



**REPORT OF THE  
COMPTROLLER AND AUDITOR GENERAL OF INDIA**

**FOR**

**THE YEAR 1972-73**

**UNION GOVERNMENT (CIVIL)**



*ERRATA*

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## TABLE OF CONTENTS

		Reference to	
		Paragraph	Page
<i>Prefatory Remarks</i>	. . . . .		(iii)
CHAPTER I	General . . . . .	1-22	1
CHAPTER II	Appropriation Audit and Control over Expenditure . . . . .	23-26	23
CHAPTER III	Civil Departments—		
	Ministry of Agriculture . . . . .	27	33
	Ministry of Commerce . . . . .	28-31	38
	Ministry of Health and Family Planning . . . . .	32-33	58
	Ministry of Information and Broadcasting . . . . .	34	65
	Ministry of Labour and Rehabilitation . . . . .	35	75
	Losses and irrecoverable dues written off/ waived, and ex gratia payments made . . . . .	36	89
CHAPTER IV	Works Expenditure . . . . .	37-41	90
CHAPTER V	Stores Purchases . . . . .	42-47	120
CHAPTER VI	Departmentally Managed Government Undertakings . . . . .	48-50	138
CHAPTER VII	Outstanding Audit Observations and Inspection Reports . . . . .	51-52	166
CHAPTER VIII	Other Topics of Interest . . . . .	53-54	172

## APPENDICES

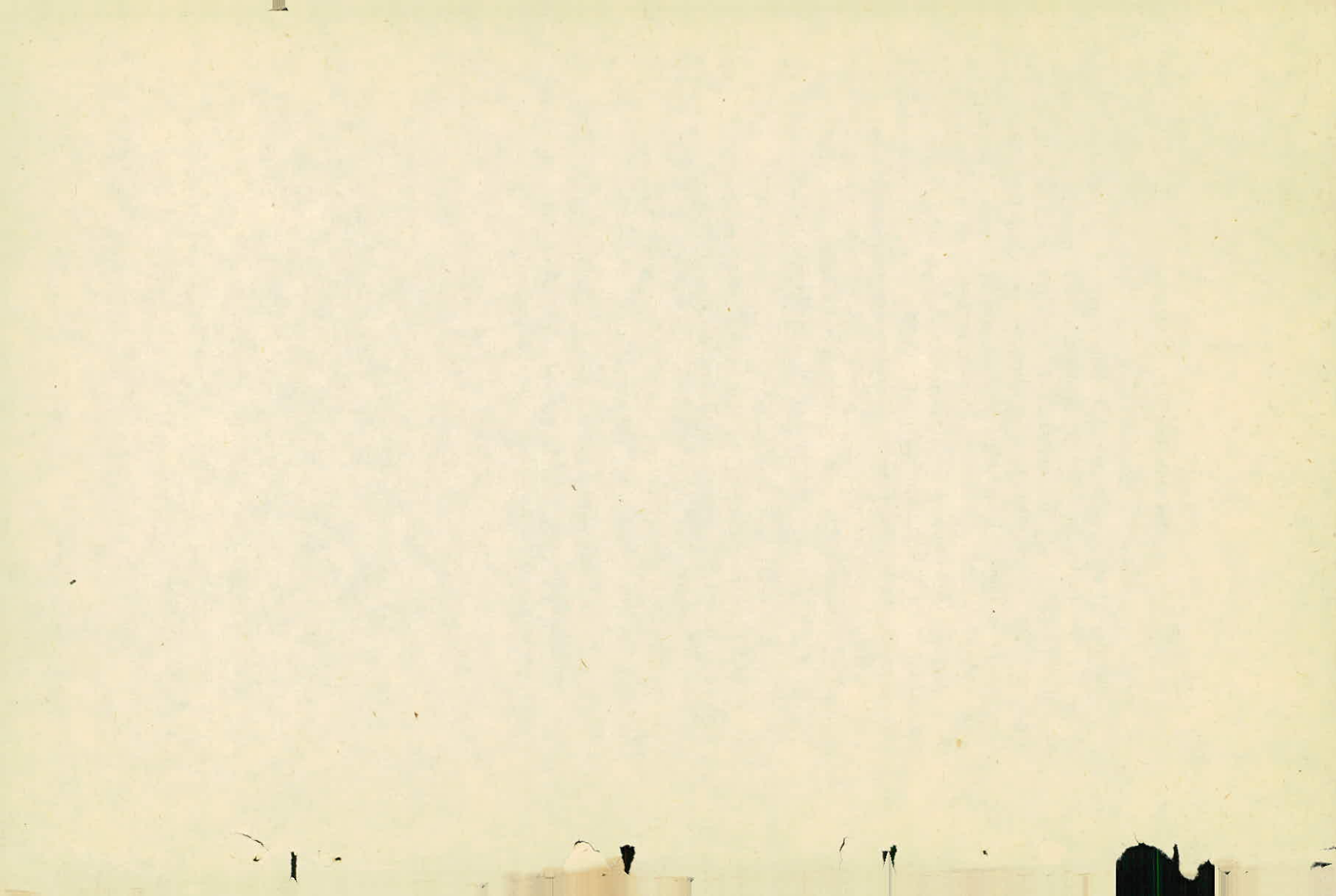
	PAGE
APPENDIX I Main Investments and Dividend . . . . .	177
APPENDIX II Arrears in recovery of loans and advances given to parties other than State Governments . . . . .	179
APPENDIX III Extent of utilisation of supplementary grants/appropriations . . . . .	184
APPENDIX IV Savings under voted grants . . . . .	185
APPENDIX V List of big newspapers and periodicals which got advertisements during 1972-73 . . . . .	187
APPENDIX VI Statement showing losses and irrecoverable revenue, duties, advances, etc. written off/waived and ex gratia payments made during the year . . . . .	189
APPENDIX VII Statement showing demand availability and percentage of satisfaction of accommodation . . . . .	191
APPENDIX VIII Simplified pro forma accounts of Films Division, Bombay	192

## 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 1972-73 together with other points arising from audit of the financial transactions of the Civil Departments of Government of India. It includes, amongst others, reviews of the expenditure (which was financed by Government of India) on relief of Bangladesh refugees, Government buildings in Delhi and the Directorate of Advertising and Visual Publicity. It also includes certain points of interest arising from the Finance Accounts for the year 1972-73. A supplementary Report containing reviews of the emergency agricultural production programme (emergency rabi foodgrains programme undertaken in 1972-73) and the crash scheme for rural employment launched from 1971-72 will be submitted shortly.

2. The cases mentioned in the Report are among those which came to notice in the course of test audit during the year 1972-73 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 1972-73 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 1972-73 are shown below with the corresponding figures for the preceding two years :—

		Budget	Actuals	Variation	Percentage of Variation]
		(Crores of rupees)			
Revenue Receipts* . . . . .	1970-71	@3678.41	3731.94	+53.53	+1.5
	1971-72	@4189.90	4502.56	+312.66	+6.9
	1972-73	@5050.24	5145.09	+94.85	+1.9
Expenditure met from Revenue . . . . .	1970-71	@3505.63	3568.92	+63.29	+1.8
	1971-72	@4009.71	4602.52	+592.81	+14.8
	1972-73	@4661.71	5127.36	+465.65	+10.0
Expenditure on Capital Account . . . . .	1970-71	843.02	941.59	+98.57	+11.7
	1971-72	842.94	1116.65	+273.71	+32.5
	1972-73	821.64	933.13	+111.49	+13.6

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

	1970-71	1971-72	1972-73
	(Crores of rupees)		
Taxes on Income . . . . .	359.09	459.86	487.92
Estate Duty . . . . .	6.30	7.64	7.19

@Budget estimates for revenue receipts shown above include Rs. 34.97 crores, Rs. 40.12 crores and Rs. 45.69 crores respectively during 1970-71, 1971-72 and 1972-73 being the share of Union Excise Duties payable to States as a result of budget proposals. The figures of budget estimates for expenditure met from revenue shown above do not include these amounts.

During 1972-73, the revenue receipts were Rs. 94.85 crores more than the budget estimates. The expenditure met from revenue and the expenditure on capital account also exceeded the budget estimates by Rs. 465.65 crores and Rs. 111.49 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. 553 crores and Rs. 235 crores respectively.

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

## II--OVERALL EXPENDITURE (REVENUE AND CAPITAL)

2. The following table compares the expenditure on revenue account during 1972-73 under broad headings with the provision of funds made thereunder :—

Head of Expenditure	Budget estimates	Actuals	Variation
			(Crores of rupees)
Collection of Taxes and Duties . . . . .	57.79	57.40	—0.39
Debt Services . . . . .	730.01	772.44	+42.43
Administrative Services . . . . .	267.56	267.59	+0.03
Social and Developmental Services . . . . .	433.21	433.37	+0.16
Multipurpose River Schemes . . . . .	16.80	16.98	+0.18
Public Works . . . . .	40.18	44.06	+3.88
Transport and Communications . . . . .	25.94	26.43	+0.49
Currency and Mint . . . . .	22.03	20.30	—1.73
Miscellaneous . . . . .	405.03	497.75	+92.72
Contributions and Miscellaneous adjustments (includes mainly payments to States of their share of Union Excise Duties and grants-in-aid to States and Union Territory Governments) . . . . .	1433.97	1544.15	+110.18
Extraordinary Items . . . . .	10.60	7.53	—3.07
Defence Services . . . . .	1218.59	1439.36	+220.77
Total . . . . .	4661.71	5127.36	+465.65

3. The expenditure during 1972-73 compared with that during the previous two years is shown below :—

	1970-71	1971-72	1972-73
	(Crores of rupees)		
Collection of Taxes and Duties . . . . .	48.12	52.28	57.40
Debt Services . . . . .	605.54	670.11	772.44
Administrative Services . . . . .	201.82	257.08	267.59
Social and Developmental Services . . . . .	306.70	356.89	433.37
Multipurpose River Schemes . . . . .	13.95	19.40	16.98
Public Works . . . . .	39.13	43.24	44.06
Transport and Communications . . . . .	21.49	24.91	26.43
Currency and Mint . . . . .	26.45	25.82	20.30
Miscellaneous . . . . .	232.67	417.59	497.75
Contributions and Miscellaneous Adjustments . . . . .	1015.01	1380.74	1544.15
Extraordinary Items . . . . .	6.58	7.62	7.53
Defence Services . . . . .	1051.46	1346.84	1439.36

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

(a) Collection of Taxes and Duties:

Customs . . . . .	8.66	9.48	9.53
Union Excise Duties . . . . .	14.34	15.57	16.91
Corporation Tax . . . . .	2.36	2.59	2.82
Taxes on Income . . . . .	16.53	18.12	19.72
Other heads . . . . .	6.23	6.52	8.42
Total . . . . .	48.12	52.28	57.40

(b) Administrative Services:

Police . . . . .	101.60	118.82	130.93
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The increase is mainly due to (i) adjustments of certain liabilities of earlier years and more expenditure on frequent movement of battalions, (ii) raising of additional battalions of Central Industrial Security Force, (iii) increase in strength and additional expenditure for training of more recruits etc. of Indo-Tibetan Border Police and (iv) more expenditure due to the re-organisation of Jammu and Kashmir militia.

External Affairs . . . . .	22.21	27.09	24.14
Miscellaneous departments . . . . .	13.41	15.78	15.91
Other heads . . . . .	64.60	95.39	96.61
Total . . . . .	201.82	257.08	267.59

1970-71    1971-72    1972-73  
(Crores of rupees)

(c) Social and Developmental Services:

Scientific Departments . . . . . 67.19    80.78    93.83

The increase is mainly due to (i) larger expenditure by the Bhabha Atomic Research Centre on procurement of equipment and stores, purchase of more Uranium concentrates and (ii) larger grants to Council of Scientific and Industrial Research and for research in space science, etc.

Education . . . . . 91.96    97.34    117.59

The increase is mainly due to (i) larger grants to University Grants Commission, Indian Institutes of Technology and Kendriya Vidyalaya Sangathan and (ii) additional payment of customs duty on import of gift paper from Sweden.

Medical . . . . . 17.85    20.35    23.57  
Public Health and Family Planning . . . . . 10.00    11.26    12.33  
Agriculture . . . . . 26.28    36.09    54.05

The increase is mainly due to larger grants to (i) Indian Council of Agricultural Research and (ii) Co-operative banks as management subsidies.

Co-operation . . . . . 2.54    2.76    4.20  
Industries . . . . . 35.11    37.01    52.12

The increase is mainly due to payment of subsidy to (i) ship building industry for building passenger ships for the Shipping Corporation of India and (ii) cover the interest exempted on loans advanced to Mining and Allied Machinery Corporation and Bokaro Steel Ltd.

Broadcasting . . . . . 11.80    13.44    14.89  
Community Development . . . . . 0.52    1.12    1.62  
Labour and Employment . . . . . 10.58    14.37    15.03  
Miscellaneous Social and Developmental Organisations . . . . . 29.78    37.82    38.05  
Others . . . . . 3.09    4.55    6.09  
Total . . . . . 306.70    356.89    433.37

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

Education . . . . . 10.24    11.50    13.35  
Medical . . . . . 0.16    0.56    0.24  
Public Health and Family Planning . . . . . 51.87    24.10    97.43  
Agriculture . . . . . 21.01    45.99    60.09  
Co-operation . . . . . 1.68    1.61    1.60  
Industries . . . . . 0.18    1.87    0.53  
Community Development . . . . . 2.94    35.08    51.50  
Labour and Employment . . . . . 2.80    3.10    3.92  
Others . . . . . 2.51    10.85    19.22  
Total . . . . . 93.39    134.66    247.88

Taking the above grants into account, the expenditure on social and developmental services during the three years ending 1972-73 was Rs. 400.09 crores, Rs. 491.55 crores and Rs. 681.25 crores respectively.

	1970-71	1971-72	1972-73
	(Crores of rupees)		
(d) Public Works . . . . .	39.13	43.24	44.06
(e) Contributions and Miscellaneous Adjustments:			
Payments to States of their share of Union Excise Duties . . . . .	390.04	474.62	566.74
Grants-in-aid to State Governments and Union Territory Governments:			
(i) Grants as per (c) above . . . . .	93.39	134.66	247.88
(ii) Under Article 275 of the Constitution . . . . .	151.61	152.00	159.83
(iii) Grants in lieu of tax on railway passenger fares . . . . .	16.25	16.22	16.25
(iv) Assistance towards natural calamities . . . . .	23.09	22.00	76.72
(v) For welfare of backward classes . . . . .	3.76	4.95	5.72
(vi) For rehabilitation of displaced persons . . . . .	4.31	4.88	3.77
(vii) For relief to refugees from East Bengal . . . . .	..	158.33	1.65
(viii) Other Miscellaneous grants . . . . .	257.43	357.00	427.11
Grants-in-aid to Union Territory Governments for meeting their budgetary gap excluding the elements included in (i) above . . . . .	62.30	40.71	19.38
Other items . . . . .	12.83	15.37	19.10
Total . . . . .	1015.01	1380.74	1544.15
(f) Extraordinary Items:			
Extraordinary Charges . . . . .	6.56	7.62	7.53
Pre-partition payments . . . . .	0.02	..	..
Total . . . . .	6.58	7.62	7.53
(g) Other Heads:			
Transport and Communications . . . . .	21.49	24.91	26.43
Currency and Mint . . . . .	26.45	25.82	20.30
Privy Purses and Allowances of Indian Rulers . . . . .	4.65	3.53	..
Pensions and other Retirement Benefits . . . . .	9.49	10.86	12.74

	1970-71	1971-72	1972-73
	(Crores of rupees)		
Stationery and Printing . . . . .	8.16	7.86	6.79
Grants-in-aid, etc. (other than to State and Union Territory Governments) . . . . .	37.45	46.43	151.94
Expenditure on displaced persons . . . . .	8.96	7.57	4.26
Trading losses on foodgrains/loss on sale of loan wheat	17.96	15.01	15.48
Miscellaneous and Unforeseen charges . . . . .	45.81	77.88	165.10
Expenditure on relief to Refugees from East Bengal . . . . .	..	128.40	*—10.68
Marketing Development Schemes and Transfer to Marketing Development Fund . . . . .	42.87	54.31	62.29
Others . . . . .	57.32	65.74	86.83
Total . . . . .	280.61	468.32	544.48

5. The excess of Rs. 111.49 crores in expenditure on capital account as compared with the budget estimates of 1972-73 was mainly made up of excesses under the following heads :—

Head	Budget Estimates	Actual expenditure	Excess
	(Crores of rupees)		
Industrial and Economic Development . . . . .	299.22	355.14	55.92

Excess is mainly due to (i) additional investments in General Insurance Corporation of India Ltd., Fertilizer Corporation of India Ltd., Bharat Coking Coal Ltd., Fertilizers and Chemicals Travancore Ltd., and (ii) conversion of loans given to Neyveli Lignite Corporation Ltd., and National Coal Development Corporation into equity.

Capital Outlay on Public Works . . . . .	99.31	114.32	15.01
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Excess is mainly due to larger expenditure on new national highways and procurement of equipment and spares for border road.

Defence Capital Outlay . . . . .	189.77	212.86	23.09
Capital Outlay on Indian Railways . . . . .	158.70	209.32	50.62

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

7. The expenditure on industrial and economic development shown in the above paragraph represents investments in Government undertakings, commercial concerns etc. and some departmentally incurred capital expenditure. Against the total investment of Rs. 3616.50 crores, the amount brought to account during 1972-73 by way of dividend was Rs. 23.57 crores. The bulk of the dividend was received from (a) Indian Oil Corporation (Rs. 4.98 crores), (b) Oil India (Rs. 1.81 crores), (c) Shipping Corporation of India (Rs. 1.53 crores) and (d) State Trading Corporation of India (Rs. 1.40 crores), the total investment in these companies being Rs. 118.15 crores at the end of 1972-73. The dividend in the two preceding years was Rs. 22.11 crores (1971-72) and Rs. 16.59 crores (1970-71). 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 1972-73 are as under :—

	1970-71	1971-72	1972-73
			(Crores of rupees)
Railways . . . . .	7.94	1.67	- 0.18
Posts and Telegraphs . . . . .	2.68	2.37	2.50

Contribution from Railways shown above does not include Rs. 16.25 crores received each year for payment to State Governments as grants in lieu of tax on railway passenger fares. Rupees 3.62 crores, Rs. 1.86 crores and Rs. 1.91 crores paid by the Railways during 1970-71, 1971-72 and 1972-73 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 the three years ending 1972-73 was :

	1970-71	1971-72	1972-73
			(Crores of rupees)
Railways . . . . .	138.22	131.46	143.53
Posts and Telegraphs . . . . .	10.51	10.65	11.89

## 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 1973.

	1970-71	1971-72	1972-73
	(Crores of rupees)		
<b>(a) Receipts</b>			
<i>Consolidated Fund—</i>			
<i>(i) Permanent Debt :</i>			
Debt raised in India (a) . . . . .	582.39	731.47	878.47
Debt raised outside India . . . . .	526.63	540.36	510.27
<i>(ii) Floating Debt (other than treasury bills) (Net) . . . . .</i>			
	15.53	21.57	-2.74
<i>(iii) Repayment of Loans and Advances by State Governments etc. . . . .</i>			
	922.57	1296.76	1132.68
<i>(iv) Inter-State Settlement . . . . .</i>			
	0.01	..	..
<i>Contingency Fund—</i>			
Recoupments to Contingency Fund . . . . .	16.13	70.01	*—69.99
<i>Public Account—</i>			
Unfunded Debt (Net) . . . . .	343.22	280.66	446.36
Deposits and Advances (Net) . . . . .	219.56	189.23	165.29
Other items (Remittances) (Net) . . . . .	-25.70	1.73	-83.79
Total Receipts outside the revenue account	2600.34	3131.79	2976.55
Add—Debt raised by issue of treasury bills (Net) . . . . .	284.14	249.57	1278.74
Grand Total . . . . .	2884.48	3381.36	4255.29

(a) The receipts shown against this head include Rs. 75 crores during 1970-71 and Rs. 100 crores each during 1971-72 and 1972-73 on account of conversion of *ad hoc* treasury bills into dated securities (cf. paragraph 10).

\*Includes transfer of Rs. 70 crores from the Contingency Fund to Consolidated Fund to reduce the corpus of former from Rs. 100 crores to Rs. 30 crores.



	1970-71	1971-72	1972-73
	(Crores of rupees)		
<b>(b) Payments</b>			
Capital Outlay—Civil . . . . .	650.91	724.49	461.73
Capital Outlay—Railways . . . . .	135.89	190.84	209.32
Capital Outlay—Posts and Telegraphs . . . . .	6.96	22.81	49.22
Capital Outlay—Defence . . . . .	147.83	178.51	212.86
TOTAL . . . . .	941.59	1116.65	933.13
Loans and Advances by Central Government . . . . .	1552.65	1806.75	2742.85
Repayment of Debt—			
Debt raised in India . . . . .	284.41	333.74	292.02
Debt raised outside India . . . . .	194.46	193.78	217.50
Inter-State Settlement . . . . .	..	0.22	0.33
Contingency Fund . . . . .	0.01	0.01	1.13
Total expenditure outside the Revenue Account	2973.12	3451.15	4186.96
Total receipts as in sub-paragraph (a) above . . . . .	2884.48	3381.36	4255.29
Excess of expenditure over receipts(-)/excess of receipts over expenditure (+) pertaining to the heads outside the revenue account . . . . .	-88.64	-69.79	+68.33
Revenue—Surplus (+) } . . . . .	+163.01	-99.96	+17.73
Deficit(-) } . . . . .			
Net—Surplus (+) } . . . . .	+74.37	-169.75	+86.06
Deficit(-) } . . . . .			

It will be seen that if net expansion of treasury bills and conversion of *ad hoc* treasury bill into dated securities during each year are taken into account, the overall deficit was Rs. 284.77 crores, Rs. 519.32 crores and Rs. 1292.68 crores during 1970-71, 1971-72 and 1972-73 respectively.

(c) The year 1972-73 closed with a deficit of Rs. 1292.68 crores against the anticipated deficit of Rs. 251.11 crores (budget) and

Rs. 971.21 crores (revised estimates). The table given below gives the analysis of the deficit :—

	Budget	Actuals	Variation (Crores of rupees)
Treasury Bills (Net)	252.00	1278.74	-1026.74
Conversion of treasury bills into dated securities	..	100.00	-100.00
Increase of cash balance	-0.89	-86.06	+85.17
<b>TOTAL</b>	<b>251.11</b>	<b>1292.68</b>	<b>-1041.57</b>

### III—DEBT

9. (a) The following table indicates the outstanding under “Public Debt” and “Unfunded Debt” at the end of 1955-56, 1971-72 and 1972-73.

	31st March 1956	31st March 1972	31st March 1973
	(Crores of rupees)		
Public Debt—			
(i) Market Loans	1545	4842	5429
(ii) Floating Debt	808	3492	4768
(iii) Loans from foreign sources	111	6831	7124
Unfunded Debt—			
(i) Small Saving Collections	575	2430	(a)2800
(ii) Provident Fund, Income Tax Annuity Deposits, etc.	183	1157	(a)1244
(iii) Deposits by U. S. Government of Counterpart funds created under P.L. 480	..	645	627
<b>TOTAL</b>	<b>3222</b>	<b>19397</b>	<b>21992</b>

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

Deposits bearing interest	188.96	@308.77	368.63
Deposits not bearing interest	233.14	@1715.69	1580.44

(a) Includes the effect of *pro forma* corrections.

@ Differs from last year's report due to subsequent corrections.

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

	1970-71	1971-72	1972-73
		(Crores of rupees)	
Interest on market loans raised in India . . . . .	192.01	204.44	235.46
Discount on treasury bills . . . . .	68.23	95.85	129.95
Payment to Reserve Bank for management of debt . . . . .	0.29	0.60	0.67
Interest on debt raised outside India . . . . .	161.05	167.25	186.67
Interest on provident funds . . . . .	40.89	46.19	52.72
Interest on small saving collections:			
Treasury Saving/Defence Deposit Certificates . . . . .	5.52	5.38	4.68
Post Office Saving Bank Deposits . . . . .	30.85	37.35	38.69
Bonus on Post Office Cash Certificates, Cumulative Time Deposits, etc . . . . .	54.66	55.92	46.24
Interest on reserve funds of Posts and Telegraphs and other commercial departments . . . . .	10.48	12.37	14.28
Interest on investments of U. S. Government Public Law 480 Deposits . . . . .	10.31	10.13	9.63
Payments to Post Offices for Savings Bank and Cash Certificate work . . . . .	16.21	11.89	12.46
Other items . . . . .	15.04	22.74	40.99
<b>TOTAL . . . . .</b>	<b>605.54</b>	<b>670.11</b>	<b>772.44</b>

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

12. (a) Up to 31st March 1973 Rs. 8404.61 crores were received as grants (Rs. 905.15 crores) and loans (Rs. 7499.46 crores)\* from foreign countries, International Bank for Reconstruction and Development, International Development Association, etc. In addition, contributions in the shape of equipment, technical services, etc. which are not reflected in the Government accounts have been received from UNTAO, UNESCO, etc., and certain international philanthropic organisations.

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

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

Programme	Source	Grants received		Earliest period from which grants have been received	Remarks
		During 1972-73	Up to the end of 1972-73		
(Crores of rupees)					
Indo-U.S. Technical Co-operation aid programme . . .	U.S.A.	Nil	135.25	1952-53	Assistance received in the form of technical services is not reflected in Government accounts.
Public Law 480 . . .	U.S.A.	8.50	387.22	1960-61	
Colombo Plan . . .	Canada	Nil	344.90	1952-53	
	U.K.	Nil	1.40	1954-55	
	Australia	Nil	17.56	1951-52	
	New-zealand	Nil	3.51	1951-52	
Project for Fisheries Development . . .	Norway	Nil	2.68	1953-54	In the form of fishery equipment
Ford Foundation . . .		Nil	12.63	1951-52	
<b>TOTAL . . .</b>		<b>8.50</b>	<b>905.15</b>		

13. The foreign loans received and outstanding at the end of 1972-73 were Rs. 7124.09 crores. The details of these loans are given below :—

Source	Amount authorised	Received		Repaid		Outstanding at the end of 1972-73**	Rate of interest
		During 1972-73	Upto the end of 1972-73	During 1972-73	Upto the end of 1972-73*		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
U.S.A.	4109.12	141.57	3468.93	56.28	399.28	***3690.80	2½ per cent to 5½ per cent.
U.S.S.R.	739.63	6.08	595.83	52.76	443.38	310.04	2½ per cent.
West Germany	676.43	63.25	620.26	31.52	284.30	466.66	3 per cent to 6½ per cent.
Canada	320.48	35.07	187.24	1.90	24.86	173.38	4½ per cent to 6 per cent.
Japan	393.26	33.36	311.39	3.91	41.84	323.86	4½ per cent to 6 per cent.
U.K.	919.36	119.32	896.11	22.65	182.86	792.38	(A)
I.B.R.D.	309.94	4.27	275.93	21.10	161.14	214.78	3½ per cent to 6 per cent.
I.D.A.	1290.98	79.08	784.30	1.25	1.25	904.42	No interest is charged. A service charge of ½ per cent is payable on the amount outstanding.

1	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Netherlands . . . . .	68.93	8.96	49.42	1.85	2.56	52.69	2½ per cent to 5½ per cent.
Czechoslovakia . . . . .	63.10	0.14	55.30	7.77	33.41	29.61	2½ per cent.
France . . . . .	149.00	8.36	64.00	2.99	7.36	56.64	3 per cent to 3½ per cent.
Others (including Denmark, Austria, Belgium, Norway, Poland, Sweden, Switzerland, Yugoslaviya, Italy, Kuwait, Newzealand, Hungary, Bulgaria, Bahrain, Qatar and other Trucial States in connection with the retirement of Indian currency etc.) . . . . .	352.09	10.81	190.75	13.52	117.57	108.83	(B)
TOTAL . . . . .	9392.32	510.27	7499.46	217.50	1699.81	7124.09	

\*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.

\*\*\*The loans include 7 loans sanctioned under P. L. 480, the balances of which are not to be stepped up as a result of devaluation.

(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 1971-72 and 1972-73 are given below :—

To whom lent	Amount outstanding on 31st March 1972	Loans paid during 1972-73	Loans repaid during 1972-73	Amount outstanding on 31st March 1973
	(Crores of rupees)			
State Governments . . . . .	6703.83	1926.17	653.82	7976.18
Union Territory Governments . . . . .	48.41	13.09	1.55	59.95
Foreign Governments . . . . .	65.63	115.18	87.00	93.81
Government Corporations, Non-Government Institutions, etc. . . . .	(a)2637.20	575.34	351.37	2861.17
Local Funds, Municipalities, etc. . . . .	(a)392.98	80.97	5.64	468.31
Government Servants . . . . .	74.54	32.06	33.15	73.45
Cultivators . . . . .	1.17	0.04	0.15	1.06
	<u>9923.76</u>	<u>2742.85</u>	<u>1132.68</u>	<u>11533.93</u>

15. The following State Governments remained in default in repaying the loans advanced to them by the Government of India and in payment of interest thereon although the terms and conditions of repayment of these loans have been prescribed. The amounts of principal and interest remaining overdue from the State Governments at the end of 1972-73 are given below :—

State Governments	Amount outstanding on 31st March 1973		Earliest period to which the arrears relate
	Principal	Interest	
	(Crores of rupees)		
Gujarat . . . . .	..	0.01	1954-55
Punjab . . . . .	..	0.01	1965-66
Assam . . . . .	3.11	9.12	1972-73
Jammu and Kashmir . . . . .	..	0.28	1972-73
Maharashtra . . . . .	0.46	0.10	1956-57
West Bengal . . . . .	..	0.04	1972-73

(a) Differs from the last year's figures due to subsequent corrections.

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

In January 1964, Government of India decided that the entire loss not exceeding 10 per cent of the total loans advanced to States for rehabilitation of displaced persons from West Pakistan would be borne by the Union Government. In May 1964 it was decided by Government of India that losses on loans granted upto 31st March, 1964 to displaced persons from erstwhile East Pakistan would be borne fully by the Union Government. The decision was not to be applied to loans granted to displaced persons migrating after 31st December 1963. The Union Government has so far (up to 31st March 1973) borne loss of Rs. 21.30 crores for such loans.

16. During 1972-73, Rs. 510.14 crores were paid as advances (loans) to the State Governments in connection with the clearance of their accumulated overdrafts as at the end of 1971-72. Of this, Rs. 89.60 crores was recovered within the year, the balance of Rs. 420.54 crores having been treated as medium term loans.

17. The terms and conditions of repayment of two loans amounting to Rs. 0.13 crore sanctioned to the Government of Mysore now Karnataka during 1972-73 by the Ministry of Industrial Development have not yet (September 1973) been settled.

18. The terms and conditions of repayment of one loan amounting to Rs. 0.65 crore advanced to the Heavy Engineering Corporation Ltd. during 1972-73 by the Ministry of Heavy Industry have not yet (September 1973) been settled.

19. Details of loans and advances (other than to State and Union Territory Governments) for which recovery of principal (Rs. 3373.27 lakhs) and interest (Rs. 2203.06 lakhs) remained in arrears at the end of 1972-73 are shown in Appendix II.

20. *Assistance to various countries.*—Government of India has been rendering assistance to various countries under the Colombo Plan and Special Commonwealth African Assistance Plan. The aid rendered under the Colombo Plan was Rs. 7.19 crores during 1972-73 and Rs. 93.02



crores upto 1972-73 of which Rs. 88.28 crores were to Nepal (for national highways, hydro-electric projects, minor irrigation works, village development programme, training of technical personnel, etc.). The aid given to other countries was in the shape of training of technical personnel and services of Indian experts. The aid rendered under the Special Commonwealth African Assistance Plan was Rs. 17 lakhs during 1972-73 and Rs. 99 lakhs upto the end of 1972-73.

