selection of authors and books under this scheme is the same as in the case of corresponding scheme of Government except that under this scheme—

- (i) Only books on science and technology subjects are considered;
- (ii) Books by Indian authors which are adaptations of originals by American authors are also considered; and
- (iii) Books and manuscripts in Indian languages are also considered.

So far (October 1976) 262 titles have been assisted with subsidy under this scheme. One of the two firms referred to in page 270 had received an assistance of Rs. 8.85 lakhs for 28 titles published by them.

#### 50. *Indian Institute of Management, Calcutta.* —

The Indian Institute of Management, Calcutta was established as a society under the Societies Registration Act, 1860 on 14th November 1961. Its management is vested in a Board of Governors consisting of 24 members representing, among others, the Central Government, the Government of West Bengal, the All India Council for Technical Education, commerce, industry, labour and other interests, the All India Management Association and the National Productivity Council of India. The objectives of the Association are defined in the Memorandum of Association and includes provision for training in management and related subjects for persons drawn from industry, institutions and bodies connected with industry and commerce, the selection and preparation of outstanding talented and mature young persons for careers leading to management responsibility, meeting the needs of industry and commerce in respect of upto-date information of management through research and publications, assisting and carrying out research into matters concerning the use of management and allied techniques.

*A. Provision of Funds.*—According to an agreement between the Government of India and the Government of West Bengal with regard to the establishment of the Institute, the Government of India agreed to meet the following obligations :—

- (i) All recurring expenditure except those incurred
  - (a) on rent, rates and taxes and
  - (b) maintenance and development of estates;

- (ii) Fifty *per cent* of rupee expenditure on non-recurring capital assets such as equipment, furniture and library.

The Government of West Bengal assumed the responsibility for providing land and buildings and agreed to meet recurring expenses on rent, rates and taxes, maintenance and development of estates and 50 *per cent* of non-recurring expenditure on capital assets such as equipment, furniture and library subject to the condition that the residential quarters allotted to the members of the Institute were according to the scale applicable to the officers of the State Government drawing similar pay. The Government of West Bengal, however, did not release since 1970-71 any grant other than a sum of Rs. 2 lakhs in 1974-75 for purposes other than rents, rates and taxes on the ground that the Institute had allotted to its members, quarters of much higher scale than they were entitled to according to the initial agreement. Between 1970-71 and 1974-75, the Institute incurred an expenditure of Rs. 11.28 lakhs, by debit to the account of Government of West Bengal. The Institute has reported (December 1976) that "the matter has been finally settled very recently with the State Government". The recovery of share of Government of West Bengal is awaited (December 1976).

Since the inception of the Institute till 1974-75, it has received financial assistance from the Governments of India and West Bengal to the extent indicated below :—

	Non-Plan	Plan other than campus	Campus	Total
	(Figures in lakhs of rupees)			
Government of India	197.93	21.19	53.70	272.82
Government of West Bengal	..	17.79	11.87	29.66
Total	197.93	38.98	65.57	302.48

Receipts in printed form are issued to the persons depositing money in cash or by cheque. But no certificates are recorded on the outer page of the receipt books as to the number of receipts contained in each book. Receipts are issued over the signature of the cashier without the countersignature of the drawing and disbursing officer or any other responsible officer in token of check. Instances were noticed in test audit of receipts having not been entered in the cash book, amounts written in figures not tallying with words in the receipts, correction of figures of receipts etc., leading to discrepancies between the amounts entered in the cash book and those in the counterfoils of receipt books. Further no stock register of receipt books has been maintained and kept under the personal custody of the drawing and disbursing officer. The Institute stated (April 1975) that these instructions have been noted for future compliance and investigation has been undertaken against omissions in the past.

*C. Works Expenditure.*—The Institute originally started functioning in two buildings; a temporary rent free accommodation in the Emerald Bower Estate on the Barrackpore Trunk Road provided by the Government of West Bengal and a temporary building constructed by the Institute during April 1966 to September 1967 at a cost of Rs. 4.60 lakhs with the Ford Foundation grant given to it for the purpose.

The Government of West Bengal acquired an extensive low-lying plot of 135 acres on the Diamond Harbour Road at Joka (Behala) at a cost of Rs. 8.87 lakhs and handed it over to the Institute in May 1964 for the construction of its own campus.

The architect *viz.* the Delhi School of Planning and Architecture designed the campus self contained with its own water supply, sewerage, shopping centre, post office, bank and other facilities as the area of the new campus is outside the proposed Calcutta Metropolitan District. The work was divided into two phases, of which the first phase when completed would enable the Institute to run all the existing programmes in the new campus. The second phase would allow expansion of the

existing programmes and development of new ones. The different works of the first phase were completed by the latter half of 1975 excepting residential buildings which are stated to be nearing completion (September 1976).

The Institute shifted to its new campus in July 1975 except that the library is still functioning at the Emerald Bower campus although a small portion of the library has since been transferred to the new campus.

The total amount of grants actually received from the Central Government, Government of West Bengal and Ford Foundation for the construction of the new campus upto 31st March 1975 amounted to Rs. 91.78 lakhs (Rs. 2.27 lakhs were receivable from the Government of West Bengal). The Institute also raised a donation of Rs. 10.45 lakhs for the purpose. Against the total available fund of Rs. 102.23 lakhs upto 31st March 1975 the Institute spent Rs. 100.55 lakhs upto that date as detailed below, but no grant-wise account was maintained.

Sources	Amount received	Particulars of expenditure	Amount of expenditure
	(Rs. in lakhs)		(Rs. in lakhs)
1. Government of India	53.70	1. Land	8.87
2. Government of West Bengal	11.87	2. Land development	23.72
3. Ford Foundation	26.21	3. Road and culvert	0.36
	91.78	4. Temporary site office	0.10
4. Donation	10.45	5. Boundary wall	3.09
		6. Store yard	0.40
		7. Hostel building	0.86
		8. Instructional building	0.74
		9. Equipment and tools	0.04
		10. Stores	7.08
		11. Advances to contractors	28.48
		12. Advances to public sector undertaking	26.81
Total	102.23		100.55



The Institute started the development works of the site at Joka from the financial year 1966-67 and upto 1972-73 executed works valued at Rs. 20.20 lakhs (Rs. 18.36 lakhs for development of site and Rs. 1.84 lakhs for other construction works) through contractors under the direct supervision of the engineering staff of the Institute and as per plan and direction of the Planning Committee.

Though upto 31st July 1973 the construction work of the campus was executed through contractors no rules and procedures were laid down for guidance in the matter of execution of works and accounting of works expenditure. The procedures laid down in the Central Public Works Account Code were also not adopted for the purpose. According to a statement furnished by the Institute, Rs. 28.48 lakhs are outstanding as advances against the contractors.

The Board of Governors, in the meetings held in April 1973 and June 1973 decided that a public sector undertaking would take up the responsibility of construction of the campus at Joka and do all allied works in connection therewith including maintenance of accounts and internal and external audit. Accordingly, with effect from 1st August 1973 all the works in progress were transferred to that undertaking for execution on behalf of the Institute on a turn-key basis on overall supervision charges of 8 *per cent.* All payments made to the undertaking have been shown as 'Advances to Building Agents' and the total advance outstanding on 31st March 1975 was Rs. 26.81 lakhs against which no certified statement of expenditure duly supported by relevant documents and audit reports has yet been received by the Institute.

A committee constituted by the Institute in September 1975 observed in this connection that apart from an account of advance paid to the public sector undertaking, the Institute did not maintain any other record. The committee recommended that the public sector undertaking should be requested to provide the Institute with regular monthly progress accounts on advances,

physical work achieved and estimated expenditure so that the Institute would be able to gauge the progress being made and estimate the cash requirements from time to time. The Institute has stated (December 1976) that arrangement has since been made in this regard and that action is in progress.

*D. Outstanding Advances.*—As on 31st March 1975, a sum of Rs. 1.86 lakhs was outstanding in the accounts towards advances given to the various staff members. A scrutiny of the outstanding advances revealed that most of the advances related to the period from 1970-71 to 1972-73 and some items even related to the period 1967-68. The Institute has stated in this connection (December 1976) that if the accounts submitted by the staff in a large number of cases is taken into account, it was likely that a lower value would have been shown against the outstanding advances and that action was in progress for gradual clearance of these arrears.

It was also noticed in audit that apart from the advances to staff, advances for purchases, consultancy projects, seminars etc. were also outstanding from the staff to the extent indicated below :—

Kind of advances	Amount out- standing in lakhs of rupees	Number of pending transa- ctions
Advance Purchase	0.72	35
Advance Consultancy Project	1.07	24
Advance Family Planning Project	0.95	5
Advance ITCO Project	0.01	2
Advance Seminar	0.03	1
Advance other Projects	0.03	4

Advances of pay are being granted for purposes other than on transfer, four times a year on the basis of Director's order and without obtaining Board's approval. The Institute has stated that this long standing practice has been considered as a measure of staff benefit and that it is within the competence of the

Institute to consider specific measures of benefit to the staff without incurring any additional financial liability on the whole.

*E. Internal Audit.*—The Institute has a post of internal auditor and this was lying vacant between April 1970 and April 1972. In 1973, the services of the internal auditor were, however, diverted for other purposes; the Institute has stated (December 1976) that the internal auditor has since started functioning. There was no effective internal audit for the last six years.

*F. Consultancy work of the Institute.*—In May 1963, the Central Government decided that private consultancy practice by any member of the teaching staff of the technical institutions should not be permitted. The institutions were, however, permitted to take up only institutional consultancy work and to entrust the same to selected staff members remunerating them with honorarium suitable to the nature of the work, the amount of time spent on it and the extent of facilities provided by the institutions for the work; the total amount of honorarium paid to the members of the staff should not, however, exceed two thirds of the total fees received for the work by the institution. This decision was communicated by the **Government to the Director** of the Institute in June 1963 with the specific direction that the relevant rules of the Institute might be amended to conform to this decision.

In August 1969, the Board of Governors of the Institute framed its own consultancy rules; these are not, however, in conformity with the above decisions of the Central Government. Instead of undertaking all consultancy work by the Institute itself, such works are taken by the members of the Institute directly in the name of the Institute with the prior permission of the Director of the Institute; instead of remunerating them by suitable honorarium, the earnings from the consultancy work are being shared between the Institute and the members of the staff in certain proportions. These rules were made effective from 1st September 1969. The approval of the Central Government to these rules has not been obtained so far.

No subsidiary project register showing the financial and working results is maintained for the evaluation of individual projects. There is no rule for determining the consultancy fees. The fees are generally settled by negotiations between the organisation and the members of the staff concerned undertaking the project. There is also no rule for regulating the expenditure incurred in connection with the projects; the normal rules of incurring expenditure are not followed. As a result, there is no uniformity in admitting the expenditure claimed. Sometimes advances are drawn by the members directly from the organisations and there are cases of excess drawal over the amount to which they are entitled for execution of the works under the consultancy rules of the Institute. The Institute has stated (December 1976) in this connection that this practice has since been stopped. As per rules of the Institute, consultancy work for more than 52 days per annum by any member of the staff would require the approval of the Board of Governors but such approval was not obtained in a number of cases.

The total number of consultancy projects completed by the members of the staff of the Institute during 1971-72 to 1974-75 was 117 of which 49 projects were in the public sector. The net income pertaining to the Institute's share (including overhead) from these projects amounted to Rs. 3.74 lakhs as detailed below :—

Year	Number of projects completed	Projects relating to public sector	Institute's share of income (Rs. in lakhs)
1971-72	32	14	1.36
1972-73	37	15	1.32
1973-74	26	12	0.46
1974-75	22	8	0.60
Total	117	49	3.74

In determining the net income, the salaries of the members of the staff for the time spent on the consultancy work have not been taken into account to arrive at the real profit or loss.

*Consultancy Project of the Director General, Technical Development—Computer consultancy.*—A consultancy project to establish a fully computerised information gathering system in the office of the Director General, Technical Development was undertaken by the Institute in February 1969. As per agreement with the Ministry of Industrial Development, the Institute was to complete the project within 21 months but not beyond 27 months and for this the Central Government agreed to pay to the Institute Rs. 5.75 lakhs; a further sum of Rs. 1.80 lakhs was also agreed to be paid for the supply of computer time, programming services and other ancillary facilities. In addition Government agreed to making available to the Institute the services of suitable officers from the Director General, Technical Development and such other personnel as may be reasonably required for the project. Against the amount of Rs. 5.75 lakhs the Institute has so far received Rs. 5.00 lakhs; the balance of Rs. 0.75 lakh is receivable on completion of the project. For the supply of computer time, the Institute has received the agreed amount of Rs. 1.80 lakhs. The project was assigned to a Professor of the Institute who began his work in February 1969 at New Delhi. Though the project was required to be executed in three phases and completed within 27 months *i.e.* by February 1971 at the latest, the third phase report was submitted to the Ministry in June 1973 only. As the work done in Phase III was found unsatisfactory, the project co-ordinator was relieved of the assignment in June 1974. The project co-ordinator had already utilised 900 hours of computer time at a cost of Rs. 1.80 lakhs but a further sum of Rs. 25,000 has been demanded by the Computer Centre for use of the computer time even after submission of the Phase III report in June 1973. In October 1974 a new ancillary time-bound project at an estimated cost of Rs. 0.62 lakh was undertaken under the co-ordination of two other members of the faculty of the Institute. This project was completed satisfactorily in April 1975.

The total expenditure incurred on the project including the advance payments made to the three project co-ordinators (which are yet to be adjusted by acceptance of detailed bills) and advance payment of Rs. 0.30 lakh made to the former project co-ordinator towards his share of profit worked out to Rs. 7.32 lakhs against the grant of Rs. 6.80 lakhs received by the Institute. Presuming that detailed bills are accepted against the advance of Rs. 4.88 lakhs and that Government releases the balance grant of Rs. 0.75 lakh there would be loss to the Institute to the extent of about Rs. 0.52 lakh (after deducting overhead charges at 10 *per cent* from the gross receipt as per consultancy rules). This loss is besides expenditure on account of salary of the project co-ordinator.

The Institute stated (August 1976) that the project co-ordinator has been charge-sheeted and departmental proceedings are in progress.

*G. Programme of the Institute.*—The first development plan of the Institute approved by the Board in its first meeting held on 6th April 1962 defined the main objectives of the Institute as under :—

- (a) To educate a cadre of management trainees for industry reaching an eventual output of 150 per annum;
- (b) To provide professional training for managers from industry reaching 120 per annum ;
- (c) To provide consulting services to industry and Government for the solution of management problems ;
- (d) To organise original research and publication to contribute to the development of an indigenous literature on management ; and
- (e) To institute a training programme to develop faculty to undertake management education in India aiming at 7 faculty trainees per annum.

A study of the main activities of the Institute from 1971-72 would indicate that the core activity was the postgraduate course in management. As against a final target of 150 management trainees per annum the actual enrolment varied between 87 in the 1973-75 term to 117 for the 1974-76 term (the course being of two years' duration). At present, facilities are available for 124 trainees per annum. The hostel facilities available are for 214 students only and this is stated to have been a restraining factor. Applications received ranged from 2,141 for the 1971-73 term to 3,812 for the 1974-76 term. After completion of the two years postgraduate course there has been almost 100 *per cent* placement of the students in position. From the placement figures available for the calendar year 1973 to 1976, it is seen that on an average about 19 *per cent* have joined the public sector, 75 *per cent* have joined the private sector and the remaining have taken up further education or research in management.

The other main activity of the Institute was to provide professional training for managers already working in the industries through the Executive Development Programmes of the Institute. As against the Institute's target of providing professional training in specialised branches of management to 120 executives annually the performance has ranged between 362 in 1970-71 to 522 in 1973-74. The number of programmes during these years varied from 15 to 21. The average annual participation between 1970-71 and 1974-75 was 398 and the total number of participants was 1,991 for the same period. In the case of the Executive Development Programmes, it is seen that the public sector derived substantial benefit from such programmes. Thus, in 1973-74 out of a total of 522 participants, 312 were from the public sector, 195 from the private sector and 15 from the miscellaneous sector.

As regards the consultancy projects, a study of this activity from 1971-72 to 1974-75 indicates that there has been considerable decline in the number of projects undertaken from 1973-74 onwards. As against 32 and 37 projects which were on hand in S/7 AGCR/76-19

1971-72 and 1972-73, the figures in the year 1973-74 and 1974-75 worked out to 26 and 22 respectively. On an average nearly 40 *per cent* of the consultancy projects pertained to the public sector.

In addition to these major activities the Institute was also started with the objective to organise original research and publication to contribute to the development of an indigenous literature on management as also to develop faculty to provide management education in India aiming at seven such faculty trainees per annum. Both these activities have continued satisfactorily. The fellowship programme of the Institute has now been recognised as equivalent to a Ph.D. programme by the Inter-University Board of India. In addition, the Institute has started extension programme in general management and functional areas in 1974-75. During that year 114 young executives participated in these programmes.

The Memorandum of Association of the Institute provides that the Central Government in consultation with the State Government may at any time appoint one or more persons to review the work and progress of the Institute and to hold an inquiry into the affairs thereof and to report thereon, in such manner as the Central Government may stipulate. This was intended to ensure that the purpose for which the Institute has been created and for which considerable public funds are being spent have not been side-tracked. Although the Institute has been functioning from 1961-62 onwards and the first post-graduate programme was started with effect from the 1964-65 term, such a review is yet to be conducted (December 1976).

The Department of Education stated (December 1976) that "the Institute is still in the process of development. It had functioned all along in temporary accommodation. It is only recently that it had shifted to its permanent campus. In view of this, the Government did not consider it appropriate to appoint a committee to review its progress. As soon as the Institute stabilises in its new campus, the Review Committee as provided for in the Memorandum of Association will be appointed".



## MINISTRY OF HEALTH AND FAMILY PLANNING

(Department of Health)

### 51. *National Institute of Health Administration and Education.*—

#### *Introduction*

The National Institute of Health Administration and Education (NIHAE) was established by the Ministry of Health and Family Planning in January 1964 as a registered Society under the Societies Registration Act, 1860.

The broad functional objectives of the Institute are :—

- (i) to provide education and training in the principles and practices of public health administration through doctoral and postgraduate courses, staff colleges, seminars etc. The emphasis is on education and training for the senior categories of health administrators, medical and non-medical, to familiarise them with the problems and needs of integrated comprehensive health care administration and to induct them into the use of modern administrative tools with a view to add to their managerial competence ;
- (ii) to conduct research especially oriented towards administrative and educational problems in the implementation of health and family planning programme ; and
- (iii) to provide consultation, advice and guidance to Central and State Governments on development of health services and allied matters.