In addition, Government of India has also given loans to foreign countries. The amount outstanding on that account at the close of 1972-73 was Rs. 93.81 crores.

21. *Guarantees given by Union Government* :— During 1972-73 Government of India issued guarantees in 94 cases (including renewal of old guarantees) for Rs. 327 crores. The total amount guaranteed by Government outstanding at the end of 1972-73 was Rs. 1326 crores (including certain cases where the sums are payable in foreign currencies). The guarantees were given for loans raised by 29 joint stock companies, 63 government companies, 8 statutory corporations, 5 port trusts, 5 co-operative banks, 59 co-operative societies, 2 State Electricity Boards, 2 State Financial Corporations, 26 consumer's co-operative societies, numerous small scale industries under the credit guarantee scheme, an autonomous body, Industrial Development Bank and a State Government. In addition, Government has also guaranteed a minimum dividend on the share capital of certain corporations as also payment of interest on debentures etc. floated by them.

Payments by Government under the terms of the guarantees :—

I. Branch line railway companies :—

Government has guaranteed a net return of  $3\frac{1}{2}$ /5 per cent per annum on the paid up share capital of branch line railway companies. The guarantee was invoked during 1972-73 in the case of two companies and Rs. 1.79 lakhs were paid by Government.

II. Credit guarantee scheme for small scale industries :—

Guarantees were invoked in 148 cases during 1972-73 and Rs. 24.46 lakhs were paid as Government's share on account of default in repayment of loans/advances.

22. *Contributions to International Organisations.*—The total amount of contributions to international bodies made during 1972-73 was Rs. 698.75 lakhs. The more important contributions made during each of the three years ending 1972-73 are indicated below :—

To whom paid	1970-71	1971-72	1972-73
	(Lakhs of rupees)		
<i>Ministry of Education and Social Welfare—</i>			
United Nations Educational Scientific and Cultural Organisation . . . . .	57.77	44.64	48.60
United Nations International Children's Emergency Fund . . . . .	60.00	75.00	75.00
<i>Ministry of External Affairs—</i>			
United Nations Organisations . . . . .	176.61	189.48	200.70
<i>Ministry of Finance—</i>			
United Nations Development Programme . . . . .	..	300.70	272.96
<i>Ministry of Agriculture—</i>			
Commonwealth Agricultural Bureau . . . . .	5.34	5.34	7.50
Food and Agricultural Organisation . . . . .	52.73	51.98	59.37
<i>Ministry of Health and Family Planning—</i>			
World Health Organisation . . . . .	96.15	48.08	47.70*
<i>Ministry of Labour and Rehabilitation—</i>			
International Labour Organisation . . . . .	55.81	60.62	55.03*
<i>Ministry of Communications—</i>			
International Tele communication Union . . . . .	12.50	13.90	17.92
<i>Department of Atomic Energy—</i>			
International Atomic Energy Agency . . . . .	14.75	14.27	17.88

\*These amounts have actually been paid but not adjusted in the accounts for 1972-73.

## CHAPTER II

### APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

#### RESULTS OF APPROPRIATION AUDIT

23. The table given below shows the amount of original and supplementary grants and appropriations, the actual expenditure and the savings during 1972-73.

	Total grants/ appropriations	Actual expenditure	Savings		
			Amount	Percentage	
(Crores of rupees)					
Voted Grants—					
Original	3,781.18	4,324.02	4,127.36	196.66	4.55
Supplementary	542.84				
Charged Appropriations					
Original	15,078.92	15,988.42	9,782.76	6,205.66	38.81
Supplementary	909.50				
TOTAL	20,312.44	13,910.12	6,402.32	31.52	

The saving of Rs. 6,402.32 crores represents about 32 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. 6,451.06 crores in 150 grants/appropriations and excess of Rs. 48.74 crores in 27 grants/appropriations.

The savings in 1972-73 have been analysed in paragraph 26.

24. *Supplementary grants/appropriations.*—During the year, supplementary provision of Rs. 542.84 crores (including token amounts under 12 grants) was obtained under 55 grants. Supplementary appropriations of Rs. 909.50 crores were also obtained for charged expenditure under twenty four appropriations.

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

Year	Voted	Charged
		(Crores of rupees)
1969-70 . . . . .	105.34 (in 68 cases)	285.42 (in 17 cases)
1970-71 . . . . .	396.54 (in 74 cases)	214.07 (in 25 cases)
1971-72 . . . . .	767.27 (in 55 cases)	1319.78 (in 21 cases)

\*In three cases supplementary provision of Rs. 11.09 crores proved unnecessary as the expenditure did not even come upto the original grant. In these cases, supplementary provision of Rs. 0.34 crore was obtained in March 1973.

#### 25. Excesses over grants/appropriations :—

(a) *Excess over grants.*—There were excesses aggregating Rs. 44.17 crores over 20 grants; these excesses, details of which are given below, require regularisation under Article 115 of the Constitution.

Sl. No.	Grant	Total grant	Actual expenditure	Excess
		Rs.	Rs.	Rs.

#### Ministry of Finance

(1) 15—Stamps . . . . .		5,17,17,000	6,10,18,244	93,01,244
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Excess occurred mainly under 'B.I—India Security Press; B.I(I)—Press charges', (expenditure Rs. 598.77 lakhs; provision Rs. 505.92 lakhs) and was mainly due to (a) adjustment of cost of imported paper and spare parts (Rs. 35 lakhs) and (b) more expenditure on indigenous stores (Rs. 57.42 lakhs).

(2) 18—Mint . . . . .		5,60,57,000	5,65,87,846	5,30,846
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\*Details of these cases are given in Appendix III.

Excess occurred mainly under 'A.I—Mint Establishment' (expenditure Rs. 431.87 lakhs; provision Rs. 423.54 lakhs) and was mainly due to (a) payment of additional interim relief and arrears of non-practicing allowance to medical officers, (b) increased expenditure on gas and electricity and (c) more expenditure on postage, canteen stores, medicines and purchase of water.

3) 19—Pensions and other Retirement Benefits . . . . .	12,64,32,000	12,89,26,087	24,94,087
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Excess occurred mainly under 'D—Gratuities' (expenditure Rs. 266.94 lakhs; provision Rs. 235.57 lakhs). Reasons for excess are awaited (January 1974).

(4) 20—Opium Factories and Alkaloid Works. . . . .	10,18,44,000	10,20,33,929	1 89,929
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Excess occurred mainly under 'C.—Ghazipur Alkaloid Works'; 'C.I—Working Expenses' C.I(3)—Stores' (expenditure Rs. 61.16 lakhs; provision Rs. 49.55 lakhs). Reasons for excess are awaited (January 1974).

(5) 21—Other Revenue Expenditure of the Ministry of Finance . . . . .	73,50,86, 000	81,40,63,414	7,89,77,414
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Excess occurred mainly under 'B. 6—Loss or gain by exchange' (expenditure Rs. 10.43 crores; provision Rs. 0.55 crore. Reasons for excess are awaited (February 1974).

(6) 113—Loans and advances by the Central Government . . . . .	7,97,47,44,000	8,16,67,41,205	19,19,97,205
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Excess occurred mainly under (i) D.5—Miscellaneous Loans and Advances : D. 5(I)—Loans to Government Companies, Corporations etc. (expenditure Rs. 53475.44 lakhs; provision Rs. 49639.32 lakhs) and (ii) 'E—Loans to Government Servants etc.—E.I—House Building Purposes' (expenditure Rs. 1217.54 lakhs; provision Rs. 500 lakhs).

Reasons for excess under (i) are awaited (January 1974). Excess under (ii) was mainly due to more payments of house building advances to Government employees and enhancement of the limits of such advances.

#### Ministry of Defence

(7) 1—Ministry of Defence . . . . .	1,26,68,000	1,27,30,179	62,179
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#### Ministry of Agriculture

(8) 28—Forest . . . . .	1,97,34,000	2,07,05,550	9,71,550
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Excess occurred mainly under 'A. Forest Research Institute' (expenditure Rs. 108.97 lakhs; provision Rs. 99.81 lakhs). Excess was mainly due to (a) Asia Trade Fair activities, (b) payment of interim relief at enhanced rates and (c) expenditure on layout and maintenance of nursery and experimental plot under certain schemes implemented in the States.

### Ministry of Health and Family Planning

(9) 117—Capital Outlay of the Ministry of Health and Family Planning . . . . .	25,69,14,000	26,79,46,614	1,10,32,614
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Excess occurred mainly under 'A.I—Medical Stores, Depots and Factories' 'A.I (I)—Depots' (expenditure Rs. 1448.28 lakhs; provision Rs. 1032.36 lakhs). Excess was mainly due to filling of posts on higher rates of pay; more expenditure on overtime allowance and medical reimbursement; increase in rates of interim relief and more expenditure on travelling allowance etc. and payment of municipal tax.

### Ministry of Home Affairs

(10) 47.—Andaman and Nicobar Islands . . . . .	13,59,93,000	14,51,51,008	91,58,008
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Excess occurred mainly under (i) 'D.I(2)—Thermo Electric Scheme—D.I(2)(I) Working Expenses—D.I(2)(I)(I) Electrical Establishment' (expenditure Rs. 39.06 lakhs; provision Rs. 27.06 lakhs), (ii) 'E.I (4) Tools and Plants—E.I (4) (I) New Supplies, Repairs etc.', (expenditure Rs. 28.81 lakhs; provision Rs. 18.00 lakhs), (iii) 'E.I (5) (I) Stock-charges' (expenditure Rs. 176.82 lakhs; provision Rs. 160.00 lakhs), (iv) 'E.I (5) (2) Other Suspense Accounts-charges' (expenditure Rs. 194.06 lakhs; provision Rs. 165.00 lakhs) and (v) 'G.3 Forest—G.3(2) Establishment' (expenditure Rs. 110.90 lakhs; provision Rs. 96.66 lakhs). Excess under (i) was mainly due to grant of interim relief and liquidation of past liabilities and opening of power-houses in different places. Excess under (iii) was due to adjustment of arrears relating to previous years and general price increase. Excess under (v) was due to payment of arrears to casual labourers brought on to prescribed scales of pay (Rs. 10.32 lakhs), and payment of interim relief (Rs. 3.87 lakhs). Reasons for excess under (ii) and (iv) are awaited (January 1974).

(11) 48.—Arunachal Pradesh . . . . .	18,37,20,000	18,77,16,951	39,96,951
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Excess occurred mainly under (i) 'D.I Public Works—D.I(2) Repairs' (expenditure Rs. 141.31 lakhs; provision Rs. 115.07 lakhs) and (ii)

'D.I(4) Tools and Plant' (expenditure Rs. 44.89 lakhs; provision Rs. 23.00 lakhs). Excess under (i) was due to repairs of old buildings. Excess under (ii) was mainly due to purchase of vehicles to keep tempo of work on plan schemes.

(12) 118.—Capital Outlay in Union Territories	27,68,57,000	30,18,17,086	2,49,60,086
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Excess occurred mainly under (i) 'E.I Navigation Embankment and Drainage Works.—E.I(I) Works' (expenditure Rs. 137.41 lakhs; provision Rs. 73.04 lakhs), (ii) G.I. Original Works—Buildings—G.I(1) Housing' (expenditure Rs. 168.44 lakhs; provision Rs. 105.45 lakhs), (iii) 'G.I(2) Other Civil Buildings' (expenditure Rs. 175.60 lakhs; provision Rs. 104.15 lakhs), (iv) 'G.2(I) Construction of Other Roads' (expenditure Rs. 368.88 lakhs; provision Rs. 200.28 lakhs), (v) 'H.I(3) Large Scale Acquisition and Development of Land' (expenditure Rs. 517.32 lakhs; provision Rs. 450.00 lakhs) and (vi) 'J.2 Landing facilities for construction of jetties' (expenditure Rs. 152.63 lakhs; provision Rs. 116.00 lakhs). Excess under (iii) was mainly due to payment of arbitration awards. Excess under (iv) was mainly due to accelerated progress of construction of roads. Reasons for excesses under (i), (ii), (v) and (vi) are awaited (January 1974).

#### Ministry of Industrial Development

(13) 52—Ministry of Industrial Development	2,13,61,000	2,13,78,909	17,909
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#### Ministry of Information and Broadcasting

(14) 57.—Information and Publicity	9,83,38,000	9,89,43,225	6,05,225
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Excess occurred mainly under 'B.I—Films Division' (expenditure Rs. 240.95 lakhs; provision Rs. 230.72 lakhs). Reasons for excess are awaited (January 1974).

#### Ministry of Shipping and Transport

(15) 70.—Roads	27,77,38,000	28,26,69,750	49,31,750
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Excess occurred mainly under 'A.4(I)—Maintenance of National Highways—A. 4(I)(I) Administered by Roads Wing' (expenditure Rs. 1645.15 lakhs; provision Rs. 1575.74 lakhs). Reasons for excess are awaited (January 1974).

(16) 72.—Light Houses and Lightships	1,34,51,000	1,40,66,439	6,15,439
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Excess occurred mainly under 'B.—Lighthouses—Working expenses' (expenditure Rs. 78·18 lakhs; provision Rs. 41·88 lakhs) and was mainly due to payment of arrears to Shipping Corporation of India.

(17) 126.—Capital Outlay on Roads      93,11,95,000      96,31,80,536      3,19,85,536

Excess occurred mainly under 'A. I(I) Construction of National Highways' (expenditure Rs. 7781·41 lakhs; provision Rs. 6658·90 lakhs). Reasons for excess are awaited (January 1974).

### Ministry of Works and Housing

(18) 82—Ministry of Works and Housing      3,05,77,000      3,24,06,176      18,29,176

Excess occurred mainly under 'B.5 Special Welfare Scheme—B. 5(I) Slum-improvement' (expenditure Rs. 68·86 lakhs; provision nil). Reasons for excess are awaited (January 1974).

(19) 83—Public Works      57,25,05,000      63,85,27,094      6,60,22,094

Excess occurred mainly under (i) 'A. 2 Repairs—Buildings (expenditure Rs. 600·93 lakhs; provision Rs. 537·00 lakhs), (ii) 'A. 7 Suspense—A. 7(I) Stock—A. 7(I)(I) Charges' (expenditure Rs. 2046·78 lakhs; provision Rs. 1749·99 lakhs) and (iii) 'A. 7(2) Other Suspense Accounts—A. 7(2)(1) Charges' (expenditure Rs. 2573·83 lakhs; provision Rs. 2,248·00 lakhs). Reasons for excess are awaited.

(20) 133—Delhi Capital Outlay      7,68,10,000      7,87,95,966      19,85,966

Excess occurred mainly under 'A.1 Works—A.1(1) Housing' (expenditure Rs. 348·48 lakhs; provision Rs. 285·90 lakhs). Reasons for excess are awaited (January 1974).

(b) *Excess over charged appropriations.*—There were excess aggregating Rs. 4.57 crores over seven appropriations. However, excesses in six cases only require regularisation under Article 115 of the Constitution. The details are :—

### Ministry of Finance

(1) Appropriation on Interest on Debt and other obligations      7,68,66,63,000      7,72,46,16,769      3,79,53,769

Excess occurred mainly under (i) 'A. 2—Discount on Loans' (expenditure Rs. 274·51 lakhs; provision Rs. 110·00 lakhs), (ii) 'A. 3 Floating Loans—A. 3(1) Discount on Treasury Bills' (expenditure Rs. 12994·83



lakhs; provision Rs. 12900.00 lakhs); (iii) 'B. 1(1)—Interest, Commission etc.' (expenditure Rs. 1477.86 lakhs; provision Rs. 1350.31 lakhs), (iv) 'B. 4—Loans from United States of America—'B. 4(3) Other American Loans' (expenditure Rs. 3659.80 lakhs; provision Rs. 3261.81 lakhs), and (v) 'B. 7—Loans from Japan' (expenditure Rs. 2157.41 lakhs; provision Rs. 1939.00 lakhs). Excess under (i) was mainly due to more discount payable to Reserve Bank of India on conversion of treasury bills into dated securities. Excess under (iii) was due to floatation of currencies and fluctuations in their exchange rates. Reasons for excesses under (ii), (iv) and (v) are awaited (January 1974).

(2) Payments of States' Share of Union Excise Duties . . . . .	5,66,07,24,000	5,66,73,54,987	66,30,987
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Excess was due to adjustment of payments made in the previous year. 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 Information and Broadcasting

(3) 121—Capital Outlay of the Ministry of Information and Broadcasting . . . . .	Nil	3,97,750	3,97,750
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Excess occurred under 'B' I.—Works' Reasons for excess are awaited (January 1974).

#### Ministry of Shipping and Transport

(4) 126—Capital Outlay on Roads . . . . .	2,00,000	2,49,862	49,862
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Excess occurred under 'A. I(I)—Construction of National Highways'. Reasons for excess are awaited (January 1974).

#### Ministry of Works and Housing

(5) 83—Public Works . . . . .	40,50,000	42,43,495	1,93,495
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Excess occurred mainly under 'A.6—Grants-in-aid, contributions etc. (expenditure Rs. 1.06 lakhs; provision nil). Reasons for excess are awaited (January 1974).

(6) 132—Capital Outlay on Public Works . . . . .	10,00,000	12,86,210	2,86,210
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Excess occurred mainly under (i) 'A.I(2)—Housing' (expenditure Rs. 2.11 lakhs; provision nil) and (ii) 'A. 1(3)—Other Civil Buildings' (expenditure Rs. 10.75 lakhs; provision Rs. 10.00 lakhs). Excess under (i) was mainly on account of payment in satisfaction of court decrees. Reasons for excess under (ii) are awaited (January 1974).

(7) 133—Delhi Capital Outlay	19,64,000	20,95,833	1,31,833
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Excess occurred mainly under 'A. 2—Establishment Charges paid to other Governments, Departments etc.' (expenditure Rs. 1.99 lakhs; provision Rs. 1.00 lakh) and was due to more expenditure on a work than anticipated.

26. *Savings in voted grants and charged appropriations.*—The overall saving of Rs. 6,402.32 crores was the net result of excesses and savings as shown below :—

	Savings	Excesses	Net Saving (Crores of rupees)
Voted Grants	240.83	44.17	196.66
	(In 109 grants)	(In 20 grants)	
Charged Appropriations	6210.23	4.57	6205.66
	(In 41 Appropriations)	In 7 Appropriations)	

It would be seen from Appendix IV that in 20 grants the savings exceeded 20 per cent of the funds; in 16 of these cases the savings exceeded 30 per cent.

Out of the total saving of Rs. 240.83 crores under voted grants, saving in six grants, brief particulars of which are given below, accounted for saving of Rs. 132.33 crores.

(1) 10—Other Revenue expenditure of the Ministry of External Affairs	(Rs. 11.70 crores)
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Saving occurred mainly under 'A. 6—Grants-in-aid, Contributions, etc.—A. 6(2) Cash Grants to the Government of Bangladesh' and was mainly due to (i) non-finalisation of certain agreements and (ii) procedural difficulties in implementing the schemes.

(2) 22—Grants-in-aid to State and Union Territory Governments	(Rs. 28.75 crores)
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Saving occurred mainly under (i) 'A.1—Fixed non-plan Grants-in-aid—A. 1(4)—Grants on account of Agricultural Wealth Tax' (Rs. 9.25 crores) and (ii) 'A. 4(21)—Special Welfare Schemes (Rs. 27.05 crores). Saving was mainly due to subsequent allocation of funds for each scheme under relevant grant.

- (3) 44—Other Revenue expenditure of the Ministry of Home Affairs . . . . . (Rs. 11.96 crores)

Saving occurred mainly under 'D. 4(13)—Transitional payments to the former Rulers' (Rs. 10.70 crores) and was due to the matter remaining sub-judice.

- (4) 112—Capital Outlay on Grants to State Governments for Development . . . . . (Rs. 12.94 crores)

Saving occurred mainly under 'A. 3—Grants for Border Roads.—A. 3(1)—Sanctioned by the Border Road Development Board' (Rs. 11.55 crores) and was due to (a) certain construction units in Western Sector continuing with the Army and (b) provision for grants to Mizoram which became a Union Territory with legislature being included under the Major head '74'.

- (5) 115—Other Capital Outlay of the Ministry of Agriculture . . . . . (Rs. 8.31 crores)

Saving occurred mainly under (i) 'B. I—Investment in Government Commercial and Industrial undertakings—B. I(I) Food Corporation of India' (Rs. 2.54 crores) and (ii) 'B. 2(3)—Debentures of Land Mortgage Bank' (Rs. 5.49 crores). Saving under (i) was due to post budget decision to grant more loans to the Food Corporation of India instead of investing in equity. Saving under (ii) was due to restriction of floating loans and debentures of the bank.

- (6) 129—Other Capital Outlay of the Ministry of Steel and Mines . . . . . (Rs. 58.67 crores)

Saving occurred mainly under (i) 'A.1(1)—Capital Outlay on Departmental Commercial Undertakings' (Rs. 6.77 crores); (ii) 'B.1(1)—Investments in Government Commercial and Industrial Undertakings' (Rs. 40.39 crores) and (iii) 'B. 1(3)—Other Miscellaneous undertakings' (Rs. 7.57 crores). Saving under (i) was due to lesser expenditure on setting up of steel plants at Hospet, Visakhapatnam and Salem, and the Central Engineering and Design Bureau. Saving under (ii) was due to delay in

finalisation of consultancy arrangements for Hindustan Zinc Limited and non-setting up of two new undertakings. Reasons for saving under (iii) are awaited (January 1974).

(II) The rest of the saving under the voted grants (Rs. 108.50 crores) largely occurred in the following grants :—

		Controlling Ministry
9—External Affairs . . . . .	(Rs. 6.61 crores)	External Affairs.
32—Ministry of Foreign Trade . . . . .	(Rs. 3.01 crores)	Foreign Trade. (now Commerce).
62—Labour and Employment . . . . .	(Rs. 3.08 crores)	Labour and Rehabilitation.
63—Department of Rehabilitation . . . . .	(Rs. 4.91 crores)	-do-
108—Capital Outlay on currency and coinage . . . . .	(Rs. 5.36 crores)	Finance.
110—Commutated Value of Pensions . . . . .	(Rs. 3.98 crores)	Finance.
111—Other Capital Outlay of the Ministry of Finance . . . . .	(Rs. 7.59 crores)	-do-
128—Other Capital Outlay of the Ministry of Shipping and Transport . . . . .	(Rs. 3.82 crores)	Shipping and Transport.
135—Capital Outlay of the Department of Atomic Energy . . . . .	(Rs. 5.54 crores)	Department of Atomic Energy.

During November 1972 to September 1973, the India Supply Mission, Washington, purchased 40.10 lakh tonnes of food grains in Argentina, Canada and the U.S.A. at a cost of about Rs. 308.75 crores. Out of that, 14.39 lakh tonnes (costing about Rs. 94.22 crores) were milo (a kind of jowar) which was purchased from Argentina (4.94 lakh tonnes costing about Rs. 33.68 crores) and the U.S.A. (9.45 lakh tonnes costing about Rs. 60.54 crores).

The milo contracts with Argentine suppliers provided for supply of Argentine milo in accordance with specifications of the Junta Nacional de Granos (Argentine Grain Board), whose certificate of quality the suppliers were required to furnish; these contracts further provided explicitly that the grain should be fit for human consumption. The milo contracts with U.S. suppliers provided for supply of U.S. grade II yellow-grain sorghum (milo) conforming to United States Grain Standards.

During February 1973 to August 1973, thirty-three shipments of milo (6.48 lakh tonnes costing about Rs. 36.19 crores) were landed in Indian ports. Nine of these shipments (1.75 lakh tonnes costing about Rs. 9.14 crores) were purchased in Argentina, while twenty-four shipments (4.73 lakh tonnes costing about Rs. 27.05 crores) were purchased in the U.S.A. Eight Argentine shipments (1.53 lakh tonnes or 87 per cent of the shipped quantity costing about Rs. 8.01 crores) and five U.S. shipments (1.17 lakh tonnes or 25 per cent of the shipped quantity costing about Rs. 6.42 crores) were seen, after their arrival in Indian ports, to have admixture of dhatura seeds.

In the course of these transactions there has sometimes been divergence between the results of analysis done by the Central Grain Analytical Laboratory of our Food Department and by the USDA, as follows :—

Name of the ship	USDA result	Central Grain Analytical Laboratory result
	(Number of dhatura seeds per kilogram of milo which has about 35,000 grains).	
(1) MAISTROS MONOROVIA	Nil to 4	1 to 2
(2) NALANDA	Nil	Nil to 2
(3) JAGAT VIJETA	1	Nil
(4) KYNTHIA	1	2
(5) STATE OF MYSORE	3	Nil
(6) VISHWA MANGAL	44	15

In the U.S.A., official inspection agencies of the U.S. Government conduct pre-shipment quality-control and inspection of the supplies purchased. Each shipment is subject to their certification, and payment is not made unless there is a clear certificate. On enquiry by our Food Department, the India Supply Mission, Washington, pointed out in February 1973 that it had always relied on the USDA inspection certificates in the past, and that there did not appear to be any reason for making any independent inspection. The Mission pointed out that the USDA's approach in the matter of dhatura admixture in foodgrains had been conveyed to the Government of India in 1965, and that there had been no further instructions from Government thereafter, although considerable quantities of wheat/milo had since been purchased. The Mission also informed the Food Department that the U.S. authorities had agreed to consult experts and explore the need and feasibility of prescribing specific tolerance limits for dhatura seeds.

In March 1973, Government directed the India Supply Mission, Washington, to examine the legal aspects concerning possible violation of the U.S. food laws, although the U.S. grain inspectors had certified the consignments as being in conformity with U.S. Grain Standards. No instructions were given by Government to examine similar legal aspects about the Argentine supplies. The legal advice obtained was that Government could have practical remedy if it could establish that :—

- (a) the grains were of such distinctly low quality that it constituted a violation of the U.S. Grain Standards Act, and
- (b) particular shipments contained such an unusually high percentage of dhatura seeds as to render them unfit for human consumption.

According to the legal opinion obtained in the USA, however, it might be difficult to prove the above.

The India Supply Mission, Washington, informed Government in March 1973 that in the case of all outstanding shipments U.S. inspectors would be specifically requested to determine the presence of dhatura seeds and their incidence, and that for shipments that had already left or arrived the USDA's Federal Laboratory would furnish results on the basis of

samples available with the USDA. The Mission stated that similar requests were being made to the Argentine authorities and parties.

The India Supply Mission, Washington, also informed the Food Department in March 1973 that in the latest case of wheat purchases it had attempted to make it a clear condition of purchase that the wheat supply should be entirely free from dhatura or other deleterious material, but that no supplier was willing to make a supply on such an absolute condition, or on the basis of a guarantee. The Mission was, however, able to get two suppliers of wheat to agree that if the USDA inspection at the time of shipment indicated presence of dhatura, the supplier would indemnify the Mission to the extent of 25 cents per tonne towards the actual cost of cleaning in India.

Since cleaning abroad would be very costly and also the expenditure would have to be in foreign exchange, Government decided (March 1973) that cleaning should be done in India.

Since grade I milo is not available in the USA in sufficient quantities and also since it is very costly, purchase of grade II milo was continued, and having regard to the need to ensure minimum supplies to the masses, specifications of the exporting countries continued to be adopted. Since inspection by USDA inspectors was mandatory, no independent inspection agency or team has been appointed.

Twenty-seven steamers brought 5.16 tonnes of milo from abroad and discharged at Bombay port during February—November 1973. The milo in 15 of those ships was contaminated with dhatura. The grain was distributed to the State Governments of Maharashtra, Mysore, Rajasthan and Gujarat and the Food Corporation of India godowns in those States. Distribution statement of 16, out of those 27, steamers have been finalised so far (November 1973). One lakh and ninety eight thousand tonnes, being 96 *per cent* of the contents of those 16 steamers, were despatched to Maharashtra Government.

The Central Government had at first decided that, before issue to the public, the grains should be cleaned. This was to be done by the State Government/Food Corporation of India, and the latter was to bear the cost of cleaning. Mechanical cleaning, *i.e.*, sieving, removes only about 80 *per cent*, and no more, of the dhatura seeds. Complete elimination is possible by only hand-picking. Since such cleaning is time consuming, in June 1973 the Central Government requested the State Governments to advise the domestic consumers to clean the supplies by hand-

picking as an essential safeguard. The Food Corporation of India thereafter gave up cleaning and informed the Maharashtra Government that since the consumers, and not the State Governments, are to clean the grains, the Corporation would not bear the charges of cleaning thereafter. The Maharashtra Government, however, told the Food Corporation of India that advices from the latter about absence of dhatura in particular shipments were received only 10 to 12 days after despatch, and it was not possible to inform the Collectors not to start cleaning operations. In July 1973 the Government of Maharashtra told the Government of India that Food Corporation of India should continue to reimburse the cost of cleaning and/or certify the stocks as free from contamination. The Central Government has not so far (November 1973) sent a reply to the State Government, which told the Food Corporation in August 1973 that, pending receipt of a reply from the Central Government, the State Government would continue to clean the milo stocks and claim reimbursement of expenditure. The Maharashtra Government has arranged cleaning of all the milo despatched to it. (Out of 1.98 lakh tonnes of milo supplied to the State Government, 0.57 lakh tonnes were free from dhatura admixture.) According to that Government, its expenditure on cleaning 49,024 quintals of milo upto the end of April 1973 was Rs. 5.96 lakhs. This comes to about Rs. 12 per quintal.

Ten thousand three hundred and thirty-two tonnes of milo refractions valued at Rs. 46 lakhs, obtained as a result of cleaning, are lying in godowns in Maharashtra and Gujarat and have to be disposed of as cattle feed.

For want of time, it has not been possible to ascertain the position about imported milo discharged in other Indian ports.

#### MINISTRY OF COMMERCE

28. *Export of engineering goods.*—In recent years our exports of engineering goods have grown impressively as follows :—

	Rs. crores
1960-61	13.4
1969-70	89.5
1970-71	130.4
1971-72	118.4
April-December 1972.	96.0

For promoting exports, several measures have been undertaken, *viz.*, issue of import replenishment licence to the extent of import contents



against exports of selected products, cash assistance (compensatory support to neutralise/reduce the gap in the f.o.b. realisation in order to make the products internationally competitive), export finance at concessional rate, drawback facilities (*i.e.*, refund of customs duty/central excise duty for imported/indigenously produced materials going into export products), railway freight concessions on export trade, etc. In addition, the main raw material for engineering exports, *viz.*, prime iron and steel is made available at international prices or domestic prices, whichever are lower. Upto 1971 and the early part of 1972, the world prices (United Kingdom, Japan, European Common Market countries) were generally lower than our indigenous base prices. Indigenous steel was being made available to exporters of engineering goods at the (lower) world prices. This was being done by the Joint Plant Committee (of the main producers in India) from out of its Engineering Goods Export Assistance Fund which was fed by a levy of Rs. 3 to 16 per tonne included in the Joint Plant Committee (f.o.r.) prices at which steel was being sold by the main producers in India.

The rates of cash assistance and import replenishment licence in 1972-73 for some of the important engineering goods exports were as follows :—

Commodity	Rate of cash assistance		Import replenishment (1972-73 and 1973-74) per cent
	1972-73 per cent	1973-74 per cent	
Steel Weld Mesh.	20	20	5
Transmission Line Towers.			
(a) Mild Steel Towers.	25+5	Exports upto 50 per cent of total production .....10 Between 50 and 60 per cent .....15 Between 60 and 80 per cent .....20 Exceeding 80 per cent .....25	20
(b) High Tensile Steel Towers	On case to case basis	On case to case basis	As required
Bright Steel Bars	10	10+5	40
Pipes and Tubes:			
(a) Ungalvanised	30	30	5
(b) Galvanised	30	30	20
Bicycles complete	30	30	20
Bicycle components and accessories	30	30	30

Up to 1970 prime iron and steel needed by exporters of engineering products was being supplied from indigenous sources. From 1971, however, scarcity of indigenous prime steel of some varieties (for example, flat products, round bars, etc.) began to be felt and, in order that exports of engineering goods may not consequently suffer a setback, Government has been permitting import of prime steel and making it available to registered exporters of engineering goods. Thus, in 1971 1.01 lakhs tonnes of steel were imported through Hindustan Steel Limited and made available to the exporters of engineering goods.