#### *Organisational Set up*

The Institute is managed by a General Council and the Executive Council with the Union Minister of Health and Family Planning as the President and the Chairman respectively. There are also standing committees namely, Standing Selection Committee and the Standing Finance Committee which advise the Executive Council in the matter of selection of staff and financial matters.

*Financing*

The Institute is entirely financed by grants made by the Central Government. During the last five years (1971-72 to 1975-76) grants totalling Rs. 61.11 lakhs were received by it. Of this, Rs. 44 lakhs were spent on pay and allowances of staff (teaching and ancillary staff—Rs. 22 lakhs and other staff—Rs. 22 lakhs) and Rs. 17 lakhs on contingent expenditure. It had also earned an income of Rs. 0.85 lakh by way of interest on deposits and advances, sale of bulletins, advertisement charges, share of fees, etc. during this period. The year-wise details of the grants received, income earned and expenditure incurred under various heads are as under :—

Year	Grant	Income	Expenditure		
			Teaching and ancillary staff	Other staff	Contingent and other expenditure
			(Rupees in lakhs)		
1971-72	10.36	0.08	3.54	3.50	3.05
1972-73	9.81	0.21	3.44	3.46	2.92
1973-74	10.40	0.19	3.88	3.61	3.26
1974-75	15.46	0.13	4.91	5.26	3.63
1975-76	15.08	0.24	5.88	5.97	4.03
TOTAL	61.11	0.85	21.65	21.80	16.89

*Broad Categories of Activities*

As stated earlier, the Institute provides education and training to senior categories of health administrators, etc. through doctoral and postgraduate courses, staff college courses, seminars, expert groups, etc. During the five years ending March 1976, 52 courses (including seminars) were organised. The number of working days on which faculty members were engaged on training during these years were 114, 195, 147, 164 and 173 respectively. In addition, the Institute conducts M. D. (Community Health) course which is a full time course of 2 years' duration. The Institute is affiliated to Delhi University for the award of doctorate and the admissions to the course are made by the University. The course was started in 1969 and upto 1975, 14 students were admitted in 7 years against an intake

capacity of 28 (4 per course) and 12 have been awarded doctorate so far (August 1976). The students admitted to this course whether unemployed or on study leave, were paid UNICEF stipend at the rate of Rs. 300 p.m. upto August 1974 ; thereafter the UNICEF stopped the stipendiary grant. In the field of research, 52 studies in all were taken up by the Institute till March 1976. The Institute provided consultancy services to 125 ministries and departments of Government of India, State Governments and other organisations in 5 years till March 1976.

The faculty of the Institute comprises Professors (5), Associate Professors (5) and Assistant Professors (5). Besides, the Institute employs other ancillary staff like Senior and Junior Research Investigators, Research Associates, Research Assistants, etc. to help faculty members in the discharge of their research activity.

### *Training*

A three-member committee appointed by the Executive Council of the Institute suggests the training programme for a particular year, which is later submitted to the Executive Council for approval.

It was planned to organise 60 courses, etc. in 5 years ending March 1976, against which 52 courses (including seminars) were actually organised. The Institute explained (December 1976) that the remaining 8 courses could not be organised due to lack of nominations from sponsoring bodies, non-availability of funds, etc.

Details of 26 training courses excluding seminars, workshops, conferences and extra-mural courses outside Delhi which were either continued every year or were held on two or three occasions during 5 years ending March 1976 are given below:—

(i) *Staff College Course for Senior Health Administrators.*—The objective of this course is to provide an opportunity for experienced senior health administrators to gain insight into the

perspective of their role away from day-to-day job pressures and to help them to plan the health organisation and implement the programmes in a manner so that maximum benefits are provided to the local community in an efficient and effective manner, etc. During the Fourth Five Year Plan period, it was planned to organise at least one course of 9 weeks duration in each of the 5 years. In all 5 courses were organised during the Fourth Plan period. The State Governments and other organisations were required to sponsor 4 candidates for each course, of which not more than two candidates were to be selected. While Andhra Pradesh, Assam, Haryana, Jammu & Kashmir, Madhya Pradesh, Maharashtra, Mysore, Punjab and West Bengal sponsored 2 to 5 candidates each, Gujarat, Nagaland, Orissa and Tamilnadu sponsored only one candidate each. Bihar, Kerala, Rajasthan and Uttar Pradesh States did not sponsor even a single candidate during the entire period of 5 years. It was planned that in all 125 candidates will be admitted in these 5 courses. However, only 87 persons joined the courses for which they were selected.

(ii) *Hospital Administration Course*.—To focus the attention of the administrators on different facets of hospital activity, the Institute started organising seminars and courses in Hospital Administration in 1964. During five years ending March 1976, nine courses for periods ranging from 11 to 32 days were organised. The State Governments and other organisations were requested to depute not more than two candidates for each course. In all 339 candidates were sponsored, but only 296 candidates out of 335 selected actually attended the course. While Jammu and Kashmir, Kerala, Nagaland, Orissa, Punjab, Rajasthan and West Bengal sponsored 1 to 3 candidates each, other States sponsored between 4 and 10 candidates for all the 9 courses.

(iii) *Country Course in Health Planning*.—To expose the participants to principles, practices and methodologies of health planning so as to make them better equipped in general and help tone up the practice of health planning in particular, this

course was started in July 1972. Thereafter, four more courses were held upto January 1976. In all 64 candidates participated in these courses against 84 selected by the Institute. The Institute stated (December 1976) that normally at least 20 persons are admitted in a course. The Institute also stated (September 1976) that the courses were conducted on the basis of nominations available and if it was found that the response was poor in a particular course, it was cancelled. However, in the 2nd course organised in 1972, there were only 10 participants (6 were sponsored by State Governments and 4 were Institute's own employees). This course was not cancelled even though only 6 candidates were sponsored by the State Governments.

(iv) (a) *Management Development Programme for Senior Health Administrators*, (b) *Orientation Training Course in Bio-statistics* and (c) *Training Course in Management for Maternal, Child Health and Family Planning Administrators*.—During 5 years ending March 1976, 7 courses in all, 2 courses in Management Development Programme, 2 in Bio-statistics and 3 in Management for Family Planning Administrators were organised. These courses were organised between 1971 and 1973 and were of 10 to 30 days duration. During this period 24, 30 and 56 candidates were selected for the above mentioned 3 courses, but actually 21, 28 and 42 persons participated in them. The Institute stated (September 1976) that the courses in Bio-statistics were essentially meant for 40 teachers of Bio-statistics in medical colleges and that the two courses conducted by it took care of the need and therefore, it was discontinued after 1973. It was, however, seen that only 28 teachers out of 40 originally planned, had received the training.

The Institute had not evolved any systematic procedure for ascertaining the utilisation of trained personnel in the field and their employment on jobs where the expertise gained could be fruitfully used. There was no organised system of feed-back on the relationship between problems faced in the field and contents of the course. However, the Institute ascertains from

the participants (by periodically circulating suitable questionnaires), the improvements made or new activities organised by them in their parent organisations as a result of knowledge gained through training provided by the Institute. Of 261 participants in 2 courses completed in 4 years till December 1973 to whom questionnaires were addressed, 219 responded but only 73 of them reported improvements or introduction of new activities in their respective organisations.

Evaluation of the contents of training courses by any other agency was, however, not attempted.

### *Research*

The research activities were initiated during 1968-69. These studies are undertaken by the Institute on its own or on the advice of the Ministry of Health and Family Planning. These are also sometimes undertaken on behalf of agencies, like Indian Council of Medical Research, World Health Organisation, Indian Council of Social Sciences Research, United Nations International Children Emergency Fund, etc. on agency basis.

No guidelines were laid down by the General Council and the Executive Council for identifying the problems of research and method of selection of topics till December 1975, whereafter the Institute evolved certain guiding principles to be observed in this regard. Briefly, these principles require that while visualising the needs of the Institute and its faculty members and retaining inter-disciplinary character of research, emphasis should be placed on problems concerning rural health services, problem-oriented issues particularly those concerning larger health issues, problems having implications in policy formulations and issues aimed at building new theories or modifying them in so far as they are relevant to health.

In all, 52 studies were taken up by the faculty members of the Institute till March 1976. During 5 years ending March 1976, 39 studies were completed.

The broad categories of studies conducted by the Institute are :—

- (i) Study of functioning of various departments of hospitals and dispensaries including *inter-alia* C.G.H.S. dispensaries and main hospitals in Delhi.
- (ii) Manpower studies in hospitals and dispensaries comprising staffing patterns, etc.
- (iii) Behaviour studies concerning employees of hospitals, patients, blood donors and other social problems.
- (iv) Cost analysis of services and collection of charges therefor.
- (v) Case studies concerning health education and administration in hospitals.
- (vi) Basic health services like school health, district health administration, family planning etc.
- (vii) Role of private practitioners in different systems of medicine.
- (viii) Studies regarding medical students, supply and demand of Allopathic medical graduates.
- (ix) Community oriented studies in rural and urban areas, motivation, training etc.

On completion, reports containing results of studies are cyclostyled and issued to the Ministry of Health and Family Planning, the institute where the study was conducted, the faculty members and other parties approved by the Director. The result of studies are ploughed into various training programmes conducted in the Institute. The results of the studies are also brought to the notice of participants attending the training programmes and are discussed for such action as could possibly be taken in their respective sphere to overcome or prevent problems faced by them.

No evaluation of research studies was being done to ascertain as to what extent their results were actually utilised. The Institute stated (December 1976) that this point deserved further consideration by it.

(Department of Family Planning)

52. *National Institute of Family Planning.*—The National Institute of Family Planning (hereafter referred to as the Institute) was registered in November 1964 under the Societies Registration Act, 1860. To enable the Institute to act rapidly and with flexibility in the development of its training and research activities, the Government of India declared it as an autonomous body in March 1965.

The Institute seeks “to undertake and promote study, knowledge and research in family planning movement in India, including its educational, social, organisational, medical, biological, statistical and demographic aspects”.

The overall control and management of the Institute vests in the General Council headed by the Union Minister of Health and Family Planning and presently comprises 21 members. An Executive Committee with a membership of 10 has been constituted under the Chairmanship of the Secretary of the Ministry to carry out the purposes of the Institute including matters of broad policy, sanction of expenditure and budget estimates etc. Financial matters are handled by the Finance Committee under the Chairmanship of the Special Secretary of the Ministry. To fulfil its objectives, the Institute has six functional Divisions (besides the Administration Division), Training, Bio-medical, Demography and Statistics, Programme Development and Evaluation, Information and Audio Visual, and Social Research.

The Institute is maintained mainly by grants made by the Central Government. Grants for maintenance and specific purposes released by the Government of India, grants received by the Institute from other agencies and the expenditure incurred



by the Institute out of these grants during the five years ended March 1976 are shown below :—

	1971-72	1972-73	1973-74	1974-75	1975-76
	(in lakhs of rupees)				
Opening balance	0.89	1.33	2.98	2.56	6.52
Grants paid by Government of India for					
(i) Maintenance	22.59	22.91	19.75	26.66	33.20
(ii) For specific purposes	0.47	0.55	0.50	0.18	—
Grants paid by other agencies, including international agencies	0.52	—	0.98	6.08	2.58
Other receipts	0.17	0.15	0.24	0.37	0.68
Loans and advances (net)	0.01	0.50	0.27	0.35	0.37
Remittances (net)	0.20	—	—	0.18	0.39
<b>TOTAL</b>	<b>24.85</b>	<b>25.44</b>	<b>24.72</b>	<b>36.38</b>	<b>43.74</b>
Expenditure	23.52	22.26	22.02	29.86	35.75
Remittances (net)	—	0.20	0.14	—	—
Closing balance	1.33	2.98	2.56	6.52	7.99
<b>TOTAL</b>	<b>24.85</b>	<b>25.44</b>	<b>24.72</b>	<b>36.38</b>	<b>43.74</b>

The accounts of the Institute relating to the period from 1971-72 to 1975-76 were audited under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

*Training.*—The training of personnel engaged in the family planning programme is an essential component for effective implementation of the programme. The Government of India have established five Central Institutes and 46 Regional Family Planning Training Centres (RFPTCs) for this purpose in the country. The National Institute of Family Planning has been entrusted with the responsibility for training the faculty of the Regional Family Planning Training Centres who train personnel at block level and below, while the other Institutes established by Central Government cater to the training needs of the staff required at the district level.

Pursuant to the recommendation of a workshop on training of family planning personnel organised at the Institute in March 1966, it was decided that the training to the faculty of RFPTCs might be imparted through courses of 70 working days duration. In view, however, of the urgency and magnitude of the training needs, the Institute revised the training strategy and evolved a four phased training programme in 1967-68. In the first phase, it was proposed that the faculty of the RFPTCs would be initially exposed and trained through regional workshops and seminars of six days' duration, to create awareness among them for organising their centres and their activities. The second phase envisaged the organisation of training courses of 24 working days for the principals of the training centres, who were considered key leaders of the training team, to enable them to guide and help the rest of the training team who had already been initially exposed in the workshops. In the third phase, training courses of 30 working days duration were to be organised for the faculty of the RFPTCs. In the fourth phase the resumption of comprehensive courses was planned. Refresher courses were also proposed to be organised for the benefit of those who had to wait for participation in the comprehensive courses and for those who had been away in the field for nine to twelve months after their previous training. It was expected that the third phase of the training schedule would be completed by December 1970. This, however, continued till September 1973 and the fourth phase of the training strategy comprising comprehensive courses was started along with third phase in July 1971.

In the first phase of the revised training programme the Institute organised four workshops of six days each in 1967-68. Two courses for principals of RFPTCs were arranged in the second phase, the first in December 1967 in which 10 principals participated and the second, five years later in which their number was only six. In the third phase of the training programme fifteen short term courses of thirty working days each were organised by the Institute from July 1968 to September 1973. In the fourth phase two comprehensive courses, one during

July—November 1971 and the other during January—May 1973 had been organised. In these two courses 29 members of the faculty of RFPTCs were trained.

The particulars of the training courses arranged at the Institute for the faculty of the Regional Family Planning Training Centres and the number of personnel of these centres who received training therein since inception to January 1974 is shown below:—

Name of the courses	Number of courses held	Particulars of Faculty of Regional Family Planning Training Centres trained								
		Principal	Medical Lecturer-cum-Demonstrator	Public Health Nurse Instructor	Social Science Instructor	Health Education Instructor	Health Education Extension Officer	Statistician	Total number of Faculty members trained (Total of columns 1 to 7)	No. of officers from other organisations trained
		1	2	3	4	5	6	7	8	9
A) Long or Comprehensive Course	7	16	11	8	3	21	29	4	92	40
(B) Short Term Course	15	31	40	37	41	27	134	2	312	16
(C) Refresher Course	2	7	..	5	3	4	19	..	38	1
(D) Principal's Course	2	16	2	1	..	..	..	..	19	..

An analysis of the training status of the trainers in 41 RFPTCs in respect of which (out of 46 such centres) information as in January 1974 was available, revealed that a number of faculty members in position in January 1974 had not received any training. Out of the 77 principals and medical lecturers-*cum*-demonstrators in position, who constitute the key personnel for imparting training, 36 had not received training of any kind. Forty four trainers of all categories, out of 347 in position had undergone comprehensive training. A number of posts of the trainers (15.3 *per cent*) were found to be vacant.

In 1974-75 family planning programme was integrated with the general health, nutrition and maternity and child health services which necessitated changes in the training strategy. Under the multipurpose workers scheme, the number of Central Institutes was increased from five to seven and the National Institute of Family Planning has been entrusted with the responsibility of training the multipurpose workers at the district level and also the faculty of the Regional Training Centres in Uttar Pradesh and Rajasthan. These training centres have since been redesignated as Regional Health and Family Planning Training Centres (RHFPTCs). In 1974-75 only one course for the faculty of these centres was organised at the Institute and during 1975-76 no course for the faculty of these centres was held. The Institute, however, organised three orientation courses (total duration 55 days) in 1974-75 and two such courses (total duration 34 days) in 1975-76 for District Medical Officers of the two States. The Institute stated (December 1976) that two courses, one comprehensive and the other short term course of 30 working days duration planned in 1974-75 could not be organised due to adoption of multipurpose workers scheme and a course under this scheme for the faculty of the centres in two States scheduled during 1975-76 was cancelled at the last moment as the States could not depute the personnel.

For providing practical training to the trainers, the Institute is required to develop certain field practice and demonstration

areas. For this purpose the Institute had undertaken development of the field demonstration projects, Mehrauli (a rural project), Paharganj (an urban project), Nabi Karim (a slum area project) etc. The Evaluation Committee appointed by the Government of India in March 1970 was not happy with the selection of areas for field practice and demonstration projects because they were not typical, particularly the rural development area in Mehrauli. The Committee recommended that four types of field practice and demonstration areas should be developed for this purpose, a rural family planning organisation in a typical primary health centre, an urban family welfare planning centre in association with maternity centre, an urban family welfare planning centre, established as such, to demonstrate integrated M.C.H. and family planning service and a family planning centre in an industrial unit to demonstrate implementation of family planning through industry. The Institute wound up all its existing field practice and demonstration projects in 1969 and 1970 but took up the development of a rural field practice and demonstration project in Murad Nagar (District Meerut) in January 1975 and an urban project area at Govindpuri, New Delhi in September 1975.

No evaluation of the course contents has been arranged through any independent agency. It was stated by the Institute that "the courses organised by the Institute are all need based and job oriented" and that "there has always been an in-built system of evaluation in the courses through pre-training information, course steering and evaluation committee and post-training reaction of the participants. As such, an evaluation by an outside agency was not felt necessary. However, in future, if Department of Family Planning feels it necessary, this could be taken up".

*Research.*—Research in the field of Bio-medical sciences for finding out effective methods of contraception, devoid of immediate and remote side effects and complications, and in demographic, socio-economic and behavioural aspects of target

population is of vital importance for all facets of the family planning programme, policy formulation, planning and programme implementation and evaluation. The most important function of the Institute, after training, is to carry out research on projects having an immediate and direct bearing on different aspects of the family planning programme and to disseminate the findings of these researches and of those carried out by other agencies in the field.

As per list supplied to Audit, the Institute had carried out 121 research studies upto June 1976 concerning socio-demography, bio-medicine and programme implementation, management, performance and evaluation.

In regard to the procedure for identification of problems for research, the Institute stated that these were identified in the manner indicated below :—

- “(a) Problems referred by the Department of Family Planning, other Central Government Departments and from the State Governments.
- (b) Problems discussed and suggested by the Executive Committee Members and T.A.C. (Technical Advisory Committee) Members.
- (c) Problems recommended for study in various other forums such as committees, seminars, conferences, workshops etc. organised in the field of Family Planning by the Department and other agencies.
- (d) The problems observed by the faculty members and the Director of the Institute”.

It was further stated that “after these problems have been identified, they are developed into research projects and from

among those the T.A.C. and E.C. (Executive Committee) selects only those projects and problems which are of relevance to the objectives of the Institute" and that thereafter the Institute conducted research studies.

Bye-laws of the Institute required that there "shall be a Technical Advisory Committee (Standing Committee) for each Division of the Institute to provide a ready and continuing source of general guidance and suggestions in developing the Division's activities". They also provided that the "Division head (or acting head) may utilise the Committee members for consultation purposes on an informal basis, as much as possible. In addition, twice each year (dates to be determined) each Division head will send to the members of the Committee a written review of the work of the Division. A meeting of the Committee with the members of the Division will be held once a year to discuss progress. After the meeting, the Committee members shall submit a summary of observations and suggestions in writing to the head of the Division and the Director of the Institute. The observations and suggestions of the members shall be included by the Director in the annual progress report of the Institute for the year and programme of work for the next year".

In pursuance of the provisions of the Bye-laws a separate Technical Advisory Committee (T.A.C.) was constituted in November 1965 for each functional Division of the Institute. It was, however, noticed that the intended mechanism for review of research activities of the functional Divisions could not effectively work due to the fact that the meetings of the TACs were not held at regular intervals. In the case of some Divisions they did not meet for several years.

A written review of the work of each functional Division which was required to be sent to the members of the respective

TACs, twice each year, was also not sent to them. It was stated "that the meetings of the TACs could not be arranged because of non-availability of the Chairman and Members". No notices to the members for the meetings not held during the relevant years were, however, issued although the Committees continued to exist. In-effective functioning of the TACs due to non-convening of their meetings at regular intervals because of non-availability of their Chairman and Members was also not reported to the General Council and/or the Executive Committee.

The Institute stated (December 1976) that as per the Bye-laws "the Institute sincerely tried to put into operation the mechanism of TACs and several Divisions with the exception of some which are primarily concerned with providing services, held several meetings of the TACs to seek their guidance for the development of their activities. In some Divisions, heads of Divisions/and other staff were not in position for various reasons. In all the meetings of the TACs of different Divisions, the members of the TAC were sent in advance a detailed review of the activities of the Division since its last meeting. Members of the Technical Advisory Committee of each Division were also provided regularly with printed research publications of each Division. The lack of interest in the mechanism of TACs can also be partly accounted for by the fact that invariably the recommendations of the TACs in terms of provision of staff and other facilities for the technical Division were not implemented. This has been informally expressed by the TAC members in several of these meetings. As a result of this and other practical problems, the Institute could not hold TAC meetings as often as required under the Bye-laws and this was informally brought to the notice of the Executive Committee and General Council. Consequently, the General Council in the year 1974 recommended that the Institute should have one TAC for all the Divisions. The Bye-laws have also provided that Divisions can consult informally with their members as and when required. Thus, in addition to formal meetings, the Divisions took



advantage of this provision as and when required to seek the guidance of the members of TAC”.

Since January 1975, a single TAC for the entire Institute in place of separate TACs for each Division has been constituted. The reconstituted TAC is required to meet at least twice each year. The TAC has so far (December 1976) held two meetings, the first in May 1975 and the second in September 1975. The Institute stated (December 1976) that the reconstituted TAC had not met after September 1975 mainly because of the uncertainty about the merger of the Institute with the National Institute of Health Administration and Education and secondly because its Chairman had frequently been out of the country.

In the absence of any record maintained by the Institute to indicate the dates of commencement of research studies, the target dates for their completion and dates on which interim and final reports on the research findings were submitted, it was seen from the agenda papers and minutes of the meetings of the Technical Advisory Committees, Executive Committee, General Council and Research Coordination Committee that the completion of certain research studies or the finalisation of the reports thereof was delayed. A few cases are mentioned below :—

(i) *I.U.C.D. Study of Mehrauli Block.*—This study was started in August 1967. In the Agenda papers of the meeting of the T.A.C. of Demography and Statistics Division held in May 1969 it was stated that the final report could not be written up due to shortage of senior level staff but was expected to be drafted by January 1970. The final report was, however, completed in March 1974. It was stated (December 1976) by the Institute that “the study could not be completed earlier due to the inadequacy of the technical staff in the particular Division”.

(ii) *Sample Registration Scheme*.—This study was started in November 1963. In the agenda of the meeting of the TAC of Demography and Statistics Division proposed for January 1972 (not held) it was stated that the final round of study was completed in January 1970 and that the final detailed report of the six years of study was being written. The final report was, however, stated to have been brought out in 1973.

(iii) *Standard Fertility Survey—Mehrauli Block*.—This survey was initiated in September 1963. The collection of data for seven years was completed in April 1970 and the processing and tabulation thereof was completed in February 1971. It was reported to the Executive Committee in January 1973 that the final report was likely to be completed by May 1973. The report was, however, finalised some time after May 1975.

(iv) *Family Planning Survey in Paharganj*.—This survey was initiated in January 1966 and the data collection work completed by the end of 1966. In his annual report for 1966-67 the Director stated that the report on the survey was under preparation. Again, in his report for the year 1969-70, the Director stated that the preparation of the report was likely to be completed by March 1971. The final report was, however, not brought out. A re-survey which was intended to be done after three years of the first survey to evaluate the programme achievements in the area and to determine the pattern of change during the intervening period was initiated in September 1971 and completed in November 1971. The detailed report on the findings which was expected to be brought out by the end of March 1972 was finalised in 1975. The delay in the finalisation of report has been attributed by the Institute "to the fact that most of the senior posts in the Division were vacant for a long period."

(v) *Evaluation of I.U.C.D. insertions by para-medical staff in Harvana and Punjab*.—This study was undertaken in 1972. It was reported to the Research Coordinating Committee that

the study would be completed during 1973. The findings of the study were stated to have been forwarded to the Department of Family Planning in 1975 and documented in a monograph published in September 1976.

(vi) *Personality correlates of successful trainers.*—This study was initiated in 1971. The Director of the Institute was informed in August 1971 by the Head of concerned Division that the report on the project was under preparation. Later, in early January 1973, it was reported to the Executive Committee that the final report on the study would be submitted by the end of January 1973. The report has, however, not been finalised so far (December 1976).

(vii) *Socio-psychological study of vasectomy in mass vasectomy camps at Baroda.*—This study which had been initiated in 1971-72 was shown as an on going study in the agenda of the meeting of the TAC of Social Research Division held in March 1974. The final report on the study has not been submitted so far (December 1976). It was stated that the study could not be completed firstly because the basic follow up data could not be collected due to political disturbances in 1974 in Gujarat and then towards the end of 1974 the researcher of the Institute went abroad for a year for advance training in population studies.

(viii) *Rural family planning demonstration project, Mehrauli.*—This project was started in 1962 and completed in 1970. The report, bringing out the programme implications was brought out in 1975.

(ix) *Effects of various types of contraceptives on endogenous hormone concentration.*—Amongst four facets of the study, two pertained to the study of urinary hormone levels in normal menstruating women and effect of low dose megestral acetate on endogenous hormone secretion. These two studies which

were initiated in 1969 and 1971 respectively were completed in 1970 and 1973. The reports on both these studies were submitted to the Department of Family Planning in 1975.

(x) *Knowledge-attitude-practice (KAP) study of urban school teachers in regard to family planning and their opinion on introduction of family life education in school curricula.*

(xi) *Status study of family life knowledge of rural teachers.*

(xii) *Base line study of KAP on family life knowledge among rural boys and girls.*—All these studies which had been

started in 1969 were shown as on going studies in July 1970.

It was also mentioned at that time that the data collection work had been completed. In another communication of August

1971, it was stated that in respect of the first study, the report

was under preparation and in respect of the other two, the

tabulation of data had been done. The joint T.A.C. of the

Institute was informed in May 1975 that the draft report of

the studies at (xi) and (xii) was prepared in March 1975.

Final reports on all the three studies have, however, not been

prepared. Audit was informed (September 1976) that since

the National Council of Educational Research and Training had

assumed the responsibility of promoting population education,

these studies were not given priority and further work on them

was suspended to avoid duplication.

*Other points.*—The Institute has 12 vehicles out of which six are in working condition at present (December 1976). The

remaining six vehicles have continuously been off the road for

periods ranging between one and three and a half years (August

1976). The 12 drivers appointed to man these vehicles, how-

ever, continued on the rolls of the Institute upto the middle of

January 1975 when one post fell vacant and was not filled up.

The Institute has on its strength 11 drivers. It was stated by

the Institute (December 1976) that these drivers were being

utilised on the work of repairs of these vehicles. The three vehicles which were condemned in November 1975 are stated to be due for auction through the Director General of Supplies and Disposals in December 1976. It was also stated that necessary steps for the condemnation of the other three vehicles were under progress.

Book value of the non-consumable stores and equipment procured and capitalised by the Institute upto March 1976 is Rs. 27.45 lakhs. Except for stores lying in the Bio-Medical Division, Social Research Division and the books in the library, no physical verification of stores and equipment, tools and plant and furniture has been carried out by the Institute. The physical verification of library books and stores lying in the Bio-medical and Social Research Divisions was conducted once in 1975-76. The Institute stated (December 1976) that a physical verification of non-consumable stores, equipments and articles of furniture had actually been conducted but as the reports thereof were not submitted in the proper form, steps had been taken to conduct a physical verification once again in a systematic manner.

Under the provisions of General Financial Rules, the Institute is required to maintain a register in the prescribed form (Form GFR 19) of the permanent and semi-permanent assets acquired out of Government grants and to submit annually a copy thereof to the Department of Family Planning which sanction the grants-in-aid to the Institute. The prescribed register has, however, not been maintained by the Institute.

According to Bye-laws of the Institute, the funds were required to be lodged and transacted through a current account but "the Bank shall so deal with the funds of the Institute, that the balance in the Current Account shall not exceed Rs. 1,00,000 at any time, and the rest would be kept in an interest bearing account wherefrom funds may be automatically transferred to

the Current Account as and when required so as to recoup the Current Account balance". Since inception the Institute has been retaining its entire cash balances in a current account and has not opened any interest bearing account. During the last two years, 1974-75 and 1975-76, the balance of the Institute in the current account ranged between Rs. 3.78 lakhs and Rs. 8.07 lakhs in July 1974 to October 1974, Rs. 4.53 lakhs and Rs. 8.92 lakhs in March 1975 to July 1975 and Rs. 3.90 lakhs to Rs. 12.55 lakhs during September 1975 to March 1976.

## CHAPTER VII

### DEPARTMENTALLY MANAGED GOVERNMENT UNDERTAKINGS

53. On 31st March 1976, there were 37 Departmentally managed Government undertakings of Commercial and Quasi-commercial nature. 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 only stores accounts are prepared.

*Pro forma* accounts for the year 1975-76 have been received so far (January 1977) for audit from only 5 undertakings. A synoptic statement showing the summarised financial results of the undertakings, on the basis of the latest available accounts, is given in Annexure 'A'.

ANNEXURE  
SUMMARISED FINANCIAL

Serial No.	Name of the Undertaking	Period of accounts	Government Capital	Block Assets (Net)	Depreciation to date
1	2	3	4	5	6
MINISTRY OF FINANCE					
1.	India Security Press, Nasik Road. @	1973-74	7,05,70	2,15,96	1,25,84
2.	Currency Note Press, Nasik Road. @	1973-74	4,73,98	1,92,87	1,17,89
3.	Government Opium Factory, Neemuch.	1974-75	14,77	12,86	1,90
4.	Government Opium Factory, Ghazipur.	1974-75	16,69	14,15	3,44
5.	Government Alkaloid Works, Ghazipur.	1974-75	6,77	4,70	2,07
6.	Government Alkaloid Works, Neemuch.	**			
7.	India Government Mint, Bombay.	1974-75	6,83,19	1,59,25	7,11*
8.	India Government Mint, Calcutta.	1974-75	1,32,85	1,19,05	1,80,63
9.	India Government Mint, Hyderabad.	1975-76	2,84,72	1,15,32	22,53
10.	Assay Department, Bombay.	1974-75	82	71	6*
11.	Assay Department, Calcutta.	1974-75	74	70	4*

\*Depreciation for the year only.

@Pro forma accounts have not been prepared according to the revised dated 23-1-1974.



'A'  
RESULTS OF 1975-76

(Figures in thousands of Rupees)

Profit (+) Loss (-)	Interest on Go- vernment Capital	Total return	Percentage of total return to mean capital	Remarks
7	8	9	10	11
(+)46,84	33,45	(+)80,29	11.81	
(+)1,27,71	20,84	(+)1,48,55	35.07	
(+)5,80,31	—	(+)5,80,31	—	
(+)5,55,66	—	(+)5,55,66	—	
(-)12,32	—	(-)12,32	—	
				**No accounts of the undertaking, which was declared as "Com- mercial undertaking" with effect from 1st April 1970, have been received.
(+)9,27,42	1,96	(+)9,29,38	175.87	
(+)4,21,69	43,25	(+)4,64,94	55.37	
(+)2,25,80	4,84	(+)2,30,64	53.87	
(+)4,83	—	(+)4,83	—	
(+)4	—	(+)4	—	

procedure, *vide* Ministry of Finance Office Memo. No. F. 1(35)-B/71

1	2	3	4	5	6
12.	Silver Refinery Project, Calcutta.	1973-74	59,62	55,34	58,74
MINISTRY OF INFORMATION AND BROADCASTING					
13.	All India Radio.	1973-74	49,07,60	34,33,75	14,73,85
				<i>Capital Assets</i>	
				<i>Revenue Assets</i>	
14.	Radio Publications, All India Radio.	1973-74	1,23,38	34,59	9,63*
				14	3*
15.	Films Division.	1974-75	57,67	48,46	62,01
MINISTRY OF COMMUNICATIONS					
16.	Commercial Broadcasting Service, All India Radio.	1973-74	53,70	45,98	7,72
				<i>Capital Assets</i>	
				<i>Revenue Assets</i>	
				6,97	42*
MINISTRY OF SHIPPING AND TRANSPORT					
17.	Overseas Communications Service, Bombay.	1974-75	18,36,69	10,17,28	7,37,06
18.	Lighthouses and Lightships Department.	1974-75	14,24,32**	12,31,79	1,97,89
19.	Shipping Department, Andamans.	1972-73	43,58	56,80	7,89*

\*Depreciation for the year only.

7	8	9	10	11
(+)97,51	—**	(+)97,51	7.46	**Interest has not been charged on the mean capital for the year. Management have stated that necessary adjustment would be made in the accounts for the year 1974-75.
(—)1,00,20	1,28,89	(+)28,69	0.93	Figures are based on the unaudited accounts.
(—)12,34	25	(—)12,09	—	
(—)74,19**	12,00	(—)62,19**	—	**Before adjustment of notional value (Rs. 78,74,059) of films released for free exhibition.
(+)3,31,74	—	(+)3,31,74	—	
(+)6,37,72	1,14,50	(+)7,52,22	33.99	
(+)17,40	16,00	(+)33,40	2.51	** (i) This consists of the balances of Government Capital Account and Capital Outlay Account. (ii) Figures are based on the unaudited accounts.
(—)80,15	4,47	(—)75,68	—	

1	2	3	4	5	6
20.	Ferry Service, Andamans. @	1973-74	7,19	16,58	2,92*
21.	Marine Department (Dockyard), Andamans. @	1974-75	73,26	4,67	5*
22.	Chandigarh Transport Undertaking, Chandigarh.	1975-76	89,57	63,50	26,07
MINISTRY OF AGRICULTURE AND IRRIGATION					
23.	Central Fertilizer Pool.	1969-70	58,31,29	—	—
24.	Delhi Milk Scheme.	1974-75	3,50,84	2,49,91	3,24,16
25.	Forest Department, Andamans.	1973-74	38,55	42,27	4,71*
26.	Ice-cum-Freezing Plant, Ernakulam.	1974-75	22,57	8,97	13,59
MINISTRY OF HOME AFFAIRS					
27.	State Transport Service, Andamans. @	1973-74	1,50	3,95	23,49
MINISTRY OF HEALTH AND FAMILY PLANNING					
28.	Central Research Institute, Kasauli.	1975-76	10,69	5,96	9,13**
29.	Medical Stores Depots.	1972-73	10,44,33	42,64	10,86
30.	Bakery and Vegetable Garden of the Hospital for Mental Diseases, Ranchi.	1974-75	30	30	1*

\*Depreciation for the year only.

@Pro forma accounts have not been prepared according to the revised dated 23-1-1974.

7	8	9	10	11
(-)13,40	84	(-)12,56	—	
(-)5,93	3,33	(-)2,60	—	
(+)1,73	3,23	(+)4,96	6.83	
(+)3,87,78	1,62,89	(+)5,50,67	15.63	
(-)4,14,31	38,01	(-)3,76,30	—	
(-)59,75	45,16	(-)14,59	—	
(-)1,13	(-)7	(-)1,20	—	
(-)7,85	31	(-)7,54	—	Figures are based on the unaudited accounts.
(+)2,48	1,62	(+)4,10	13.40	<p>**(i) Depreciation includes consumption on Live Stock for the year 1975-76 only.</p> <p>(ii) Government Capital account in the <i>pro forma</i> accounts has not been drawn up according to the instructions laid down in the Ministry of Finance Office Memo. No. F. 1 (35)-B/71 dated 23-1-1974.</p>
(+)47,53	37,79	(+)85,32	10.02	
(+)17	2	(+)19	71.25	(i) Government Capital account in the <i>pro forma</i> accounts has not been drawn up according to the instructions laid

procedure, vide Ministry of Finance, Office Memo. No. F.1(35)-B/71

1	2	3	4	5	6
MINISTRY OF WORKS AND HOUSING					
31.	Department of Publications, Delhi.	1972-73**			
32.	Government of India Presses.	1971-72**			
MINISTRY OF ENERGY					
33.	Electricity Department, Andamans.	1971-72	35,34	43,30	3,01*
34.	Electricity Department, Lakshadweep.	1975-76	42,80	33,24	9,71
MINISTRY OF COMMERCE					
35.	Pathini Tea Estate.	1975 (1st January 1975 to 14th November 1975)	36,07	25,21	10,86
DEPARTMENT OF ATOMIC ENERGY					
36.	Atomic Power Authority. .	1973-74	1,02,71,20	56,02,14	10,44,23
37.	Rajasthan Atomic Power Station, Unit I.	1974-75	60,93,88	55,10,60	2,63,18

\*Depreciation for the year only.