According to Government, cash assistance (for exports) is not normally allowed beyond 25 *per cent* of the 'added value' which is arrived at by deducting the cost of imported material from the f.o.b. realisation due to the export product. However, because of import of steel and its allotment for engineering goods exports, the import content of these products went up. When the import content of an export product so goes up, the general policy is to reduce the quantum of cash assistance—the reduction being proportionate to the diminution of the value added indigenously (the main argument in support of reduction being that import prices are lower than indigenous prices). However, as an exception to that policy, Government decided (in April 1971) that there need be no reduction in the existing rates of cash assistance for exports of engineering goods. The principal considerations which then weighed with Government in approving this departure (in favour of engineering goods exports) from the policy were as follows :—

- (a) Increase in the import content in such cases was not very large and, as such, considerable reduction of production cost was unlikely.
- (b) The import cost of certain steel items was not less than the domestic prices.
- (c) Certain local taxes, *e.g.*, octroi, etc. though charged on the production are not taken into account for determining the rates of cash assistance.

The Engineering Export Promotion Council formulated an ambitious scheme for export target of Rs. 200 crores for 1972-73. The Council's estimate was that, for that purpose, 8.10 lakh tonnes of steel would be required; of that only 3.30 lakh tonnes would be available indigenously and the balance 4.80 lakh tonnes would have to be imported. It was

decided that, to that end, steel would be imported by Hindustan Steel in 1972-73 and issued to the engineering goods exporters at the Joint Plant Committee (column 1) price plus 2 *per cent* charge thereon. The loss incurred by Hindustan Steel in importing the steel and selling it at the Joint Plant Committee (column 1) price plus 2 *per cent* is to be made good from the Marketing Development Fund which is financed from Government revenues. Government also took the decision that, as in the previous year and for the same reasons, the rate of cash assistance would not be reduced for export of engineering goods with higher import content.

Imported steel is available through direct import by actual users, registered exporters or their nominees or export houses and by the canalising agencies like Hindustan Steel. Early in 1972-73, it came to the notice of the Central Board of Excise and Customs (while dealing with a drawback claim) that, for production of exported steel weld mesh from which average f.o.b. realisation was Rs. 1,255 per tonne, a company had imported during July 1971 to February 1972 3,592 tonnes of prime mild steel rods at an average assessable value (which is about the c.i.f. value) of Rs. 1,017 per tonne; and that—

- (i) The company would, according to the existing sanctioned rates, get cash assistance of Rs. 251 per tonne, although if the principle that cash assistance should not exceed 25 *per cent* of the added value is to be observed cash assistance should not exceed Rs. 31 per tonne.
- (ii) For earning net foreign exchange of Rs. 125 per tonne, Government would be giving cash assistance of Rs. 251 per tonne.
- (iii) The assessable value of the imported mild steel rods had gone up to Rs. 1,247 per tonne in January 1972. If that value and the latest f.o.b. value of the exported steel weld mesh were taken into consideration, the net foreign exchange drain per tonne worked out to Rs. 129 and even then the company would get cash assistance of Rs. 251 per tonne.

This state of affairs had been brought about by, principally, the following :—

- (i) very high quantum of imported steel going into the production of the exported engineering goods,

(ii) liberal level of cash assistance (often ranging between 20 to 30 *per cent* of the f.o.b. value) for exports of engineering goods, and

(iii) rise in the world (London Metal Bulletin) prices of prime steel from the beginning of 1972-73.

In recent years, up to the end of 1971-72 the ex-works prices of indigenous prime mild steel were usually higher than the world prices. From the beginning of 1972-73, however, the world prices began to rise—the rise being particularly steep from November 1972 onwards. As a result, from about July—August 1972 onwards, the world (London Metal Bulletin) prices of prime mild steel sometimes exceeded the Indian ex-works prices. For example, in February 1973 the Indian ex-works prices and the European Common Market prices per tonne of the following were:

	India (standard quality plus size extra)	European Common Market
	Rs.	Rs.
1. Bars and rods . . . . .	753	1,222
2. Wire rods . . . . .	885	1,003

A few other examples of possible anomalous consequences of the export promotion policy for engineering goods are given below:—

Exporter	Export commodity	Expected f.o.b. realisation	Import material	Estimated c.i.f.value of import content	Cash assistance admissible	Percentage of cash assistance admissible to net foreign exchange to be earned
		Rs.		Rs.	Rs.	
'A'	Black pipes . . . . .	2.39 crores	Hot rolled coils	1.78 crores	71.70 lakhs	118 per cent
'B'	Steel pipes and tubes . . . . .	1.17 crores	Hot rolled strips	92.96 lakhs	35.10 lakhs	146 per cent
'C'	Galvanised black steel pipes . . . . .	1.09 crores	Hot rolled strips	90.43 lakhs	32.70 lakhs	176 per cent
'D'	Galvanised steel pipes . . . . .	2.08 crores	Hot rolled steel strips	1.83 crores	62.40 lakhs	250 per cent
'E'	Steel bright bars and shaftings . . . . .	3.83 lakhs	Mild steel rounds	3.789 lakhs	1,149 lakhs	2875 per cent
'F'	Galvanised pipes and black pipes . . . . .	22.02 lakhs	Hot rolled steel strips in coils	31.12 lakhs	6.60 lakhs	Net foreign exchange to be earned was negative (—) Rs. 9.10 lakhs.

Save reduction of the rates of cash assistance for exports of steel wire ropes during October 1972 to September 1974 and of transmission line towers from April 1973, during 1972-73 no action was taken by Government to avoid such anomalous consequences of its export promotion policy for engineering goods. Only in June 1973 did Government modify its policy by laying down that supply of imported steel, for export production, at the Joint Plant Committee (column 1) price plus 2 *per cent* would be made only for export contracts where the f.o.b. value of exports is at least 25 *per cent* higher than the c.i.f. value of all inputs like steel, zinc, etc., required for fabrication of export products, which are wholly or partially imported into the economy even though some part may be available indigenously, and this is to be irrespective of whether these inputs are obtained from indigenous or imported supplies. This decision of Government did not apply to export contracts for which firm letters of credit had been opened by the foreign purchasers before 5th June 1973. In a letter dated 9th January 1974, the Ministry of Commerce notified withdrawal of cash assistance for steel pipes and tubes exported on or after the date of that letter. Government has not reduced (January 1974) the rates of cash assistance for export of other engineering goods. If the net foreign exchange earning be 25 *per cent* at the rates prevailing the cash assistance for exports of engineering goods would, in many cases, be 80 to 120 *per cent* of the net foreign exchange earnings. For quite some time Government has been aware that the existing rates of cash assistance for exports of some engineering goods are too high.

Beginning from 1972-73 international prices of steel (except in the United States of America) have generally increased (November 1973) by about 80 *per cent* while those of finished products made from mild steel have increased by about 100 to 150 *per cent*. In view of this and the fact that Indian labour is relatively cheap, so long as the principal raw material, *viz.*, prime steel, is supplied to the engineering goods exporters at prices substantially lower than the world prices, the need for encouraging exports of engineering goods—particularly, where the value added indigenously is not large—through liberal cash assistance, concessional bank finance, concessional railway freight, etc., is not easy to see.

Mild steel bars and rods are imported in our country, while bright steel bars are exported. It needs only machining to make bars into bright steel bars. Value added in making bright steel bars from bars is very small. And yet 10 *per cent* cash assistance is allowed for export of bright steel bars even when bars and rods are being imported in considerable

quantities. During 1972-73, 21,099 tonnes of bars and rods valuing Rs. 3.49 crores (c.i.f.) were imported; of that 5,800 tonnes valuing Rs. 1.04 crores were imported during January—March 1973 when world steel prices were quite high. Value added in manufacture of pipes and tubes, galvanised as well as ungalvanised from out of prime steel is not large—it is particularly so in the case of ungalvanised pipes and tubes. For making tubes and pipes, hot rolled steel strips and coils are imported. During 1972-73, 58,960 tonnes of iron and steel hoop and strip worth Rs. 11.73 crores were imported. In that year 10,547 tonnes of ungalvanised tubes, pipes and fittings valuing Rs. 2.2 crores (f.o.b.) and 3,381 tonnes of galvanised tubes, pipes and fittings worth Rs. 1.24 crores were exported. At the prescribed rate of 30 *per cent*, the cash assistance admissible for these exports was Rs. 1.03 crores. The Ministry of Steel took the view that there should be a selective approach in granting cash assistance against export of engineering products using steel, and that our effort should be to encourage export of engineering products in which the 'value added' is substantial. This problem has been engaging the attention of the Ministries of Commerce and Finance for some time. The Ministry of Commerce had stated (May 1972) that a detailed study of this problem was being organised through the Indian Institute of Foreign Trade.

There are in our country eighteen export promotion councils of which the Engineering Export Promotion Council is one. For market development, etc., Government gives grants to the export promotion councils. In 1972-73 Government paid Rs. 1.04 crores as grants to the 18 export promotion councils; of that the Engineering Export Promotion Council was sanctioned Rs. 38 lakhs. Of all the export promotion councils the share of the Engineering Export Promotion Council in the grant is the highest, it being about one-third of the total grant. For 1971-72 Government grant to it was Rs. 21.33 lakhs while its income from membership subscription was Rs. 16.70 lakhs.

29. *Cash assistance for export of man-made fabrics.*—Man-made fabrics—commonly known as art silk fabrics—are made either from fibres like viscose rayon (which is produced from natural fibrous materials like wood pulp), or from synthetic fibres like nylon or polyester (which are produced from manufactured chemical substances like caprolactum).

Man-made fabrics industry in India is decentralised. The main centres of production are in Gujarat, Maharashtra, Punjab and Mysore. There are about 1.06 lakh power-looms and 4.30 lakh handlooms, 656

warp knitting machines, 169 raschel knitting machines and 19 raschel looms annually producing about 92\* crore meters of art silk fabrics worth more than Rs. 450 crores. Ninety *per cent* of the power-looms are in units having 1 to 10 power-looms each. The handlooms are entirely in units of 1 to 10 handlooms. There are 307 units for warp knitting machines, and raschel knitting machines and looms.

Man-made fabrics are one of our non-traditional items of export. The principal countries importing them from India are Sudan, Singapore, Afghanistan, Yemen, Uganda, Nigeria, United Kingdom, United States of America, Canada and France.

India's exports of man-made fabrics have been as follows:—

Year	(Rupees crores)
1965-66	4.94
1966-67	2.99
1967-68	1.50
1968-69	3.62
1969-70	5.06
1970-71	6.23
1971-72	8.25
1972-73	9.62

Following devaluation of the Rupee in June 1966, all existing export incentives were withdrawn by Government, as it was considered that devaluation would bring a windfall gain to exporters. For selected non-traditional exports like engineering goods and chemicals, however, Government introduced other new measures of incentives like import replenishment of raw materials, cash assistance, etc.

Cash assistance is sanctioned from the Marketing Development Fund and is normally intended to bridge the gap between the cost of production of an export product and the f.o.b. realisation. It is usually restricted to 25 *per cent* of the "value added," *viz.*, the amount arrived at after deducting the value of the import content from the f.o.b. realisation.

\*Hand book of statistics on cotton textile industry (6th edition) issued by the Cotton Mills Federation, Bombay.



Under the Government's policy for registered exporters for 1968-69 and 1969-70, exporters of nylon fabrics got replenishment of imported nylon yarn from the State Trading Corporation at the rate of 1.20 kg. against each kg. of nylon yarn used in exported fabrics. From 1970-71, import replenishment was also allowed against rayon and polyester fabrics. The scale of replenishment was also enhanced, ranging from 1.20 kg. to 1.30 kg. of nylon/rayon/polyester yarn against each kg. of the respective yarn used in the unblended export products. Certain specified blended products were also eligible for import replenishment—the level of replenishment being 24 to 36 *per cent* of the yarn content. In 1971-72 certain more blended products were included in the list of eligible items, and from that year replenishment was 24 to 50 *per cent* of the yarn content of exported blended fabrics.

From 1967 cash assistance is being given, by the State Trading Corporation, to those exporters who effect their exports through that Corporation. The latter was to recoup the amount from the profit it was expected to earn through distribution of imported nylon yarn, a canalised item to be sold by it in the domestic market at Re. 1 or Rs. 2 below the price of indigenously produced nylon yarn. A subsidiary organisation of the Silk and Rayon Textiles Export Promotion Council, known as Rayex (India) Ltd., Bombay, was associated with the scheme, and was authorised to negotiate and book export business on behalf of the State Trading Corporation.

In 1967 the State Trading Corporation sanctioned cash assistance for export of man-made fabrics at rates varying between 10 *per cent* and 33 *per cent* of f.o.b. realisation, after having consultations with the Textile Commissioner, Bombay, and the Silk and Rayon Textiles Export Promotion Council, Bombay. While sanctioning this the Corporation did not take into account the actual cost and f.o.b. realisation, but adopted an *ad-hoc* approach.

With the idea of reviewing the existing rates of cash assistance, the Corporation obtained from the Silk and Rayon Textiles Export Promotion Council in July 1971 certain data relating to cost and f.o.b. realisation. The material furnished by the Council was not certified on the basis of any strict cost scrutiny. The State Trading Corporation concluded that the cash assistance was not justified on economic grounds; but in view of the fact that the exporters had been receiving massive assistance in the

past, it was considered inexpedient to withdraw the assistance completely at once.

With effect from 1st August 1971 the rates of cash assistance were revised by the State Trading Corporation as follows :—

	Rates from March 1967 to July 1971	Rates from August 1971 to December 1971
	(Per cent of f.o.b. value)	
I. <i>Velvets</i> :	33	20
II. <i>Fabrics other than velvets</i> :		
Below 100 deniers . . . . .	20	20
100—119 deniers . . . . .	30	25
120—199 deniers . . . . .	33	25
200 deniers and above . . . . .	15	15
Spunrayon fabrics . . . . .	33	25
Filament and spunrayon mixed fabrics . . . . .	30	25
Acetate fabrics . . . . .	As per denier used	25
Nylon fabrics . . . . .	10	5

The revised rates were to be in force up to 31st December 1971 and were thereafter to be discontinued.

The Silk and Rayon Textiles Export Promotion Council represented to the then Ministry of Foreign Trade in August 1971 against the above decision of the State Trading Corporation. The latter, however, informed Government that in the past the cash assistance had been more or less *ad-hoc* and had not been subjected to strict cost scrutiny, and that when attempts were made to ascertain the costs the industry had been reluctant to provide data. The Corporation also explained that with the increased import entitlement announced in Government's registered exporters policy for 1971-72, it was necessary to take a fresh look at the question of cash assistance.

The State Trading Corporation extended the revised rates of assistance up to March 1972, and on 31st December 1971 asked the Silk and Rayon Textiles Export Promotion Council to collect and submit cost

data in a form which had been finalised in a meeting with the Council and the Textile Commissioner, Bombay. It was specified that the cost data should cover all the sorts exported by each of the selected parties and should be certified by a Chartered Accountant, and that they would be subject to verification by the Corporation's cost accountant.

The number of exporters registered as associates of the State Trading Corporation (or Rayex India Ltd.) at that time was about 165. The Export Promotion Council sent the prescribed form to only 29 selected manufacturer-exporters and in February 1972 forwarded to the State Trading Corporation certain cost data submitted by 14 of the 29 parties and explained that many of the units being small, their method of keeping accounts was different, and as such they could not give the required break-up of cost. The Council also claimed that these units did not have qualified staff to compile data which could be certified by a Chartered Accountant.

Meanwhile, in January 1972 the State Trading Corporation also called for, from the Cotton Textiles Export Promotion Council, cost data of exported rayon-cotton mixed fabrics. This Council wrote to the State Trading Corporation on 14th February 1972 that the rates of cash assistance for cotton textile exports (which were subsidised from a fund financed partly by the industry and partly from the Marketing Development Fund) were determined broadly on the basis of domestic price level and not on the cost of production. The Council said that it was not considered worthwhile to make any costing exercise for rayon-cotton mixed fabrics.

Citing the above letter, the Silk and Rayon Textiles Export Promotion Council wrote to the State Trading Corporation on 16th February 1972 that a similar approach should be adopted for man-made fabrics, so that the rates of cash assistance were realistic.

Government decided in a meeting with the Silk and Rayon Textiles Export Promotion Council on 6th March 1972 that cash assistance at the existing rates should continue for one year and that the cost data furnished by the Council should be examined by a working group or independent agency. Shortly afterwards the Corporation extended cash assistance at the existing rates (with a reduction in the case of velvets) up to March 1973, subject to amendment or withdrawal at three months'

notice. The Export Promotion Council was informed that cost data for representative export qualities should be submitted, and that they would be examined by a working group to be constituted by Government.

In May 1972 Government appointed a working group consisting of representatives of the Textile Commissioner and the State Trading Corporation, a Cost Accounts Officer of the Ministry of Finance and the Secretary of the Silk and Rayon Textiles Export Promotion Council.

The report of the working group was prepared in January 1973. The group had obtained cost data only from 3 manufacturers of fabrics. The cost data furnished were not certified by any Chartered Accountant. Although the group visited these mills, it did not undertake, "due to the limitation of time", any detailed checking of data with accounts books, but considered the result of sample-checking as "more or less satisfactory". These three mills were taken as representative of the cost trends in the filament and spunrayon fabrics. The working group noted that separate data for export production were not maintained and could not be identified, and that there was also no uniform system of cost compilation among the firms. It was, however, considered that from the data submitted by one of the three firms its non-export cost could be identified and the overheads of this firm were taken as representative of the other firms also. While weighing the relative merits of considering marginal costs and total costs, the working group in its final report indicated that the bulk of the production of most of the units engaged in production of exportable qualities was for export, and therefore it was difficult for them to absorb the entire fixed cost in the domestic sale. However, the working group itself had pointed out that export production of one of the three mills, from which data had been obtained and which was taken as representative of the three mills and the whole industry, constituted only 25 per cent of its total production.

According to the report of the working group, export losses were in the range of 23.6 to 42 per cent of f.o.b. realisations in case total costs were considered, and between 7.3 and 28.6 per cent in case marginal costs were considered. The majority recommendation of the group was that cash assistance should be continued at the existing level. The officer of the State Trading Corporation who was a member of the working group recorded a separate note stressing that the cost data given by the industry were not fully representative.

On 1st September 1973 Government advised the State Trading Corporation of its decision to continue the cash assistance during 1973-74 on the same lines as in 1972-73.

Favourable factors are said to exist at present in the international market for growth of export of filament rayon fabrics, which constitute 75 *per cent* of the total yardage exported or two-thirds of the value of India's export trade in man-made fabrics. The advanced manufacturing countries are said to have gradually withdrawn from this field and a large demand for Indian supplies is said to exist in the world market.

Only those who export through the State Trading Corporation are entitled to cash assistance. The total exports in 1970-71 were Rs. 6.23 crores, exports through the State Trading Corporation being Rs. 3.77 crores. In 1969-70 there were 8 exporters who claimed exports of over Rs. 10 lakhs each and they accounted for 54 *per cent* of the total exports. Of those eight, five were merchant-exporters who accounted for 28 *per cent* of the total exports. It is reported that the manufacturer-exporters procure the cloth partially from other units instead of exporting their own products which, because of their superior quality, are meant for the internal market. The industry suffers from a structural handicap because most of the producing units are small. It may not be certain that the full benefit of the cash assistance goes to the actual producers. Whether any advance is being made by the industry to overcome its structural weakness is not known. Only 2 *per cent* of the industry's production is exported and, for its exports, the industry also receives excise drawback, raw material at or below international prices and replenishment licence for dyes and chemicals. Whether there should be, in addition to the above facilities, cash assistance at as high a rate as 20 to 25 *per cent* seems to deserve consideration.

The State Trading Corporation has been annually importing about 40,000 tonnes wood pulp for production of cellulosic filament yarn which goes into manufacture of art silk and about 15,000 tonnes of caprolactum for production of nylon filament yarn which in turn is used for production of nylon fabrics. Our country does not yet produce caprolactum. Our indigenous production of rayon grade pulp in 1972 was 86 thousand tonnes. Import of the pulp was a little less than half thereof. Thus, the net foreign exchange earnings from our exports of man-made fabrics are much less than the export figures shown on page 46.

Government authorised the State Trading Corporation in June and September 1973 to increase the sale price of imported caprolactum and also to sell imported nylon yarn at the price of indigenous nylon yarn, mainly to finance the cash assistance for export of man-made fabrics.

The State Trading Corporation informed Government that the margin accruing from sale of imported caprolactum and nylon yarn would only be Rs. 2.18 crores in 1973-74, and that since the cash assistance was expected to be about Rs. 3 crores for the year, Government might reimburse the balance. The Corporation had pointed out to Government in the past that the sale proceeds of imported nylon yarn were not adequate to meet the cash assistance. It has demanded reimbursement of the following losses incurred by it in previous years on this account :—

	(Rupees in lakhs)
	(+ profit ; —loss)
1967-68	+ 75.25
1968-69	— 73.87
1969-70	— 57.05
1970-71	— 54.03
1971-72	— 160.48
1972-73	— 164.50
	(—) 434.68

30. *Export of walnuts.*—Walnuts are grown in Kashmir, Himachal Pradesh, Uttar Pradesh and Punjab. Kashmir walnuts are noted for their quality. Annual production of walnuts in the country has recently been around 12,000 to 14,000 tonnes.

Walnut is a traditional export commodity. Walnut kernels are exported mainly to United Kingdom, United States of America, Canada, Australia and Japan. Walnuts in shells are exported mainly to United Kingdom, Japan, Italy, East Germany, Poland, Czechoslovakia and Yugoslavia. Presently there are 5 principal exporters of walnuts (of which

four are in Delhi and one is at Jammu). Exports of walnuts (including exports under barter deals) during 1966-67 to 1972-73 were as follows:--

	Kernel	In shell	Total	Value (Rupees in crores)
	(tonnes)			
1966-67	2,006	2,879	4,885	1.84
1967-68	1,579	1,825	3,404	1.50
1968-69	2,548	2,758	5,306	2.84
1969-70	1,460	1,189	2,649	1.72
1970-71	1,661	1,451	3,112	1.47
1971-72	1,414	1,866	3,280	1.51
1972-73	1,735	2,987	4,722	2.84

The exporters of walnuts had been representing since October 1966 for cash assistance for their exports. In support of their claims for cash assistance the Processed Food Export Promotion Council forwarded to Government in March 1968, information furnished by one of the registered exporters about its exports of walnut kernels in March 1968. According to that information, the exporter would lose 34 paise per kilogram on its exports, f.o.b. realisation being Rs. 5.14 against cost of Rs. 5.48. The trade did not then intimate cost per kilogram of walnut in shell exported. The matter remained under consideration of Government for quite some time. According to the statistics published by the Director General, Commercial Intelligence and Statistics, in June 1969, the average f.o.b. realisation from export of walnut kernel in 1968-69 was Rs. 7.92 per kilogram which was Rs. 2.44 more than the cost (Rs. 5.48) intimated to Government. According to those statistics, the average f.o.b. realisation from walnut in shell was Rs. 2.97 per kilogram. The cost of walnut in shell had not been intimated by the trade. Without checking up with the published statistics, Government sanctioned in March 1970 cash assistance of 10 per cent of f.o.b. realisation for walnut kernel and walnut in shell exported (excluding those under barter deals) in February and March 1970.

In March 1970 the trade requested Government to sanction the cash assistance with retrospective effect from October 1969 (walnut season starts around October) instead of from February 1970. This was rejected by Government in May 1970 as "cash assistance is given by way of an

incentive to push up exports and in that context, perhaps, giving retrospective effect to decisions relating to the grant of cash assistance may not be very meaningful". On further representation (June 1970) from the trade cash assistance of 5 *per cent* of f.o.b. realisations for exports (other than exports under barter deals) during October 1969 to January 1970 was sanctioned in January 1971 although it could have been known by then from statistics published by the Director General, Commercial Intelligence and Statistics, that average f.o.b. realisation during that period per kilogram of walnut kernel was Rs. 9.68.

A test-check of the records available in the office of the Joint Chief Controller of Imports and Exports, New Delhi, showed that during October 1969 to January 1970 monthly average f.o.b. realisation per kilogram was between Rs. 8.48 to Rs. 10.54 for walnut kernels and Rs. 2.80 to Rs. 3.51 for walnut in shell, which were substantially higher than the cost of Rs. 6.16 and Rs. 2.42 respectively intimated by the trade in April 1971. According to the Director General, Commercial Intelligence and Statistics, average f.o.b. realisation in 1969-70 for walnut kernel was Rs. 8.94 per kilogram which was Rs. 3.46 more than the cost intimated in March 1968. The f.o.b. realisation was Rs. 3.52 per kilogram for walnut in shell.

In January 1971, the same month in which cash assistance for the back period October 1969 to January 1970 was sanctioned, cash assistance of 10 *per cent* of f.o.b. realisations was also extended for 1970-71. This, too, was done without consulting the published statistics and the information available in the records of the Joint Chief Controller of Imports and Exports, New Delhi. A test-check of the cash assistance vouchers available in the office of the Joint Chief Controller of Imports and Exports, New Delhi, showed that monthly average f.o.b. realisation for walnut kernel during 1970-71 was between Rs. 5.65 and Rs. 10.74 per kilogram. The lowest price of Rs. 5.65 was prevalent only in February 1971 when only 274 tonnes were exported out of 1,661 tonnes exported during that year. In the other months it was Rs. 7.09 and above. Monthly average f.o.b. realisation of walnut in shell was Rs. 2.24 per kilogram in February 1971, while in other months it was between Rs. 2.78 to Rs. 3.21. According to the Director General, Commercial Intelligence and Statistics, the average f.o.b. realisation in 1970-71 was Rs. 6.48 per kilogram for walnut kernel and Rs. 2.71 for walnut in shell which were also higher than the costs of Rs. 6.16 and Rs. 2.42 respectively intimated by the trade in April 1971.



In April 1971 the trade requested continuance of cash assistance beyond March 1971 intimating that cost per kilogram was Rs. 6.16 for walnut kernel and Rs. 2.42 for walnut in shell as against f.o.b. realisation of Rs. 5.25 and Rs. 2.04 respectively. The Ministry of Finance pointed out in August 1971 to the then Ministry of Foreign Trade that, according to the official statistics, the f.o.b. realisations were much more than those intimated by the trade and that figures furnished by the trade were based only on a few consignments picked by the trade, and suggested (in June 1972) that the trade should produce authentic evidence showing f.o.b. realisation in 1971-72. In August 1972 the trade furnished the following information :—

	Cost (Rupees per kilogram)	F.o.b. realisation	Loss
Walnut kernel			
Firm 1	7.24	5.88	1.36
Firm 2	6.84	6.00	0.84
Firm 3	6.73	5.84	0.89
Walnut in shell			
Firm 1	3.22	2.50	0.72
Firm 2	3.18	2.68	0.50

The information furnished by the trade was based on cost and f.o.b. realisation for export of a small quantity (52 tonnes of walnut kernels and 70 tonnes of walnut in shells) of the total export. According to the Director General, Commercial Intelligence and Statistics, f.o.b. realisation per kilogram during 1971-72 was Rs. 6.47 for walnut kernel and Rs. 3.17 for walnut in shell.

While the matter remained under consideration of Government it was known from the statistics published by the Director General, Commercial Intelligence and Statistics between September 1972 and January 1973 that during April 1972 to August 1972 average f.o.b. realisation per kilogram was Rs. 8.29 for walnut kernel and Rs. 3.83 for walnut in shell which were substantially higher than the costs intimated by the trade in August 1972 and there was no loss on exports. However, without consulting these published statistics, in February 1973 cash assistance was sanctioned for 3 years from October 1972 at the rate of

5 per cent of f.o.b. realisation plus additional 2½ per cent if exports exceed the previous 12 months' exports by at least ten per cent. No cash assistance was sanctioned for exports during April 1971 to September 1972. The Ministry stated (December 1973) that f.o.b. realisation during April 1972 to September 1972 was not taken into account while sanctioning (in February 1973) cash assistance from October 1972 as that was off season period for walnuts.

Cash assistance paid for export of walnuts in 1969-70 was Rs. 5.13 lakhs and that for 1970-71 was Rs. 2.77 lakhs.

As compared with previous years export of walnuts declined in 1969-70 and 1970-71 when cash assistance was admissible and recovered, although slightly, in 1971-72 when cash assistance was not available. The fall in export is stated to be due to fall in production resulting in high prices in the country and deterioration in quality, complaints about which were received from importers. India's principal competitor (China) in export of walnut is stated to be reputed for strict adherence to contracts and consistence in quality.

In September 1973 Government reconsidered the question of continuing cash assistance on export of walnut in the light of world-wide short production of various edible nuts this year and a sharp rise in the prices of nuts including walnuts and suspended the assistance from 1st October 1973.

Indian walnuts fetch comparatively lower prices in the export markets. The price differential is attributed to poor grading, excess of foreign matter and incidence of worm infestation, although compulsory quality control has been introduced from September 1963.

31. *Cash assistance for import of raw jute fibre.*—Consequent on devaluation of Indian Rupee, Government approved in October 1966 payment of *ad hoc* cash assistance to the jute industry for import of raw jute/mesta with a view to increase production, avoid unemployment, stabilise prices of jute goods and step up exports. The rates of assistance per tonne were Rs. 500 for jute and Rs. 250 for mesta and jute cuttings imported. Under this scheme, 57 mills were granted cash assistance of Rs. 694.94 lakhs during 1966-67 to 1970-71 for import of about 2.27 lakh tonnes of raw jute/mesta. The imports were made during June 1966 to March 1967.

One of the conditions prescribed for grant of *ad hoc* cash assistance was as follows:—

“The imported fibre acquired wholly or substantially out of Government grants-in-aid would not without prior sanction of the Central Government be disposed of or encumbered or utilised for purpose other than for the manufacture of jute for export. The Jute Commissioner shall satisfy himself regarding the fulfilment of this condition and shall give a certificate to this effect to Audit.”

The Jute Commissioner has neither verified the condition of export performance nor furnished the requisite certificate to Audit even six—seven years after import of raw jute/mesta. The Ministry stated (February 1974) that it had not been possible for the Jute Commissioner to ascertain the extent to which the mills had exported jute goods made out of the subsidised imported jute as the mills had not submitted to him relevant documents, authenticated by the Central Excise and Customs department, shewing that they had exported jute manufactured from imported jute fibres/mesta.

The following further facts have also been noticed:—

- (i) About 150 tonnes of raw jute/mesta imported during June 1966 and March 1967 for which cash assistance of Rs. 0.38 lakh was paid by the Jute Commissioner were sold by one mill without approval of Government. The Ministry stated (February 1974) that the Ministry of Law was being consulted to find out whether any action could be taken against the mill.
- (ii) Cash assistance of Rs. 0.74 lakh was paid to thirty mills for about 228 tonnes of raw jute/mesta which were not actually received. Of Rs. 0.74 lakh, Rs. 0.25 lakh only had been refunded by nineteen mills by September 1973. The Ministry stated (February 1974) that the Jute Commissioner had already initiated action for recovery of the balance Rs. 0.49 lakh.
- (iii) Cash assistance was admissible for four different grades of mesta, *viz.*, super, ‘A’, ‘B’ and ‘C’. Seven mills were paid cash assistance of Rs. 3.68 lakhs for import of about 1,470,

tonnes of jute/mesta which were shown in the shipping documents and invoices as of grades 'C' and above, but they had actually imported mesta of quality inferior to 'C'. The Ministry intimated (February 1974) that Rs. 5,703 had been recovered and action was being taken for recovery of the balance.