7	8	9	10	11
				down in the Ministry of Finance Office Memo. No. F. 1(35)-B/71 dated 23-1-1974.
				(ii) The Mineral Water Factory, which was a part of the undertaking, was closed on 22nd July, 1967. The figures do not include the figures of this Factory as <i>pro forma</i> accounts upto 1971-72 only were prepared.
				**Trading and Profit and Loss Accounts and Balance Sheet are not prepared; instead only stores accounts are prepared.
				**Trading and Profit and Loss Accounts and Balance Sheet are not prepared; instead only stores accounts are prepared.
(—)13,61	1,93	(—)11,68	—	
(—)14,18	1,87	(—)12,31	—	
(+)85	2,75	(+)3,60	7.12	Figures relate to the period from 1st January 1975 to 14th November 1975. (The management of this unit was taken over by Tea Trading Corporation of India Ltd. with effect from 15th November 1975).
(+)1,19,07	4,89,80	(+)6,08,87	6.11	
(—)1,07,90	3,27,24	(+)2,19,34	3.45	Figures are based on the unaudited accounts.

54. *All India Radio—Commercial Broadcasting Service—***1. Introduction**

The working of the Commercial Broadcasting Service, a wing of All India Radio, was reviewed in Para 75 of the Audit Report (Civil), 1969-70 and discussed by the Public Accounts Committee in their Thirty-Ninth Report (5th Lok Sabha).

Consequent on the acceptance of the recommendations made by the Committee on Broadcasting and Information Media (Chanda Committee) Government constituted in October 1967 an Advisory Board comprising representatives of advertisers, agents, Newspapers Associations, Ministry of Finance, All India Radio, etc., under the Chairmanship of the Deputy Director General (Commercial), to advise the Commercial Broadcasting Service on matters like content of commercial programmes, duration, spacing and frequency of broadcasts, commercial rates, clients to be maintained on the rolls, relations with clients, code of conduct, mode of payment, etc. The Advisory Board constituted a sub-committee known as the Rate Committee for fixation of rates for commercial advertising. The Advisory Board set up by Government in May 1970 became defunct in May 1972 after the expiry of tenure of two years.

A pilot project introducing commercial advertisements in Vividh Bharati Service was inaugurated in November 1967 from the Bombay, Poona and Nagpur stations grouped under Bombay Centre. The commercial service was subsequently extended to other Centres between 1968 and 1975 as mentioned in Annexure I.

Ten per cent of the total Vividh Bharati transmission time has been allotted for utilisation for commercial advertisements. Information was not available with the All India Radio to indicate the basis on which the limit of 10 *per cent* was fixed and whether any study was conducted to arrive at the optimum time for commercial broadcasting *vis-a-vis* the tolerance limit of the listeners for advertisements, etc.



The Ministry stated (January 1977) that "tolerance limit indicates the extent to which Government is prepared to accept advertisements and not the tolerance or acceptance of advertisements by the public or the listening audience".

## 2. Organisation

The Commercial Broadcasting Service is under the Deputy Director General (Commercial) who is assisted by the Director Programmes (Commercial), the Deputy Director (Liaison) at Headquarters, the Director of Sales Incharge of the Central Sales Unit, Bombay and Station Directors (Commercial) at each Centre as would be seen from the organisational chart in Annexure II. Most of the functions connected with the running of Commercial Broadcasting Service are centralised at the Central Sales Unit, Bombay. These functions include sale of 80 to 90 *per cent* of time available for advertisement [*vide* para 5(b)], raising and realisation of bills for time sold by the unit, scheduling of all advertisements, listener research and planning, etc. The Central Sales Unit has, therefore, a pivotal role in the functioning of the Commercial Broadcasting Service.

## 3. Extension of Commercial Service

The Fourth Five Year Plan envisaged extension of commercial service to 11 centres comprising 21 stations so as to bring 28 stations, where Vividh Bharati programmes are broadcast, into the commercial network. For this purpose, a provision of Rs. 50 lakhs was made in the Fourth Plan. The commercial service was introduced in these centres in two phases—5 Centres (11 stations) in 1970-71 and 6 Centres (10 stations) in 1975-76 as indicated in Annexure I. The Fifth Five-Year Plan did not envisage any further extension of the Commercial Broadcasting Service.

The proposal for the extension of commercial service to 5 Centres (11 stations) was sent to the Ministry of Information and Broadcasting in November 1969. It was estimated that Rs. 23.73 lakhs would be needed for the construction of buildings for office work, tape library, dubbing and for procurement

of equipment for the production of advertisement capsules. Pending construction of buildings and procurement of equipment which would take time, it was proposed to start the service from these Centres immediately on receipt of Government sanction by diversion of a few items of equipment from the stock available for other projects and hiring of accommodation wherever necessary. Government accorded sanction to the proposal in July 1970. The actual expenditure incurred against the estimate of Rs. 23.73 lakhs was Rs. 9.40 lakhs.

The proposal for the extension of commercial broadcasting to the remaining 6 Centres (10 stations) was sent to the Ministry of Information and Broadcasting in October 1971. The project was expected to be completed by 1973-74 at an estimated cost of Rs. 35.82 lakhs (with foreign exchange element of Rs. 4.66 lakhs). As envisaged in the earlier proposal, it was proposed to start the commercial service from these Centres immediately on receipt of sanction from Government by interim arrangements.

Government accorded sanction to the proposal in March 1972. Accommodation for five stations namely Patna, Jaipur, Jodhpur, Trivandrum and Cuttack was hired between November 1973 and July 1974, while for Ranchi, Bhopal and Indore stations, the existing accommodation was considered adequate. In Calicut, where studio facilities were inadequate even for existing programmes, no interim arrangements for commercial broadcasting were found feasible. No concrete proposal was received for hiring of accommodation at Srinagar, and consequently, interim arrangements for introducing commercial service at this station were not made there either.

Although interim arrangements including posting of Additional Station Directors with some staff had been completed by September 1974 at all the stations (excepting Srinagar and Calicut), commercial broadcasting could not be started, as the rates to be applicable to these stations had not been approved by the Ministry. The commercial service commenced from these stations in May 1975 after the proposal made by All India Radio

in June 1974 to go ahead with the commissioning of the new Centres on the basis of the existing Madras Centre rates (which had also been made applicable to 5 Centres started in 1970-71) was accepted by Government in April 1975 (*vide* paragraph 4). More than 3 years thus intervened between the original sanction accorded by Government and the eventual introduction of commercial service at these Centres. These Centres were expected to earn an annual revenue of Rs. 198 lakhs against the expenditure of Rs. 55.96 lakhs. Against the estimated expenditure of Rs. 35.82 lakhs on non-recurring items, the actual expenditure amounted to Rs. 21.02 lakhs.

The Ministry stated (January 1977) in this connection:—

“The fact was that the Government were considering the revision of rates at all centres and the fixation of rates at the new centres was tied up with the larger issue. For this reason fixation of rates for the new centres got delayed”.

### Coverage

In November 1976 there were 77 stations of All India Radio, out of which commercial broadcasting has been introduced in 28 stations where Vividh Bharati programmes are broadcast. In terms of population and primary area (area of effective listening based on the radius of coverage of a transmitter) the coverage achieved at various stages was as under:—

1.	As in December 1969	. . . . .	7 Stations
	(a) Population	. . . . .	5.87 crores
	(b) Area	. . . . .	0.60 lakh sq. kilometres.
	(c) Radio Sets	. . . . .	27.16 lakhs
2.	As in December 1972	. . . . .	18 Stations
	(a) Population	. . . . .	8.57 crores
	(b) Area	. . . . .	1.30 lakh sq. kilometres.
	(c) Radio Sets	. . . . .	49.30 lakhs
3.	As in December 1975	. . . . .	28 Stations
	(a) Population	. . . . .	9.85 crores
	(b) Area	. . . . .	1.88 lakh sq. kilometres.
	(c) Radio Sets	. . . . .	73.84 lakhs

NOTES: (1) Population figures are based on the 1971 census.

(2) Number of radio sets have been taken as equal to number of broadcast receiver licences issued and valid during the year.

The numbers of radio sets in the country and in the command areas of stations broadcasting the commercial service at the end of different years were as under :—

As on 31st December	(Figures in lakhs)		
	Radio sets in the entire country	Radio sets in the areas covered by the Commercial Broad- casting Service	Perce- tage of (3) to (2)
1	2	3	4
1969 . . . . .	105.08	27.16	25.8
1970 . . . . .	117.47	40.65	34.6
1972 . . . . .	128.95	49.30	38.2
1974 . . . . .	151.21	65.14	43.1
1975 . . . . .	167.32	73.84	44.1

By December 1975, 9.85 crores of the population out of a total population of 54.80 crores (both figures as in the 1971 census) were in areas covered by the Commercial Broadcasting Service. While the number of radio sets in the areas covered had increased during the six years by 59.2 per cent, in December 1975 it was still less than half the radio sets in the country.

#### 4. Tariff Structure

Revenue is earned by selling time for advertising of products, services, etc. Advertisement time has been divided into two main categories viz. "spots" and "sponsored programmes".

A "spot" is any direct advertisement mentioning products, their merits, prices and other related details. A "fixed spot" is a spot broadcast at a fixed time, usually intended to attract a larger number of listeners.

A "sponsored programme" means any programme, material for which is planned, produced and paid for by an advertiser called the "sponsor". A sponsored programme may also be

produced at the request of the sponsor (or studio facilities may be provided) by All India Radio at his cost.

Sponsored programmes were introduced from May 1970.

(a) *Spots*.—Rates for spots were fixed in July 1967 for the Bombay Centre, based on the recommendations of the Rate Committee comprising representatives of advertisers, agents who bring in business and of the All India Radio itself.

The Rate Committee laid down the following guidelines for determining the rates :

- (i) In most developed countries there was a close relationship between the mille rate of newspapers and radio rates. Normally, the radio rates were 7 to 8 times the newspapers rates. In India, the mille rate of the first six widely circulated newspapers was 10 paise per 1,000 copies sold. The Committee felt that on this basis the rates of 75 paise for each minute per 1,000 tuned-in receivers for 'peak' hours, 70 paise for 'semi-peak' hours and 65 paise for 'off-peak' hours were reasonable.
- (ii) 30-second and 15-second spots should be charged at 20 *per cent* and 40 *per cent* respectively more than the proportionate one-minute-rate.

The following factors were to be taken into consideration while preparing the rate cards :—

- (i) number of radio licences in the service areas;
- (ii) the popularity of the Vividh Bharati Service in the region; and
- (iii) the market potential of the region.

The advertising time available was classified taking into account the likely numbers of listeners into 'peak' time (also known as 'A' time), 'semi-peak' time ('B' time) and 'off-peak'

time ('C' time). Further, on the assumption that more people listen to the Vividh Bharati on Sundays than on week-days, higher rates were fixed for Sundays. Higher rates were also charged for "fixed spots" and for "special positions" in the time of transmission. Discounts ranging between 2 and 4 per cent were allowed to advertisers giving bulk business.

The rates initially fixed by the Rate Committee and approved by the Government in August 1967 were effective upto March 1968, but were subsequently extended upto August 1968.

The rates fixed for the Bombay Centre were extended to Calcutta when commercial service was started there in October 1968; the rates made applicable to Delhi Centre on its commissioning in April 1969 were based on the number of broadcast receiver licences as on 31st December, 1967, the degree of popularity of Vividh Bharati programme being considered to be at par with Bombay Centre.

For Madras Centre (Madras and Tiruchirrapalli stations) from where commercial broadcasting started in April 1969, the rates were fixed by the Rate Committee on *ad hoc* basis and were higher than those based on the mille rate hitherto adopted, although the difference was not quantified. During the deliberations of the Committee it was conceded that although the rates were high and would be unpopular with the advertisers on account of the relatively low popularity of the Vividh Bharati Service at this Centre, the proposed rates could be a starting point for initiating the commercial service from this Centre. The Madras rates were subsequently made applicable to the other 5 Centres from where commercial broadcasting was introduced during 1970-71.

For the new six Centres which were commissioned in 1975, an urgent meeting of the Rate Committee to fix the rates was contemplated by the Director General in August 1973, but could not be arranged. As the All India Radio was in a position to introduce commercial services at these new Centres without delay, it was proposed to Government in June 1974, that the Director

General might be permitted to go ahead with the commissioning of the new Centres on the basis of the existing Madras Centre rates, pending the reconstitution of the Central Advisory Board which had been defunct since May 1972. The Ministry informed the Director General, All India Radio, in August 1974 that a decision on these proposals had been deferred pending a decision on another proposal regarding transfer of a portion of the revenue earned by the Commercial Broadcasting Service to the All India Radio (general). Finally, the proposals made by the All India Radio were accepted by Government in April 1975. As mentioned earlier, the period of 3 years taken in fixing the rates applicable to the proposed Centres contributed to delay in the commencement of commercial services from these Centres and to the loss of anticipated revenue during those years.

It will be seen that the rates which were fixed on *ad hoc* basis for the Madras Centre were extended uniformly to all the 21 stations where the commercial service was introduced subsequently, without relating these rates to such factors as the mille rates of newspapers, number of listeners in the command area of each station, and market potentials of those areas.

(b) *Sponsored Programmes.*—The Director General, All India Radio, proposed in February 1969 that a total time of 2 hours 20 minutes per day might be offered at Bombay and Calcutta for sponsored programmes by increasing the transmission time at each of these Centres. Later on (June 1969), it was proposed to introduce sponsored programmes in the Commercial Service from Delhi and Madras stations as well. It was envisaged that on the basis of 10 *per cent* time allowed for advertisements to the sponsors the time available for advertisements would increase from 75 minutes to 90 minutes a day. The basic rate proposed was to be approximately double the sum of the existing basic rates for a 30-second spot and a minute-spot. An extra charge of 30 *per cent* over this higher rate was to be charged for programmes based purely or mainly on Indian film music. The cost of the sponsored programme was to be borne by the sponsor.

The proposal was estimated to entail an additional annual expenditure of Rs. 1.28 lakhs on additional manpower, royalties and allowances to artists. As against this, the revenue from sponsored programmes expected from Bombay and Calcutta was Rs. 17 lakhs each, and from Delhi and Madras services Rs. 15 lakhs and Rs. 13 lakhs respectively. Sponsored programmes introduced at Bombay in May 1970, Calcutta in June 1970, Delhi in February 1971, and Madras in March 1971 were subsequently extended to other stations from the dates indicated in Annexure I.

In the beginning the sponsored programmes were popular only in Bombay and Delhi Centres, but later on (especially in 1975-76), these programmes gained popularity in a few other Centres [*Vide* paragraph 5(a)(ii)].

(c) *Revision of rates.*—(i) The rates fixed initially for the Bombay Centre were reviewed by the Rate Committee in May 1968. After taking into account the popularity of Vividh Bharati programmes carrying commercials, payment of royalties and general increase in the number of radio sets etc., it was decided in June 1968 to raise the rates by 7 to 25 *per cent* for Sundays and holidays and 7 to 40 *per cent* for week days. The revised rates were made applicable with effect from 1st September, 1968.

(ii) The rates for the Bombay and Delhi Centres were sought to be increased by the Central Advisory Board in July 1971, as the number of radio sets had increased considerably in Bombay and Delhi, more at Bombay as a result of additional coverage by a 10 KW transmitter in place of the existing 2.5 KW transmitter. To study the entire rate structure a Rate Committee was constituted in January 1972. The Committee in their meeting held on 29th March, 1972 recommended *inter alia* for (i) abolition of 'B' time category in view of the long waiting list of advertisers and excessive pressure on this category of time, and treating this time span as 'A' time for all the Centres and



(ii) increase in the rates for 'spots' at Bombay and Delhi by 10 *per cent* and 7 *per cent* respectively. Government approved the conversion of 'B' timings into 'A' in May 1973 and the increase in rates at Bombay and Delhi in June 1973. Eventually these revisions were made effective from July 1973 and August 1973 respectively.

The increase in the rates for spots was not proportionately related to the increase in the number of listeners in the 5 years (1967 to 1971) which was of the order of 26 *per cent* in Bombay and 15.6 *per cent* in Delhi. Increase in rates in proportion to the increase in the number of listeners was not favoured by the Rate Committee, as it was felt that it would strain the publicity budget of the advertisers too much and might result in loss of business rather than an increase in income.

The yearly increase in revenue as a result of the revision of rates for spots was estimated at Rs. 11.11 lakhs and the additional revenue from the conversion of 'B' timings to 'A' at Rs. 19.03 lakhs.

It will be seen that incremental revenue of a substantial order had to be forgone due to the belated decision. Further, the decision did not take into consideration the additional coverage, increase in listenership and the general trends in the market which had emerged since the original recommendations were made in July 1971. The decision did not also cover Centres other than Bombay and Delhi, though similar factors calling for a revision operated there as well, nor was the feasibility of revision of rates of sponsored programmes examined until 1974-75.

(iii) While these increases were being considered it was contemplated by the Department (January 1973) that, in future, rates would be reviewed at least once a year. Pending the formation of a new Rate Committee, the question of an increase in the rates of Commercial Broadcasting Service was examined

by the Central Sales Unit and in April 1974, the following increases in rates were recommended :—

	Uniform surcharge on existing rates of all advertisements	Additional surcharge for	
		Spots	Sponsored programmes
(as percentages of rates fixed in 1973)			
(i) Bombay . . . . .	10	30	30
Delhi . . . . .	10	20	20
Calcutta and other stations . .	10	10	10
(ii) Conversion of all 'A' timings when 25 per cent or more of radio sets are tuned in into Super 'A' category with an additional surcharge of 50 per cent of the basic rate for 'A' timings.			

The increases in rates were proposed in view of the substantial increase in the advertisement tariff by newspapers in the two preceding years and the general increase in the cost of advertisement in other media as well. The extent to which these factors influenced the proposals for the increase in rates was not spelt out. The revision of rates recommended by the Central Sales Unit was *ad hoc*, without considering the effect of change in the elements (*viz.* number of radio sets, popularity of Vividh Bharati Service and the market potentiality in the region) mentioned in guidelines formulated earlier. The increase in revenue from spots, on the basis of time sold in 1973-74, was anticipated to be Rs. 105 lakhs.

In March 1975, the Ministry entrusted the examination of these proposals to a Committee consisting of officers of the Ministry and the Directorate General who endorsed the proposals made by the Central Sales Unit. The suggested increases in rates were approved by Government in May 1975 and came into effect from July 1975. These rates were made applicable from October 1975 to six new Centres commissioned in 1975.

Apart from the re-classification of a portion of 'A' timings into Super 'A', a portion of 'C' timings was reduced from

July 1975 on all the Centres except Madras where the category 'C' was totally abolished.

The rates fixed in respect of various Centres as revised from time to time are indicated in Annexure III.

## 5. Sales Performance

### (a) Time sold

(i) *Spots*.—It would be seen from Table (1) of Annexure IV that a fairly large part of the time available for sale as 'spots' was sold during the years 1972-73 to 1974-75. It was even oversold in Bombay and Delhi in all the three years, at Chandigarh in 1973-74 and 1974-75, at Ahmedabad for one year in 1974-75 and at Kanpur for two years in 1972-73 and 1974-75. In Madras Centre the sale of time was satisfactory during all these three years. At Bangalore and Hyderabad Centres, less time was sold during the three years, time sold being 75 and 81 *per cent* of the time available.

However, during 1975-76 there was a decline in the sale of available time at all the Centres. In Bombay and Delhi Centres where time was oversold in the previous year, unsold time was registered for the first time during 1975-76. The time unsold at the 5 Centres opened for commercial broadcasting in 1970-71 rose from 6.46 *per cent* in 1974-75 to 25 *per cent* in 1975-76. This trend continued in the first half of the year 1976-77, of 1.240 lakh minutes available in the 9 Centres commissioned till March 1971, 0.784 lakh minutes were sold and 0.456 lakh minutes (representing 36.8 *per cent* of time available) remained unsold.

The analysis made by Audit of the time sold at 4 metropolitan Centres during two selected months (September and December) of 1974 and 1975, reveal the following position about the trend and pattern of business procured before and after revision in the rates and reclassification of timings :—

- (1) The time sold in the 4 metropolitan Centres was about 94 *per cent* in 'A' category and 6 *per cent* in

'C' category during 1974 while during 1975, it was 92 per cent and 8 per cent respectively.

- (2) Fifteen-second spots contributed to 63 per cent in the sale of the 'A' time and 70 to 74 per cent in the 'C' time in 1974 and 55 to 58 per cent in the sale of the 'A' time and 66 to 70 per cent in the 'C' time during 1975.
- (3) There was decline in the time sold in absolute terms in all the stations, the percentage of decline ranging between 17 and 39. The category-wise position of decline in the time sold in 1975 as compared with 1974 was as follows :—

<i>Time sold</i>	(Figures in lakh seconds)	
	'A' category timing	'C' category timing
September 1974 . . . . .	5.91	0.39
September 1975 . . . . .	4.26	0.36
Decline in percentage . . . . .	27.9	7.7
<i>Time sold</i>		
December 1974 . . . . .	5.90	0.38
December 1975 . . . . .	4.00	0.33
Decline in percentage . . . . .	32.2	13.2

- (4) Although there was decline in the time sold in all the categories in absolute terms after revision of the rates and reclassification of the timings, the percentage contribution of different durational spots registered an increasing trend in respect of 7 and 30-second spots mainly on account of decline in the total time sold. The decline in sale of 15-second spots was pronounced.
- (5) On the basis of comparative data of time sold in December 1974 and December 1975 computed both at pre-revised and revised rates for four metropolitan Centres, the fall in gross revenue for a month as a result of decline in time sold and increase/decrease

in gross revenue after revision of rates and reclassification of timings are given below :—

(Rupees in lakhs)

	Gross Revenue at pre-revised rates on time sold		Fall in revenue due to decline in time sold (at pre-revised rates)	Gross Revenue after revision of rates on time sold		Increase (+)	Decrease (—)
	Decem-ber 1974	Decem-ber 1975		Decem-ber 1974	Decem-ber 1975		
	1	2		3	4		
Bombay	6.46	4.25	2.21	6.46	6.88	(+)0.42	
Calcutta	4.92	3.59	1.33	4.92	4.48		(—)0.44
Delhi	4.63	3.30	1.33	4.63	4.82	(+)0.19	
Madras	3.71	2.27	1.44	3.71	3.52		(—)0.19
<b>TOTAL</b>	<b>19.72</b>	<b>13.41</b>	<b>6.31</b>	<b>19.72</b>	<b>19.70</b>	<b>(+)0.61</b>	<b>(—)0.63</b>

NOTE:—The figures have been computed on the basis of the rates applicable for week days only.

It will be seen from the above that the benefit of increase in the rates and reclassification of time was almost negated on account of appreciable fall in the sale of time after the revision of rates in July 1975.

(ii) *Sponsored Programmes.*—It would be seen from Table (2) of Annexure IV that the time sold for sponsored programmes increased gradually from year to year (upto March 1975) in the four metropolitan Centres and in the five other Centres commissioned in 1970-71. Nevertheless, in all the 9 Centres except for Delhi upto 1974-75, but more markedly in the 5 non-metropolitan Centres, a substantial portion of available time remained unsold. Information was not available why efforts were not made to sell the unsold time as spots at any of the Centres.

The Ministry stated (January 1977) that “the chunks reserved for sponsored programmes had to be kept free for the sponsored programmes, particularly for the films for which only a short notice was given”.

(iii) It would be seen from Table (3) of Annexure IV that only a small portion (24.4 *per cent*) of the time available for sale both for spots and sponsored programmes at the 6 Centres commissioned in 1975-76 was sold during the year. Individually, Patna, Jaipur, Bhopal and Trivandrum Centres were able to utilise around 30 *per cent* of the time available, whereas Cuttack and Srinagar Centres could sell only 13.1 and 8.0 *per cent* of the available time respectively. During the first 6 months of 1976-77 too only 24.5 *per cent* of the available time was sold. In Srinagar Centre, no time reserved for sponsored programmes was sold upto September 1976.

(iv) A special feature of sales during the years 1975-76 and 1976-77 were sponsored broadcasts of two sports events, *viz.* Cricket matches in West Indies and Olympic Games at Montreal. A gross amount of Rs. 15.06 lakhs was received from seven advertisers; these advertisements were broadcast not only over the Commercial Service but also over certain primary channels of the All India Radio. No portion of this revenue has yet been allocated to the Commercial Broadcasting Service (November 1976).

#### (b) *Sales promotion*

The sale of 80 to 90 *per cent* of the available time is centralised at the Central Sales Unit, Bombay. Twenty *per cent* of the available time in the case of Delhi, Calcutta and Madras Centres and 10 *per cent* of the available time in the other Centres, can be sold directly by the respective Station Directors (Commercial). For Bombay Centre since the Director, Central Sales Unit is also working as the Station Director (Commercial), Bombay, the total available time is sold by him.

Advertisements are accepted either directly from advertisers or through agents who fall under three categories namely, accredited and recognised agents and canvassers. Accredited

1974-75, it registered an increasing trend in the case of Government Departments, although the extent of commission involved is not significant.

## 6. Audience Research

An Audience Research Unit functions as a part of the Central Sales Unit, Bombay. Surveys are undertaken by the Audience Research Unit to ascertain the quantum of listening to the Vividh Bharati programmes at various timings for determining the time classification for commercial advertisements. The survey results are stated to be helpful both for the Central Sales Unit and the advertisers for assessing the relative popularity of timings. Surveys are undertaken in the city or town around the Centres from where commercial services are broadcast. Thereafter, surveys are repeated as frequently as the funds and the staff capacity available permit for updating the results. During the last six years the number of surveys undertaken in different areas were as under :—

1970	.	.	.	8
1971	.	.	.	5
1972	.	.	.	11
1973	.	.	.	18
1974	.	.	.	9
1975	.	.	.	12

During these six years, Rs. 2.32 lakhs were spent on the Unit.

As already mentioned, the advertising rates for Madras Centre, extended uniformly to 21 stations commissioned in 1970-71 and 1975, were fixed on *ad hoc* basis. The revision of the tariff from July 1975 was also *ad hoc*. It appears that the results of surveys were mostly not utilised to regulate the advertisement rates on a scientific and rational basis.

In this connection, it may be mentioned that the Public Accounts Committee in their 39th Report 1971-72 (Fifth Lok Sabha) had recommended that comprehensive listener research should be undertaken for commercial broadcasting so that rates

were fixed on a rational and scientific basis. Government had stated in their reply to the Committee, mentioned in the 66th Report of the Public Accounts Committee 1972-73 (Fifth Lok Sabha), that efforts would be made to increase the number of such surveys and to cover all areas adequately and regularly at periodical intervals to provide base material for rating the programmes of Commercial Broadcasting Service.

A comprehensive 'Time Budget Survey' was undertaken by the Unit in February-March 1975 for the Commercial Broadcasting Service. The survey was restricted to houses with radio sets in the metropolitan cities of Bombay, Calcutta, Delhi and Madras. Out of 1500 samples drawn for each metropolitan city, the number of samples contacted was 1492 in Bombay, 1462 in Calcutta, 1466 in Delhi and 1499 in Madras. The report published in March 1976 brings out in detail the radio listening patterns of the population classified on the basis of sex, age, working status, education and income groups at half hour intervals from 5.00 A.M. to 12.00 midnight; listening habits, the popularity of various times (through the day and the week) and the size of the audience have also been mentioned. The survey reveals that Vividh Bharati (Commercial Broadcasting Service) is the most popular programme. It commands the allegiance of 90 *per cent* of the audience in Madras, 75 *per cent* in Delhi and 60 *per cent* in Bombay and Calcutta. The majority of the audience\* listens to it on an average for more than 3 hours a day in Madras and for one to three hours in the other three cities.

The largest radio audience\* is in the morning. The size of the audience\* is largest in Madras, followed by Delhi and Bombay. Calcutta emerges as the city with the smallest audience, also with shorter hours of listening.

According to the sample survey, the peak listening times are 7.30 to 9.30 A.M. and 8.00 to 10.30 P.M. in Bombay, 7.00 to 9.30 A.M. and 7.00 to 10.00 P.M. in Delhi, 6.30 to 9.30 A.M. and 7.00 to 10.00 P.M. in Madras and 7.00 to 8.00 A.M.

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Note :—\*As a proportion of the sample.



and 8.00 to 10.30 P.M. in Calcutta. These timings do not coincide precisely with the present categorisation as would appear from instances mentioned in Annexure VI.

The survey report does not seem to have been utilised for any specific purpose. The detailed data now available indicates the desirability of a review of the time categorisation. It will be noticed, however, that both the normal surveys and the detailed time budget survey were conducted only in a few urban areas, smaller towns and the countryside being left out.

## 7. Financial Results

(a) The *Pro forma* Accounts of the Commercial Broadcasting Service have been compiled upto the year 1973-74. The accounts for 1974-75 and 1975-76 have not been finalised so far (November 1976). The Public Accounts Committee had earlier occasion to comment on the delay in finalisation of the *Pro forma* Accounts. The working results for the four years ending 31st March, 1974 and figures of revenues for 1974-75 and 1975-76 are given below :—

	(Rupees in lakhs)					
	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76
	1	2	3	4	5	6
(a) Revenue from Commercial Broadcasting . . . . .	296.04	422.93	469.47	488.75	539.11	625.11*
(b) Other receipts . . . . .	0.02	0.03	0.06	0.15	..	..
Total Receipts . . . . .	296.06	422.96	469.53	488.90	539.11	625.11
(c) Commission to advertising agencies and discount to advertisers . . . . .	48.18	69.08	75.77	79.79	..	..
(d) Establishment and other expenses . . . . .						
(i) direct . . . . .	27.62	42.04	55.62	67.36	..	..
(ii) allocated . . . . .	6.14	9.37	9.03	10.01	..	..
Total Expenses . . . . .	81.94	120.49	140.42	157.16	..	..

\*Provisional.

	1	2	3	4	5	6
(e) Percentage of excess of Income over Expenditure to advertising revenue . . . . .	72.33	71.51	70.09	67.83	..	..
(f) Percentage of commission and discounts to advertising revenue . . . . .	16.27	16.33	16.14	16.32	..	..
(g) Percentage of establishment and other expenditure to advertising revenue . . . . .	11.40	12.16	13.77	15.85	..	..
Total Expenditure as a percentage of advertising revenues . . . . .	27.67	28.49	29.91	32.17	..	..

It will be seen that establishment and other expenses as a percentage of the advertising revenues were continually increasing. The main elements which contributed to the increase were salaries and allowances of the staff and payment of fees to staff artists.

The greater part of the revenue was earned in the four metropolitan Centres (Bombay, Calcutta, Delhi and Madras) while less than a third of the staff are deployed at these Centres. Thus, revenue earned per employee in these four Centres was considerably greater than in the other Centres, as will be seen from the following :—

Centres	Revenue earned in 1975-76 (in lakhs of rupees)	Staff as on 1st March, 1976 (in all categories excluding Group D)	Revenue per employee (in lakhs of rupees)
1. Metropolitan Centres . . . . .	340.38	111	3.07
2. All other Centres . . . . .	284.73	259	1.10
3. All Centres . . . . .	625.11	370	1.69

As discussed in sub-paragraph (c) below, one *per cent* of the expenditure on production and transmission at the stations is allocated to the Commercial Broadcasting Service instead of on the basis of time utilised for commercial broadcasting.

The net revenue of the Commercial Broadcasting Service increased by 46 *per cent* in 1971-72, 11 *per cent* in 1972-73, 3.6 *per cent* in 1973-74, 10.7 *per cent* in 1974-75 and 16.3 *per cent* in 1975-76 over the relevant previous year. The position station-wise is indicated in Annexure VII.

(i) The main reasons for the substantial increase in revenue during 1971-72 were the stabilisation of commercial broadcasting from stations commissioned in the latter half of 1970-71 and the additional time provided for sponsored programmes. The increase in the later years was mainly due to the enhancement of rates from August 1973 and some marginal increase in the time sold.

(ii) The total net revenue earned by the nine Centres which were commissioned by 1970-71 was Rs. 479.85 lakhs in 1975-76 which was only around Rs. 19 lakhs (4.1 *per cent*) more than in the previous year, although rates were enhanced by 40 *per cent* in Bombay, 30 *per cent* in Delhi and 20 *per cent* in all other Centres in July 1975. It may be recalled that the Department had expected an additional revenue of Rs. 105 lakhs as a result of revision in the rates of 'spots' alone. The lower yield was due to the decline in the sale of time during 1975-76 as analysed in paragraph 5(a)(i).

(iii) The net revenue from the six new Centres for the period May 1975 to March 1976 was Rs. 56.09 lakhs against an anticipated income of Rs. 198.00 lakhs for a whole year. This was due to inability to sell the available time for commercial broadcasting at these Centres.

(b) *Amount due from agents*

Accredited agents are allowed credit for 45 days from the end of the month during which the advertisement is broadcast.

It was seen that on an average an amount equivalent to approximately two months sales remained outstanding against these agents as detailed below :—

	(Rupees in lakhs)		
	1972-73	1973-74	1974-75
1. Gross Revenue earned through the accredited agents	381.25	382.03	403.80
2. Amount outstanding against the accredited agents at the end of the year	58.17	63.49	76.36
3. Percentage of outstanding to gross revenue	15.26	16.62	18.91
4. Amount outstanding for more than 6 months			

In addition, an amount of Rs. 3.31 lakhs was outstanding on 31st March, 1975 from recognised agents, canvassers and direct parties to whom credit facilities had been specially extended. The entire amount is more than six months old.

The Public Accounts Committee had recommended in their 39th Report (5th Lok Sabha) that in order to deal with delays in the accredited agents depositing money due from them, the All India Radio should insist on advance payment before the actual broadcast. On further consideration, the Committee accepted, in their 66th Report (5th Lok Sabha 1972-73), Government's proposal (December 1972) to retain the credit facility, but desired that the advertiser should pay the entire amount within 45 days calculated from the day following the day on which the advertisement was broadcast instead of from the first day of the month following the month in which the broadcast was made. The Committee recommended that a change in the form of the agreement should be expedited.

The Ministry stated (January 1977) that "orders for calculating 45 days credit period from the date following the day of broadcast have been issued. These will be effective from 1-4-1977".

### (c) Costing

A costing cell is attached to the Central Sales Unit, which is responsible, among other things, for the preparation of periodical

reports on net profit and actual costs and future cost estimates for all stations which broadcast advertisements.

In computing the net profit for the Commercial Broadcasting Service as a whole, only expenditure distinctly identifiable as relating to the service, such as salaries of staff, fees to artists, royalties and commission to advertising agents, etc. is charged to the Income & Expenditure Account. Expenditure on the production of Vividh Bharati programmes and their transmission, including maintenance, as also items of common expenditure such as studio facilities, office accommodation, etc. which are jointly utilised by the Commercial Broadcasting Service and Vividh Bharati Centre have, however, not been allocated to the former in the same ratio as time allotted to the commercial broadcasting bears to the total time of the Vividh Bharati programmes actually broadcast. It was decided in November 1972 that till an effective method was evolved for apportioning expenditure between the Commercial Broadcasting Service and the Vividh Bharati Centre for all common facilities, only one *per cent* of the total expenditure of the stations (including primary channels) would be allocated to the Commercial Broadcasting Service. The adjustment was to be made on completion of the yearly assessment of expenses on the Vividh Bharati programme. Expenditure on Vividh Bharati programmes was last assessed in April 1974 for the year 1969-70, but the consequent adjustment of the allocation to the Commercial Broadcasting Service was not made, nor was the cost per unit of time calculated. The stations do not maintain or report figures of expenditure for different elements of cost incurred on the Vividh Bharati programmes. Consequently, there is no system of assessing the cost per unit of time for different types of programmes and advertisements. Based on the provisional results of the working of the Commercial Broadcasting Service for 5 months (November 1967 to March 1968) the cost and revenue were computed in June 1968 at Rs. 55.55 and Rs. 168.03 per minute respectively. No such cost studies seem to have been made for any subsequent period.

## ANNEXURE I

STATEMENT SHOWING THE DATES OF INTRODUCTION OF COMMERCIAL BROADCASTING SERVICE (BOTH SPOTS AND SPONSORED) ON VARIOUS STATIONS OF VIVIDH BHARATI

Sl. No.	Name of the Station/ Centre	Date of introduction of C.B.S.	
		Spots	Sponsored Programmes
1.	Bombay-Poona-Nagpur . . . . .	November 1967	May 1970
2.	Calcutta . . . . .	October 1968	June 1970
3.	Delhi . . . . .	April 1969	February 1971
4.	Madras-Tiruchi . . . . .	April 1969	March 1971
5.	Chandigarh-Jullundur . . . . .	October 1970	January 1972
6.	Bangalore-Dharwar . . . . .	October 1970	January 1972
7.	Ahmedabad-Rajkot . . . . .	November 1970	November 1971
8.	Kanpur-Lucknow-Allahabad . . . . .	December 1970	January 1972
9.	Hyderabad-Vijayawada . . . . .	March 1971	January 1972
10.	Patna-Ranchi . . . . .	May 1975	May 1975
11.	Bhopal-Indore . . . . .	May 1975	May 1975
12.	Jaipur-Jodhpur . . . . .	May 1975	May 1975
13.	(a) Trivandrum . . . . .	May 1975	May 1975
	(b) Calicut . . . . .	November 1975	November 1975
14.	Cuttack . . . . .	May 1975	May 1975
15.	Srinagar . . . . .	July 1975	July 1975

NOTE: Panaji in Goa is the only Vividh Bharati Station where commercial broadcasting has not yet been introduced.