- (iv) Payment for jute/mesta imported by the mills was made in foreign exchange. Claims for refund on account of short-receipt, inferior quality of fibres etc. were realised in foreign exchange by three mills only. Two more mills were reported to have preferred their claims in foreign exchange aggregating £4,147 (rupee equivalent: Rs. 88,266). Nine mills claimed between December 1966 and March 1971 Rs. 6.17 lakhs from the foreign suppliers/local brokers in rupee instead of foreign currency, of which Rs. 2.03 lakhs had been received by five mills. Thus, failure to claim the refund in foreign exchange by these nine mills resulted in loss of foreign exchange to the country. The amount of loss of foreign exchange in the cases of the remaining forty three mills could not be assessed as the information which the Jute Commissioner had called for from these mills in May 1972 had not been furnished (November 1973). The Ministry stated (February 1974) that the mills had claimed refund in foreign exchange or in Indian currency depending on the terms and conditions of the contracts.

## MINISTRY OF HEALTH AND FAMILY PLANNING

(Department of Health)

32. *Production of Polio Virus Vaccine.*—Poliomyelitis is a disease of the central nervous system (brain, spinal cord and nerves). Children are more susceptible than adults to this disease. The disease is caused by a virus which enters the body through the mouth or the nose. It then reaches and affects certain nerve centres resulting in weakening or paralysis of certain muscles. How the disease spreads from one person to another is not definitely known, but the virus has been found in the nose, throat and bowel discharges of patients. Early symptoms of the disease are severe cold, influenza, fever, headache, vomiting, drowsiness etc.

No specific drug to cure polio has yet been discovered. A vaccine made from Sabin strains of the virus (named after the inventor Dr. A. B. Sabin) has been in use since 1959; this, according to medical experts, protects a high proportion of those to whom it is administered. The vaccine is a preparation of live attenuated polio-virus types I, II or III containing any one type or a combination of the three types (trivalent vaccine). Normally, three doses of trivalent vaccine (combination of types I, II and III of monovalent vaccine) are given at intervals of 4 to 6 weeks for satisfactory immunisation. It has been estimated that out of the population of 54.80 crores according to the 1971 census, 8.20 crore children are in the susceptible group for whom 24.60 crore doses of trivalent vaccine are needed annually. Besides, for the estimated 1.30 crore new borns, about 3.90 crore doses of trivalent vaccine are also required each year. There being no national programme for immunisation, the country's annual requirement has been presently estimated as 1.20 crore trivalent doses.

In November 1961 Government of India approved production (in the country) of polio virus vaccine (oral) with Sabin strains. Dr. A. B. Sabin visited India as a World Health Organisation consultant and recommended in January/February 1963 production of the vaccine at the Pasteur Institute at Coonoor. The buildings for the new laboratories for production of the vaccine were completed in 1964. Total expenditure on this project upto March 1972 was Rs. 21.15 lakhs excluding foreign aid of Rs. 7.48 lakhs.

The Institute has a capacity to produce 12.50 lakh trivalent doses or 37.50 lakh monovalent doses a year. It started preparation of seed virus from August 1964. The specimens were sent for testing to Medical Research Council Laboratories, London, from October 1965 onwards. Preparation of batches of bulk vaccine started in December 1966. Between December 1966 and May 1973, apart from 4.61 lakh doses of trivalent vaccine (equivalent to 13.83 lakh doses of monovalent vaccine) the Institute produced only 63.91 lakh doses of monovalent vaccine as shown below :—

	Type I	Type II	Type III	Total
	(In lakhs)			
Approved for use . . . . .	6.32	13.70	18.45	38.47
Awaiting approval or undergoing tests . . . . .	10.44	9.20	5.80	25.44
TOTAL . . . . .	16.76	22.90	24.25	63.91

For preparation and testing of polio vaccine imported African green monkeys, chemicals and equipment are necessary. The Director of the Institute stated (December 1972) that production had been less than the capacity as there was delay in getting imported monkeys, chemicals and equipment. For example, import licence for 12 monkeys (cost : Rs. 11,000) was applied for in March 1970 but was granted after 15 months in July 1971, and the monkeys were received in October 1971. Import licence for 12 more monkeys (cost : Rs. 11,000) was applied for in May 1973 and was granted in October 1973; thereafter due to non-availability of funds the monkeys could not be imported (January 1974). The Director of the Institute stated (January 1974) that there was delay in getting import licence as clearance was required from the Director General, Technical Development, State Trading Corporation etc., and it was difficult to impress on the administrative authorities that the monkeys were not available in India and were to be imported for tests in connection with preparation of live oral polio vaccine. Import licence for 9 A.C. motors (B.S. 170 Matburn) with internal resisters (cost : Rs. 4,747) applied for in June 1970, was granted in April 1972; the motors with internal resisters were received in September 1973. Besides, as trained workers were not available, new recruits had to be trained. Preparation and testing of polio vaccine are highly sophisticated procedures. Depending on equipment and facilities available these have to be modified and at the same time standards have to be maintained. Training of staff in all the procedures takes time and is arduous. According to the Director of the Institute (January 1974), training of the staff in selected basic procedures was started soon after recruitment, and training of most of them, specially in the higher grades, was continuing in one or the other of the specialised procedures for preparation and testing of the vaccine.

Apart from a variety of tests conducted in the Institute as recommended by Dr. Sabin, the monovalent vaccines are tested finally by an independent agency. As facilities for this test were not available in the country, monovalent vaccines were being sent to foreign countries till December 1969 for the final test (neurovirulence test); it was taking about 9 to 18 months to get the results of the tests. Even after this test approval of the Drug Controller is necessary for preparation of trivalent vaccine from the monovalent vaccines. According to the procedures recommended by W.H.O., the Drug Controller is assisted by a Committee consisting of representatives of the Director General of Health Services, Drug Controller, the Institute which prepares the vaccine, the National Institute of Communicable Diseases etc. It took about 5 to 8 months to get this approval.

A polio vaccine testing division started functioning in the National Institute of Communicable Diseases, Delhi, in the latter part of 1970 for conducting neurovirulence test. Till March 1972 Rs. 14.45 lakhs were spent on the division (excluding cost of buildings but including foreign aid of Rs. 1.18 lakhs). Facilities are available in this division for testing not less than 160 lakh doses of trivalent polio vaccine per year. This division was ready in March 1971 for conducting neurovirulence test and received 8.67 lakh monovalent doses of types I and III from the Institute in May 1971 for which test reports were sent in May/July 1972. In March 1973 the Drug Controller approved production of trivalent doses from these monovalent doses, and 19,350 trivalent doses were prepared till May 1973. The next batch of 5.80 lakh monovalent doses was sent to the division for test in January 1973. The Director of the Pasteur Institute stated (January 1974) that no other batch was sent earlier as it was decided to send large volumes of bulk vaccine for neurovirulence test to save cost (which was high) of such test. The test-report on this batch of doses had not been sent by the testing division (June 1973). The Institute did not send the remaining monovalent doses for neurovirulence test as preliminary test conducted at the Institute indicated that some of the batches of vaccine had lower virus content. According to the Institute (June 1973), this was attributable to the reduced sensitivity of the monkey kidney cultures used for virus titrations at the Institute. The Director of the Institute stated that the reasons for the reduced sensitivity of the monkey kidney cultures used by the Institute were under study and that attempts were being made to increase the sensitivity of the method of titration.

Although the Institute had a stock of 38.47 lakh approved monovalent doses in May 1973, only 6.32 lakh trivalent doses can be prepared as only that number of doses of monovalent type I was available. The Institute stated (June 1973) that type I was produced less as it is more difficult to produce than the other two types. Only 1.10 lakh trivalent doses out of 4.61 lakh doses already produced had been distributed for use (May 1973). The Director of the Institute stated in February 1973 that production of trivalent vaccines was dependent on prompt distribution and sale of polio vaccine. It was decided in June 1971 in a meeting presided over by the Director General of Health Services that trivalent vaccines would be distributed through the Medical Stores Depot, Madras. Distribution of the trivalent vaccine through that Depot was, however, started in August 1973. The Director of the Institute stated (January 1974) that there was delay in marketing the vaccine as the Depot had to

be equipped with deepfreeze, air conditioner etc. for storage of the vaccine. He also stated that some time was taken in fixing the price of the vaccine and arranging details of its distribution (the vaccine is to be stored at  $-20^{\circ}\text{C}$  and transported in dry ice). In the meantime, date of expiry (18 months from the date of the last satisfactory potency test) of 0.60 lakh doses was over in July 1972/August 1972. The Director of the Institute stated (January 1974) that these doses had been retitrated and period of their usability had been extended by the Drug Controller up to April 1975.

As the Institute could not meet the requirement of the country, polio vaccines had to be imported as shown below :—

Year	Number of doses (in lakhs)	Value (in lakhs of rupees)
1966	6.53	1.08
1967	23.00	2.69
1968	6.19	0.91
1969	18.29	1.90
1970	23.74	2.53
1971	62.33	7.57
1972	79.52	10.00

It will appear from the above that the number of doses available in the country (imported plus indigenously produced) has been less than the estimated annual requirement of 1.20 crore doses. The Director of the Institute stated (January 1974) that "it is a well known fact that as the epidemic declines the public lose their enthusiasm for immunizing the children and fail to give the 3 doses necessary to each child to ensure proper immunization. This may account for the lesser number of doses actually imported".

Imported vaccine costs about 15 paise while cost of production by the Institute is about 50 paise per dose.

33. *Sub-standard pesticides.*—In December 1971 the Directorate of National Malaria Eradication Programme placed an order on a public sector undertaking for supply of 4,500 tonnes (Cost : 81.58 lakhs) of BHC 50 per cent w.d.p. (conforming to Indian Standards Institution specifications) for use in the spray season 1972-73 in those areas in Madhya Pradesh, Maharashtra, Gujarat, Orissa, Uttar Pradesh, Rajasthan and



Punjab where mosquitoes had developed resistance to D.D.T. The purchase order stipulated that the undertaking would furnish certificate from Indian Standards Institution for the entire formulated material and rectify, at its expense, any defect found on testing the material by the Directorate in the field or in the factory. Further, the undertaking was to release the material only on receipt of confirmation from the Directorate and complete the supply by April 1972. No formal agreement was executed with the undertaking.

As the supplies were to be completed within a short period, the undertaking wanted that there should be no delay in inspection of the pesticide. The Directorate agreed (January 1972) to accept supply of the pesticide after field spray test by the Directorate or its representatives at different stations pending receipt of test results (on lot samples) from Indian Standards Institution. The undertaking agreed that its formulators would not despatch the pesticide without obtaining satisfactory reports about spray tests. On the basis of satisfactory field performance tests carried out by the Directorate, the entire quantity of the pesticide was despatched to seven States during February 1972 to June 1972. After May 1972, when the first round of spray of the pesticide had already started, the test reports received from Indian Standards Institution (between June 1972 and August 1972) showed that 1,355 tonnes of the pesticide worth Rs. 24.55 lakhs were of sub-standard quality as it did not comply with the specifications either about alkalinity contents or suspensibility or both.

According to the specifications of Indian Standards Institution, the alkalinity content of the pesticide should not exceed 1 per cent (the W.H.O. standard is 0.2 per cent) and its minimum suspensibility should be 50 per cent. The deficiencies of the sub-standard pesticide supplied were as under :—

	Tonnes
(i) Alkalinity 1.1 per cent to 1.4 per cent . . . . .	550
(ii) Suspensibility below 50 per cent but above 45 per cent . . . . .	530
(iii) Suspensibility below 45 per cent and partly deficient in alkalinity as well . . . . .	275
TOTAL . . . . .	1,355

On receipt of the first test report from Indian Standards Institution (on 6th June 1972) about sub-standard quality of the pesticide, the Directorate requested the undertaking on 14th June 1972 to instruct the units

to which the sub-standard pesticide was supplied to segregate it. The Directorate also requested the undertaking to reformulate and replace the sub-standard quantity. In July 1972 the Directorate sought the views of Indian Standards Institution about the impact of greater alkalinity of the pesticide on health programme and again asked the undertaking to replace immediately the quantity having less suspensibility.

At the instance of the undertaking the Indian Standards Institution consulted two experts on pesticides—one of the Central Forensic Science Laboratory and the other of the Directorate of Plant Protection, Quarantine and Storage of the Union Department of Agriculture. According to the former, slight excess of alkalinity would not adversely affect the ultimate use of the pesticide in the field. The other expert was also of the opinion that the slightly alkaline pesticide would not make any difference for use in the public health field. He, however, added that the Pesticides Sub-Committee of the Indian Standards Institution should examine all the standards of those pesticides which are used in the fields of both agriculture and public health in order to have separate specifications for certain requirements for these two purposes. On the basis of the opinion of these two experts, the Indian Standards Institution informed the Directorate of National Malaria Eradication Programme that slight increase in alkalinity upto 1.5 per cent would not materially affect adversely the use of the pesticide in the field. The question of raising the limit of alkalinity in the specifications of this pesticide was considered by the Pesticides Sub-Committee of the Indian Standards Institution in September 1972. That Sub-Committee held that it would not be correct to increase the alkalinity limit in the absence of data. The Indian Standards Institution is engaged on collecting the necessary data. Meanwhile, the Directorate asked (September 1972) the States to utilise the sub-standard pesticide already supplied as the spray operations were in full swing.

Suspensibility of 530 tonnes of the pesticide supplied was lower than 50 per cent but above 45 per cent as against the minimum of 50 per cent suspensibility. The undertaking, however, approached Indian Standards Institution for including the "Keeping quality" clause in the specifications according to which the material should retain its suspensibility at not less than 45 per cent at the end of six months from the date of manufacture. The Pesticides Sub-Committee considered this in September 1972 and formed a panel of experts to study the "Keeping quality" data on BHC w.d.p. and related matter before taking a final decision. Meanwhile, on the recommendation of that Sub-Committee the specification was amended,

under the powers vested in the Director General of the Indian Standards Institution, in September 1972 incorporating the "Keeping quality" clause in the specifications for six months or till the Sub-Committee took a final decision. The pesticide BHC having suspensibility below 45 per cent cannot be used in spray operations. The States which received this sub-standard pesticide (275 tonnes) could not segregate, from the other consignments, 275 tonnes (Rs. 4.98 lakhs) with suspensibility lower than 45 per cent, since markings of batch numbers on the packings were not decipherable.

Out of 4,500 tonnes of the pesticide supplied to seven States, 422 tonnes (Rs. 7.65 lakhs) remained unused in five States at the end of the 1972-73 operations. Information about unused quantity in the other two States had not been received by the Directorate (October 1973). According to the contractual stipulations, the undertaking was liable to rectify the defective pesticide at its own expense, but since the material had already been mostly used (except 422 tonnes) a penalty of Rs. 9,300 only was imposed for 275 tonnes having suspensibility lower than 45 per cent.

The Indian Standards Institution has not so far (December 1973) made any modifications to the specifications of BHC w.d.p.

The Ministry stated (January 1974) that 'the active ingredient of BHC effective against the vector is gamma isomer and the National Malaria Eradication Directorate was satisfied that the gamma isomer content was intact when it was supplied for spray'.

## MINISTRY OF INFORMATION AND BROADCASTING

### *(Directorate of Advertising and Visual Publicity)*

34. The Directorate functions as the central organisation of Government of India for advertising and visual publicity. It issues classified advertisements to newspapers, plans, produces and releases display advertisements to newspapers and periodicals, designs and produces printed publicity material and undertakes visual and outdoor publicity. It does these on behalf of all the Ministries (except the Railways) including their attached and subordinate offices and a number of autonomous bodies. For visual and outdoor publicity, the Directorate utilises various media such as posters, folders, calendars, display panels, cinema slides, neon-signs, hoardings,

models and charts, and also organises exhibitions. The Directorate has been called upon to give publicity to the Five Year Plans, national integration etc.

For performance of these functions, the Directorate has in Delhi an art studio and a workshop for fabricating prototypes of exhibits, three regional offices in Bombay, Calcutta and Madras for distribution of printed publicity material, seventeen general publicity field exhibition units, seven family planning field exhibition units and five mobile van units (located at different stations) and two rail field exhibition units (one broad-gauge coach and one metre-gauge coach).

The expenditure of the Directorate during the three years ending March 1973 is as under :—

	1970-71	1971-72	1972-73
	Rs.	Rs.	Rs.
Display and classified advertisements . . . . .	1,59,17,500	1,32,54,300	1,86,80,500
Radio Spots . . . . .			
Printed Publicity . . . . .	60,11,500	52,57,500	41,32,000
Outdoor Publicity other than exhibitions . . . . .	36,41,200	42,39,100	51,37,000
Exhibitions . . . . .	15,17,600	15,04,900	29,50,000
Establishment charges including travelling allowance and contingencies . . . . .	64,52,800	70,13,300	80,68,000
TOTAL . . . . .	3,35,40,600	3,29,34,100	4,15,01,100

### *Advertisements*

The Directorate registers newspapers and periodicals for release of classified and display advertisements. Newspapers and periodicals apply to the Directorate for registration giving necessary media particulars such as circulation as certified by chartered accountants, advertisement rates, ownership etc. The Directorate checks the figures of circulation with

the data published by the Registrar of Newspapers and the information supplied by the Audit Bureau of Circulation. According to the Directorate the following considerations are kept in view while selecting newspapers and periodicals for release of Central Government advertisements :—

- “(a) effective circulation (normally papers having paid circulation below 1,000 are not used);
- (b) regularity in publication (a period of six months uninterrupted publication is essential);
- (c) class of readership;
- (d) adherence to accepted standards of journalistic ethics;
- (e) other factors such as production standards, the languages and areas intended to be covered within the available funds;
- (f) advertisement rates which are considered suitable and acceptable for Government publicity requirements.”

Some Government advertisements are, however, being actually given to newspapers and periodicals with less than 1,000 circulation and less than 6 months publication. For instance, during 1972-73 Government advertisements were given to 56 newspapers and periodicals each with less than 1,000 circulation (advertisement payments Rs. 0.70 lakh). Four cases were noticed where periodicals with less than 6 months publication were given Government advertisements (Rs. 3,387).

Newspapers and periodicals are classified as follows :—

1. Small . . . . . with circulation not exceeding 15,000.
2. Medium . . . . . with circulation above 15,000 but not exceeding 50,000.
3. Big . . . . . above 50,000.

The expenditure on advertisements during the past six years was as follows :—

Sl. No.	Class of newspapers/periodicals	Expenditure (in lakhs of rupees)	Percentage of total expenditure
<b>1967-68</b>			
1.	Small . . . . .	17.55	23.70
2.	Medium . . . . .	16.43	22.18
	Total 1 & 2	33.98	45.88
3.	Big . . . . .	40.08	54.12
	Total 1, 2 & 3	74.06	100.00
<b>1968-69</b>			
1.	Small . . . . .	27.62	25.95
2.	Medium . . . . .	27.64	25.97
	Total 1 & 2	55.26	51.92
3.	Big . . . . .	51.17	48.08
	Total 1, 2 & 3	106.43	100.00
<b>1969-70</b>			
1.	Small . . . . .	29.57	24.83
2.	Medium . . . . .	29.43	24.71
	Total 1 & 2	59.00	49.54
3.	Big . . . . .	60.08	50.46
	Total 1, 2 & 3	119.08	100.00
<b>1970-71</b>			
1.	Small . . . . .	40.19	22.66
2.	Medium . . . . .	42.35	23.88
	Total 1 & 2	82.54	46.54
3.	Big . . . . .	94.81	53.46
	Total 1, 2 & 3	177.35	100.00
<b>1971-72</b>			
1.	Small . . . . .	32.22	17.09
2.	Medium . . . . .	49.01	26.01
	Total 1 & 2	81.23	43.10
3.	Big . . . . .	107.26	56.90
	Total 1, 2 & 3	188.49	100.00
<b>1972-73</b>			
1.	Small . . . . .	52.20	27.11
2.	Medium . . . . .	44.95	23.35
	Total 1 & 2	97.15	50.46
3.	Big . . . . .	95.38	49.54
	Total 1, 2 & 3	192.53	100.00

It would be seen from the above that while the expenditure on advertisements increased from Rs. 74.06 lakhs in 1967-68 to Rs. 192.53 lakhs in 1972-73, the share of small and medium newspapers/periodicals increased from 45.88 per cent in 1967-68 to 51.92 per cent in 1968-69. During the next three years, it continuously declined, being 43.10 per cent in 1971-72 and rose to 50.46 per cent in 1972-73.

Information about 70 big newspapers and periodicals which got advertisements in 1972-73 is given in Appendix V. Of the 70 big newspapers and periodicals, English papers were 23 in number, Hindi 14, Tamil and Malayalam 8 each, Marathi and Gujarati 5 each, and Bengali 3, while Telugu and Kannada were 2 each. There was no such big newspaper or periodical in Urdu, Punjabi, Sindhi, Assamese and Oriya.

Payments to newspapers and periodicals language-wise for Government advertisements in 1972-73 are shown below :—

Language of the newspaper/periodical	Number of papers which received advertisements	Circulation	Space used in single column centimetres	Expenditure (in lakhs of rupees)	Percentage of total charges
English . . . . .	355	45,76,000	11,55,000	85.96	44.65
Hindi . . . . .	561	33,39,000	13,18,000	40.01	20.78
Bengali . . . . .	90	9,33,000	2,05,000	12.87	6.68
Urdu . . . . .	205	6,45,000	6,27,000	9.96	5.18
Marathi . . . . .	117	12,44,000	3,36,000	8.48	4.40
Gujarati . . . . .	68	8,59,000	2,39,000	7.66	3.98
Malayalam . . . . .	43	15,86,000	1,56,000	6.59	3.42
Tamil . . . . .	57	17,37,000	1,64,000	5.80	3.01
Punjabi . . . . .	73	2,82,000	2,45,000	4.73	2.46
Kannada . . . . .	40	5,32,000	1,33,000	3.03	1.58
Telugu . . . . .	30	4,85,000	1,14,000	2.93	1.52
Oriya . . . . .	11	66,000	67,000	1.93	1.00
Assamese . . . . .	13	83,000	67,000	1.47	0.76
Sindhi . . . . .	15	67,000	54,000	1.11	0.58
Total . . . . .	1,678	1,64,34,000	48,80,000	1,92.53	100.00

Advertisement rates per single column centimetre are the highest (Rs. 7.70) for English daily newspapers followed by Hindi (Rs. 2.70), the lowest being Urdu (Rs. 1.95). The average milli-rate (rate per centimetre per 1,000 circulation) of advertisements in Hindi daily newspapers is twenty-seven per cent more than that of English newspapers.

It is not the practice of the Directorate to negotiate with newspapers and periodicals the advertisement rates but it makes use of only papers whose rates are found suitable and acceptable. The milli-rates of daily newspapers registered with the Directorate vary from 5 paise to 132 paise. Some newspapers and periodicals published in the same language and with more or less the same circulation were paid, for advertisements, at rates which varied as much as thrice nearly. Twenty-one instances of such variations ranging between one and half to three times were noticed (October 1973). Conversely, rates being the same, the circulation varied as much as thrice. Forty-one instances of such variations ranging between two to three times came to notice. There was also substantial variation, making allowance for relative circulations, in the amount of payments for advertisements obtained by newspapers and periodicals published from the same station and in the same language.

The Directorate obtains a commission of 15 per cent in advertisement rates for display advertisements and 25 per cent commission for Union Public Service Commission advertisements which are "display cum series" advertisements. The commission of 15 per cent on classified advertisements obtained by the Directorate in the past from some newspapers was discontinued from November 1966.

#### *Printed Publicity*

The Directorate has normally to get all its printing work done by government presses. When government presses are unable to undertake the work, private printers can be utilised for printing publicity material. During 1972-73, no printing work for the Directorate could be undertaken by government presses and all the work was entrusted to private printers. While the Chief Controller of Stationery and Printing is consulted for drawing up the panel of approved printers for the Directorate, it is not the practice to obtain from him certificate (which, as a rule, has to be obtained by others) of reasonableness of the rates at which contracts are awarded to private printers.

In the following cases, the publicity materials were brought out after the occasion for which they were intended :—

- (a) Tenders were invited on 12th September 1972 from printers, on the approved panel of offset printers with the Directorate, for bringing out 2 lakh copies of brochure "Mother and Child" for a vasectomy campaign organised in different States in September and October 1972 and also for the International



Trade Fair from 3rd November 1972 to 17th December 1972. The last date for receipt of tenders was 23rd September 1972 and the tenders were opened on 25th September 1972. The work was awarded to the lowest tenderer on 24th November 1972 for Rs. 1,42,800. The brochures were received from the printer on 27th February 1973 and subsequently sent to the Department of Family Planning and the Family Planning Offices of State Governments for distribution to the public. The total cost of the publicity was Rs. 1,48,000.

- (b) Three tender notices were issued on 18th November 1972 for production of 3 types of folders—2 lakhs each—for family planning fortnight to be observed from 10th December 1972 to 23rd December 1972 in the country. The last date for receipt of tenders was 22nd November 1972 and the work was awarded on 25th November 1972. The folders were received during 14th December 1972 to 28th December 1972 and were sent to the Regional Directors of Field Publicity and Family Planning Offices of the State Governments for distribution to the public. The total cost of the publicity was Rs. 18,000.

Prestige diaries are being printed by the Directorate on a no profit no loss basis to give publicity to Indian events and facts about India. For 1972 and 1973, 49,351 and 34,533 diaries (excluding 5,434 and 4,997 diaries to be distributed as complimentary copies) were printed at a cost of Rs. 2,70,000 and Rs. 1,82,000 respectively. The sales realisations were Rs. 1,93,000 and Rs. 1,71,000 respectively. Twenty-one thousand and five hundred diaries relating to 1972 and fourteen thousand diaries relating to 1973, which should have been received some time by the end of December 1971 and 1972 respectively, were actually received in the sales counters during January (50 per cent) and February (50 per cent) 1972 and January (80 per cent) to April of 1973. Fifteen thousand diaries pertaining to 1972 and nine thousand diaries pertaining to 1973 were left unsold (October 1973).

#### *Outdoor Publicity other than exhibitions*

The Directorate decided in September 1972 to produce thirty thousand metallic tablets relating to Nirodh for display in post offices. Two tablets in the local languages were to be installed in the head post offices and one in the sub-post offices, the total requirement on this basis being twenty

thousand tablets. The remaining ten thousand tablets were to be displayed in circle offices in backward areas. Quotations were invited in October 1972 for production of thirty thousand metallic tablets and the work was awarded in February 1973. The cost of producing the tablets at the tendered rates and packing, freight and other incidentals was estimated to be Rs. 2.35 lakhs. At the instance of the Department of Family Planning, the number of tablets to be produced was increased in February 1973 to forty thousand at an overall cost of Rs. 2.82 lakhs and the firm to which the work was awarded was asked to produce ten thousand more tablets. Twenty-two thousand tablets were ready with the firm in March 1973 and Rs. 0.81 lakh representing 90 per cent advance payment was paid in that month. However, the tablets remained with the firm pending finalisation of the distribution lists. Production of the remaining eighteen thousand tablets was completed in August 1973. In the absence of distribution lists from the Department of Family Planning, the entire stock of forty thousand tablets was lying (October 1973) with the firm.

Quotations were invited in December 1972 for printing twenty-five crores of match box labels for family planning publicity in twelve languages. As the publicity work was to be completed by the end of February 1973, the quotations were split into three groups. The work was awarded to the lowest tenderers (two printers) in January 1973. Sanction for expenditure of Rs. 6.72 lakhs to be spent during 1972-73 or 1973-74 was accorded in February 1973. It was, however, decided in May 1973 to postpone this publicity to 1974-75 in view of paucity of funds during 1973-74. As printing had been completed by then, the two match box manufacturers to whom the work of pasting and distribution had been awarded in January 1973 were informed in June 1973 to suspend their work. The match box labels in four southern languages were delivered by the printer to the match box manufacturer during the period April 1973 to December 1973. The labels from the printers in eight other languages were received in the Directorate's regional distribution centre in Madras in July 1973 and despatched to the other match box manufacturer between August 1973 and November 1973. Rupees 103 lakhs have been paid to the printers.

### *Exhibitions*

The Directorate, in addition to organising exhibitions independently, participates in big fairs and exhibitions. The basic themes of the exhibitions are "Development of India" and "Family Planning".

Details of exhibitions during the past three years are as follows :—

	Field Exhibition Units			Mobile Van Units			Railway Coaches			Family Planning Units		
	1970-71	1971-72	1972-73	1970-71	1971-72	1972-73	1970-71	1971-72	1972-73	1970-71	1971-72	1972-73
Number of exhibitions	175	196	160	367	416	330	119	112	85	69	69	73
Number of districts in which held	116	115	126	49	52	52	8(States)	9 (8 States & 1 Union Territory)	6 (States)	57	51	63
Number of areas covered												
(a) Urban .	157	172	155	108	125	67	65	56	33	63	64	71
(b) Rural .	18	24	5	259	291	263	54	56	52	6	5	2
Expenditure (in rupees)	9,23,000	8,47,000	24,78,000	56,000	35,000	72,000	7,000	9,000	20,000	3,93,000	4,04,000	3,44,000

The mobile van units move out to urban and rural areas from their headquarters at Ahmedabad, Ambala, Calcutta, Jaipur and Madras to organise the exhibitions and return to headquarters periodically for organising further programmes of exhibitions, settling accounts etc. One hundred and fifty days per year are allotted to each mobile van unit for work at headquarters. The number of exhibitions scheduled to be held per year by these units during the three years ending March 1973 was 750. Since, however, the number of exhibitions actually held was much less, the time actually spent by the units at headquarters in the three years increased to 234, 203 and 237 days respectively.

The expenditure on the railway coaches incurred by the Directorate does not include hire charges, haulage and service charges for the railway coaches, which are not charged to the Directorate. The railway coaches were to hold one hundred and eighty exhibitions per year and in view of the smaller number of exhibitions actually held during the three years ending March 1973, the time at headquarters increased from the allotted one hundred and fifty days per year to 195, 249 and 254 days respectively.

As in October 1973, unserviceable and obsolete exhibits and exhibition equipment of book value Rs. 12.85 lakhs were lying undisposed of in thirty-one exhibition units. Physical verification of stores of book value of Rs. 23.80 lakhs in nineteen units had not been conducted since 1965.

MINISTRY OF LABOUR AND REHABILITATION  
(Department of Rehabilitation)

35. *Bangladesh refugees*.—Influx of refugees from erstwhile East Bengal started in the last week of March 1971 in the wake of repressive measures of Pakistan Government. In all 98.99 lakh refugees entered India in about 8 months, i.e., on an average about 12 lakhs per month. The rate of influx reached the peak in May 1971 when it was more than one lakh per day. Of these refugees 72.36 lakhs (73.1 per cent) were accommodated in West Bengal, 13.82 lakhs (14 per cent) in Tripura, 6.68 lakhs (6.7 per cent) in Meghalaya, 3.47 lakhs (3.5 per cent) in Assam and the rest in Madhya Pradesh (2.19 lakhs), Bihar (0.37 lakh) and Uttar Pradesh (0.10 lakh). Some refugees were transferred from one State to another at a later stage.