ANNEXURE II

ORGANISATIONAL CHART OF COMMERCIAL BROADCASTING SERVICE—ALL INDIA RADIO

DIRECTOR GENERAL

DEPUTY DIRECTOR GENERAL (COMMERCIAL)

Advises and assists the Director General, All India Radio in all matters relating to Commercial Broadcasting Service and supervises the functioning of the C.B.S. set-up at various centres.

Director  
Programme(C)

Dy. Director  
(Liaison)

DIRECTOR OF SALES AT BOMBAY

Besides the General Office administration, selling of time and raising and realisation of bills he assists the DDG(C) in plans for expansion of Commercial Broadcasting Service and supervises Listener Research and Planning and Scheduling of advertisements. He also attends Advisory Board, Local Advisory Committee and Rate Committee Meetings. He renders guidance in revising the pattern of Vividh Bharati Programmes to make them more suitable for the Commercial Services.

Deputy Director (Sales)

Dy. Director (Accounts)

Dy. Director (Audience Research)

STATION DIRECTOR (COMMERCIAL)

Supervision of Programming Operation, Exercising control over Administration & Accounts. Maintains relations with the advertisers and agencies, and maintains liaison with the Central Sales Unit.

### ANNEXURE III

STATEMENT SHOWING THE RATES FOR COMMERCIAL ADVERTISEMENTS BOTH FOR SPOTS AND SPONSORED PROGRAMMES AS REVISED  
FROM TIME TO TIME.

PART—I

SPOTS

(A) Time classification :—

Super-A— Super peak hours of listening.

A— Peak hours of listening.

B— Semi-peak hours of listening.

C— Off-peak hours of listening.

25% of the rates is charged extra for fixed spots.

25% of the rates is charged extra for special position.

10% extra at Bombay and Calcutta on Saturdays between 2.30 and 3.30 P.M.

(B) Rates for Bombay-Poona-Nagpur effective from 1-11-1967.

(Figures in Rupees)

	Week days timings			Sundays timings		
	A	B	C	A	B	C
7 Sec.	35	20	15	50	35	20
15 „	50	20	15	80	50	20
30 „	90	40	30	140	90	30
60 „	150	70	40	230	150	60



## (C) Rates effective from 1-9-1968

Time Category	Duration in seconds	Bombay-Poona- Nagpur & Calcutta		Delhi	Madras-Tiruchi, Chandigarh-Jullun- dur, Bangalore- Dharwar, Hydera- bad-Vijayawada, etc.			
		Week days	Sundays		Week days	Sundays	Week days	Sundays
		Rs.	Rs.		Rs.	Rs.	Rs.	Rs.
A	7	40	55	30	40	25	35	
	15	55	90	45	65	40	60	
	30	100	150	75	115	65	100	
	60	160	250	120	190	110	165	
B	7	25	40	20	30	20	25	
	15	28	55	20	45	25	40	
	30	48	100	40	75	35	65	
	60	80	160	60	120	55	110	
C	7	20	25	15	20	15	20	
	15	20	25	15	20	15	25	
	30	35	35	30	35	30	35	
	60	45	65	40	55	40	55	

## (D) Rates Effective from 22-8-1973

(Figures in Rupees)

Time Category	Duration in seconds	Bombay-Poona- Nagpur		Calcutta		Delhi		Madras/Tiruchi, Chandigarh-Jullun- dur, etc.	
		Week days	Sundays	Week days	Sundays	Week days	Sundays	Week days	Sundays
A	7	44.00	60.50	40.00	55.00	32.10	42.80	25.00	35.00
	15	60.50	99.00	55.00	90.00	48.15	69.55	40.00	60.00
	30	110.00	165.00	100.00	150.00	80.25	123.05	65.00	100.00
	60	176.00	275.00	160.00	250.00	128.40	203.30	110.00	165.00
C	7	22.00	27.50	20.00	25.00	16.05	21.40	15.00	20.00
	15	22.00	27.50	20.00	25.00	16.05	21.40	15.00	25.00
	30	38.50	38.50	33.00	35.00	32.10	37.45	30.00	35.00
	60	49.50	71.50	45.00	65.00	42.80	58.85	40.00	55.00

## (E) Rates Effective from 16-7-1975

Super 'A'	7	90.00	130.00	75.00	100.00	60.00	85.00	45.00	60.00
	15	130.00	210.00	100.00	165.00	90.00	135.00	75.00	105.00
	30	235.00	345.00	180.00	270.00	160.00	250.00	120.00	180.00
	60	370.00	580.00	285.00	450.00	250.00	400.00	195.00	300.00
A	7	60.00	85.00	50.00	65.00	40.00	55.00	30.00	40.00
	15	85.00	140.00	65.00	110.00	60.00	90.00	50.00	70.00
	30	155.00	230.00	120.00	180.00	105.00	160.00	80.00	120.00
	60	245.00	385.00	190.00	300.00	165.00	265.00	130.00	200.00
C	7	30.00	40.00	25.00	30.00	20.00	25.00	20.00	25.00
	15	30.00	40.00	25.00	30.00	20.00	25.00	20.00	30.00
	30	55.00	55.00	40.00	40.00	40.00	50.00	35.00	40.00
	60	70.00	100.00	55.00	80.00	55.00	75.00	50.00	65.00

## PART—II

## SPONSORED PROGRAMMES

30% Extra for Programme based purely or mainly on Indian Film Music.

RATES FOR SPONSORED PROGRAMMES EFFECTIVE FROM 3-5-1970 FOR ALL STATIONS

*(THE RATES ARE FOR A SINGLE PROGRAMME)*

(F)

	1 time to 51 times		52 times to 103 times		104 times to 207 times		208 times and above	
	Week days	Sundays	Week days	Sundays	Week days	Sundays	Week days	Sundays
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
10 Minutes talks . . . . .	360	560	340	530	335	525	330	520
10 Minutes : Other programmes . . . . .	400	625	380	595	375	585	370	575
15 Minutes : Programmes other than variety and skits. . . . .	600	875	570	835	560	820	555	805
15 Minutes : Variety programmes and skits	500	725	475	695	470	680	460	670
30 Minutes : Programmes other than variety and skits . . . . .	1200	1750	1140	1660	1125	1640	1110	1620
30 Minutes : Variety programmes and skits.	1000	1460	950	1380	940	1370	925	1350
For each additional quarter hour over 30 Minutes . . . . .	500	725	475	695	470	680	460	670

RATES EFFECTIVE FROM 16-7-1975

(G)

	Week days	Sundays		Weekdays	Sundays
	Rs.	Rs.		Rs.	Rs.
10 Minutes talks			30 Mts. programmes other than variety & skits.		
Bombay . . . . .	505.00	785.00	Bombay . . . . .	1680.00	2450.00
Delhi . . . . .	470.00	730.00	Delhi . . . . .	1560.00	2275.00
Other Stations . . . . .	430.00	670.00	Other Stations . . . . .	1440.00	2100.00
10 Minutes other programmes			30 Mts. variety programmes and skits.		
Bombay . . . . .	560.00	875.00	Bombay . . . . .	1400.00	2045.00
Delhi . . . . .	520.00	810.00	Delhi . . . . .	1300.00	1900.00
Other Stations . . . . .	480.00	750.00	Other Stations . . . . .	1200.00	1750.00
15 Minutes programmes other than variety & skits.			For each additional quarter hour over 30 Mts.		
Bombay . . . . .	840.00	1225.00	Bombay . . . . .	700.00	1015.00
Delhi . . . . .	780.00	1135.00	Delhi . . . . .	650.00	940.00
Other Stations . . . . .	720.00	1050.00	Other Stations . . . . .	600.00	870.00
15 Minutes variety programmes & skits .					
Bombay . . . . .	700.00	1015.00			
Delhi . . . . .	650.00	940.00			
Other Stations . . . . .	600.00	870.00			

## ANNEXURE IV

Statement Showing Time Available for Sale and Sold for Spots During the Years 1972-73 to 1975-76

[Table (1)]

(Minutes in lakhs)

Sl. No.	Name of the Centre	1972-73			1973-74			1974-75			1975-76			1976-77 (Upto September 1976)		
		Time available	Time sold	Unsold time	Time available	Time sold	Unsold time	Time available	Time sold	Unsold time	Time available	Time sold	Unsold time	Time available	Time sold	Unsold time
1.	Bombay-Poona-Nagpur	0.297	0.306	Over sold	0.289	0.297	Over sold	0.291	0.318	Over sold	0.315	0.247	0.068	0.152	0.107	0.045
2.	Calcutta	0.299	0.262	0.037	0.296	0.272	0.024	0.286	0.280	0.006	0.281	0.220	0.061	0.137	0.096	0.041
3.	Delhi	0.298	0.308	Over sold	0.273	0.305	Over sold	0.308	0.313	Over sold	0.305	0.269	0.036	0.148	0.136	0.012
4.	Madras-Tiruchi	0.286	0.278	0.008	0.303	0.252	0.051	0.302	0.272	0.030	0.292	0.193	0.099	0.143	0.078	0.065
	TOTAL (1 to 4)	1.180	1.154	0.045	1.161	1.126	0.075	1.187	1.183	0.036	1.193	0.929	0.264	0.580	0.417	0.163
5.	Chandigarh-Jullundur	0.278	0.251	0.027	0.232	0.249	Over sold	0.254	0.267	Over sold	0.260	0.187	0.073	0.133	0.073	0.060
6.	Bangalore-Dharwar	0.279	0.201	0.078	0.278	0.193	0.085	0.250	0.213	0.037	0.270	0.162	0.108	0.138	0.062	0.076
7.	Ahmedabad-Rajkot	0.229	0.217	0.012	0.228	0.215	0.013	0.227	0.234	Over sold	0.232	0.178	0.054	0.120	0.070	0.050
8.	Kanpur-Lucknow-Allahabad	0.268	0.270	Over sold	0.270	0.263	0.007	0.270	0.278	Over sold	0.264	0.212	0.052	0.135	0.089	0.046
9.	Hyderabad-Vijayawada	0.284	0.223	0.061	0.283	0.226	0.057	0.283	0.237	0.046	0.273	0.190	0.083	0.134	0.073	0.061
	TOTAL (5 to 9)	1.338	1.162	0.178	1.291	1.146	0.162	1.284	1.229	0.083	1.299	0.929	0.370	0.660	0.367	0.293
	GRAND TOTAL	2.518	2.316	0.223	2.452	2.272	0.237	2.471	2.412	0.119	2.492	1.858	0.634	1.240	0.784	0.456



## ANNEXURE IV—Contd.

Statement Showing Time Available and Sold as Sponsored Programmes During the Years 1972-73 to 1975-76 and 1976-77 (upto September 1976)

[Table (2)]

(Minutes in lakhs)

Sl. No.	Name of the Centre	1972-73			1973-74			1974-75			1975-76			1976-77 (Upto September 1976)		
		Time available	Time sold	Unsold time	Time available	Time sold	Unsold time	Time available	Time sold	Unsold time	Time available	Time sold	Unsold time	Time available	Time sold	Unsold time
1.	Bombay-Poona-Nagpur . . . . .	0.404	0.319	0.085	0.369	0.341	0.028	0.376	0.344	0.032	0.402	0.334	0.068	0.201	0.169	0.032
2.	Calcutta . . . . .	0.346	0.126	0.220	0.307	0.155	0.152	0.293	0.213	0.080	0.343	0.313	0.030	0.198	0.161	0.037
3.	Delhi . . . . .	0.140	0.136	0.004	0.153	0.153	..	0.160	0.160	..	0.207	0.170	0.037	0.133	0.101	0.032
4.	Madras-Tiruchi . . . . .	0.125	0.024	0.101	0.085	0.032	0.053	0.070	0.058	0.012	0.098	0.065	0.033	0.063	0.041	0.022
	TOTAL (1 TO 4)	1.015	0.605	0.410	0.914	0.681	0.233	0.899	0.775	0.124	1.050	0.882	0.168	0.595	0.472	0.123
5.	Chandigarh-Jullundur . . . . .	0.109	0.032	0.077	0.068	0.049	0.019	0.096	0.070	0.026	0.110	0.065	0.045	0.055	0.036	0.019
6.	Bangalore-Dharwar . . . . .	0.109	0.007	0.102	0.068	0.016	0.052	0.055	0.035	0.020	0.060	0.053	0.007	0.037	0.033	0.004
7.	Ahmedabad-Rajkot . . . . .	0.109	0.031	0.078	0.068	0.042	0.026	0.096	0.044	0.052	0.083	0.061	0.022	0.063	0.039	0.024
8.	Kanpur-Lucknow-Allahabad . . . . .	0.109	0.048	0.061	0.068	0.053	0.015	0.088	0.081	0.007	0.117	0.093	0.024	0.063	0.050	0.013
9.	Hyderabad-Vijayawada . . . . .	0.109	0.025	0.084	0.068	0.038	0.030	0.055	0.038	0.017	0.060	0.040	0.020	0.035	0.018	0.017
	TOTAL (5 TO 9)	0.545	0.143	0.402	0.340	0.198	0.142	0.390	0.268	0.122	0.430	0.312	0.118	0.253	0.176	0.077
	GRAND TOTAL	1.560	0.748	0.812	1.254	0.879	0.375	1.289	1.043	0.246	1.480	1.194	0.286	0.848	0.648	0.200





## ANNEXURE IV—Contd.

[Table (3)]

Statement showing Time Available and Sold both for Spots and Sponsored Programmes during the Period May 1975 to March 1976 and April 1976 to September 1976.

(Minutes in lakhs)

1975-76

1976-77 (Upto September 1976)

Sl. No.	Name of the Centre	SPOTS			SPONSORED			SPOTS			SPONSORED		
		Time available	Time sold	Unsold time	Time available	Time sold	Unsold time	Time available	Time sold	Unsold time	Time available	Time sold	Unsold time
1.	Patna-Ranchi	0.215	0.064	0.151	0.050	0.016	0.034	0.119	0.041	0.078	0.027	0.010	0.017
2.	Bhopal-Indore	0.246	0.073	0.173	0.050	0.019	0.031	0.138	0.044	0.094	0.028	0.015	0.013
3.	Jaipur-Jodhpur	0.246	0.068	0.178	0.050	0.020	0.030	0.138	0.042	0.096	0.027	0.005	0.022
4.	Trivandrum-Calicut	0.147	0.059	0.088	0.050	Nil	0.050	0.138	0.034	0.104	0.027	0.006	0.021
5.	Srinagar	0.175	0.014	0.161	N.A.	Nil	N.A.	0.116	0.017	0.099	0.027	Nil	0.027
6.	Cuttack	0.248	0.032	0.216	0.050	0.007	0.043	0.142	0.020	0.122	0.027	0.004	0.023
	TOTAL	1.277	0.310	0.967	0.250	0.062	0.188	0.791	0.198	0.593	0.163	0.040	0.123

## ANNEXURE V

*Statement showing the business procured from Central & State Governments, nationalised banks and public sector undertakings and private parties.*

(Rs. in lakhs)

	Gross Business			Commis- sion paid to agents
	Direct including through D.A.V.P.	Agencies	Total	
1972-73				
(a) Central and State Govern- ments . . . . .	23.66	1.94	25.60	0.29
(b) Public undertakings including nationalised banks . . . . .	3.47	13.04	16.51	1.96
(c) Private parties . . . . .	17.49	409.35	426.84	60.95
	44.62	424.33	468.95	63.20
1973-74				
(a) Central and State Govern- ments . . . . .	25.37	4.17	29.54	0.62
(b) Public undertakings including nationalised banks . . . . .	7.50	9.34	16.84	1.40
(c) Private parties . . . . .	13.85	427.56	441.41	63.71
	46.72	441.07	487.79	65.73
1974-75				
(a) Central and State Govern- ments . . . . .	19.48	4.15	23.63	0.62
(b) Public undertakings including nationalised banks . . . . .	8.12	8.44	16.56	1.24
(c) Private parties . . . . .	19.24	479.63	498.87	71.53
	46.84*	492.22*	539.06*	73.39*

\*Figures provisional.

## ANNEXURE VI

## Statement showing Time Classification

Time to be classified as super 'A' according to the Time Budget Survey.

	Week days	Sundays	Week days	Sundays
<b>1. Bombay</b>				
Time classified as Super 'A' (25% or more of the audience estimated to be listening to the programme).	8.00 A.M. to 9.30 A.M., 7.45 P.M. to 8.10 P.M., 10.00 P.M. to 10.30 P.M.	8.00 A.M. to 9.30 A.M., 7.45 P.M. to 8.10 P.M., 10.00 P.M. to 10.30 P.M.	7.30. A.M. to 9.30 A.M. (27 to 38 per cent)*	7.30 A.M. to 9.30 A.M. (28 to 32 per cent)*
Sponsored programme (charged at the rate of double of 'A' rates)	9.30 P.M. to 10.00 P.M. 10.30P.M. to 11.00 P.M.	9.30 P.M. to 10.00 P.M. 10.30 P.M. to 11.00 P.M.	8.00 P.M. to 10.30 P.M. (27 to 35 per cent)*	9.00 P.M. to 9.30 P.M. (25 per cent)*
<b>2. Calcutta</b>				
Time classified as Super 'A' (25 per cent or more of the audience estimated to be listening to the programme).	6.35 A.M. to 7.05 A.M. 7.45 A.M. to 8.10 A.M.	6.35 A.M. to 7.05 A.M. 7.45 A.M. to 8.10 A.M.	7.00 A.M. to 8.00 A.M. (28 to 31 per cent)* 8.00 P.M. to 10.30 P.M. (26 to 36 per cent)*	7.30 A.M. to 8.00 A.M. (27 per cent)* 9.00 P.M. to 10.30 P.M. (25 to 32 per cent)*
Sponsored programme	8.30 P.M. to 8.45 P.M., 9.00 P.M. to 9.15 P.M. 9.30 P.M. to 10.00 P.M.	8.30 P.M. to 8.45 P.M., 9.00 P.M. to 9.15 P.M. 9.30 P.M. to 10.00 P.M.		

ANNEXURE VI—Contd.

	Week days	Sundays	Week days	Sundays
<b>3. Delhi</b>				
Time classified as Super 'A' (25 per cent or more of the audience estimated to be listening to the programme)	7.20 A.M. to 10.00 A.M. 8.45 P.M. to 9.00 P.M., 9.15 P.M. to 9.30 P.M.	7.20 A.M. to 10.00 A.M. 8.45 P.M. to 9.00 P.M., 9.15 P.M. to 9.30 P.M.	7.00 A.M. to 9.30 A.M. (28 to 38 per cent)* 7.00 P.M. to 10.00 P.M. (28 to 43 per cent)*	7.00 A.M. to 10.00 A.M. (26 to 35 per cent)* 9.00 P.M. to 10.00 P.M. (26 to 28 per cent)*
Sponsored programme	7.45 P.M. to 8.10 P.M. 9.30 P.M. to 10. P.M.	7.45 P.M. to 8.10 P.M. 9.30 P.M. to 10.00 P.M.		
<b>4. Madras</b>				
Time classified as Super 'A' (25 per cent or more of the audience estimated to be listening to the programme).	8.30 A.M. to 9.30 A.M. 5.30 P.M. to 6.30 P.M., 7.00 P.M. to 9.30 P.M.	8.30 A.M. to 9.30 A.M. 11.30 A.M. to 12.30 P.M. 5.30 P.M. to 6.30 P.M. 7.00 P.M. to 9.30 P.M.	6.30 A.M. to 9.30 A.M. (28 to 67 per cent)* 5.30 P.M. to 6.30 P.M. (40 to 42 per cent)* 7.00 P.M. to 10.00 P.M. (35 to 72 per cent)*	6.30 A.M. to 9.30 A.M. (25 to 65 per cent)* 11.00 A.M. to 12.30 P.M. (30 to 41 per cent)* 3.00 P.M. to 5.00 P.M. 5.30 P.M. to 6.30 P.M. 7.00 P.M. to 9.30 P.M. (29 to 62 per cent)*
Sponsored programme	9.30 P.M. to 9.45 P.M.	9.30 P.M. to 9.45 P.M.		

\*Percentages in this column indicate the proportion of the audience in the sample who listen to the Vividh Bharati Programme during these hours.

## ANNEXURE VII

### *Statement Showing the Revenue Earned (Excluding Commission)*

(Rs. in lakhs)

Sl. No.	Name of the Centre	1971-72	1972-73	1973-74	1974-75	1975-76
1.	Bombay-Poona— Nagpur . . .	75.07	76.45	81.61	91.72	101.08
2.	Calcutta . . .	54.41	58.81	63.03	68.26	70.01
3.	Delhi . . .	51.48	54.15	57.21	61.54	76.30
4.	Madras-Tiruchi	38.00	41.76	39.36	44.14	44.55
5.	Chandigarh- Jullundur . . .	30.39	36.52	38.18	42.50	38.60
6.	Bangalore- Dharwar . . .	25.37	29.29	28.57	33.20	32.69
7.	Ahmedabad- Rajkot . . .	27.93	32.05	32.85	36.74	34.68
8.	Kanpur-Lucknow- Allahabad . . .	33.01	39.49	40.25	44.77	42.56
9.	Hyderabad- Vijayawada . . .	26.13	33.23	35.19	38.09	39.38
10.	Patna-Ranchi . . .					12.07
11.	Bhopal-Indore					13.37
12.	Jaipur-Jodhpur					11.81
13.	Trivandrum- Calicut . . .					10.29
14.	Srinagar . . .					2.42
15.	Cuttack . . .					6.13
	TOTAL . . .	361.79	401.75	416.25	460.96	535.94

**CHAPTER VIII**  
**OUTSTANDING AUDIT OBSERVATIONS AND**  
**INSPECTION REPORTS**

55. *Outstanding Audit Observations.*—Audit observations on financial transactions of Government are communicated to the departmental authorities from time to time. Half-yearly reports of such observations which remain outstanding for more than six months are also sent by Audit to Administrative Ministries for taking necessary steps to expedite their settlement.

(i) The number of such outstanding audit observations in the Ministries/Departments noted below and their attached and subordinate offices is large :—

Ministries/Departments	Total number of observations made upto March 1976 but outstanding on 31st August 1976	Total amount (lakhs of rupees)	Number of observations made prior to April 1973	Amount (lakhs of rupees)
1	2	3	4	5
<i>A. CIVIL DEPARTMENTS</i>				
Agriculture and Irrigation@	6,469	392.19	1,998	53.81
Commerce@	452	43.31	137	33.56
Communications	233	27.79	1	0.01
Defence	193	27.40	16	0.39
Education and Social Welfare	6,344	280.10	1,653	54.66
Energy@	2,171	1,703.12	426	153.24
External Affairs	7,400	257.33	6,130	86.76
Finance@	20,401	318.41	4,921	50.56
Health and Family Planning	2,350	180.84	751	96.79
Home Affairs@	12,153	892.06	3,038	240.05
Industry and Civil Supplies	888	57.66	170	2.34

1	2	3	4	5
Information and Broadcasting@	2,468	75.39	479	10.31
Labour@	1,486	63.47	437	36.79
Law, Justice and Company Affairs	995	24.45	109	0.65
Planning@	906	13.37	125	0.92
Shipping and Transport	12,501	9,465.30	3,078	1,202.60
Steel and Mines	9,230	120.04	2,239	35.94
Supply and Rehabilitation	9,846	347.04	4,625	182.14
Tourism and Civil Aviation @	4,471	257.62	1,476	53.88
Works and Housing	19,301	4,770.77	5,825	1,217.29
Cabinet Secretariat	1,078	49.29	12	0.03
Electronics	477	17.27	27	1.24
Science and Technology	2,233	71.29	272	3.52

*B. DEPARTMENTALLY MANAGED COMMERCIAL AND QUASI-COMMERCIAL UNDERTAKINGS*

Information and Broadcasting	51	0.83	4	..
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(ii) The following is a broad analysis of the outstanding observations :—

Nature of observations	Number of items	Amount (lakhs of rupees)
1	2	3
<i>A. CIVIL DEPARTMENTS</i>		
(a) Sanctions for establishment not received	1,735	196.09
(b) Sanctions not received for contingent and miscellaneous expenditure	2,891	798.17
(c) Sanctions to estimates not received	4,974	2,397.65
(d) Detailed bills for lump-sum drawals not received	13,693	1,163.25
(e) Vouchers not received	6,783	377.04
(f) Payees' receipts not received	40,521	2,954.32
(g) Advances paid to Government servants not recovered	31,725	240.76
(h) Agreements with contractors/suppliers not received	1,411	2,353.04
(i) Payments to contractors/suppliers not in conformity with contracts and agreements	50	102.67
(j) Overpayments or amounts disallowed in audit not recovered	2,571	101.08
(k) Sanctions to write off of losses, etc. not received	500	100.19
(l) Breach of financial propriety	146	6.87
(m) Sanction for reserve stock limit/excess over reserve stock not received	2	12.35
(n) Expenditure incurred on deposit work without deposit /in excess of deposit	2	38.46
(o) Shortage of materials, non-accountal/less accountal of material, acceptance of material below specification, loss due to theft, damage etc.	22	176.94
(p) Other reasons	17,020	8,436.63

@Include audit observations relating to O.B. Advances in respect of Karnataka circle which were omitted to be included earlier.

*B. DEPARTMENTALLY MANAGED COMMERCIAL AND  
QUASI-COMMERCIAL UNDERTAKINGS*

(a) Sanctions for establishment not received	5	0.74
(b) Other reasons	46	0.09

The entire expenditure for which detailed bills and vouchers are not submitted escapes audit scrutiny. In such cases, as also the cases in which payees' receipts etc., have not been furnished, mis-appropriation, fraud etc., may remain undetected.

56. *Outstanding Inspection Reports.*—The audit done in Central Office is supplemented by local inspection. All important financial irregularities and defects in initial accounts noticed during local audit and inspections are included in inspection reports and sent to departmental officers for necessary action. Besides, copies of the inspection reports, where necessary, and half-yearly statements of outstanding inspection reports are also forwarded to the administrative Ministries.

(i) The Ministries with comparatively large outstandings are shown below :—

Ministries/Departments	Year of issue of the earliest outstanding reports	Number of out-standing	
		Reports	Para-graphs in the Reports
1	2	3	4
<i>A. CIVIL DEPARTMENTS</i>			
Agriculture and Irrigation	1952-53	1,261	8,886
Commerce	1963-64	376	1,424
Education and Social Welfare	1952-53	1,373	3,801
Energy	1960-61	281	3,458
External Affairs	1960-61	273	970
Finance	1956-57	1,210	3,480
Health and Family Planning	1957-58	256	802
Home Affairs	1956-57	1,100	5,167
Industry and Civil Supplies	1960-61	199	730
Information and Broadcasting	1962-63	124	418
Labour	1962-63	280	869
Law, Justice and Company Affairs	1959-60	115	268
Shipping and Transport	1954-55	764	3,207
Supply and Rehabilitation	1956-57	764	3,611
Steel and Mines	1965-66	152	538
Tourism and Civil Aviation	1956-57	304	1,255
Works and Housing	1953-54	1,899	14,769
Science and Technology	1964-65	113	343



**B. DEPARTMENTALLY MANAGED COMMERCIAL AND QUASI-COMMERCIAL UNDERTAKINGS**

1	2	3	4
Agriculture and Irrigation	1966-67	22	187
Finance	1966-67	24	71
Health and Family Planning	1964-65	28	106
Information and Broadcasting	1966-67	80	244
Labour	1967-68	13	75
Works and Housing	1967-68	32	112

(ii) The more important types of irregularities noticed during inspection and local audit are briefly summarised below :—

Number  
of  
offices  
in which  
irregula-  
rities  
were  
noticed

**A. CIVIL DEPARTMENTS**

1. Public Works Offices—		
Number of offices inspected during 1975-76		474
(i) Wasteful and infructuous expenditure due to defective plans, designs and abandonment of works		62
(ii) Extra cost to Government due to rejection of lowest tenders or delay in accepting tenders		18
(iii) Excess payments due to non-observance of the conditions of contracts or non-provision of necessary safeguards in contracts		41
(iv) Splitting up of purchase orders		24
(v) Unauthorised financial aids to contractors		43
(vi) Delay in effecting recovery of security deposits from contractors and payment of contractors' bills.		36
(vii) Arrears in maintenance and/or non-maintenance of initial accounts of road metal, material-at-site accounts, etc.		66
(viii) Other irregularities		421
2. Treasuries and other Civil Offices—		
Number of offices inspected during 1975-76		2,162
(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.		403
(ii) Securities from persons handling cash and stores not obtained, or if obtained not for the prescribed amount		103

	Number of offices in which irregularities were noticed
(iii) Stores accounts not maintained properly and periodical verification not done	390
(iv) Defective maintenance and/or non-maintenance of log books of staff cars etc.	117
(v) Local purchase of stationery in excess of authorised limits and expenditure incurred without proper sanction	137
(vi) Delay and/or non-recovery of receipts, advances and other charges, etc.	560
(vii) General Provident Fund accounts of Class IV Staff not maintained properly	191
(viii) Payment of grant in excess of actual requirements	62
(ix) Sanctions to write off of loans, losses etc., not received	64
(x) Overpayment of amounts disallowed in audit not recovered	164
(xi) Non-recovery of library books, physical verification etc.	56
(xii) Other types of irregularities	1,829

*B. DEPARTMENTALLY MANAGED COMMERCIAL AND  
QUASI-COMMERCIAL UNDERTAKINGS*

Number of offices inspected during 1975-76	153
(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.	12
(ii) Store accounts not maintained properly and periodical verification not done	14
(iii) Irregularities in calculation of depreciation charges	6
(iv) Non-adjustment of transactions etc., in accounts	9
(v) Irregularities in calculation of interest on capital, sundry debtors, sundry creditors, liabilities, advances and purchases, etc.	3
(vi) Non-observance of rules relating to reconciliation of departmental remittances and withdrawals with the Audit Offices	4
(vii) Delay and/non-recovery of receipts, advances and other charges	6
(viii) Other types of irregularities	97

## CHAPTER IX

Other Topics of Interest

### MINISTRY OF ENERGY

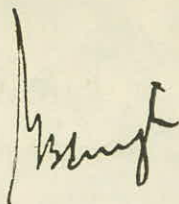
(Department of Power)

57. *Retrenchment of workmen without payment of compensation.*—According to Industrial Disputes Act, 1947, no workman employed in any industry who has been in continuous service for not less than one year under an employer shall be retrenched by that employer until the workman has been paid, at the time of retrenchment, compensation at the prescribed rates.

Five workmen of Bhakra Beas Management Board were retrenched from service in 1968 and 1969 without payment of retrenchment compensation at the time of retrenchment as prescribed by the said Act. The workmen filed writ petition in the Punjab and Haryana High Court against the orders of retrenchment. The Court quashed (October 1972) the retrenchment orders served on the workmen and consequently the workmen were reinstated retrospectively and Rs. 0.52 lakh were paid to them during June 1973 to November 1974 as pay and allowances for periods between 36 and 42 months.

The Ministry stated (January 1977) that the Bhakra Beas Management Board decided to write off the amount of Rs. 0.52 lakh in its meeting held on 16th December 1976 as "all possible efforts were made by officers/staff to finalise the

retrenchment compensation claims but those could not be prepared in time due to non-availability of relevant records.....  
.....”



(G. B. SINGH)

*Accountant General, Central Revenues.*

New Delhi :

The

- 5 MAR 1977

Countersigned.



(A. BAKSI)

*Comptroller and Auditor General of India.*

New Delhi :

The

- 7 MAR 1977

## APPENDIX I

(Vide Paragraph 7)

### MAIN INVESTMENTS AND DIVIDEND

Name of Under-taking/Concern		Investment			Dividend credited to Government	
		During 1974-75	During 1975-76	Upto 1975-76	During 1974-75	During 1975-76
1	2	3	4	5	6	7
(Lakhs of rupees)						
I. Statutory Corporations—						
	Air India Corporation . . . . .	1000	300	6482	..	..
	Indian Airlines Corporation . . . . .	..	..	5278	..	..
	Oil and Natural Gas Commission . . . . .	..	3210	16725	..	..
	Life Insurance Corporation . . . . .	..	..	500	..	..
	Central Warehousing Corporation . . . . .	..	184	1746	64	55
	Food Corporation of India . . . . .	89	10575	19036	..	..
II.(a) Government Companies—						
	Indian Oil Corporation Ltd. . . . .	..	..	7108	853	569
	Neyveli Lignite Corporation Ltd. . . . .	4442	3811	16253	..	..
	Bharat Heavy Electricals Ltd. . . . .	..	..	*13000	..	..
	Hindustan Steel Ltd. . . . .	..	..	61085	..	..
	Heavy Engineering Corporation Ltd. . . . .	50	50	16179	..	..

\* Differs from the last year's figure due to merger of Heavy Electricals Ltd. with Bharat Heavy Electricals Ltd.

1	2	3	4	5	6	7
Hindustan Antibiotics Ltd.	.	65	40	352	..	..
Hindustan Cables Ltd.	.	50	84	1136	27	27
National Newsprint and Paper Mills Ltd.	.	..	..	255	..	..
State Trading Corporation of India	.	..	..	1000	120	120
Minerals and Metals Trading Corporation	.	300	..	900	72	108
National Coal Development Corporation	.	..	..	14332	..	..
Fertilizer Corporation of India Ltd.	.	12539	12529	55175	..	..
Hindustan Machine Tools Ltd.	.	253	163	2831	..	..
Hindustan Shipyard Ltd.	.	197	206	1607	..	..
Indian Telephone Industries Ltd.	.	..	..	412	47	50
Mogul Lines Ltd.	.	18	..	313	..	..
The National Instruments Ltd.	.	..	..	398	..	..
Hindustan Insecticides Ltd.	.	..	83	208	10	10
Bokaro Steel Ltd.	.	..	..	60000	..	..
National Mineral Development Corporation Ltd.	.	..	..	7604	..	..
Fertilizers and Chemicals, Travancore	.	845	474	7040	..	..
Shipping Corporation of India	.	..	..	2795	..	168
Singareni Collieries Company Ltd.	.	..	..	272	..	..
National Building Construction Corporation Ltd.	.	50	50	395	..	..

1	2	3	4	5	6	7
Indian Drugs and Pharmaceuticals Ltd. . . . .	..	350	3770	..	..	..
Mazagaon Dock Ltd. . . . .	50	..	488	31	29	..
Hindustan Aero- nautics Ltd. . . . .	..	..	5695	114	100	..
Garden Reach Workshop Ltd. . . . .	150	300	1025	..	..	..
Indian Rare Earths	13	125	323	..	15	..
Praga Tools Ltd.	30	35	298	..	6	..
Hindustan Or- ganic Chemicals Ltd. . . . .	..	..	970	43	48	..
Hindustan Photo Films Manufac- turing Co. Ltd. . . . .	..	1000	1632	..	..	..
National Small Industries Cor- poration Ltd. . . . .	..	200	750	..	..	..
Dredging Cor- poration of India Ltd. . . . .	..	1984	1984	..	..	..
<i>(b) Other Companies—</i>						
Indian Explo- sives Ltd. . . . .	..	..	274	41	41	..
National Ferti- lizers Ltd. . . . .	1449	6300	7749	..	..	..
Oil India Ltd. . . . .	—140	—84	1678	..	24	..
British India Corporation . . . . .	..	..	106	..	..	..
III. International Finance Corpo- ration . . . . .	..	..	211	..	..	..
IV. Others . . . . .	*30355	36011	148563	*1294	765	..
TOTAL . . . . .	51805	77980	495933	2716	2135	..

\*Differs from the last year's figure due to exhibition of certain investments separately.