Seventeen camps run by the Central Government (West Bengal 6, Tripura 3, Assam 3, Bihar 1, Madhya Pradesh 3 and Uttar Pradesh 1) and 808 camps run by State Governments (West Bengal 486, Tripura 273, Meghalaya 17, Assam 25 and Bihar 7) were set up to accommodate the refugees. Of the 98.99 lakh refugees 31.02 lakhs stayed outside the camps with relatives and friends and were not given assistance. The remaining 67.97 lakhs who were given assistance remained in Central and State camps as shown below :—

	Total influx	Central State		Total in camps	Percen- tage (living in camps)	Average number in each camp	
		(in lakhs)				Central	State
						(in lakhs)	
West Bengal	72.36	2.11	46.39	48.50	67	0.35	0.09
Tripura	13.82	0.73	7.61	8.34	60	0.24	0.03
Meghalaya	6.68	—	5.91	5.91	88	—	0.35
Assam	3.47	0.27	2.29	2.56	74	0.09	0.09
Bihar	0.37	0.28	0.09	0.37	100	0.28	0.01
Madhya Pradesh	2.19	2.19	—	2.19	100	0.73	—
Uttar Pradesh	0.10	0.10	—	0.10	100	0.10	—
Total	98.99	5.68	62.29	67.97	69		

Note.—Numbers of refugees, camps, population in Central and State camps etc. have been taken from statistics published by Central Government. Some refugees were transferred from one State to another and State to Central camps within a State. The number of refugees in a State or in its camps at a point of time may, therefore, vary from the figures given above.

Commandants of Central camps were mostly Army officers of the rank of Lt. Colonels/Majors. The commandants of State camps in West Bengal were officers of the West Bengal Civil (including Junior) Service or Army officers of the rank of Captain or above. The camp commandants (for State camps) in Tripura were in the grade of Rs. 275—650, in Assam in the grades of Rs. 225—600, Rs. 300—800 and Rs. 550—1100 and in Meghalaya in the grades of Rs. 225—600 and Rs. 1000—1300. In running the camps each commandant of Central camps was assisted by 8 to 39 class III staff and 5 to 20 class IV staff. Each State camp had 6 to 7 class III staff and one or two class IV staff. In addition, there were medical and welfare personnel to look after the refugees. In certain State camps volunteers (one each for 500 refugees in camps) were also appointed on daily wage basis for distribution of doles in cash and kind.

With the change at Dacca on 16th December 1971, the refugees started returning to Bangladesh. Repatriation was completed in March 1972.

The entire expenditure on relief of refugees was borne by Central Government. Foreign aid was also received, as detailed below, in cash and kind :—

	Cash (rupees in crores)	Kind
United Nations . . . . .	39.01	37.36
Foreign Governments and voluntary agencies . . . . .	3.09	48.40
Total . . . . .	42.10	85.76*

According to the United Nations agencies, total aid in kind consigned through United Nations system was Rs. 38.94 crores, of which materials worth Rs. 37.36 crores only were received by Government of India,

\*According to Government this amount is Rs. 85.52 crores. The discrepancy is mainly in respect of value of medicines (Rs. 20 lakhs) supplied by World Health Organisation and certain food articles received from foreign donors. The details of Rs. 85.76 crores were intimated to Government in September 1973. The discrepancy is yet to be reconciled (February 1974).

As complete records from donors were not available in some cases, valuation of the articles had to be done on the basis of value of similar articles received, for which details were available. There was also no uniformity in recording the units of articles (bales, crates, rolls, packages etc.) and, as such, accurate determination of their value was not possible; valuation was done on the basis of averages derived from similar units.

as mentioned above. The balance represents cost of shelter materials (Rs. 1.30 crores), food articles (Rs. 0.20 crore), medical supplies (Rs. 0.07 crore) and aluminium utensils (Rs. 0.01 crore) which were not received by Government of India. Similarly, out of aid in kind worth Rs. 49.02 crores consigned by other foreign Governments and voluntary agencies, materials worth Rs. 48.40 crores were received by Government of India, as mentioned above; the balance represents value of food articles (Rs. 0.59 crore) and blankets (Rs. 0.03 crore) not received by Government of India.

Sale proceeds of rape-seed, soyabean oil, sunflower oil, cotton and kerosene oil worth Rs. 17.57 crores were to be utilised for relief of the refugees. Other articles received were sugar, milk powder, vegetable oil, shelter materials, blankets, biscuits, vehicles, utensils etc.

The Government of India set up a Branch Secretariat of the Ministry of Rehabilitation in Calcutta in April 1971, headed by an Additional Secretary, for planning and co-ordinating relief work. Total expenditure (excluding value of aid materials) incurred directly by the Central Government up to March 1973 was Rs. 37.35\* crores including the value of indigenous purchases for use in Central camps and also supply to the State Governments for the refugees in State camps.

#### *Assistance to Bangladesh—*

Government of India also paid Rs. 18.58 crores to Bangladesh between January 1972 and March 1972. Besides, assistance of Rs. 20.38 crores was also given to Bangladesh in kind.

#### *Assistance to States—*

Apart from these Government of India also paid Rs. 152.07 crores as grants upto March 1973 to the States for expenditure on relief of refugees as detailed below :—

	Rupees (crores)
West Bengal . . . . .	110.57
Tripura . . . . .	20.22
Meghalaya . . . . .	14.00
Assam . . . . .	7.14
Bihar . . . . .	0.14

\*Value of foreign aid in kind was taken as receipt of Government and the same amount was shown as expenditure in accounts. The amount of Rs. 37.35 crores does not include value of such aid material.

Out of Rs. 152.07 crores, Rs. 151.76 crores were paid in 1971-72 and the balance of Rs. 0.31 crore was paid in 1972-73 to Tripura (Rs. 0.10 crore) and Assam (Rs. 0.21 crore) which claimed to have spent more in 1971-72 than what they had received in that year. Rupees 40 crores were paid to West Bengal (36 per cent of the total grant paid to that State) in March 1972. Out of the total grant of Rs. 110.57 crores paid to West Bengal in 1971-72, only Rs. 83.07 crores appears to have been spent by it up to March 1973 (of these, detailed accounts for Rs. 6.32 crores were under scrutiny of the Relief and Rehabilitation Directorate of the State in October 1973). Thus, payment made to West Bengal in March 1972 was more than it actually needed. Had this amount not been paid, the excess to the extent of Rs. 27.50 crores (total excess Rs. 31.29 crores) in Grant No. 66 in 1971-72 would have been avoided. The unspent balance of Rs. 27.50 crores has not yet been refunded by West Bengal Government (October 1973).

These sums were drawn by the State Governments in lump sum in abstract bills (without details of expenditure) as detailed below :—

	Total cash drawals in 1971-72	Drawals in abstract bills in 1971-72	Percentage	Detailed bills received upto June 1973 for	Balance
	(rupees in crores)			(rupees in crores)	
Tripura . . . . .	12.95	8.37	64	6.56*	1.81
Meghalaya . . . . .	14.00	13.34	95	1.71	11.63
Assam . . . . .	7.40	4.09	55	1.37	2.72

It would be seen from the above that in Tripura, Meghalaya and Assam detailed bills with sub-vouchers in support of expenditure have not been furnished for large sums even after more than one year of repatriation of the refugees and closure of camps. Till the detailed bills are received it is not practicable for audit to comment on the actual use of the money drawn from the treasury.

West Bengal was not able to submit detailed bills in support of individual abstract bills. Instead, it furnished accounts against district-wise

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\*Government of Tripura stated that by January 1974, detailed bills for Rs. 8.21 crores had been sent.



drawals. Against total expenditure of Rs. 83·07 crores, such district-wise accounts were rendered for Rs. 76·10 crores (October 1973). These accounts are not accompanied by vouchers/sub-vouchers below Rs. 100 and also the muster rolls for distribution of food rations and cash doles. Thus, the traditional requirement of Audit, based no doubt on considerations of full accounting, have not been met.

A test audit was undertaken of how the moneys were spent and the commodities utilised for relief of the refugees. Some of the more important results—preliminary to an extent—of the test audit are given in the following paragraphs. Reception, care and repatriation of the millions of refugees was an operation which, in magnitude and complexity, was unparalleled. The officers who handled that had to work under severe strain.

#### *A. Food and other articles of rations*

##### *(i) Quantum of ration/cash doles*

Each adult staying in camps was given food ration and cash doles (for purchase of vegetables, salt, spices, fuel, hair oil, washing soap etc.) the two together not exceeding Rs. 1·10 per adult per day in Tripura, Assam and Meghalaya, and one rupee in West Bengal, Bihar, Uttar Pradesh and Madhya Pradesh; the limit for children between one year and eight years of age was 60 paise per day per head. Children below one year of age were to be given milk and baby food and 20 paise per head in cash.

##### *(ii) Role of Food Corporation of India and State Trading Corporation*

Food Corporation of India was mainly responsible for receipt of food articles and their sale or supply to Central camps and State Governments. Up to the end of June 1973, Food Corporation of India had received commodities (rice, wheat, rape-seed, wheat soya blend, corn soya milk, sugar, milk powder, peas and pulses, vegetable oil etc.) worth Rs. 47·11 crores, of which rice was worth Rs. 36·07 crores. Till May 1973, Food Corporation of India had paid the Government of India Rs. 25 crores. Of the balance Rs. 22·11 crores, food articles worth Rs. 12·49 crores (including rice worth Rs. 7·73 crores) are stated to have been distributed by Food Corporation of India free of cost, but the issues are

not supported by acknowledgements from consignees or despatch notes which were to be issued according to instructions issued by the Ministry of Finance in November 1971. Food Corporation of India has also neither rendered accounts for the balance food articles worth Rs. 9.62 crores nor paid the amount to Government of India. Besides, the difference between the cost of articles sold and the sale price is yet to be assessed and paid to Government of India by Food Corporation of India.

State Trading Corporation was responsible for handling and sale of soya-bean oil, sunflower oil and rape-seed, sale proceeds of which were reported by the Corporation as Rs. 17.56 crores in February 1973. Subsequently, in July 1973 the sale proceeds were reported as Rs. 16.92 crores. Government of India stated (February 1974) that Rs. 16.05 crores had been received from State Trading Corporation.

State Trading Corporation also stated (February 1973) that it had handed over 8,004 tonnes of rape-seed worth about Rs. 0.96 crore to Food Corporation of India. The sale proceeds of the rape-seed have not been paid to Government of India either by State Trading Corporation or by Food Corporation of India (October 1973).

(iii) *Local purchases.*

(a) *West Bengal.*

In Bongaon sub-division contractors used to supply coal directly to the refugees. Muster rolls showing quantity supplied to each refugee and value thereof were prepared by camp commandants. Rupees 1.09 lakhs were paid in excess to the contractors who supplied coal to the refugees in Sabujpur and Chauberia camps as payment was made for more quantity (0.32 lakh quintals) than actually supplied (0.24 lakh quintals), and Rs. 0.14 lakh was paid twice for the same supply to the contractor who supplied coal to the refugees in Thakurnagar camp.

Foodgrains and vegetables worth Rs. 32.76 lakhs were not included in the stock account in Ranaghat. No records of their distribution were available. Wheat worth Rs. 2.55 lakhs shown to have been despatched up to January 1972 to two camps in Hanskhali by the District Relief Officer, Nadia, had not been received by these camps. No enquiry had been made in these cases (October 1973).

(b) *Meghalaya*

Mustard oil (8,836 litres) worth Rs. 0.47 lakh purchased between May 1971 and January 1972 was not received in various camps in Garo Hills. Mustard oil and rice worth Rs. 1.15 lakhs purchased during the same period were not taken in the stock account of various camps in the same district.

(c) *Tripura.*

Between April 1971 and June 1971, Sub-divisional Officer, Udairpur purchased food articles worth Rs. 9 lakhs (including transporting cost) from about half a dozen suppliers who had never been in the business of food articles earlier, after inviting quotations locally. Stock account showing receipt of the supplies and their distribution was not available. The matter is under investigation of Government (October 1973).

(d) *Assam.*

Between 13th September and 11th October 1971 the Food Corporation of India supplied 459.80 quintals of rice (Rs. 0.51 lakh) and 450 quintals of wheat (Rs. 0.38 lakh) to Sherfanguri camp. Neither were these included in the stock account nor was there any record of distribution of this rice and wheat.

Of foodstuffs worth Rs. 6.10 lakhs (4,148 quintals rice, 1,323 quintals wheat, 275 quintals pulses and 3,500 litres rape-seed oil) supplied to Mancachar and Borkona camps in September 1971 and October 1971 by the Food Corporation of India, stock accounts of receipt and distribution of 2,969 quintals rice and 87 quintals of pulses were only available. What happened to the balance 1,179 quintals rice, 188 quintals of pulses and the other food articles worth Rs. 3.10 lakhs was not known.

(iv) *Distribution of rations/cash doles.*

Some of the more important points noticed in distribution of rations/cash doles are mentioned below:—

(a) *Central camps.*

Muster rolls for Rs. 1.85 crores for distribution of foodstuff and other essential commodities to refugees in the Central camps were not available.

In Gamarbani camp Rs. 1.48 lakhs were paid between August 1971 and October 1971 to different suppliers for supply of vegetables etc. to refugees in lieu of cash doles. The camp did not maintain any stock account or muster rolls showing distribution of the articles to the refugees.

(b) *West Bengal.*

Rations/cash doles worth Rs. 3.49 lakhs were shown as distributed between April 1971 and December 1971 to persons whose names did not appear in the records of the camps in West Dinajpur (Rs. 1.28 lakhs) and Ranaghat (Rs. 2.21 lakhs).

(c) *Tripura.*

Rupees 1.09 lakhs were shown as disbursed as cash doles in Haflong camp (Rs. 0.78 lakh) on 16th January 1972, Madhupur (Rs. 0.20 lakh) on 27th December 1971 and Kamalpur (Rs. 0.11 lakh) between 9th to 13th January 1972. Government of Tripura has been investigating (January 1974) whether the refugees, to whom the amounts were shown as disbursed, were actually in the camps on the dates of disbursement of the cash doles.

(d) *Meghalaya.*

Mustard oil and pulses worth Rs. 5.12 lakhs were shown as issued between September 1971 and January 1972 to refugees in Sibbari camp in Garo Hills in excess of the quantity admissible according to the prescribed scales.

Movement Officer of Meghalaya in Gauhati had despatched 3,188 bags of milk powder worth about Rs. 3.19 lakhs in June 1971 to the Deputy Commissioner, Tura. No records showing receipt and distribution of the milk powder were available.

(v) *Losses, thefts etc.*

*West Bengal.*

In the Salt Lake camp food articles worth Rs. 4.78 lakhs were reported to have been stolen between December 1971 and March 1972.

## B. Shelter.

According to instructions issued by Government of India, shelters of temporary nature with local and inexpensive materials were to be constructed for the refugees as they were not to remain in India for long. These shelters were to provide maximum of 25 sq. ft. of accommodation per head at a ceiling cost of Rs. 5 per sq. ft.

## (a) Construction of shelters.

(i) Although shelters of improvised nature and austerity standard were to be constructed with local and inexpensive materials, several instances came to notice in test check in which costly materials like sal wood were used instead of cheaper wood, and corrugated iron sheets, tiles etc., instead of thatch or available tarpaulins, plastic sheeting etc., were used for roofing as detailed below :—

1	Extra cost (Rs. in lakhs)	Remarks
1	2	3
Central camps . . . . .	17.15	Sal wood instead of local wood was used. per
	38.29	Roofs were made of tiles or thatch instead of using tarpaulins, tarfelts and plastic sheetings which were available.
West Bengal Jalpaiguri . . . . .	2.46	Sal wood instead of cheaper local wood was used.
	28.62	Polythene sheets available were not used. Instead tarpaulins and asbestos sheets were purchased and used.
	1.07	Partition walls were made of wood instead of 'tarja' (made of bamboo) which was used for outer walls.

1	2	3
	2.64	Sal wood instead of local wood was used and roof was made of asbestos sheets instead of thatch.
Purulia . . . . .	6.42	Sal wood instead of local wood was used and roof was made of tiles instead of thatch or available tarpaulins.
Krishnanagar . . . . .	27.85	Sal wood was used for structure and tiles for roof instead of local wood and thatch.
Howrah . . . . .	1.87	Hardboards were purchased for walling instead of using locally available bamboo mattings.

(ii) *Central camps.*

For expeditious completion of works in Central camps by bringing materials from other places, the contractors were allowed 20 per cent above the schedule of rates. Although the contractors failed to complete the works within the stipulated periods, they were paid Rs. 12.04 lakhs on account of the higher rates. As mentioned earlier, according to the instructions issued by Government of India, the shelters were to be constructed with local and inexpensive materials.

Besides, in certain Central camps although ordinary wood was actually used payment was made for better quality wood (mentioned in the agreement) at higher rates, the extra cost being Rs. 5.97 lakhs. Government intimated (February 1974) that the case was being referred to the Vigilance Commission.

(iii) *Meghalaya.*

Construction of shelters for 30,000 refugees was started between 29th October 1971 and 9th November 1971 and completed in November-December 1971 in Mowasora camp in Khasi Hills at a cost of Rs. 22.04 lakhs (including cost of pit latrines). Only 2,178 refugees stayed in that camp for whom, strictly speaking shelters worth over about Rs. 1.66 lakhs

should have been necessary. On this calculation shelters (including pit latrines) constructed at a cost of Rs. 20.38 lakhs became surplus to requirement.

Certain shelters etc., were constructed in Garo Hills at a cost of Rs. 0.67 lakh. Of Rs. 0.67 lakh spent in Garo Hills work for Rs. 0.32 lakh was started between January 1972 and April 1972 after Central Government had issued orders on 8th December 1971 to suspend all works.

(iv) *Tripura.*

Orders for construction of 5,000 huts (each 60 feet long and 12 feet wide) with kitchens in North Tripura district at a cost of about Rs. 83 lakhs were issued in September 1971 and October 1971, for shifting there the refugees from South Tripura district. The records of construction of these huts were not available for audit as these had been seized for investigation by the Vigilance department of the State and the Central Bureau of Investigation.

(v) *West Bengal.*

Rupees 25.88 lakhs were spent more by Public Health Engineering divisions between June 1971 and November 1971 on construction of 4 seated and 8 seated dugwell latrines in the camps in Nadia and Behrampur instead of 10 seated trench latrines approved by Chief Engineer, Public Health Engineering department of the State.

(b) *Tents, tarpaulins, plastic sheetings etc.*

(i) Out of tents and tarpaulins worth Rs. 7.06 crores purchased by Government of India between May 1971 and October 1971 for Central and State camps, those worth Rs. 6.64 lakhs did not reach the consignees. Out of tents and tarpaulins worth Rs. 3.08 crores sent to Central camps only those worth Rs. 0.98 crore (32 per cent) were used for shelters for refugees. Tents and tarpaulins worth Rs. 30.00 lakhs became unserviceable (February 1972) in the Central camps as they remained in the open due to non-availability of storage space. The remaining tents and tarpaulins in the Central camps were eventually given to Border Security Force, Defence department and Bangladesh Government.

Tents were hired in July 1971 for accommodating refugees at Irdatganj pending construction of shelters. Even after completion of the

shelters in October 1971, the tents were retained for 6 months more for which Rs. 1.12 lakhs were paid as hire charges.

(ii) Relief and Rehabilitation Directorate of West Bengal purchased tents worth Rs. 68 lakhs in May/June 1971. Complete records for this purchase were not available for audit as these were stated to be with the Central Bureau of Investigation because of allegation that tents supplied were of very poor quality. The matter was stated to be *sub judice* (October 1973).

(iii) Deputy Commissioner, Shillong, purchased 424 tarpaulins worth Rs. 1.26 lakhs in March 1972 after the refugees had been repatriated.

Further, 1,685 tarpaulins ordered by him in May 1971 at a cost of Rs. 4.92 lakhs had been lying at Gauhati in the godown of a private firm. The firm sent 1,673 of these tarpaulins to the Deputy Commissioner in March 1972. Meghalaya Government decided in July 1972 to dispose of these tarpaulins; these are yet to be disposed of (May 1973).

Out of 876 tarpaulins stated to have been sent in April 1971 and May 1971 by Deputy Commissioner, Shillong, to Munei Panchoring Relief camp, 298 tarpaulins costing Rs. 0.71 lakh had not been accounted for by the camp.

(c) *Dismantled materials.*

Shelters were constructed by the Irrigation and Waterways department of West Bengal at Salt Lake camp at a cost of Rs. 1.85 crores (excluding cost of 6 bundles and 378 rolls of plastic roofing sheets). The cost of construction was between Rs. 6.70 and Rs. 8.50 per square foot as against the ceiling of Rs. 5 per square foot prescribed by Government of India. Dismantled materials (e.g. tarpaulins, tents, plastic roofing sheets, asbestos sheets, iron pipes, galvanised corrugated iron sheets etc.) from those structures were disposed of in February 1972 and April 1972 for Rs. 1.90 lakhs only. This as well as certain matters relating to construction of the shelters are under investigation of the Central Bureau of Investigation.

Dismantled materials of 100 structures in certain camps at Jalpaiguri constructed at a cost of Rs. 20.57 lakhs and those of 78 more structures in camps at other places, cost of construction of which could not be ascertained, were kept in a godown. Of these, dismantled materials of about 100 structures were reported to have been stolen in October 1972.



In the same district dismantled materials of 20 more structures at Berubari constructed at a cost of about Rs. 2 lakhs were reported stolen in September 1972. The cases were under police investigation (October 1973).

*C. Blankets, clothings etc.*

The refugees were to be supplied with clothing (Rs. 14 per adult), woollens (Rs. 7 per child) and blankets (one piece per adult and maximum of three per family).

(i) *Blankets.*

*West Bengal.*

Blankets worth Rs. 1.34 crores were given by Government of India to a voluntary organisation in West Bengal during November 1971—January 1973 but were shown in accounts as having been given to West Bengal Government. West Bengal Government, however, stated that it had no knowledge about these blankets. No records showing actual distribution of these blankets by the voluntary organisation were available.

Muster rolls or any other records in support of issue of 1,00,694 blankets (approximate value Rs. 19 lakhs) in West Dinajpur were not available. Government of West Bengal stated (January 1974) that muster rolls for 63,007 blankets had been traced.

(ii) *Clothings.*

The following scales were laid down for supply of clothings to the refugees :—

Above 12 years	Up to 12 years
Men—One dhuti/lungi and one kurta	Boys—One shirt and one pair of shorts.
Women—One sari and one blouse	Girls—One frock and one under-garment.

Out of 4,160 bales of clothings purchased in Tripura, 89 bales (Rs. 1.99 lakhs) were reported (May 1972) missing from a camp at Haflong.

#### D. Aluminium Utensils

Utensils were also supplied to the refugees in deserving cases.

Out of 3,232 and 2,344 bundles of aluminium utensils sent by the Movement Officer of Meghalaya in Gauhati in January 1972 to the Deputy Commissioners, Khasi and Jaintia Hills and Garo Hills, 3,226 and 1,329 bundles respectively were accounted for by them. The remaining 1,021 bundles worth Rs. 2.20 lakhs were not accounted for (February 1973).

#### E. Tubewells.

Rupees 31 lakhs were spent by Central Government on sinking tubewells at places where ultimately no camps were set up.

Eight hundred and eight tubewells (Rs. 5.36 lakhs) were sunk in different camps in Tripura. Forty-two tubewells were dismantled and taken to stock and 158 were transferred to other departments after the camps were closed. The remaining 608 tubewells (Rs. 3.91 lakhs) were reported in June 1972 and September 1972 as stolen/missing.

#### F. Repatriation.

At the time of repatriation the refugees were to be given the following assistance :—

- (a) Those who did not avail of Government transport from the border to their homes, journey allowance at the following scales :
- |  |                  |
|--|------------------|
| (i) Up to distance of 10 miles from border . . . . .             | Rs. 2 per adult. |
| (ii) Distance between 10 miles to 30 miles from border . . . . . | Rs. 5 per adult. |
| (iii) For a longer distance . . . . .                            | Rs. 10 per adult |

For minors in the age group of 3 to 12 assistance at half the above rates was admissible.

- (b) For camp evacuees rations for 14 days or cash in lieu of such number of days for which rations were not supplied.

Although the population in the Salt Lake camp (each adult taken as one and two minors taken as one) was 3,32,117 (units) on 27th December 1971 when repatriation of the evacuees started, repatriation dole @ Rs. 14.00 per unit was shown to have been disbursed for 4,04,122

(units). According to the camp authorities (September 1972), repatriation dole of Rs. 10.08 lakhs was drawn for 72,005 (units) in excess on false ration cards issued under forged signature and stamp of the issuing authority by an organised gang.

*G Amounts recoverable from voluntary organisations.*

In West Bengal services of voluntary organisations were also utilised for feeding the refugees. Rupees 5.85 crores were paid to these organisations in cash. Besides, food articles worth Rs. 7.18 crores were also given to them. Of the accounts rendered by these organisations, those for Rs. 2.63 crores were not acceptable to West Bengal Government (October 1973).

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

36. A statement showing losses and irrecoverable revenue, duties, advances, etc. written off/waived and also ex-gratia payments made during 1972-73 is given in Appendix VI to this Report.

## CHAPTER IV

### WORKS EXPENDITURE

#### MINISTRY OF IRRIGATION AND POWER

##### (Farakka Barrage Project)

37. *Procurement and utilisation of construction machinery and equipment in Farakka Barrage Project.*—In the revised 1968 project estimate (Rs. 156·30 crores) Rs. 16·75 crores were provided for special tools and plants (machinery and equipment Rs. 9·55 crores; spares Rs. 6·70 crores and workshop tools and plants Rs. 0·50 crores). The provision was for machinery and equipment for handling of materials, earth-work, dewatering, concreting, construction of structures below subsoil water level etc. Much of the equipment, both imported and indigenous, was actually acquired during the middle of 1963 to the middle of 1969. Expenditure booked up to August 1973 on special tools and plants was Rs. 14·16 crores.

Requirements of equipment as worked out by the project were to be scrutinised and approved by the Equipment Planning and Programme Scheduling Committee appointed by the Control Board for the purpose, and procurement was to be undertaken after clearance by that Committee. From time to time the Committee asked for justifications for equipment requirements supported by sufficiently detailed data. But such details were not furnished by the project and the Committee gave clearances on *ad hoc* basis. By the end of 1967 the Committee had cleared various equipment (excluding spares) worth Rs. 8 crores. In February 1964, the Central Water and Power Commission too had admitted that information necessary for determining the number of various types of equipment for different purposes was not clearly indicated by the project and the Commission had to make certain assumptions in computing the requirements.

A test check of utilisation of the equipment was conducted. The results are summarised below :—

##### A. *Earthmoving equipment.*

During March 1964 to July 1966 the project acquired 152 heavy earthmoving equipment and land cranes (like draglines, shovels, excavators, dumpers, dozers, tractors, etc.), at a total cost of Rs. 4·21 crores

(inclusive of foreign exchange component of Rs. 1.62 crores). It was presumed in the revised estimate (1968) that each earthmoving equipment would work annually for 2,000 hours on the basis of two shifts daily for 150 days. (The life of equipment like dumpers, dozers, tractors, etc., was reckoned as between 10,000—12,000 hours). But till June 1973 the extent of utilisation of heavy earthmoving equipment ranged between 1 to 52 *per cent* only in terms of available working hours, as detailed below :—

Percentage of utilisation	Equipment	Value (Rupees in lakhs)
1	One dozer and two dumpers	1.48
4	10 rear dumpers,	32.00
12—13	10 rear dumpers, 10 mobile cranes and one dragline	44.63
16	5 motor graders	7.00
21	16 crawler tractors	24.70
29—30	10 draglines and 3 land cranes	35.96
32	10 crawler tractors and 10 rear dumpers	45.79
37—40	5 draglines and 3 excavators	45.69
46	26 crawler tractors	60.03
48	20 motorised scrappers	74.13
50—52	6 bottom dumpers and 4 draglines	49.85
	152	421.26

Moreover, eight such items of equipment (one dozer, one dumper and 6 sheep footrollers : Rs. 1.22 lakhs) procured during January 1965 to January 1966 have not been put into operation at all.

Government stated in July 1973 that requirements of equipment were planned according to the general programme of work approved by the Technical Advisory Committee keeping in view the needs at peak stage

of the project work, and that subsequent change in the process of construction of coffer dam resulted in under-utilisation of equipment. (Owing to favourable river conditions in 1967-68 and 1968-69 it was possible to take up construction of the Farakka barrage by ordinary earthen coffer dam instead of cellular coffer dam originally planned.) Besides, stand-by machines/equipment were necessary adjuncts in such constructions. Further, the available equipment could not be utilised to optimum levels due to non-availability of spares in time, interruptions in power supplies, labour agitation, adverse law and order situation etc.

#### B. *Floating crafts*

A fleet of 38 self-propelled marine crafts of different types was acquired during June 1963 and September 1967 at total cost of Rs. 1.38 crores (inclusive of foreign exchange component of Rs. 3.1 lakhs). The Ministry of Irrigation and Power had laid down in September 1968 that on the basis of two shifts daily the crafts should work for 2,500 hours per year. In actual practice utilisation of the fleet ranged from 3 to 32 *per cent* and was only 15 *per cent*, in the aggregate of that prescribed above up to the peak stage (September 1969) as also thereafter up to December 1972.

The project marine engineer stated in January 1970 that since the cellular coffer dam was not required to be constructed the crafts could not be employed to optimum extent and that there was no prospect of such utilisation.

#### C. *Cutter suction dredgers.*

For construction of coffer dam (first stage), on the recommendation of foreign consultants the project imported in early 1969 two cutter suction dredgers with accessories and spares at a cost of Rs. 65.82 lakhs. Certain component parts required for their operation were also procured indigenously at a cost of Rs. 7.70 lakhs. Assembly and trial of the dredgers were completed towards the end of May 1969. However, the coffer dam for which the dredgers were imported had already been completed in January 1969.

From May 1969 to December 1969/January 1970 the dredgers were deployed on some ancillary works for 300 hours each and then both remained out of commission for 1½ years till April/May 1971 due to mechanical breakdown. After repairs the two dredgers worked for

however, materialise excepting partially in respect of one dredger since January 1973. In addition to two floating cranes mentioned above another such crane has also since been declared surplus.

## MINISTRY OF WORKS AND HOUSING

### *(Directorate of Estates)*

38. *Government buildings in Delhi.*—The Director of Estates in New Delhi, with his regional offices in Bombay, Calcutta, Simla, Nagpur and Faridabad, is responsible for allotment of office and residential accommodation, management of Government hostels and shops in Government markets, assessment and collection of licence fee (rent) of residential accommodation and shops in Government markets, assessment and collection of rents for air-conditioning units, refrigerators and desert coolers and eviction of unauthorised occupants from public premises under his control. Total rent assessed was about Rs. 35 lakhs in 1942-43, Rs. 64 lakhs in 1947-48 and in 1971-72 it was Rs. 362 lakhs.

The principal function of the Directorate of Estates is management and administration of general pool accommodation, most of which is in Delhi. The total number of units/residences in the general pool on 31st December 1972 was 49,318. Of this, 41,337 were in Delhi. The capital cost of the residences in the general pool in Delhi is about Rs. 34 crores.

#### *Net addition to the pool of accommodation*

During the three years ending 1971-72 there was a net addition of 1,341 quarters (after accounting for the quarters given for demolition etc.) to the pool of accommodation. The type-wise net additions in the three years 1969-70 to 1971-72 have been as follows:—

Types	1969-70			1970-71			1971-72			Total of the three years
	Addition	Reduction	Net addition/reduction	Addition	Reduction	Net addition/reduction	Addition	Reduction	Net addition/reduction	
1	2	3	4	5	6	7	8	9	10	11
I	—	—	—	454	168	(+)286	—	23	(-) 23	(+)263
II	36	78	(-)42	506	175	(+)331	119	—	(+)119	(+)408
III	—	53	(-)53	391	15	(+)376	60	7	(+) 53	(+)376
IV	—	70	(-)70	320	3	(+)317	100	4	(+) 96	(+)343
V	49	63	(-)14	6	15	(-) 9	3	5	(-) 2	(-) 25
VI	—	16	(-)16	—	7	(-) 7	—	2	(-) 2	(-) 25
VII	3	1	(+) 2	1	1	—	—	—	—	(+) 2
VIII	—	1	(-) 1	—	—	—	—	—	—	(-) 1
<b>TOTAL</b>	<b>88</b>	<b>282</b>	<b>(-)194</b>	<b>1,678</b>	<b>384</b>	<b>(+)1,294</b>	<b>282</b>	<b>41</b>	<b>(+) 241</b>	<b>(+)1,341</b>



The net addition to the general pool during the Fourth Plan period is expected to be about 5,336 quarters. The total number of quarters in the general pool expected to be available in Delhi at the end of the Fourth Five year Plan is 44,600.