## APPENDIX II

(Vide Paragraph 18)

### 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 1976		Earliest period to which the arrears relate
	Principal	Interest	
	(Lakhs of rupees)		
<b>Ministry of Agriculture and Irrigation</b>			
<b>(Department of Agriculture)</b>			
Central Fisheries Corporation Ltd.	..	4.56	1975-76
	..	4.56	
<b>Ministry of Commerce</b>			
Handicrafts Emporium, Madras	3.49	1.32	1970-71
Tea Board, Calcutta . . . . .	1.67	8.77	1971-72
National Textile Corporation Ltd.	214.58	193.65	1974-75
Shilpi Kendra, Bombay . . . . .	0.10	0.05	1971-72
All India Handloom Fabrics Mar- keting Co-operative Society Ltd., Bombay . . . . .	22.73	..	1971-72
	(Rs. 5.00 lakhs towards principal recovered in 1976-77)		
	242.57	203.79	
<b>Ministry of Communications</b>			
Telepost Co-operative House Const- ruction Society Ltd., Madras	..	1.15	1964-65
I.T.I. Transmission Factory, Naini . . . . .	35.35	17.49	1975-76
Instrument Factory, Naini . . . . .	25.10	16.15	1975-76
New Switching Factory, Rai Barielly . . . . .	7.75	3.85	1975-76
New Switching Factory, Palghat . . . . .	3.00	0.90	1975-76
	71.20	39.54	



To whom loan was paid	Amount outstanding on 31st March 1976		Earliest period to which the arrears relate
	Principal	Interest	
	(Lakhs of rupees)		
<b>Ministry of Defence</b>			
Loans to individual . . . . .	31.15	2.34	1970-71
Consumer's Co-operative Stores, Dum-Dum . . . . .	0.17	0.01	1974-75
Hindustan Aeronautics Ltd., Bangalore . . . . .	836.50	18.56	1974-75
	(Rs. 809.00 lakhs and Rs. 18.56 lakhs towards principal and interest respectively recovered in 1976-77)		
Mazagaon Dock Ltd., Bombay	91.27	53.28	1973-74
Garden Reach Workshop, Calcutta	220.59	204.67	1972-73
Goa Shipyard Ltd., Vasco-de-Gama	27.00	13.76	1969-70
Praga Tools Corporation Ltd., Secundrabad . . . . .	126.59	97.41	1973-74
Bharat Electronics Ltd., Bangalore .	129.00	118.41	1973-74
	(Rs. 118.41 lakhs towards interest recovered in 1976-77)		
Bharat Earth Movers Ltd., Bangalore	121.67	170.77	1973-74
Andhra Scientific Co. . . . .	..	14.67	1974-75
	<u>1583.94</u>	<u>693.88</u>	
<b>Delhi Administration</b>			
Municipal Corporation of Delhi . . . . .	85.79	41.75	1965-66
	<u>85.79</u>	<u>41.75</u>	

To whom loan was paid	Amount outstanding on 31st March 1976		Earliest period to which the arrears relate
	Principal	Interest	

(Lakhs of rupees)

**Ministry of Education and Social Welfare**

Various Educational Institutions and Engineering Colleges . . . . .	173.12	58.07	1959-60
	(Rs. 4.64 lakhs and Rs. 1.17 lakhs towards principal and interest res- pectively recovered in 1976-77)		
Vidya Bhawan Society, Udaipur . . . . .	0.67	1.46	1966-67
People's Education Society, Bom- bay . . . . .	1.00	..	1972-73
	(Rs. 0.50 lakh recovered in 1976-77)		
National Sports Club of India, Bombay . . . . .	0.81	0.15	1974-75
	(Rs. 0.40 lakh and Rs. 0.09 lakh towards principal and interest res- pectively recovered in 1976-77)		
Co-operative Crafts Schools in Delhi/New Delhi . . . . .	2.43	2.14	1963-64
Institute of Telecommunications, New Delhi . . . . .	1.07	..	1973-74
Council of Architecture, New Delhi	0.20	..	1974-75
	<hr/>	<hr/>	
	179.30	61.82	
	<hr/>	<hr/>	

**Department of Electronics**

Electronics Corporation of India, Hyderabad . . . . .	..	21.84	1972-73
Bharat Electronics Ltd., Bangalore	..	2.35	1975-76
Kerala State Electricity Board, Trivandrum . . . . .	..	0.77	1975-76
	<hr/>	<hr/>	
	..	24.96	
	<hr/>	<hr/>	

To whom loan was paid	Amount outstanding on 31st March 1976		Earliest period to which the arrears relate
	Principal	Interest	
(Lakhs of rupees)			
<b>Ministry of Energy</b>			
<b>(Department of Power)</b>			
Delhi Electricity Supply Undertaking . . . . .	537.67	913.41	1974-75
	<u>537.67</u>	<u>913.41</u>	
<b>Ministry of Energy</b>			
<b>(Department of Coal)</b>			
Coal India Ltd. . . . .	..	847.93	1974-75
Bharat Coking Coal Ltd., Dhanbad	44.44	390.63	1973-74
Neyveli Lignite Corporation . . . . .	..	36.55	1975-76
Coal Board . . . . .	7.43	5.84	1975-76
National Coal Development Corporation, New Delhi . . . . .	..	584.01	1974-75
Singareni Collieries Company Ltd. . . . .	..	42.60	1975-76
	<u>51.87</u>	<u>1907.56</u>	
<b>Ministry of Finance</b>			
Departmental Canteen . . . . .	0.01	..	1974-75
	<u>0.01</u>	<u>..</u>	
<b>Ministry of Home Affairs</b>			
Municipal Corporation of Delhi . . . . .	235.02	55.70	1968-69
	<u>235.02</u>	<u>55.70</u>	
<b>Ministry of Health and Family Planning</b>			
Tibbia College Board and Hospital, New Delhi . . . . .	2.00	..	1962-63
	<u>2.00</u>	<u>..</u>	
<b>Ministry of Industry and Civil Supplies</b>			
<b>(Department of Heavy Industry)</b>			
Hindustan Machine Tools Ltd., Bangalore . . . . .	13.68	..	1968-69
Bharat Heavy Electricals Ltd., New Delhi . . . . .	3387.15	44.49	1971-72
M/s Arthur Butler . . . . .	..	1.67	1975-76

To whom loan was paid	Amount outstanding on 31st March 1976		Earliest period to which the arrears relate
	Principal	Interest	
	(Lakhs of rupees)		
Bharat Heavy Plates and Vessels Ltd., Vishakhapatnam	0.57	57.46	1971-72
Heavy Engineering Corporation Ltd., Ranchi	509.41	1101.03	1973-74
Richardson and Cruddas Ltd., Bom- bay	23.33	32.51	1972-73
Gresham and Cravan	1.67	12.87	1971-72
	(Rs. 1.67 lakhs and Rs. 0.34 lakh towards principal and interest respectively recovered in 1976-77).		
Tungbhadra Steel Products Ltd., Karnataka	18.23	10.45	1973-74
Scooters India Ltd.	31.94	71.76	1974-75
Triveni Structurals Ltd.	38.91	133.70	1971-72
Machine Tools Corporation of India Ltd., Ajmer	15.00	100.19	1973-74
	4039.89	1566.13	

### Ministry of Industry and Civil Supplies

#### (Department of Industrial Development)

Cement Corporation of India Ltd., New Delhi	9.62	7.80	1974-75
Indian Standards Institution, New Delhi	1.59	..	1974-75
Tannery and Footwear Corporation Ltd., Kanpur	..	32.49	1974-75
Hindustan Cables Ltd., West Bengal	..	10.71	1974-75
National Newsprint and paper Mills Ltd., Nepa Nagar.	0.68	0.04	1975-76
Bharat Ophthalmic Glass Ltd., Durgapur	0.50	1.04	1975-76
Instrumentations Ltd., Kota.	7.40	9.32	1973-74
Loans to Salt Licensees	0.40	0.08	1973-74
National Small Industries Corpora- tion, New Delhi	26.55	2.79	1974-75
Central Cottage Industries Associa- tion, Janpath, New Delhi	0.57	9.92	1973-74
India United Mills, Bombay	175.00	68.09	1971-72
	222.31	142.28	

To whom loan was paid	Amount outstanding on 31st March 1976		Earliest period to which the arrears relate
	Principal	Interest	
	(Lakhs of rupees)		
<b>Ministry of Information and Broadcasting</b>			
Film Finance Corporation, Bombay	11.82	11.26	1973-74
Loan to Individual . . . . .	0.15	..	1968-69
Samachar Bharti, New Delhi . . . . .	0.53	..	1972-73
Andhra Pradesh State Electricity Board, Hyderabad . . . . .	..	0.02	1975-76
	12.50	11.28	
<b>Ministry of Labour, Employment and Rehabilitation</b> (Department of Labour and Employment)			
Barbil Central Co-operative Stores Ltd., Barbil . . . . .	1.56	1.05	1957-58
	1.56	1.05	
<b>Ministry of Labour, Employment and Rehabilitation</b> (Department of Rehabilitation)			
United Council for Relief and Wel- fare, New Delhi . . . . .	0.03	0.08	1955-56
Harijan Sewak Sangh, Ahmedabad	0.35	..	1973-74
Rehabilitation Industries Corpora- tion Ltd., Calcutta . . . . .	488.89	143.25	1970-71
Municipal Corporation of Delhi . . . . .	24.64	27.93	1975-76
	513.91	171.26	
<b>Ministry of Petroleum and Chemicals</b>			
Fertiliser Corporation of India, New Delhi . . . . .	106.00	25.65	1975-76
Pyrites, Phosphates and Chemicals Ltd. . . . .	7.70	..	1975-76
	113.70	25.65	

To whom loan was paid	Amount outstanding on 31st March 1976		Earliest Period to which the arrears relate
	Principal	Interest	
	(Lakhs of rupees)		
<b>Ministry of Shipping and Transport</b>			
Calcutta Port Trust . . . . .	558.68	902.23	1973-74
Central Inland Water Transport Corporation Ltd. . . . .	610.52	542.12	1964-65
Paradip Port Trust, Paradip . . . . .	..	51.79	1973-74
	(Rs. 3.42 lakhs recovered in 1976-77).		
Vishakhapatnam Dock Labour Board	0.06	0.09	1975-76
Madras Dock Labour Board, Madras . . . . .	1.70	0.20	1975-76
Delhi Educated persons Co-oper- ative Transport Society (Under Liquidation) . . . . .	1.05	0.27	1962-63
Delhi Transport Corporation . . . . .	2080.72	1639.10	1964-65
Central Road Transport Corporation Ltd., Calcutta . . . . .	31.50	18.86	1971-72
Cochin Shipyard Ltd. . . . .	..	273.00	1975-76
Shipping Development Fund Com- mittee . . . . .	..	3233.97	1972-73
	3284.23	6661.63	
<b>Ministry of Steel and Mines</b>			
<b>(Department of Steel)</b>			
Hindustan Steel Works Construc- tion Company . . . . .	125.00	..	1974-75
Steel Authority of India Ltd., New Delhi . . . . .	33.33	..	1974-75
	158.33	..	
<b>Ministry of Steel and Mines</b>			
<b>(Department of Mines)</b>			
Bharat Gold Mines Ltd. . . . .	125.46	52.89	1973-74
Hindustan Copper Ltd. . . . .	71.79	978.33	1968-69
Indian Bureau of Mines Consumer Co-operative Stores Ltd., Nagpur	..	0.02	1975-76
Hindustan Zinc Ltd. . . . .	21.53	8.42	1972-73
Sikkim Mining Corporation . . . . .	14.30	6.64	1967-68
	233.08	1046.30	

To whom loan was paid	Amount outstanding on 31st March 1976		Earliest Period to which the arrears relate
	Principal	Interest	
	(Lakhs of rupees)		
<b>Ministry of Works, Housing and Supply</b>			
Sen Raleigh and Company . . . . .	0.68	0.47	1970-71
Orissa Industries Ltd., Barang, Cuttack . . . . .	0.51	0.77	1964-65
Water Supply Sewage Disposal Undertaking . . . . .	461.97	527.54	1970-71
Municipal Corporation of Delhi . . . . .	141.23	75.70	1965-66
Delhi Transport Corporation (Housing Scheme) . . . . .	4.51	0.25	1973-74
	608.90	604.73	

### 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.					
<b>Revenue— Voted</b>					
(Lakhs of rupees)					
<b>Ministry of Commerce</b>					
1.	12—Foreign Trade and Export Production	19,971.70	116.08	17,198.12	2,889.66
<b>Ministry of Finance</b>					
2.	36—Audit	6,402.05	198.06	6,320.67	279.44
<b>Ministry of Information and Broadcasting</b>					
3.	63—Information and Publicity	1,496.49	0.01	1,375.03	121.47
<b>Ministry of Petroleum and Chemicals</b>					
4.	71—Fertiliser and Chemical Industries	18.05	1.37	16.95	2.47
<b>Ministry of Steel and Mines</b>					
5.	80—Department of Mines	27.13	1.00	26.65	1.48
<b>Ministry of Tourism and Civil Aviation</b>					
6.	88—Tourism	333.50	11.00	328.86	15.64



1	2	3	4	5	6
<b>Revenue—Charged</b>					
<b>Ministry of Agriculture and Irrigation</b>					
7.	7—Department of Rural Development	..	0.01	..	0.01
<b>Ministry of Finance</b>					
8.	33—Union Excise Duties	0.86	0.33	0.58	0.61
9.	34—Taxes on Income, Estate Duty, Wealth Tax and Gift Tax	1.19	0.24	1.01	0.42
<b>Ministry of Home Affairs</b>					
10.	51—Other Expenditure of the Ministry of Home Affairs	3,852.33	2.60	3,834.92	20.01
<b>Ministry of Industry and Civil Supplies</b>					
11.	61—Civil Supplies and Co-operation	..	0.01	..	0.01
<b>Ministry of Shipping and Transport</b>					
12.	76—Roads	0.10	1.57	..	1.67
<b>Capital—V</b>					
<b>Ministry of Com</b>					
13.	12—Foreign Trade and Export Production	28,676.31	6,502.02	21,838.33	13,340.00
<b>Ministry of Defence</b>					
14.	18—Ministry of Defence	1,598.15	7.70	1,596.04	9.81
<b>Ministry of Home Affairs</b>					
15.	49—Police	195.00	35.00	181.97	48.03
<b>Ministry of Shipping and Transport</b>					
16.	78—Road and Inland Water Transport	2,096.00	219.21	1,921.65	393.56
<b>Ministry of Works and Housing</b>					
17.	90—Public Works	1,492.66	100.00	1,219.15	373.51
<b>Department of Atomic Energy</b>					
18.	95—Atomic Energy Research, Development and Industrial Projects	6,976.27	10.00	6,670.69	315.58
<b>Capital—Charged</b>					
<b>Ministry of Shipping and Transport</b>					
19.	76—Roads	727.00	0.72	726.91	0.81

**APPENDIX IV**  
(Vide paragraph 25)  
**SAVING UNDER VOTED GRANTS**

Sl. No.	Grants	Total grant	Expenditure	Saving	Percentage of Saving
1	2	3	4	5	6
Voted grants where the savings (more than 5 lakhs in each case) exceeded 20 per cent of the final grant are given below :—					
		<b>Revenue</b>		(Lakhs of rupees)	
1.	55—Arunachal Pradesh . . . . .	2,337.03	824.65	1,512.38	64.7
2.	72—Ministry of Planning . . . . .	12.38	4.86	7.52	60.7
3.	99—Department of Electronics . . . . .	738.68	343.08	395.60	53.6
4.	67—Ministry of Law, Justice and Company Affairs . . . . .	2,205.62	1,401.12	804.50	36.5
5.	78—Roads and Inland Water Transport . . . . .	48.98	37.49	11.49	23.5
6.	32—Customs . . . . .	2,424.84	1,856.22	568.62	23.4
		<b>Capital</b>			
7.	66—Labour and Employment . . . . .	5.78	0.04	5.74	99.3
8.	55—Arunachal Pradesh . . . . .	703.96	180.43	523.53	74.4
9.	63—Information and Publicity . . . . .	224.50	80.00	144.50	64.4
10.	30—Ministry of External Affairs . . . . .	3,030.00	1,369.96	1,660.04	54.8
11.	35—Stamps . . . . .	81.98	48.77	33.21	40.5
12.	5—Forest . . . . .	137.91	84.20	53.71	38.9
13.	99—Department of Electronics . . . . .	219.00	135.16	83.84	38.3
14.	12—Foreign Trade and Export Production . . . . .	35,178.33	21,838.33	13,340.00	37.9
15.	39—Opium and Alkaloid Factories . . . . .	55.09	35.04	20.05	36.4
16.	56—Dadra and Nagar Haveli . . . . .	144.21	91.90	52.31	36.3
17.	87—Aviation . . . . .	2,444.65	1,657.57	787.08	32.2
18.	4—Animal Husbandry and Dairy Development . . . . .	319.65	217.69	101.96	31.9
19.	2—Agriculture . . . . .	1,10,955.95	80,545.99	30,409.96	27.4
20.	86—Meteorology . . . . .	201.00	147.50	53.50	26.6
21.	90—Public Works . . . . .	1,592.66	1,219.15	373.51	23.5
22.	49—Police . . . . .	230.00	181.97	48.03	21.0

**APPENDIX VI**  
(Vide paragraph 34)

**STATEMENT SHOWING LOSSES, IRRECOVERABLE REVENUE, DUTIES, ADVANCES, ETC. WRITTEN OFF/WAIVED AND EX-GRATIA PAYMENTS MADE DURING THE YEAR**

In 2544 cases Rs. 1,42.44 lakhs representing mainly losses due to theft, fire, etc. and irrecoverable revenue, duties, advances, etc. were written off/waived, and in 468 cases *ex-gratia* payments aggregating Rs. 4,90.04 lakhs were made during 1975-76 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	470	46,47,459	..	..	..	..
Commerce	..	..	..	..	425	487,79,571*
Education and Social Welfare	6	6,216	7	3,814	..	..
Energy	183	6,562	..	..	..	..
External Affairs	19	6,777	2	960	..	..
Finance	3	720	1	1,350	..	..
Health and Family Planning	15	16,296	..	..	..	..
Home Affairs	315	5,19,408	..	..	..	..
Information and Broadcasting	19	10,138	1	579	..	..
Industry and Civil Supplies	34	27,58,674(A)	3	346	..	..

1	2	3	4	5	6	7
Labour	9	13,329	1	95	..	..
Law, Justice and Company Affairs	6	712	..	..	..	..
Planning	2	354	..	..	..	..
Shipping and Transport	1145	24,25,019	29	42,065	42	2,24,205
Supply and Rehabilitation	88	4,89,168	2	47	1	190
Steel and Mines	125	4,18,945	..	..	..	..
Tourism and Civil Aviation	17	1,81,486	1	1,645	..	..
Works and Housing	25	24,09,481	2	2,57,164	..	..
Atomic Energy	11	23,740	..	..	..	..
Science and Technology	3	1,361	..	..	..	..
<b>TOTAL</b>	<b>2495</b>	<b>139,35,845</b>	<b>49</b>	<b>3,08,065</b>	<b>468</b>	<b>490,03,966</b>

\*Represents payments to Indian Nationals/Companies for properties confiscated by Government of Pakistan during and after Indo-Pak conflict in 1965.

(A) Includes write off of Rs. 27.50 lakhs out of Rs. 37.50 lakhs spent for preparation of detailed project report of the Bharat Pumps and Compressors Ltd.

## APPENDIX VII

(Vide paragraph 47)

### GRANTS-IN-AID TO STATUTORY BODIES, NON-GOVERNMENT INSTITUTIONS OR BODIES AND INDIVIDUALS

Ministry/Department	Amount (Lakhs of rupees)
Agriculture and Irrigation	55,80.76
Commerce	1,79,37.39
Education, Social Welfare and Culture	1,25,19.58
Energy	74.43
External Affairs	57.82
Finance	2,09.20
Health and Family Planning	17,71.41
Home Affairs	23,92.47
Industry and Civil Supplies	23,44.23
Information and Broadcasting	83.13
Labour	1,41.27
Law, Justice and Company Affairs	18.61
Petroleum and Chemicals	16.22
Planning	34.64
Shipping and Transport	18,87.57
Steel and Mines	37,64.86
Supply and Rehabilitation	44.27
Tourism and Civil Aviation	1,47.94
Works and Housing	25.14
Atomic Energy	5,85.34
Electronics	1,99.49
Science and Technology	39,38.85
Space	1,50.77
<b>TOTAL</b>	<b>5,39,25.39</b>





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