*Type-wise demand and availability*

Appendix VII shows the classification of residences, type-wise-eligibility, type-wise availability of general pool accommodation in Delhi *vis-a-vis* demand and type-wise satisfaction from 1970-71 onwards.

According to the existing practice applications for allotment of accommodation from the general pool in Delhi are invited in the majority of the cases on a restricted basis, keeping in view the vacancies which are likely to become available during a particular allotment year. Whereas in the highest two categories (types VII and VIII) and in special pool categories such as the ladies pool (for all types) and I.A.S./I.P.S. officers pool (type IV to VI) applications are invited without any restrictions, for other types in the general pool as also in the reserve quota for scheduled castes/scheduled tribes (types I and II) applications are called for on restricted basis, *i.e.* from those who had entered service up to a particular date or those who had started drawing pay at a particular stage on or before a specified date.

For the year 1970-71 Government paid as much as Rs. 7.09 crores as house rent allowance to Government servants in Delhi who had not been provided with government accommodation. In addition those Government servants themselves pay to the owners of private residences in Delhi annually a few crores of rupees, being 10 *per cent* of their emoluments, towards rent for private residences they occupy.

*Coverage:*

The position of applications called and coverage on 15th October 1973 in various types is shown below:—

Types	Latest date of entry (for types I to IV) or commencement of drawal of specified pay (for types V to VIII) of persons from whom applications were invited		Latest date of entry (for types I to IV) or commencement of drawal of specified pay (for types V to VIII) of persons who have been allotted quarters	
	General Pool	IAS/IPS Officers Pool	General Pool	IAS/IPS Officers Pool
1	2	3	4	5
I	31st December 1962	—	November 1956	—
II	31st December 1957	—	15th July 1953	—
III	31st December 1952	—	30th December 1948	—
IV	31st December 1950	Upto date	25th August 1944	1968
V	31st December 1964	„	26th October 1961*	October 1964
VI	31st December 1965	„	28th December 1962*	No waiting list
VII	Up-to-date	„	Up-to-date*	—
VIII	„	„	16th June 1973*	—

Reading Appendix VII with the above it would be seen that coverage in types I to IV, in comparison to the higher types, is much less.

\*Including those who have been given accommodation in other types.

The number of employees in types I to IV in Delhi who had put up to 30 years of service on 31st March 1973 and had not been provided with general pool accommodation is as under:—

Types	Number of employees without accommodation with service of :			
	Up to 20 years	More than 20 years and up to 22 years	More than 22 years and up to 24 years	More than 24 years and up to 30 years
I	84	3	—	—
II	246	68	—	—
III	2,412	1,767	1,361	—
IV	3,016	3,016	2,249	65

Till May 1972, one occupying a type of accommodation lower than what one was entitled to was required to pay the rent of the entitled accommodation, if allotted, if it was more than the rent paid for the lower type of accommodation in his occupation. The rule was amended from June 1972, permitting such an occupant of lower type of accommodation to apply only for continuance of the existing accommodation, if he was not interested in having his entitled accommodation, and pay rent of the lower type of accommodation.

The number of persons occupying in December 1972 lower types of accommodation is large as would be seen from the following :—

Types	Avail- ability	Number of officers provided with residence of entitled or lower type	Entitled type	Next below type	Type I	Type II	Type III	Type IV	Type V	Type VI	Type VII
1	2	3	4	5	6	7	8	9	10	11	12
I	13,344	12,382	12,382	—	—	—	—	—	—	—	—
II	15,521	10,147	9,147	954	—	—	46*	—	—	—	—
III	4,910	7,494	2,504	4,967	6	—	—	17*	—	—	—
IV	4,975	5,836	2,745	1,848	2	1,240	—	—	1*	—	—
V	1,882	3,709	914	2,127	—	166	502	—	—	—	—
VI	553	1,303	314	892	—	1	10	86	—	—	—
VII	125	330	19	237	—	—	—	—	74	—	—
VIII	27	136	27	106	—	—	—	—	1	2	—
TOTAL	41,337	41,337	28,052	11,131	8	1,407	558	103	76	2	—

\*Number of officers occupying residences in types higher than their entitled types.

*Retention of accommodation by retired Government servants :*

Unauthorised occupation of quarters by retired Government servants beyond the period permissible (four months) after retirement reduces the availability of vacant quarters in the general pool. The number of such quarters type-wise under such occupation on 1st January of each year from 1970 to 1973 was as follows:—

Types	Year-wise number of houses as on 1st January every year			
	1970	1971	1972	1973
I	1	2	3	16
II	13	15	19	20
III	15	31	37	9
IV	9	24	55	6
V	1	2	12	39
VI	1	1	8	8
VII	—	—	1	2
VIII	—	—	1	2
TOTAL	40	75	136	102

*Out of turn allotments:*

The number of out of turn allotments during the past three years was as follows:—

	Type I			Type II			Type III			Type IV			Type V			Type VI			Total		
	1970	1971	1972	1970	1971	1972	1970	1971	1972	1970	1971	1972	1970	1971	1972	1970	1971	1972	1970	1971	1972
Medical grounds . . . . .	6	10	21	140	140	106	32	58	58	8	25	49	7	4	19	—	—	—	193	237	253
Other grounds . . . . .	3	9	16	28	27	44	13	24	14	11	8	22	16	24	54	—	—	7	71	92	157
TOTAL . . . . .	9	19	37	168	167	150	45	82	72	19	33	71	23	28	73	—	—	7	264	329	410

NOTE.—There were no such allotments of types VII and VIII residences.

*Government servants owning houses and allotted Government residential accommodation :—*

The number of Government servants who are having their own houses in Delhi and are occupying Government quarters (type-wise) impinging on the availability in the general pool for those without any houses of their own in Delhi in December 1972 was according to information received by the Director of Estates from various Ministries/departments etc. upto 19th December 1972 and furnished to Audit, as follows:—

Type	
I	1,693
II	1,565
III	729
IV	385
V	214
VI	53
VII	6
VIII	1
Total	<hr/> 4,646

Thus, because of unauthorised continued occupation of quarters by retired Government servants and allotment of Government quarters to those who own houses in Delhi as many as 4,748 quarters were not available to those standing in the queue. This was as much as 11.5 *per cent* of the total number of quarters in Delhi. While many of those in occupation of Government quarters actually pay less than 10 *per cent* of their emoluments as rent those who do not get Government quarters often pay from their own pockets more than 10 *per cent* of their emoluments as rent for much less private accommodation.

*Pooling of standard rents:*

According to rules, the standard licence fee of the residence is to be re-calculated on expiry of 5 years from the date of the last calculation and the re-calculation is to take effect from 1st April next following or from such other date as may be prescribed.

Grouping of the residential buildings in Delhi for assessment of licence-fees was first done and standard rents fixed for each residence from 1st November 1952. The next revision took place in 1958 and the rents

fixed were given effect to from July 1958. Another revision was given effect to from January 1965. The last quinquennial revision took place from 1st April 1970.

For determining pooled unit rates, residences are divided in two groups. Group I consists of 25,406 quarters of types II to IV, while group II consists of 2,588 quarters of types V to VIII. Type I is being treated as a separate category; licence fees of type I residences are not fixed on pooled basis.

The pooled unit rates are worked out as under:—

- (a) In each group, the living area arrived at on the basis of the formula approved by Government is totalled up. Presently, the formula for computing living area is as follows:—

*Main building :*

(i) Rooms, including kitchen, bath, lavatory, store, enclosed verandahs	100 per cent of floor area
(ii) Verandahs, corridors, barsati	25 per cent of floor area.
(iii) Porch	12½ per cent of floor area.
(iv) Courtyard (pucca)	5 per cent of floor area.

*Out-house*

(i) Rooms	25 per cent of floor area.
(ii) Verandahs	12½ per cent of floor area.
(iii) Courtyard	Nil.

- (b) The standard licence fees are calculated at 6 per cent interest per annum on the capital cost (excluding cost of site and expenditure on its preparation) for the houses in the group.
- (c) The pooled unit rate is calculated by dividing the total standard licence fee as calculated under (b) above by the total living area calculated under (a) above.
- (d) The pooled licence fee for each individual residence is calculated by multiplying the living area of each house with the pooled unit rate of the group.

Pooled unit rates of types II to IV and types V to VIII residences, the latter including the Curzon Road Hostel and Vithai Bhai Patel House,





The increase from Re. 0.86 per square metre to Re. 0.89 per square metre in the case of types II to IV was on account of additions and alterations to those residences as well as due to additions of new buildings to the group between the period from 1st April 1967 to 31st March 1968. The unit pooled rate of types V to VIII remained Rs. 1.08 as the additions and alterations between 1st April 1967 and 31st March 1968 were insignificant (increase in living area was only about 0.7 per cent).

The standard rents of types II to IV quarters calculated on the basis of the new pooled unit rate of Re. 0.89 per square metre were given effect to from 1st April 1970, in supersession of the rents enforced already with effect from 1st March 1969. As mentioned earlier, the increase in standard rents of types V to VIII residences was to be staggered over three years from 1st April 1970.

The question of fixation of standard pooled licence fee of types V to VIII residences was reconsidered in May 1971 and it was then decided that the cost of Vithal Bhai Patel House, which is primarily meant for Members of Parliament, and Curzon Road Hostel, which is also not a normal graded and classified accommodation, should not be added to the cost of the residences in general pool of types V to VIII for arriving at the pooled unit rate of that group and determination of licence fees. As a result of excluding Curzon Road Hostel and Vithal Bhai Patel House from the capital cost, the revised pooled unit rate of types V to VIII worked out to Re. 0.97 per square metre (as against the earlier Rs. 1.08 per square metre).

Actually rent had been recovered at the unit rates of Re. 0.92 (15 per cent increase on Re. 0.80) per square metre from April 1970 to March 1971 and Re. 1 (25 per cent increase over Re. 0.80) from April 1971 to May 1972. From June 1972 the unit rate of Re. 0.97 was enforced. Thus loss on account of staggering of the increase as well as exclusion of Curzon Road Hostel and Vithal Bhai Patel House was Rs. 9.74 lakhs during April 1970 to March 1971 and Rs. 5.68 lakhs during April 1971 to May 1972. The loss due to exclusion of Curzon Road Hostel and Vithal Bhai Patel House has been continuing at the rate of Rs. 0.56 lakh per month since June 1972 (These losses have been calculated assuming that occupants pay standard rent.) It may be mentioned that the increase in the unit rates for types V to VIII quarters was 21 per cent while for types II to IV it was 11 per cent. At the time of quinquennial revision of rents in 1958, the increase in the rents of types V to VIII quarters had

been staggered (over a period of three years) but then the increase was 28 *per cent* while the increase (which was not staggered) for types II to IV quarters was only 3.7 *per cent*.

Better material (for instance, timber) is used in construction of type IV quarters than in type II quarters. Therefore, other things remaining the same, the unit cost of construction of the higher type (IV) of quarters is more than the unit cost of construction of lower type (II) quarters. It appears that inclusion of types IV with type II quarters in the same group and types VII and VIII quarters in the same group as types V and VI quarters results in transfer of a part of higher unit cost of construction of the higher type of quarters to the lower type of quarters. Then, again, the higher type quarters have more of verandahs, corridors, porches etc., than the lower type quarters and only a fraction of such space is included in the living area for determination of standard rent. Further, open spaces (lawns) are not taken into account at all. For these reasons occupants of higher type quarters get relatively more facilities for the rents they pay than do the occupants of lower types of quarters.

Government quarters of types VI and above have not been constructed since 1968-69. Almost all the constructions during the last few years have been of types I to IV. As cost of construction has increased steeply in recent years, inclusion of types II to IV in one group and types V to VIII in another group for fixation of pooled rent means that, as more and more quarters are constructed, the pooled standard rents of types II to IV quarters would continue to increase, while there would hardly be any increase in the pooled standard rents of types V to VIII unless Government's decision of October 1968 (mentioned below) is implemented.

Government had taken a decision in October 1968 that rent should be so fixed that it is related to the accommodation (*i.e.*, the number of rooms and floor space of the building) rather than to the date of construction and that the standard rents should correspond roundly to the percentage of salary a government servant was expected to pay towards house rent.

The Central Public Works department (Executive Engineer, Rents) had made an exercise, before the revised rents were brought into force from 1st April 1970, to work out pooled unit rate which, if adopted, would have resulted in recovery of licence fee of approximately 10 *per cent* of pay of Government servants in occupation of different types of residences, and, for the residences as a whole, the total recovery would

be 6 per cent of the capital cost. The unit rates for different types worked out by that officer and the unit rates actually now in force are shown below :—

Type of quarter	Pay scale for allotment	Unit rate to yield 10 per cent of pay as rent for each type of accomodation (per square metre)	Unit rate now actually in force (per square metre).
1	2	3	4
I . . . . .	Upto Rs. 175	Re. 0.60	Re. 0.89
II . . . . .	Rs. 175 to 349	Re. 0.85	
III . . . . .	Rs. 350 to 499	Rs. 1.10	
IV . . . . .	Rs. 500 to 799	Rs. 1.15	
V . . . . .	Rs. 800 to 1299	Rs. 1.25	Re. 0.97
VI . . . . .	Rs. 1300 to 2249	Rs. 1.50	
VII . . . . .	Rs. 2250 and above	Rs. 1.60	
VIII . . . . .	Secretaries	Re. 1.00	

#### Hutted accommodation

Hutted accommodation consists of residential units in the following hutments :—

- (i) Khyber Pass Mess, Delhi.
- (ii) Residential hutments in Metcalf House, Delhi.
- (iii) Working Girls Hostel.
- (iv) Pataudi House Hutments.

Standard rents of hutted accommodation are fixed separately. The last revision was from April 1970 on the basis of pooled unit rate of Re. 0.73 per square metre for this accommodation. The standard rents fixed on the basis of the above pooled unit rate are in the range of Rs. 22 to Rs. 108 *per mensem* for one roomed suites to five roomed suites in Khyber Pass Mess, Rs. 26 to Rs. 31 in the Working Girls Hostel and Rs. 22 to Rs. 54 for single suites and family special suites in the Pataudi House hutments.

*Hostels*

The following Government hostel accommodation is available in Delhi :—

Hostel	Number of residential units
(i) Western Court . . . . .	74 (53 in M.Ps' pool)
(ii) Working Girls Hostel . . . . .	137 (There are 176 residents. The number is progressively decreasing with the conversion of all rooms into single units)
(iii) Vithal Bhai Patel House . . . . .	150 (114 single and 36 double suites) (98 allotted to Members of Parliament)
(iv) Curzon Road Hostel . . . . .	472

Western Court is an old hostel. Its capital cost is low (Rs. 7 lakhs). The standard rent of the suites in this hostel is fixed, under the normal Government rules, with reference to its capital cost.

The capital cost of Curzon Road Hostel is Rs. 1.08 crores while that of Vithal Bhai Patel House is Rs. 40 lakhs. If these two hostels are not pooled with any other buildings the unit rate per square metre would be about Rs. 3.69 for Vithal Bhai Patel House and Rs. 3.22 for Curzon Road Hostel. The standard rents would, therefore, be quite high. Although for calculation of standard rent these two hostels are not included in any group, the standard rents of the suites in these two hostels are being calculated with reference to the unit rate of Rs. 1.08 per square metre, *i.e.* the unit rate for types V to VIII residences including these two hostels. Had the capital cost of these two hostels been included in those of residences of types V to VIII the standard rents of the residences of these types would have been more than what they now are. At the same time, the occupants of those residences would not have paid as rent more than 10 per cent of their emoluments. In view of this there does not seem to be good reasons for excluding the capital costs of Curzon Road Hostel and Vithal Bhai Patel House from the capital costs of residences of types V to VIII and at the same time determining the standard rents of suites in these two hostels at a level much lower than what they would be under the rules.

*Percentage of emoluments being actually paid as rent*

Government servants occupying type I accommodation and drawing emoluments less than Rs. 175 *per mensem* (belonging mostly to Class IV)

pay as rent  $7\frac{1}{2}$  per cent of their emoluments or standard rent, whichever is less. Those occupying type II accommodation and drawing emoluments from Rs. 175 *per mensem* but less than Rs. 220 *per mensem* pay the pooled standard rent of the residence or  $7\frac{1}{2}$  per cent of their emoluments, whichever is less. Government servants occupying types II to VIII residences and drawing emoluments of Rs. 220 *per mensem* and above pay the pooled standard rent of the residences or 10 per cent of their emoluments, whichever is less.

A sample study was conducted to ascertain what percentage of their emoluments was being actually paid as rent by allottees of types V to VII residences. For this purpose, a sample of 147 quarters of type V, 48 quarters of type VI and 12 quarters of type VII were selected. The results of the study are summarised below :

## Position on 1st June 1972

Type	V	VI	VII
Number of quarters selected	147	48	12
(1) Paying 4 per cent of pay or less	1	—	1
(2) Paying above 4 per cent and up to 5 per cent of pay	10	5	—
(3) Paying above 5 per cent and up to 6 per cent of pay	22	14	8
(4) Paying above 6 per cent and up to 7 per cent of pay	31	8	2
(5) Paying above 7 per cent and up to 8 per cent of pay	30	14	1
(6) Paying above 8 per cent and up to 9 per cent of pay	32	3	—
(7) Paying above 9 per cent and up to 10 per cent of pay	21	4	—
Total	147	48	12

A similar study embracing 32 cases of allottees of types IV to VI from the I.A.S./I.P.S. officers pool accommodation out of 206 quarters



It would be seen from the above that the rates of return are the highest for types II and IV residences and are the lowest for types III, VI and VII.

The average rate of return on capital for all types of Government residences in Delhi was about 3 per cent in 1971-72 according to the above sample study.

*Expenditure on maintenance and special repairs*

Under the rules the expenditure on maintenance and special repairs of a building during a year should be within prescribed limits (based on a fixed percentage of the capital cost).

The permissible expenditure and actual expenditure on the two groups of quarters (types II to IV and types V to VIII) in 1970-71, 1971-72 and 1972-73 are shown below :—

Years	Types	No. of Quarters	Permissible expenditure	Actual expenses*
			(Lakhs of rupees)	
1	2	3	4	5
1970-71 . . . . .	II to IV V to VIII (including M.P's Flats)	21,202	48.29	31.25
		3,226	28.49	24.52
1971-72 . . . . .	II to IV V to VIII (including M.P's Flats)	22,927	44.30	39.61
		3,247	29.74	26.49
1972-73 . . . . .	II to IV V to VIII (including M.P's Flats)	22,419	53.30	33.36
		3,257	28.69	23.83

It would be seen from the above that the shortfall of the actual expenditure (on maintenance and special repairs) from that permissible has been much more for types II to IV than for types V to VIII.

\*NOTE.—The figures in column 5 do not include expenditure on maintenance and repairs of the electrical and horticultural portion of the capital cost of buildings.



In addition to annual expenditure on ordinary repairs and maintenance, expenditure is also incurred on additions and alterations to residences.

Such expenditure on types I to VIII during 1968-69 to 1972-73 was as follows :—

Type	(Lakhs of rupees)
I . . . . .	1.91
II to IV . . . . .	9.72
V . . . . .	5.27
VI . . . . .	1.61
VII . . . . .	2.10
VIII . . . . .	13.52
Total . . . . .	34.13

#### *Shops and commercial premises*

The Directorate has under it 32 Government markets of which Sarojini Nagar, Pleasure Garden, Kamla and New Central are rehabilitation markets. The number of shops and other commercial premises under the administrative control of the Director of Estates from the year 1966-67 onwards is shown below :—

	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73
(i) Shops	2,137	2,137	2,160	2,184	2,213	2,168	2,173
(ii) Flats	260	260	266	278	278	273	273
(iii) Stalls	126	126	126	162	162	162	167
(iv) Plat- forms	604	604	592	592	592	592	592
(v) Other commer- cial pre- mises	80	80	72	74	75	65	65
Total	3,207	3,207	3,216	3,290	3,320	3,260	3,270
(Number of markets	25	25	31	32	33	32	32)

Pleasure Garden Market (414 shops), Kamla Market (272 shops), New Central Market (110 shops), Sarojini Market (200 shops), Srinivas-puri Market (111 shops), Nanakpur Market (124 shops), Babu Market

(120 shops), Lodi Road Market (152 shops), R. K. Puram (combined) (267 shops) and I.N.A. Market (224 shops) together account for 91.5 *per cent* of the total number of shops.

From 1965 the shops in the Government markets are being allotted after calling tenders. Prior to 1965 rents were being charged at economic rates (a prescribed percentage of the capital cost inclusive of the cost of land plus local taxes). However, when the shops change hands, the licence fees are enhanced by stages up to a maximum of twice the economic rates. Allotment of shops reserved for members of the scheduled castes (present reservation being 12.8 *per cent* of the total availability) is made by inviting applications and by drawing lots subject to payment of licence fee at economic rates. Most of the shops in the markets are paying rents at economic rates.

The licence deeds of shops in the non-rehabilitation markets provide that the licensee shall pay every month a licence fee at the rate stipulated or at such other rate to be fixed by Government from time to time. In December 1969 Government issued orders prescribing the principles for fixation of licence fees for shops and fuel depots in Government owned shopping centres. It was provided therein that these orders would apply to cases where licence fees are to be calculated for the first time and are to be revised for any reason.

The question whether the licence fees of all the shops should be revised in accordance with the December 1969 orders is under Government's consideration (October 1973). The original licence fees of the shops have not undergone any revision so far. On an average annual assessed rent of markets during the five years ending 1972-73 was Rs. 25.74 lakhs. The average arrears of rent at the end of each of these years were Rs. 19.17 lakhs which were about 74.5 *per cent* of the average assessed annual rent. Out of Rs. 48.56 lakhs recoverable in 1972-73 (current Rs. 28.14 lakhs and arrears Rs. 20.42 lakhs) Rs. 28.84 lakhs were recovered in that year leaving Rs. 19.72 lakhs in arrears. As on 31st December 1973 the arrears of Sarojini Market, R. K. Puram Market Sectors VIII and XII, Srinivaspuri Market and Mohan Singh Market (inclusive of Super Bazar) accounted for Rs. 1.64 lakhs, Rs. 3.09 lakhs, Rs. 3.28 lakhs, Rs. 1.27 lakhs and Rs. 2.05 lakhs respectively totalling Rs. 11.33 lakhs *i.e.* 69 *per cent* of the total outstandings (Rs. 16.37 lakhs).

#### *Sample study*

One rehabilitation market (New Central) and one non-rehabilitation market (R. K. Puram, Sector XII) were selected for a comparative study

of the present level of rents per square metre of the plinth area. The rent per square metre of shops in the non-rehabilitation market was about Rs. 19.80 per square metre as against Rs. 1.40 per square metre of the shops in the rehabilitation market.

### *Building research*

The Central Building Research Institute, Roorkee, and the structural Engineering Research Centre, Madras, undertake research in building materials, structures etc. The National Buildings Organisation (which is a part of the Works and Housing Ministry and on which about Rs. 20 lakhs are being now spent annually) disseminates the results of research. Four improvements suggested as a result of research are discussed below:—

#### (i) *Fly-Ash*

Fly-ash has binding properties and can be used as replacement of cement to the extent of twenty *per cent* in mortars and concrete, improving the properties and reducing the cost. About 4 million tonnes of fly-ash are available annually in our country as industrial waste from thermal power stations. Over Rs. 12 million are now being spent annually on its disposal at an average cost of Rs. 3 per ton.

Fly-ash has been used by the Central Public Works Department in some blocks as an experimental measure. Its use on a large scale has not been possible because standard quality fly-ash in useable form is not being marketed at present. Unless fly-ash of standard quality which is inspected and supplied in standard containers for ready use like cement, is made available it will be difficult to use fly-ash on building works by construction agencies in a big way. Moreover, fly-ash being much lighter than sand or cement, mixing has to be carefully controlled under strict supervision to attain uniform strength in concrete and to avoid malpractices. The Cement Research Institute is carrying out experiments to determine how best fly-ash can be used so as to ensure quality control.

#### (ii) *Single brick thick load bearing walls*

Single brick thick load bearing walls, are generally adopted up to two storeys only. By use of better quality bricks and rationalised designs, single brick thick walls can be adopted for 4 storeyed residential buildings instead of R.C.C. (reinforced cement concrete) framed structures, resulting in about five *per cent* saving in cost.

Single brick thick load bearing walls have been successfully used in construction of 96 four storeyed quarters by the Central Public Works

department and also by the Military Engineer Service in Delhi resulting in savings in consumption of cement and steel.

(iii) *High strength deformed bars*

Use of new type of steel reinforcing bars—high strength deformed bars—in concrete structures and designing structures on the basis of ultimate load theory results in,

- (a) saving upto thirty *per cent* in consumption of steel and
- (b) saving upto 10 *per cent* in cost of construction.

High strength deformed bars are being used by construction departments of Central and State Governments. There is, however, scarcity of these bars. It is estimated that about 1 million tonnes of plain mild steel reinforcing bars are being produced annually. If this steel is made available in the form of high strength deformed bars, it can serve a demand equivalent to about 1.3 million tonnes of plain mild steel bars.

(iv) *Waffle shells for roofs and floors*

These are precast funicular shells of square, rectangular or any other suitable shape used for roofs and floors of residential and industrial buildings. Because of the structurally efficient shape, the shells do not require reinforcement in their body. Reinforcement is required only in the edge beams and in the supporting structures. According to the Structural Engineering Research Centre, Madras this system of roofing results in savings in steel upto 30 *per cent* depending on the size and shape of the building. These shells have been used for building single and multi-storeyed residential buildings and workshop floors during the past 14 years. Some of the **projects on which these shells have been employed** are :—

- (i) Defence Department's Amar housing project at Ambala (over 1,600 houses).
- (ii) Four-storeyed residential housing blocks for Tamil Nadu Slum Clearance Board in Madras (250 houses).
- (iii) Two-storeyed staff quarters for Bharat Heavy Electricals Ltd., Tiruchirapalli (about 700 houses).
- (iv) Workshop floors at the National Institute of Design, Ahmedabad.
- (v) Heavy-duty transit shed for Madras Port.

The above technique has also been employed by the Central Public Works department in some recent constructions. However, this technique has not been employed by the Central Public Works department in construction of residential units.

*(Central Public Works Department)*

39. *Unfiltered water pipe line.*—The work of laying 36 inches diameter unfiltered water pipe line from pump house at Bela Road to Hardinge Bridge, New Delhi, was awarded in March 1960 to a contractor at 15 per cent below the estimated cost of Rs. 1.13 lakhs (cost of Hume steel pipes etc. supplied departmentally: Rs. 7.59 lakhs).

The work commenced in April 1960 and was completed in November 1962. It was mentioned in the completion certificate that the lines were leaking and that action under relevant clause of the agreement would be taken.

In May 1961 the pipe line was tested and put to use, but it started leaking and, therefore, flow of water was stopped in December 1962. In September 1963 the pipe line was repaired and again put to use but some of the joints started leaking again. Efforts made in May 1966 to get the leaks sealed through another contractor failed.

In the mean time, the department finalised the contractor's bill during April 1964, after recovering Rs. 1,000 only for rectification of defects.

The joints of the pipe line were tested in November 1966 and it was found that the spun yarn had not been filled in the joints properly and quantity of pig lead used in the joints was less than that required.

The pipe line installed eleven years ago in November 1962 at a cost of Rs. 10.18 lakhs has been practically of no use. Government stated (January 1974) that the Central Public Health Engineering Research Institute, Nagpur, has been requested to examine the technical details of this pipe line and also the specifications, construction details and the conditions of the soil in which the pipe line was laid; the report from the Institute is awaited (January 1974).

Government has also stated (January 1974) that the Chief Engineer (Vigilance) has been asked to examine the disciplinary aspect of the case.

40. *Construction of canals and lagoons at Rajghat.*—In December 1962 the Ministry of Works and Housing approved construction of canals and lagoons around the Samadhi of Mahatma Gandhi at Rajghat and also

from Delhi Gate to the national highway for beautifying the area. The work (cost as per accepted tender : Rs. 22.86 lakhs) was started in February 1964 and was expected to be completed by February 1965.

The canals and lagoons on the northern side (6,900 feet) of the Samadhi and from Delhi Gate to the national highway (2,920 feet) were completed by 1966. Out of 3,700 feet canals and lagoons to be constructed on the southern side, 1,240 feet were completed by August 1966 when further work was suspended mainly due to non-availability of land (for further construction) which was under unauthorised occupation of jhuggi dwellers. As the site could not be made available to the contractor, the contract for the work was terminated in August 1968. The canals and lagoons on both sides of the Samadhi could not, therefore, join to complete the circuit around the Samadhi.

The total expenditure on the canals and the lagoons already dug was Rs. 14.26 lakhs. In addition, Rs. 5.59 lakhs were spent for construction of two pump houses (Rs. 1.10 lakhs) for pumping water to the canals and lagoons on the northern side of the Samadhi, and another pump house and sump (Rs. 4.49 lakhs) for supplying water to the canals and lagoons between Delhi Gate and the national highway.

From a nearby pipe line, unfiltered water was released in the canals and lagoons on the northern side in October 1969, both ends of which were connected in the southern side by an under-ground pipe line for circulation of water.

The site on which 750 feet of canals and lagoons had been dug on the southern side was allotted for Gandhi Centenary Exhibition (Gandhi Darshan) in October 1967. This portion of the canals and lagoons dug at a cost of about Rs. 1.46 lakhs was therefore, refilled with earth and permanent structures built thereon. The remaining 490 feet of canals and lagoons on that side have been lying unutilised (December 1973).

The canals and lagoons from Delhi Gate to national highway are in a thickly populated area. Water was not released in the canals and lagoons completed in August 1966 (cost Rs. 3.77 lakhs). The Secretary of the Rajghat Samadhi wanted (February 1972) that these canals and lagoons should not be filled with water for the time being as the area was being frequently visited by children. In December 1972 the Rajghat Samadhi Committee thought that these canals and lagoons should be refilled and the area maintained as green lawns. However, subsequently in August 1973 that Committee wanted that water might be released in these canals

and lagoons on an experimental basis. Accordingly, they were filled with unfiltered water in September 1973 from a nearby pipe line, pending final decision whether these should remain filled with water. However, in December 1973 water was not in circulation in these canals and lagoons as the motors in the pump house were out of order; the sump was filled with water.

41. *Defective execution of work.*—In August/July 1968 the Central Public Works Department awarded to firms 'A' and 'B' contracts for certain construction works (including construction of corridors and additional rooms) in 128/106 residential flats in North Avenue/South Avenue at the tendered amounts of Rs. 15.02 lakhs and Rs. 11.45 lakhs respectively. As the works were not completed even after expiry of the stipulated date of completion, the contracts were closed in November 1970 and May 1970 after execution of works in part in 118/106 flats at North Avenue/South Avenue. The contracts included usual items of roofing to provide safeguard against leaking of roofs.

In February 1970 the department received complaints about leakage of roofs in the newly constructed rooms in the South Avenue flats. Further, in August 1970 the department received complaints about leakage of roofs in the newly constructed rooms in the flats in North Avenue. Instead of getting the defects rectified by the defaulting firms, the department entrusted to firm 'C' the work of providing special water proof treatment at an estimated cost of Rs. 0.69 lakh. That work was commenced in August 1970 and completed in May 1971, expenditure thereon being Rs. 0.55 lakh. Even after this, leakage of roof in the flats was reported.

Firm 'A', which was a Class I contractor, was demoted to Class II in September 1973 and firm 'B' was demoted for one year from Class II to Class III in October 1973. Government stated (September 1973) that action against the departmental officials for lapses on their part had been initiated.

## CHAPTER V

### STORES PURCHASES

#### DEPARTMENT OF SUPPLY

42. *Indian Agents' Commission.*—For import of fertilizers which the Department of Supply arranges, India Supply Mission, Washington, executes agreements with foreign supplies in North America, India Supply Mission, London, with suppliers in Western Europe and the Director General of Supplies and Disposals with suppliers in the Middle East and Japan. During 1971-72 and 1972-73, these offices executed 158 agreements for import of fertilizers as shown below :—

	Number of contracts	Quantity (tonnes) (in lakhs)	Value (U.S. \$) (in crores)
India Supply Mission, Washington	82	14.39	9.96
India Supply Mission, London	43	14.23	7.89
Directorate General, Supplies and Disposals	33	9.93	5.76
TOTAL	158	38.55	23.61

Many of the foreign suppliers have their Indian agents. According to the instructions issued by Government in May 1956, any agreement with foreign suppliers should provide that the latter would disclose the name and address of the Indian agent, the services to be rendered by him and the remuneration payable to him. That remuneration, i.e., commission, is payable in rupees in India to the agents.

The standard conditions of contract of India Supply Mission, Washington, provide that a foreign supplier would intimate the remuneration payable to his Indian agent, but it is not required of him to intimate what services would be rendered by the agent. The rate of commission (expressed in dollar) payable in rupees is mentioned in the agreement.

A test check of 44 agreements executed by India Supply Mission, Washington, in 1971-72 and 1972-73 showed that in 43 cases out of those test checked the commission was intimated by the Indian agents on behalf of their principals and the agency commission was between 0.03



and 0.10 *per cent* of the f.o.b. value in 15 contracts (value US \$ 190 lakhs), 0.11 and 0.20 *per cent* in 10 contracts (value US \$ 88 lakhs), 0.21 and 0.30 *per cent* in 12 contracts (value US \$ 165 lakhs), 0.31 and 0.40 *per cent* in 4 contracts (value US \$ 41 lakhs), 0.41 and 0.50 *per cent* in 2 contracts (value US \$ 20 lakhs) and 1.41 *per cent* in one contract (value US \$10 lakhs). For fertilizer imports, the Indian agents have to render hardly any after-sales service in India. It seems that there is no clear rationale behind such widely divergent rates of the Indian agents' commissions.

In one of these cases (0.45 lakh tonnes worth \$ 44.78 lakhs), the Indian agent had intimated the commission as \$ 0.30 per tonne (0.30 *per cent* of the f.o.b. value) while the foreign supplier had subsequently intimated the commission as \$ 1.25 per tonne. On being asked, the foreign supplier explained that out of \$ 1.25, \$ 0.95 was retainer and marketing consultant fee. The case was reported by India Supply Mission, Washington, to the Department of Supply in November 1972. India Supply Mission stated (December 1972) that payment of \$0.30 per tonne mentioned as commission in the agreement had been withheld pending instructions from the Department of Supply. In another case (0.19 lakh tonne worth \$ 9.96 lakhs) the agreement was executed in June 1972 without indicating the commission payable to the Indian agent. In September 1972 the agreement was amended providing agency commission (\$ 0.75) which was 1.41 *per cent* of the C&F value.

The conditions of contract of India Supply Mission, London, and the Director General, Supplies and Disposals, for foreign purchases do not require declaration of agency commission payable to the Indian agents. In the cases test checked, the agreements did not also mention that any such commission was payable to Indian agents, although a number of the foreign suppliers had their agents in India. In fact in one case of import of fertilizer against an agreement executed by India Supply Mission, London, the Indian agent had of its own volition disclosed the commission as \$ 0.10 per tonne (0.17 *per cent* of the f.o.b. value).

If Indian agents' commission is not fully disclosed or mentioned in the foreign contracts, to that extent our country's foreign exchange can be salted away.

(Directorate General of Supplies and Disposals)

43. *Purchase of blankets.*—Against orders for 19.23 lakh blankets placed during March 1969 and September 1971 on 23 firms by the

Director General, Supplies and Disposals, for supply to Defence department only 7.06 lakhs were supplied by October 1971, leaving 12.17 lakhs still to be supplied.

On 29th October 1971 the Defence department placed an indent for supply of 6 lakhs blankets by 30th September 1972 and another 6 lakhs by 30th September 1973. The blankets were of the following three prescribed specifications:—

Type

A—100 *per cent* indigenous wool of medium quality.

B—90 *per cent* indigenous wool of coarse quality admixed with 10 *per cent* viscose rayon or nylon.

C—45 *per cent* indigenous wool of medium quality and 45 *per cent* shoddy wool admixed with 10 *per cent* nylon-total wool content not to be less than 80 *per cent*.

The Defence department wanted 4 lakhs of these blankets during November-December 1971. For getting emergent supply the period of delivery indicated in the indent mentioned above was advanced by the indenter "by 6 months on the existing demands for first 6 months of financial year 1972-73". As the blankets were required at short notice, the Defence department agreed to relax the above specifications to the following extent:—

- (1) The blankets could be made with imported shoddy wool.
- (2) The wool content was not to be less than 70 *per cent*.
- (3) The breaking strength could be less by 10 *per cent*.

In a meeting held in February 1972 in the office of the Director General, Supplies and Disposals, the representatives of the Defence department had mentioned that from actual experience it could be said that blankets of the relaxed specifications were to last for 3 winters instead of 6 winters for which blankets of prescribed specifications last.

Between November 1971 and February 1972, orders were placed by the Director General, Supplies and Disposals, for 5.24 lakh blankets and

70,000 razais (wanted by Defence department against requirement of blankets) as detailed below:—

	Number (in lakhs)	Delivery period
(i) Blankets		
(a) according to specifications	1.33	0.13 lakh by December 1971 and the rest by May 1972.
(b) of relaxed specifications	3.91	3.01 lakhs by December 1971 and the rest by February 1972.
Total blankets	5.24	
(ii) Razais	0.70	December 1971.

As 0.70 lakh razais were to offset demand for 1.40 lakh blankets, out of 12 lakh indented in October 1971 orders had been placed by February 1972 for supply of (the equivalent of ) 6.64 lakh blankets. Of those ordered 3.91 lakh blankets were of the relaxed specifications.

In December 1971 the Defence department informed the Director General, Supplies and Disposals, that as blankets delivered after 15th January 1972 would not be of much use during that winter season, further contracts should be for blankets according to specification.

In December 1971 the Director General, Supplies and Disposals, wrote a letter to the Defence department in which the assumption was made that for 12 lakh blankets indented in October 1971 the dates of delivery had been advanced and that 5.75 lakh blankets were required by March 1972 and the balance 6.25 lakhs by March 1973. The Defence department did not contest this. The requirements of blankets intimated by Defence department to the Director General, Supplies and Disposals, in different meetings and communications between February 1972 and April 1972 were as follows :

(i) Meeting held on 1st February 1972:

About 2.50 lakh blankets per month would be required during the next few months and another indent for 6 lakh blankets would be placed shortly.

(ii) Letter dated 25th February 1972:

The requirement for 1972 was approximately 20 to 21 lakh blankets, of which 10.7 lakhs were already on order with traditional suppliers who did not have capacity to meet the orders and whose deliveries did not match the requirements of Defence department.

(iii) Meeting held on 16th March 1972:

Requirement of 1972-73 winter season was 14.19 lakh blankets. By September 1972, 12 lakh blankets were needed and as not more than 7 lakh blankets according to specification were expected by then, the question of purchasing 5 lakh shoddy wool blankets should be considered.

(iv) Letter dated 3rd April 1972:

"The total requirement of blankets in 72/73 subject to clearance by Ministry of Finance (Defence) will be 8.91 lakh (new indent) plus 9.07 lakh against outstanding contracts i.e. 17.98 lakh. Against this and taking into the availability of blankets with us we would require 12 lakh out of 17.98 lakh by September 1972 . . . . .old suppliers will not be able to deliver more than 6 to 6.5 lakh blankets by September 1972. New suppliers . . . . . should, therefore, be tapped. Any deficiency which cannot be met by specification blankets should be covered by shoddy blankets of 75 per cent wool content and normal breaking strength".

In these discussions and communications the Defence department had not clearly indicated what was its total requirement up to March 1973. The Director General, Supplies and Disposals, understood from these discussions and communications that Defence department needed 12 lakh blankets by September 1972 and 6 lakhs more by March 1973. As mentioned earlier, so far as 12 lakh blankets indented in October 1971 are concerned the Director General, Supplies and Disposals, had already written to Defence department in December 1971 assuming that all these were needed by March 1973 and the latter did not contest this. Besides, in a new indent dated 14th April 1972 of Defence department for 6 lakh blankets, the period of delivery was shown as between September 1972 and November 1972. As mentioned earlier, the Director General, Supplies and Disposals, had already placed orders by February 1972 for supply of (the equivalent of) 6.64 lakh blankets by May 1972. In addition, he placed orders for 11.58 lakh more blankets between April 1972 and October 1972 for supply of 11.28 lakh blankets by March 1973 and the balance 0.30 lakh by April 1973 as mentioned subsequently. It is to be added that against the indent of October 1971 for 12 lakhs, provision of funds for 6 lakh blankets existed in 1973-74 and not in 1972-73. The Director General, Supplies and Disposals, did not also ask Defence department to provide funds for these in 1972-73 before placing the orders for supply of blankets by March 1973. When the position of funds was brought to

his notice by Defence department in May 1972 (by that time orders had been placed for 15.74 lakh blankets against the two indents of October 1971 and April 1972), he pointed out in June 1972 that in late 1971 and in March-April 1972 Defence department had been pressing for delivery of 12 lakh blankets by September 1972 and another 6 lakhs by March 1973 and also stated that he did not anticipate payment by March 1973 to exceed the cost of 12 lakh blankets against the indents of October 1971 and April 1972. To this Defence department replied (June 1972) that it had no objection to the coverage made by the Director General, Supplies and Disposals, provided delivery of blankets by March 1973 did not exceed 12 lakhs.

In January 1972 the Director General, Supplies and Disposals, invited tenders for supply of blankets of prescribed specifications. On the basis of offers received in March 1972, he could place orders, between April 1972 and June 1972, on these firms for only 6.32 lakh blankets conforming to prescribed specifications. As Defence department had agreed in April 1972 to accept shoddy wool blankets (*i.e.*, of relaxed specifications), instead of inviting fresh tenders for specification blankets the Director General, Supplies and Disposals, placed orders, between April 1972 and October 1972, on three firms for 5.26 lakhs blankets of relaxed specifications. The relaxed specification of 4.46 lakhs of these blankets was to conform to type 'C' in every respect except that wool contents would be 75 per cent shoddy wool (minimum). The rate (including excise duty) allowed was Rs. 45.02 per blanket. For the remaining 0.80 lakh blankets specification was the same as per sample given by the firm and the wool was 80 per cent minimum; the rate for these blankets was Rs. 42.80 per blanket. The prices of the blankets of relaxed specifications were higher than that (Rs. 42.13 including excise duty) of specification blankets (45 per cent indigenous wool of medium quality and 45 per cent shoddy wool admixed with 10 per cent nylon—total wool content not less than 80 per cent) ordered during April 1972 and June 1972. Purchase of 5.26 lakh blankets of relaxed specifications cost Rs. 13.42 lakhs more as compared with the price for specification blankets (having 45 per cent indigenous wool of medium quality and 45 per cent shoddy wool admixed with 10 per cent nylon—total wool content being not less than 80 per cent). The Ministry stated (February 1974) that all suppliers of specification blankets were fully booked and "mere dependence on units supplying specification blankets might have led to serious repercussions".

Out of 3.91 lakh blankets of relaxed specifications ordered between November 1971 and February 1972, orders for 1.13 lakh blankets were placed on firm 'A' at the same negotiated rate (Rs. 37-excluding excise duty) which was allowed to other suppliers. The blankets were to be inspected by an inspector of the Defence inspectorate.

For further supply of shoddy wool blankets of relaxed standards mentioned above the Shoddy Mills Association demanded (April 1972) Rs. 40.50 per blanket (excluding excise duty) and import licence for shoddy worth Rs. 10 per blanket. Firm 'A', however, kept itself away from the demand of the Shoddy Mills Association and agreed to supply shoddy wool blankets of relaxed standards of 75 per cent shoddy wool content (minimum) at the rate of Rs. 40.50 per blanket (Rs. 45.02 including excise duty) without any condition about import assistance. Earlier in February 1972, Defence department had informed the Ministry of Supply that firm 'A' had offered to produce 0.50 lakh blankets per month and requested that the case of this firm might be considered in view of urgent need for large number of blankets and dearth of suppliers. Order for 3.86 lakhs more shoddy wool blankets of relaxed standards was, therefore, placed on this firm in April 1972 at the rate of Rs. 45.02 (including excise duty) for supply by December 1972. These blankets were also to be inspected (at the firm's premises) by an inspector of the Defence inspectorate.

Of the first lot of 1.13 lakh blankets ordered on firm 'A', 0.13 lakh blankets supplied in December 1971 were accepted for meeting urgent requirement although breaking strength of these blankets was lower. Of the balance one lakh blankets, 0.50 lakh blankets were to be supplied by December 1971. As the firm failed to supply the blankets by then, it was allowed to supply all the one lakh blankets by January 1972. The blankets were actually supplied by February 1972.

For supplies made against these two contracts, Rs. 45.42 lakhs were paid to the firm upto April 1972. On 10th April 1972 an anonymous complaint was received by the Ordnance Depot which received these blankets and also the Director General, Supplies and Disposals, alleging that one lakh sub-standard blankets had been supplied by the firm at Rs. 37 per piece (excluding excise duty) and that Government had been cheated. On receipt of this complaint, the blankets supplied by the firm still in stock (51,315) were segregated in April 1972. Inspection of samples of the blankets in stock by the Chief Inspector of Textiles in June/July 1972 disclosed that the blankets had various defects, the more

important of which were inadequate milling and raising, missing and broken ends/picks, sub-standard finish and workmanship, flimsy open texture, warp/weft bars present, damaged and darned, deficiency in breaking strength, etc. and that the blankets were not of acceptable quality. The results of this inspection were intimated to the Director General, Supplies and Disposals, in July 1972.

Since firm-wise details of issues of blankets were not available, the Depot called for reports about defects in the blankets supplied by the firm from all the units to which blankets were issued after receipt of blankets from this firm. In response, 29 complaints about 10,552 blankets supplied by this firm were received by the depot till December 1972.

The segregated blankets were again inspected in December 1972 by a team of officers in the presence of a representative of the firm. The results of this re-inspection of the blankets and also of further investigation of the case are awaited (February 1974).

Out of 3.86 lakhs ordered on firm 'A' in April 1972, it could supply only 1.59 lakh blankets before expiry of the delivery date (December 1972). Out of 99,260 blankets supplied by the firm upto 31st August 1972, the consignee rejected 83,415 blankets (value: Rs. 37.55 lakhs) after inspection owing to defects like objectionable weaving flaws, damage, openness of texture and bare surface. The rejected blankets were subjected to a 100 per cent re-inspection (September 1972) and 69,422 of these blankets were accepted. Of the balance, 13,993 blankets (value: Rs. 6.30 lakhs), 11,602 blankets were accepted with 12½ per cent price reduction and 2,391 (Rs. 1.08 lakhs) were finally rejected.

**44. Purchase of padlocks.**—Padlocks are reserved for purchase from small scale industrial units. During May 1967 to May 1968, the Director of Ordnance Services, Army Headquarters, placed four indents on the Director General, Supplies and Disposals, for supply of 3.74 lakhs, 0.45 lakh and 0.19 lakh iron galvanised padlocks of 40 mm, 50 mm, and 75 mm sizes as below :—

Sl. No.	Date of Indent	No. and size of padlocks			Date of tender enquiry
		40 mm	50 mm	75 mm	
1.	18-5-1967	1,29,800	2,600	1,900	11-7-1967
2.	30-10-1967	79,000	—	17,320	11-12-1967
3.	8-5-1968	—	42,000	—	3/16-7-1968 (Combined tender enquiry).
4.	28-5-1968	1,65,400	—	—	

In response to the first limited tender enquiry issued to 13 firms—12 of Aligarh and 1 of Hazaribagh—offers from 12 firms (ten of Aligarh, 1 of Hazaribagh registered with the Directorate General of Supplies and Disposals for the item and 1 from a State Government factory at Howrah, a small scale unit) were received and opened on 2nd August 1967. On the basis of tenders received, an acceptance of tender for supply of 2,600 padlocks of 50 mm size and 1,900 of 75 mm size was placed on firm 'A' of Aligarh on 28th November 1967 at Rs. 3.40 and Rs. 9.00 per padlock respectively. For padlocks of 40 mm size, besides the State Government factory which had quoted the rate of Rs. 6.50 each, ten Aligarh firms had quoted the same rate of Rs. 2.90 each. The Director General, Supplies and Disposals, held negotiations with the firms of Aligarh on 16th November 1967 and placed acceptances of tender on four firms for supply of 36,000 padlocks at Rs. 2.69 each and 53,000 padlocks at Rs. 2.70 each. For the balance 40,800 padlocks the lowest rate of Rs. 2.69 each was counter-offered to the remaining firms of Aligarh who, however, did not accept it.

In response to the second advertised tender enquiry of 11th December 1967, offers from 9 firms from Aligarh were received and opened on 24th January 1968 and, for supply of 17,320 padlocks of 75 mm size, acceptances of tender were placed on two firms at Rs. 9.00 each. The uncovered balance of 40,800 padlocks of 40 mm size of the first indent was bulked with the second indent and fresh quotations invited in July 1968 from the tendering firms in the expectation that they would reduce their rate in view of increase in the number from 79,000 to 1,19,800 padlocks. Contrary to this expectation the firms of Aligarh pushed up their rate from Rs. 2.85 to Rs. 3.95 per padlock.

The Director General, Supplies and Disposals, had noticed that the firms of Aligarh had formed a ring and had been quoting the same rate. For breaking the ring, he counter-offered (7th January 1969) to the State Government factory as also to a State Government Corporation the rate of Rs. 2.85 per padlock. The State Government factory accepted the offer (January 1969) saying that its original quotation of Rs. 6.50 each was for padlocks with brass body and brass key-hole cover whereas padlocks of galvanised iron were required by the Defence indenter. This factory had only 39 skilled employees and its production capacity was 2,000 padlocks per month. In spite of its limited capacity, the Director General, Supplies and Disposals, placed an order on it (on 31st January 1969) for



supply of 1,19,800 padlocks of 40 mm size at Rs. 2.85 each by 31st December 1969 or earlier.

That factory tendered only 1,092 padlocks (in October 1969) which were rejected due to incorrect composition of raw material and other manufacturing defects. Thereafter, no padlocks were offered by it for inspection.

In response to the third limited tender enquiry of 3rd July 1968 (as amended on 16th July 1968), offers from 12 firms were received and opened on 8th August 1968. As the Aligarh firms had again formed a ring and quoted the same rate of Rs. 3.90 each for 40 mm size padlocks and three of those firms had quoted the same rate of Rs. 4.90 each for 50 mm size, the Director General, Supplies and Disposals, on 19th December 1968 held negotiations with two firms during which one firm offered to reduce the rate from Rs. 3.90 to Rs. 3.85 each for 40 mm size and from Rs. 4.95 to Rs. 4.85 each for 50 mm size. The other firm declined to give any reduction. Since the former firm subsequently did not confirm its offer of reduction, the Director General decided (20th February 1969) to ask the State Government factory to accept order for supply of padlocks of 40 mm size at Rs. 2.85 each and of 50 mm size at Rs. 3.40 each. On receipt of its acceptance (13th March 1969), an acceptance of tender was placed on it on 11th April 1969 for supply of 31,000 (increased to 42,000 on 24th May 1969) padlocks of 50 mm size at Rs. 3.40 each and 1,65,400 padlocks of 40 mm size at Rs. 2.85 each by 30th September 1969 or earlier. The factory, however, tendered only 706 padlocks (during September 1969) which were rejected in bulk.

In November 1969 and January 1970, the State Government requested increase in the rates but the request was not acceded to as the contracts were on fixed and firm price basis. Thereafter, in March 1970 the State Government factory stated that its rates had been approved by the State Government (in spite of apprehended loss) and that it would be in a position to supply at least 15,000 padlocks per month against the acceptances of tender if the delivery period was extended. In July 1970 the State Government also requested extension of delivery period on the basis of production programme of 15,000 padlocks per month. In view of the urgency of requirements the Defence department did not agree to this and, as such, the Director General, Supplies and Disposals, requested (20th August 1970) the State Government to agree to reduction of the number on order to six months' supply, i. e., 90,000 padlocks against the

two acceptances of tender and to cancellation of the balance order without financial repercussions. Efforts of the Director General to persuade the State Government to supply at least part of the contracted quantity, however, failed. Both the acceptances of tender were, therefore, cancelled at the risk and expense of the factory on 24th September 1970; claims for risk purchase loss were not to be enforced against a Government establishment according to the existing policy of Central Government. In August 1972 the State Government admitted that its factory had neither the capacity nor the experience to execute such order.

Orders were placed in February 1971 for 2,75,200 padlocks of 40 mm size and 23,400 padlocks of 50 mm size on five firms of Aligarh at Rs. 6.50 each for 40 mm size and Rs. 8.50 each for 50 mm size, which were quoted by those firms in November 1970 again forming a ring. Besides assistance given to the firms through release of steel on replenishment basis, these purchases would cost Rs. 8.96 lakhs extra, as compared to the rates offered earlier against the three tender enquiries of July 1967, December 1967 and July 1968 or offered after negotiations. These firms have also been allowed 27 to 31 months time to complete the supply.

For breaking the ring of Aligarh parties all of which used to quote the same rates and offer protracted delivery schedules, the Director General, Supplies and Disposals, approached the Department of Supply in July 1971 for removal of padlocks from the list of items reserved for small scale units for purchase against "operational", "express" and "urgent" indents. It was decided in September 1973 to maintain the *status-quo*, mainly in view of the improved prospects of supply of padlocks by the small scale units.

As compared to the rates offered by the Aligarh firms in August 1967, the increases in prices of padlocks of 40 mm and 50 mm sizes allowed in February 1971 were 124 *per cent* and 150 *per cent* respectively. During that period the whole sale price index of iron and steel manufactures had increased by about 20 *per cent* only. Even as compared to the rates offered by those firms in July 1968, the increases in prices of padlocks of 40 mm and 50 mm sizes allowed in February 1971 were 67 *per cent* and 73 *per cent* respectively, when during the same period the whole sale price index of iron and steel manufactures had increased by about 13 *per cent* only. When, as in this case, manufacturers of articles reserved for the small scale industries sector form rings and ask for too high prices, it is a moot point whether the Director General, Supplies and Disposals, should not have the authority to invite (or rein-

vite) quotations from also the bigger manufacturers (in addition to those belonging to the small scale sector) and further, if circumstances justify, also purchase the articles from the bigger producers.

45. *Purchase of lathes.*—The Director General, Supplies and Disposals, had entered into rate contracts with a firm for supply of lathes during the periods 1st July 1962 to 30th June 1964, 22nd July 1964 to 30th June 1966, and 12th July 1966 to 30th June 1968. Rupees 23,268 were recoverable from the firm against a supply order placed on it in February 1965.

When the above rate contracts were placed on the firm, it was not registered with the Director General, Supplies and Disposals. This aspect was specifically considered before placing the rate contract for 22nd July 1964 to 30th June 1966 and it was decided to place that rate contract as the performance of the firm was considered satisfactory. At that time it was also decided to ask the firm to apply for registration. The firm applied for registration with the Director General, Supplies and Disposals, in September 1966. On the recommendation of the Inspection Directorate, the firm was registered in May 1967 for supplies of the following types of lathes upto Rs. 1 lakh in value per individual order :—

- (i) Centre lathes 6½" height of centre;
- (ii) Bench lathes 6" height of centre; and
- (iii) Hand-operated Capstan lathes 3/4" bar capacity.

In November 1966 an acceptance of tender was placed on the firm for supply of 11 lathes for Defence department. As mentioned in paragraph 9 of the Report, Union Government (Defence Services) for 1970-71, all the lathes supplied against this acceptance of tender were found defective. The Public Accounts Committee has observed as follows in its 92nd Report (5th Lok Sabha) of April 1973 :—

“The lathes could have been rejected if proper inspection had been carried out by actual trial by Director General, Supplies and Disposals’ inspectors before despatch. The Committee desire that the matter should be investigated with a view to fixing responsibility.”

Rupees 1.75 lakhs were recoverable from the firm in the above case.

In August 1967 the Director General, Employment and Training, Ministry of Labour, Employment and Rehabilitation, placed an indent for

procurement of 11 master Capstan lathes required for training in nine industrial training institutes. The performance of the lathe produced by the above firm was jointly inspected by the Director (Inspection) and two representatives of the indenter. On the basis of the joint inspection report and with the approval of the Director General, Supplies and Disposals, placed an acceptance tender on the firm in January 1968 for supply of 11 Grade-I Capstan 1" bar capacity lathes and accessories at a cost of Rs. 1.7 lakhs plus sales tax. According to the terms of the contract, 95 per cent of the value was to be made after inspection and proof of despatch, and balance 5 per cent on receipt of stores by the consignee in good condition.

Although the firm was registered with the Director General, Supplies and Disposals, for other types of lathes and not for this type, the acceptance tender was placed without obtaining any security deposit or performance report (for this type of lathe). The lathes were accepted by the Director General, Supplies and Disposals, between January and July 1968 and were despatched by the firm between April and August 1968. Rupees 1.68 lakhs were paid to the firm between January 1968 and February 1969 as 95 per cent of the value.

Six consignees pointed out defects in 9 of the lathes received from the firm. The firm repaired 3 lathes to the satisfaction of three consignees. In the case of the other three consignees who had received defective lathes, the defects (which included rusty machines and accessories, faulty operation and inadequate performance) persisted, full details of which were communicated to the firm by the Director General, Supplies and Disposals on 19th January 1970. The defects were not set right by the firm, and the lathes remained unused. The amount recoverable from the firm for the six lathes is Rs. 0.92 lakh.

For meeting a demand placed by the General Manager, Postal Telegraphs Workshops (redesignated as Telecom Factories), Calcutta, in July 1967, the Director General, Supplies and Disposals, concluded a contract with the same firm in March 1968 for supply of 4 Capstan 1½" bar capacity and allied accessories at a cost of Rs. 66,235 (as at the end of October 1968) plus sales tax. As per the terms of the contract, 80 per cent of the value was to be made to the supplier after inspection and proof of despatch, and the balance 20 per cent on receipt of stores by the consignee in good condition. Two lathes were accepted in November 1968 after inspection by the inspectors of the Director General, Supplies and Disposals,

remaining two lathes were accepted in January 1969 after similar inspection. One of the lathes was received by the consignee in December 1968, another in January 1969, and the remaining two in February 1969.

The Posts and Telegraphs Workshop reported to the Director General, Supplies and Disposals, in February 1969 that the lathes were not manufactured according to the design they did not even look alike, and pointed out that unless the defects were rectified it would not be possible to use those lathes. On 31st March 1969, the Director General, Supplies and Disposals, asked the firm to rectify the defects within fifteen days. As the firm failed to rectify the defects it was again given a notice on 25th September 1969 that unless it rectified the defects/deficiencies by 30th October 1969, they would be got rectified at its risk and cost. On 3rd October 1969 the firm agreed to the defects being rectified by the Posts and Telegraphs Workshop, but the latter pointed out that the defects were of major nature and repairs could not be taken up by the consignee. After protracted correspondence the firm's representative visited the factory on 30th June 1970 and carried out repairs and commissioned only one lathe in July 1970, but still it did not work satisfactorily. The other three lathes were installed by October 1970 but could not be commissioned due to the defects. According to the Posts and Telegraphs department, the defects were of major nature whereas according to the Director General, Supplies and Disposals, (December 1972) "these lathes should not be rejected *in toto* on account of these minor defects".

Rupees 54,577 had been paid in February 1969 to the firm as 80 per cent of the cost of four lathes supplied to the Posts and Telegraphs Workshop, of which Rs. 2,340 were recovered from a pending bill of the firm leaving a balance of Rs. 53,340.

Apart from the cases mentioned above, Rs. 11,060 were also recoverable from the firm against three supply orders placed on it between January 1968 and April 1968. Thus the total amount recoverable from the firm was more than Rs. 3.50 lakhs. The firm went into liquidation in the meantime.

In a letter dated 14th October 1971 the Director General, Supplies and Disposals, had requested the Inspector General of Police, Delhi, to report *inter alia* whether the firm was registered with the Registrar of Companies or the National Small Scale Industries Corporation etc., its activities and the identity of its Directors, but no reply had been received (December 1973).

The department has not completed (December 1973) the investigation recommended by the Public Accounts Committee in its 92nd Report (5th Lok Sabha) of April 1973 mentioned earlier.

46. *Purchase of zinc base alloy ingots.*—Zinc base alloy ingots (containing 94 per cent zinc) are used by ordnance factories for production of various die casting components for ammunitions. In November 1968 an ordnance factory placed an indent on the Director General, Supplies and Disposals, for 90 tonnes of the ingots. After inviting tenders the Director General placed an order in February 1969 on a firm for supply of the ingots at Rs. 3,700 per tonne by May 1969. As the firm failed to supply due to a strike in its factory, the contract was cancelled on 1st November 1969 at its risk and cost.

A limited risk purchase tender enquiry was issued on 30th October 1969 and the tenders received were opened on 21st November 1969. The risk purchase was to be completed by 30th November 1969, *i.e.*, within 6 months from 31st May 1969 which was the date of breach of the cancelled contract. None of the three offers received against this enquiry was acceptable for valid risk purchase as the lowest offer of Rs. 3,810 per tonne was subject to foreign exchange assistance being given by Government (there was no such provision in the contract cancelled), the second lowest offer of Rs. 4,950 per tonne was from the defaulting firm in the factory of which strike was still continuing and the other offer of Rs. 5,940 per tonne was for a different size of ingots. After negotiations with the tenderers and the indenter, it was decided on 15th December 1969, *i.e.*, after the last date for completing risk purchase was already over, to place the order on one of the tenderers but by then its offer had expired.

The strike in the factory of the defaulting firm ended on 29th January 1970. Thereafter the Director General, Supplies and Disposals, negotiated with that firm which agreed in April 1970 to supply the ingots at Rs. 4,000 per tonne provided the original acceptance of tender was revived without imposition of any liquidated damages on it. On 7th June 1970 the Director General decided to accept this offer as delay in supply of the ingots had caused stoppage of production of die casting components in the indenting ordnance factory and price for fresh purchase would be more than Rs. 4,000 per tonne (price of ingots prevailing at that time was Rs. 5,000 per tonne and London Metal Exchange price of zinc had risen from £ 112.5/8-112.3/4 per tonne in February 1969 to £ 122.3/4 per tonne in April 1970). Besides, the Department also felt at the time of taking this decision that legal steps to recover general damages would not

serve any useful purpose. But with a view to claiming general damages, instead of reviving the cancelled contract a fresh acceptance of tender was issued on 10th June 1970. The firm, however, wrote back on 16th June 1970 declining to accept that acceptance of tender unless the Director General, Supplies and Disposals, confirmed that the original acceptance of tender had been cancelled without any claim to liquidated damages and that this acceptance of tender was in lieu of the cancelled contract. On receipt of this letter, the Ministry of Law was requested to advise if general damages could be claimed from the firm to the extent of additional expenditure which worked out to Rs. 27,000. The Ministry of Law advised (July 1970) that in view of risk purchase not being possible, general damages could be claimed and recovered to the extent of difference between the market rate on or about the date of breach and the contract price. Thereupon, the firm was asked (July 1970) to proceed with the execution of the contract. In reply the firm wrote (July 1970) that unless the earlier acceptance of tender was cancelled without financial repercussion it was not prepared to accept the fresh contract, and returned the acceptance of tender issued in June 1970. The case was again referred (August 1970) to the Ministry of Law which advised (August 1970) that the firm might be told that it had no right to return the acceptance of tender and it was bound to perform the contractual obligations. Consequently, a performance notice was given (September 1970) to the firm but the firm wrote back (September 1970) that it had not accepted the contract and, as such, question of contractual obligations did not arise. A further reference was made to the Ministry of Law in December 1970 and that Ministry then reversed its earlier opinion of August 1970 and advised that the Director General, Supplies and Disposals, had no right to issue a fresh acceptance of tender and the firm was under no obligation to execute the order. Subsequently, in February 1971 the firm informed the Director General, Supplies and Disposals, that it was treating the contract as cancelled and non-existent.

As stated earlier, the Director General, Supplies and Disposals, was aware in June 1970 that because of non-availability of the ingots Defence production of die casting components had stopped. In September 1971 the indenter repeated the urgent need for the ingots. Therefore, a fresh tender enquiry was issued in April 1972 and an order was placed on the defaulting firm in June 1972 for supply of the ingots at the rate of Rs. 6,000 per tonne by 31st October 1972.

Had the ingots been purchased at the rate of Rs. 4,000 per tonne there would have been extra expenditure of Rs. 27,000 as compared to

the original price fixed in February 1969. To procure the ingots, which were required for Defence production, took nearly three years and that, too, by paying Rs. 1.80 lakhs (*i.e.*, 50 per cent) more than what it would have cost had the April 1970 offer of Rs. 4,000 per tonne by the firm been accepted.

Only general damages, being the difference between the market price on or about the date of breach (31st May 1969) and the price of Rs. 3,700 per tonne fixed in February 1969, are recoverable from the defaulting firm. The general damages are yet to be assessed and claimed (July 1973).

47. *Purchase of insulation tape.*—The Director General, Supplies and Disposals, had rate contracts with three firms for purchase of insulation tape during January 1970—December 1971. In August 1971 the Commandant, Central Ordnance Depot, Agra, sent to the Director General, an indent for 1,85,200 rolls of insulation tape (25 metres each), *i.e.*, 46.30 lakh metres of tape worth Rs. 3.49 lakhs to be supplied by March 1972.

On 30th August 1971, the Director General had opened tenders for concluding a new rate contract for the years 1972 and 1973 and had therefore become aware of higher trend of prices. On 18th September 1971 the Director of Supplies decided that the demand might be covered straightaway through the rate contract then in force. The performance (as on 31st July 1971) of the three firms holding rate contracts was as follows :—

Name of firm	Value of orders placed	Value of orders executed	Percentage of orders executed	Remarks
Firm 'A'	Rs. 11.02 lakhs	Rs. 5.08 lakhs	46	Firm 'A' and 'C' did not execute the balance of the orders till 31st December 1971.
Firm 'B'	Rs. 2.74 lakhs	Rs. 2.31 lakhs	84.3	
Firm 'C'	Rs. 1.28 lakhs	Rs. 0.22 lakh	17.4	

According to the rate contract, 100 per cent capacity of one shift and 50 per cent capacity of the second shift were to be reserved by each of the rate contract holders for supply against the rate contract. Firm 'B' which had already supplied by July 1971 more than 84 per cent of the orders placed on it had capacity to produce 1.36 lakh metres of tape per day in two shifts. By reserving capacity of one and half shifts, firm 'B' could supply 46.30 lakh metres of tape indented by the ordnance depot (in August 1971) in about 46 days.



Instead of placing order for the supply against existing rate contracts according to the decision of 18th September 1971, an enquiry was made by the office of the Director General, Supplies and Disposals, after more than two months, *i.e.*, on 23rd November 1971, from all the three rate contract holders to intimate by 10th December 1971 the guaranteed date of delivery by which they could supply the required tape, if ordered on them. Firms 'A' and 'B' in their replies dated 18th December 1971 and 8th December 1971 respectively declined to accept the order stating that the rate contract was going to expire on 31st December 1971 and that they were already committed for supplies against orders which were in hand. Accordingly, no order was placed on any of these firms for supply to the Central Ordnance Depot, Agra.

The Ministry of Law stated (December 1973) that "a rate contract is of the nature of the standing offer and that it becomes legally binding as soon as a requisition for a definite quantity is made. In other words the moment a supply order is placed within the validity period of the contract, then it becomes a binding contract" and that it was open to the tenderer to revoke the standing offer before a supply order was placed on it. In the present case instead of placing order before expiry of the validity period the tenderers were asked to intimate guaranteed date of delivery and the tenderers had replied that they would not be in a position to execute the supply order proposed to be placed on them. The Law Ministry, therefore, held "the firm had communicated their revocation before the supply order was placed. In the circumstances the supply order, even if placed thereafter, would not be binding on them contractually". The Law Ministry further stated that after placement of order, the date of delivery could be negotiated, if the delivery date shown in the supply order was not acceptable to the rate contract holder.

Fresh rate contracts for the years 1972 and 1973 were concluded in December 1971 at 42 to 49 *per cent* higher rates for different widths of tape than those in the earlier rate contracts. Firms 'A' and 'B' again got rate contract for the years 1972 and 1973. A supply order to cover the demand under consideration was placed in February 1972 against the new rate contract on firm 'B' at extra cost of Rs. 1.46 lakhs. According to this supply order accepted by firm 'B', supply was to be completed by March 1972; the supply was, however, actually completed in July 1973.

## CHAPTER VI

### DEPARTMENTALLY MANAGED GOVERNMENT UNDERTAKINGS

48. On 31st March, 1973, there were 35 Government Undertakings of Commercial and Quasi-commercial nature, the same number as on 31st March, 1972. One Undertaking viz. Kolar Gold Mining Undertakings (which has been taken over by Bharat Gold Mines Private Limited with effect from 1st April, 1972) has been excluded from the list of 35, while another Undertaking viz. Government Opium and Alkaloid Works, Ghazipur which was split up into two separate units (Opium factory, Ghazipur and Alkaloid Works, Ghazipur) with effect from 1st April, 1970, has now been shown separately.

A list of these Undertakings arranged according to the Controlling Ministries/Departments is given in Annexure 'A' with information about their financial position as on 31st March, 1973. The financial results are ascertained annually by preparing statement of accounts on a *pro forma* basis outside the general accounts of Government. Trading and Profit and Loss Accounts of those at Sl. Nos. 30 and 31 (Publication Branch, Delhi and Government of India Presses) are not prepared; instead only stores accounts are maintained. The *pro forma* accounts of 28 Undertakings at Serial Nos. 1, 2, 4 to 15, 17 to 20, 22 to 26, 28, 29, 32, 33 and 35 of Annexure 'A' have not been received so far for audit (February 1974).

## ANNEXURE 'A'

## SUMMARISED FINANCIAL RESULTS OF 1972-73

(Figures in thousands of Rupees)

Sl. No.	Name of the Undertaking	Government capital	Block Assets (Net)	Depreciation to date	Profit (+) Loss (-)	Interest on Government capital	Total return	Percentage of total return to mean capital	Remarks
1	2	3	4	5	6	7	8	9	10
MINISTRY OF FINANCE									
1.	India Security Press, Nasik Road								Accounts not received
2.	Currency Note Press, Nasik Road								Accounts not received.
3.	Government Opium Factory, Neemuch	1,94,34	7,16	59	(+)4,17,65	—	(+)4,17,65	—	—
4.	Government Opium Factory, Ghazipur								Accounts not received
5.	Government Alkaloid Works, Ghazipur								Accounts not received
6.	India Government Mint, Bombay								Accounts not received
7.	India Government Mint, Calcutta								Accounts not received
8.	India Government Mint, Hyderabad								Accounts not received

1	2	3	4	5	6	7	8	9	10
9. Assay Department, Bombay									Accounts not received
10. Assay Department, Calcutta									Accounts not received
11. Silver Refinery Project, Calcutta.									Accounts not received
MINISTRY OF INFORMATION AND BROADCASTING :									
12. All India Radio . . . .									Accounts not received
13. Radio Publications									Accounts not received
14. Films Division									Accounts not received
15. Commercial Broadcasting Service, All India Radio									Accounts not received
MINISTRY OF COMMUNICATIONS									
16. Overseas Communications Service, Bombay	18,06,34	9,94,70	5,11,92*	(+)3,03,04	70,10	(+)3,73,14	25,39		*Represents the depreciation provided upto the end of 1971-72 plus that provided for during 1972-73. As the depreciation written back in respect of Assets sold or written off during the year is not separately available in the accounts, the same has not been taken into account.
MINISTRY OF SHIPPING & TRANSPORT :									
17. Lighthouses and Lightships Department									Accounts not received
18. Shipping Department, Andamans									Accounts not received
19. Ferry Service, Andamans									Accounts not received
20. Marine Department, (Dock-yard), Andamans									Accounts not received

21. Chandigarh Transport Undertaking, Chandigarh	56,88	43,48	15,17*	(+)2,97	2,41	(+)5,38	10.64	*This includes interest charges on the fund balance up to 31st March, 1973. The year-wise breakup of interest charges included in the figure of Depreciation Reserve Fund was not available with the Management. The net value of the Assets is under stated to that extent.
MINISTRY OF AGRICULTURE								
22. Reserve Pool of Fertilisers								Accounts not received
23. Delhi Milk Scheme								Accounts not received
24. Forest Department, Andamans								Accounts not received
25. Ice-Cum-Freezing Plant, Ernakulam								Accounts not received
MINISTRY OF HOME AFFAIRS								
26. State Transport Service, Andamans								Accounts not received
MINISTRY OF HEALTH & FAMILY PLANNING								
27. Central Research, Institute, Kasauli	21,70	5,36	6,69*	(+)14,01	71	(+)14,72	99.32	*Depreciation includes "consumption of live stock" for 1972-73 only.

1	2	3	4	5	6	7	8	9	10
28.	Medical Stores Depots								Accounts not received
29.	Bakery, Mineral Water Factory and Vegetable Garden of Hospital for Mental Diseases, Ranchi.								Accounts not received
	MINISTRY OF WORKS AND HOUSING								
30.	Publication Branch, Delhi								Accounts not received
31.	Government of India, Presses								Accounts not received
	MINISTRY OF IRRIGA- TION AND POWER								
32.	Electricity Department, Andamans								Accounts not received.
33.	Electricity Department, Laccadive, Minicoy and Amindivi Islands								Accounts not received
	MINISTRY OF COM- MERCE								
34.	Pathini Tea Estate	47,67	25,60	5,83	(—)5,64	2,34	(—)3,30	—	Figures are based on the accounts for the calendar year 1972.
	DEPARTMENT OF ATO- MIC ENERGY								
35.	Tarapur Atomic Power Station								Accounts not received

In respect of Undertakings for which figures for the year 1972-73 are not available, figures for the year 1971-72 except to the extent otherwise indicated in column 10 are given below :—

(Figures in thousands of Rupees)

1	2	3	4	5	6	7	8	9	10
MINISTRY OF FINANCE									
1.	India Security Press, Nasik Road	5,90,75	2,12,74	1,08,12	(+)11,50	25,62	(+)37,12	6.74	
2.	Currency Note Press, Nasik Road	5,57,67	1,88,33	1,06,23	(+)1,16,36	24,94	(+)1,41,30	26.34	
3.	Government Opium Fac- tory, Ghazipur.	3,29,00	8,78	1,04	(+)3,27,48	12,18	(+)3,39,66	129.78	
4.	Government Alkaloid Works, Ghazipur	(—)12,50	3,12	91	(+)30,11	—	(+)30,11	—	
5.	India Government Mint, Bombay.	7,57,58	1,17,53**	5,34*	(+)3,88,60	26,62	(+)4,15,22	72.52	(1) **This includes Rs. 4,11,269 representing the cost of Residential Build- ings (construction work- in-progress). (2) *Depreciation for the year 1971-72 only.
6.	India Government Mint, Calcutta.	5,15,78	1,22,69	1,60,17	(+)2,04,79	33,59	(+)2,38,38	33.0	—
7.	India Government Mint, Hyderabad	1,50,91	47,24	1,39*	(+)28,97	5,94	(+)34,91	27.31	*Depreciation for the year 1971-72 only.
8.	Assay Department, Bombay	3,41	46	4*	(+)4,48	—	(+)4,48	—	*Depreciation for the year 1971-72 only.

1	2	3	4	5	6	7	8	9	10
9. Assay Department, Calcutta		29	76	3*	(+)45	1	(+)46	273.23	*Depreciation for the year 1971-72 only.
10. Silver Refinery Project, Calcutta.		3,05,33	64,13	49,94	(+)69,38	14,51	(+)83,89	26.88	
MINISTRY OF INFORMATION AND BROADCASTING									
11. All India Radio		34,56,67	Capital Assets 18,69,62 Revenue Assets 30,50	8,64,60	(+)1,65,90	77,77	(+)2,43,67	7.02	(1) *Depreciation for the year 1969-70 only. (2) Figures for the year 1969-70 have been taken as per <i>pro forma</i> accounts for the subsequent years have not been received.
12. Radio Publications		92,54	14	3*	(-)8,08	17	(-)7,91	—	(1) *Depreciation for the year 1970-71 only. (2) Figures for the year 1970-71 have been taken as the <i>pro forma</i> accounts for the subsequent years have not been received.
13. Films Division		93,57*	28,54	35,31	(-)29,69	4,30	(-)25,39*	—	*Before adjustment of notional value on films released for free exhibition.
14. Commercial Broadcasting Service, All India Radio		43,37	Capital Assets 10,54 Revenue Assets 2,26	2,67	(+)2,14,13	—	(+)2,14,13	—	(1) *Depreciation for the year 1970-71 only. (2) Figures for the year 1970-71 have been taken as the <i>pro forma</i> accounts for the subsequent years have not been received.



MINISTRY OF SHIP-  
PING AND TRANSPORT

15. Light-houses & Light-ships Department	10,81,64	9,84,35	1,43,94	(+)25,40	4,90	(+)30,30	2.88	
16. Shipping Department, Andamans	1,01,01	72,59	7,89*	(-)59,30	3,80	(-)55,50	—	(1) *Depreciation for the year 1970-71 only.  (2) Figures for the year 1970-71 have been taken as the <i>pro forma</i> accounts for the subsequent years have not been received.
17. Ferry Service, Andamans	19,58	22,94	4.04*	(-)8,55	1,16	(-)7,39	—	*Depreciation for the year 1971-72 only.
18. Marine Department, (Dockyard), Andamans	32,05	2,49	6*	(+)2,09	1,07	(+)3,16	13.69	*Depreciation for the year 1971-72 only.

MINISTRY OF AGRI-  
CULTURE

19. Reserve pool of Fertilisers	20,48,13	—	—	(+)13,76,37	1,46,98	(+)15,23,35	44.88	Figures for the year 1968-69 have been taken as the <i>pro forma</i> accounts for the subsequent years have not been received.
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1	2	3	4	5	6	7	8	9	10
20.	Delhi Milk Scheme	3,05,17	2,90,57	1,91,27	(+)11,23	12,25	(+)23,48	7.74	Figures for the year 1970-71 have been taken as the <i>pro forma</i> accounts for the subsequent years have not been received.
21.	Forest Department, Andamans	9,08,55	39,10	6,80*	(-)50,57	42,43	(-) 8,14	—	(1) *Depreciation for the year 1971-72 only.  (2) Figures are based on unaudited accounts.
22.	Ice-cum- Friezing Plant, Ernakulam	4,71	15,18	96	(-)3,89	41	(-)3,48	—	Figures for the year 1967-68 have been taken as the <i>pro forma</i> accounts for the subsequent years have not been received.
MINISTRY OF HOME AFFAIRS									
23.	State Transport, Service, Andamans	3,90	6,63	11,12	(-)1,11	28	(-)83	—	Figures for the year 1969-70 have been taken as the <i>pro forma</i> accounts for the subsequent years have not been received.
MINISTRY OF HEALTH AND FAMILY PLAN- NING									
24.	Medical Stores Depots	3,51,00	43,93	9,18	(+)14,32	13,43	(+)27,75	8.39	Figures for the year 1970-71 have been taken as the <i>pro forma</i> accounts for the subsequent years have not been received.

25. Bakery, Mineral Water Factory & Vegetable Garden of Hospital for Mental Diseases Ranchi.	34	31	1*	(+) 4	2	(+)6	19.70	*Depreciation for the year 1971-72 only.
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MINISTRY OF IRRIGATION AND POWER

26. Electricity Department, Andamans	30,31	31,90	1,85*	(-)5,78	1,37	(-)4,41	—	(1) *Depreciation for the year 1968-69 only. (2) Figures for the year 1968-69 have been taken as the <i>pro forma</i> accounts for the subsequent years have not been received.
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DEPARTMENT OF ATOMIC ENERGY

27. Tarapur Atomic power station	90,48,48	65,12,80	97,94	(+)18,98	1,62,07	(+)1,81,05	2.06	(1) Figures have been taken from the certified <i>pro forma</i> accounts prepared by the Department on unapproved forms.  (2) Accounts are for the period from 1-11-1969 to 31-3-1970.  (3) Figures for the year 1969-70 have been taken as the <i>pro forma</i> accounts for the subsequent years have not been received.
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## 49. Films Division, Bombay.

### Introduction

The main work of the Films Division is production and distribution of newsreels and documentary films. About 25 per cent. of the total production of documentaries is assigned to private producers on contract. In order to encourage the documentary movement in India, the Division also buys ready-made films from private producers. Two separate production units of the Division have been set up in Delhi in July, 1968 and August, 1968 to undertake production of documentary films required by the Ministry of Agriculture and Family Planning and Ministry of Defence respectively.

All cinema houses are obliged to exhibit at each performance approved newsreels and short films which are supplied by the Films Division on payment of rental. Documentary films and newsreels are also supplied free of cost and on sale basis to the Central and State Government Departments and private parties.

The working of the Films Division upto 1966-67 was reviewed in Section XVII of Audit Report (Commercial), 1968 and was discussed by the Public Accounts Committee *vide* paras 1.1 to 1.143 of their 120th Report (4th Lok Sabha April, 1970). The action taken by Government on the Committee's recommendations has been indicated in their 48th Report (5th Lok Sabha—April, 1972). The present review covers the period from 1st April, 1967 to 31st March, 1973.

### 2. Production Planning.

#### (j) Selection of subjects.

(a) **Documentaries.**—The selection of subjects for production of documentary films was made upto 1966 on the basis of the suggestions received from different Ministries, Departments, State Governments, etc. and during 1967-68 to 1969-70 on the basis of the suggestions made by the Films Division. On the basis of these suggestions, the final list of subjects to be included in the production programme of documentary films for next year was drawn upto 1969-70 before the beginning of each year by the Ministry of Information and Broadcasting in consultation with the concerned Ministries of the Government of India, Planning Commission, etc. The number of subjects included in the production programme of each year was always in excess of the capacity of the Films Division, which enabled the Films Division to have option to take up subjects for



(a) The documentaries produced by the Films Division shown above include (i) compilation films on the visits of dignitaries, (ii) record films, produced specifically for archival or presentation purposes, and (iii) special newsreels issued as documentaries, as detailed below:--

	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73
(i) Compilation films on the visits of dignitaries	10	6	9	6	3	9
(ii) Other Records films	2	6	4	5	6	4
(iii) Special Newsreels	1	—	—	7	—	—
	13	12	13	18	9	13

The record films produced have been classified as documentaries by the Films Division on the ground that their production requires pre-planning and regular shooting by film units. But the reasons for showing the Compilation Films (which are compiled from the stock shots available in the film library) and the special newsreels as documentaries produced, have not been stated.

(b) The short-fall in production of documentaries by outside producers during 1969-70, 1970-71 and 1972-73 has been attributed to (i) delays on the part of the sponsoring Ministries in furnishing the requisite line of approach, back-ground material etc. and delay in conveying approval at various stages of production and (ii) non-availability of sufficient funds in the budgets of the Films Division.

### (iii) Norms of production.

Besides the Directors and Deputy Directors in the employment of the Films Division and Ad hoc Directors engaged on payment of fee to meet the shortage of directorial staff, the Division also utilises the services of officials other than Directors and Deputy Directors for directing short documentary films with a view to spotting new talent and providing training to them. The annual quota of documentary films to be produced by a Director/Deputy Director was, however, reduced from 4 films to 3

films in April, 1966 with a view to effecting improvement in the quality of films produced. According to the reduced quota, the Directors/Deputy Directors on rolls of the Films Division from time to time should have produced 364 documentary films during the six years ended 31st March, 1973. The actual production by the Directors/Deputy Directors during this period was, however, 314 documentary films including 23 compilation films and 17 record films.

**(iv) Abandonment of Documentaries.**

(a) During the six years ended 31st March, 1973 the Films Division abandoned 49 subjects after inclusion in the production programme. While no expenditure was incurred on 33 subjects, expenditure of Rs. 2.02 lakhs was incurred on 16 subjects. In respect of one of these films undertaken on behalf of the Ministry of Defence, the latter has accepted a debit of Rs. 1.47 lakhs out of the total expenditure of Rs. 1.49 lakhs on that film. The Films Division stated (December, 1973) that another film abandoned after incurring an expenditure of Rs. 22,787 was proposed to be again included in the production programme and that three abandoned films on which no expenditure had been incurred, have also been included in the production programme.

(b) In April 1971, the Ministry of Information and Broadcasting suggested to the Films Division that a review should be made in order to weed out some of the subjects (due to lack of topicality etc.) carried over on the production programme for over 5 years. As on 31st March, 1972, there were 184 subjects on the production programme of the Films Division. Although these included 29 subjects carried over from 1966-67 and earlier, no review as such has been undertaken so far. The Films Division has stated (December 1973) that a cell was being set up in the Ministry of Information and Broadcasting to review and finalise the production programme of the Films Division.

**3. Production through outside Agency.**

In January, 1972, the Ministry of Information and Broadcasting awarded the production of a film on 'Indo-Pak conflict in Bangla Desh and on the Western Sector' to a producer without consulting the Films Division, at an estimated cost of Rs. 10 lakhs (including foreign exchange of \$ 1,25,000). The producer was to collect the filmic material from

foreign countries. The film was completed in March, 1972 (the actual amount of expenditure and the details thereof are not available with the Films Division). The contract, if any, entered into with the producer about the terms and conditions of production, payment, length of film, time limit, etc. was not available with the Films Division. As the length of the film was more than the prescribed limit for releasing the film on non-commercial circuit, it was decided to release the film on commercial basis instead of on Films Division's circuit. The Films Division has entered into agreements with distributors in India for the commercial release of the Film and has collected royalty amounting to Rs. 1.35 lakhs from the distributors so far (June, 1973).

#### 4. Purchase of a ready-made film.

In May, 1971, the sole distributors of a short colour cartoon film produced by the Family Planning Association of India (a private body in receipt of Government grant) offered 35 mm. and 16 mm. prints of the film to the Films Division at Rs. 1,425 and Rs. 900 per print respectively. The break-up of the price of Rs. 1,425 per print of the 35 mm. film, as furnished by the distributors, was Rs. 849 per print towards recoupment of the cost of production of the film (Rs. 75,000), interest, handling charges, overheads, etc. and Rs. 576 each towards the cost of making one print of the film. The distributors did not indicate the number of prints on the basis of which they had worked out Rs. 849 per print towards reimbursement of the cost of production (Rs. 75,000), interest, handling charges, overheads, etc. in the break-up of the cost. The Films Division, however, accepted the offer of the distributors and placed two orders for 194 prints and 25 prints of 35 mm. of the total value of Rs. 3.12 lakhs in September, 1971 and April, 1972 respectively. In June, 1972, the Department of Family Planning of Government of India also indicated to the Films Division that it was likely to buy nearly eight hundred fifty 16 mm. prints of this film. The exact number of prints since purchased by the Department is not known. The purchase of 219 prints by the Films Division at the rate quoted by the distributors has, however, resulted in reimbursement of a sum of Rs. 1.86 lakhs towards the cost of production, interest, handling charges, overheads, etc. Although the distributors had indicated the cost of production of the film, interest, handling charges, overheads, etc. the Films Division did not consider it necessary to negotiate a reduction in the price of the film on the basis of the number of prints to be purchased by it.



In this connection, the Films Division has stated (December, 1973) as follows :—

“ . . . . . However, fixation of fair price for purchase of films as well as prints of films from outside agencies is now being done by a committee constituted by the Government (Documentary Films Purchase Committee) and while fixing fair price for prints, this Committee takes into account the number of prints also . . . . .”

## 5. Raw stock of Films.

### (a) Storage.

Raw stock of films accounts for the largest item of expenditure of the Films Division. During 1970-71, 1971-72 and 1972-73, the value of consumption of raw stock was Rs. 80.82 lakhs, Rs. 92.97 lakhs and Rs. 97.58 lakhs (provisional) respectively. The general policy of the Division is to keep in stock three to six months' requirements to avoid any breakdown in supplies. Raw stock purchased and paid for but not required immediately is stored at the risk of Films Division in the cold storage of suppliers who do not charge any storage rent. No agreements have been entered into with the suppliers detailing the terms and conditions of storage on Films Division's Account. Part of the raw stock remains issued to the processing laboratories. This arrangement of storage has been necessitated due to lack of requisite storage facilities with the Films Division.

### (b) Consumption of Picture Negative Stock.

The Films Division has fixed the norms of consumption of picture negative in relation to the final length of the film as 4 : 1 for black and white films, 5 : 1 for colour films and 5 : 1 for newsreels. The table below shows the ratio of picture negative exposed to final length of the film, yearwise and category-wise :—

Category	Ratio				
	1967-68	1968-69	1969-70	1970-71	April '72 to Sept. '72
(a) Documentaries					
(i) Black & White	5.0:1	5.6:1	5.9:1	4.9:1	3.48:1
(ii) Colour	4.7:1	3.0:1	8.2:1	5.6:1	8.31:1
(b) Newsreels (B & W)	9.4:1	9.0:1	12.2:1	8.2:1	N.A.

(Ratios for 1971-72 are not available).

It will be seen from the table above that the actual consumption of the negative stock has generally been higher than the norms fixed by the Films Division except the consumption of colour films in 1967-68 and 1968-69 and black and white films during April, 1972 to September, 1972. While the ratio of consumption in the case of Black and White Documentaries is showing an improving trend, in the case of colour documentaries the ratio is fluctuating.

**(c) Accounting of Picture negative.**

Out of 42 Cameramen and Newsreel Officers who were issued raw stock, it was seen (November, 1973) that

- (i) Accounts had not been rendered for more than two years by 5 officials (including one since 1968 and one since 1969).
- (ii) Accounts though rendered had not been finalised in respect of 29 officials; delay in finalisation ranging between 3 months and 55 months.
- (iii) Accounts had been finalised in respect of 8 officials only.

The Films Division has stated (December, 1973) that every endeavour is being made to finalise the raw stock accounts.

**(d) Wastage allowance to Laboratories.**

All films produced by the Films Division are processed in private laboratories. The laboratories are permitted an allowance for wastage of raw film on account of tests, cuttings, rejections, etc.

The cost of the wastage allowed and the processing charges paid during 1969-70 to 1971-72 are given below :

Year	Cost of wastage allowed	Processing charges paid
	Rs.	Rs.
	(Rupees in lakhs)	
1969-70 . . . . .	3.10	15.27
1970-71 . . . . .	3.65	17.97
1971-72 . . . . .	4.33	22.65

The rates of wastage allowance permitted are as follows :

Black & White 35 mm. and 16 mm.	5% (since 1950-51)
Colour	10% (since 1957-58)
Colour Intermediate	20% (since 1957-58).

It is a moot point whether the rates of wastage allowance could have not been brought down in the wake of the steep increase in the number of prints taken out (from 6,968 prints in 1951-52 to 42,668 prints in 1971-72).

## 6. Working Results.

The working results of the Films Division for the period 1967-68 to 1971-72 are given in the following table. Simplified pro forma accounts for 1971-72 are given in Appendix VIII.

	1967-68	1968-69	1969-70	1970-71	1971-72
	(Rupees in lakhs)				
(a) Govt. Capital at the close of the year					
(i) Head office . . . . .	31.55	70.30	58.32	58.97	76.83
(ii) Defence Films Wing . . . . .	—	—	3.17	9.51	16.74
TOTAL . . . . .	31.55	70.30	61.49	68.48	93.57
(b) Revenue					
(i) Rental . . . . .	75.95	97.57	85.43	104.79	115.57
(ii) Sale of prints . . . . .	19.50	13.20	21.94	25.72	42.91
(iii) Miscellaneous . . . . .	19.93	9.64	11.16	20.34	8.12
TOTAL . . . . .	115.38	120.41	118.53	150.85	166.60
(c) Expenditure . . . . .	149.28	169.49	177.68	196.00	196.29
(d) Excess of expenditure over income. . . . .	33.90	49.08	59.15	45.15	27.69
(e) Notional revenue from films-released for free exhibition. . . . .	84.52	118.84	79.89	108.28	65.58
(f) Surplus after taking into account notional revenue at (e) above. . . . .	50.62	69.76	20.74	63.13	35.69

(i) It may be seen that the major source of revenue of the Films Division is the rental for the supply of films to cinema licensees, which is assessed at 1 per cent of their gross collections (excluding entertainment tax) subject to a minimum of Rs. 2.50 per week. This income has no direct relation to the expenditure incurred or number of films produced, and is solely dependent on the box office collections of the exhibitors.

(ii) In para 1.8 of their Forty-Eighth Report (Fifth Lok Sabha—April, 1972) the Public Accounts Committee observed as under :—

“The Committee are not still convinced of the reasonableness of the credit taken for ‘Notional Revenue’ in view of its rapid multiplication during the period 1964-65 to 1968-69 in comparison with the revenue actually realised. They would, therefore, suggest that a more realistic basis should be evolved in consultation with Audit to reckon ‘notional revenue’ in respect of films distributed for screening free of charge”.

The suggestion of the Public Accounts Committee has since been examined by the Ministry of Information and Broadcasting in consultation with the Ministry of Finance (Cost Accounts Branch). The latter suggested (September, 1973) that instead of taking credit for ‘notional revenue’ in respect of films released for free exhibition, the form of the Proforma Accounts should be revised to show separately (i) the working results of the production and distribution of films released through the theatrical circuit and (ii) the actual cost of production and distribution of films released for free exhibition. The approval of the Ministry of Information and Broadcasting to the above proposal is awaited (January 1974).

## **7. Costing system and cost control.**

### **7.1. Costing system.**

(a) A system of costing was introduced in June, 1957. The following deficiencies have been noticed in the costing system :—

- (i) The cost of production as per cost ledgers has not been reconciled with the figures booked in the Financial Accounts except for 1971-72.
- (ii) There is no system of making film-wise/activity-wise budgets/estimates to keep control on actual costs.

- (iii) The cost of six films produced by the Defence Film Wing of the Division for the Ministry of Defence during July, 1970 to March, 1972 has not been recovered from the Ministry so far (August 1972) for the reason that the cost of these films could not be worked out for want of requisite staff.

In this connection, the Films Division has stated (December, 1973) as follows :—

“Cost of films produced by Defence Film Wing has been worked out for and up to the year 1971-72 and claims for film-wise cost for instructional films is being preferred for effecting recovery from Ministry of Defence”.

(b) Pursuant to the recommendations of the Public Accounts Committee contained in paras 1.70 and 1.71 of their 120th Report (Fourth Lok Sabha—April, 1970), Government appointed (December 1970) the Administrative Staff College of India as Consultants and one of the terms of reference was to develop a sound and scientific cost accounting system. The report of the Consultants was received in October, 1971. The Films Division stated (May, 1972) that “a Senior Cost Accounts Officer has been deputed by Government to look into the costing system in vogue in the Films Division and to suggest its revision in the light of the recommendations made by the Administrative Staff College and also to assess the staff requirements for effecting improvement”.

The Films Division has further stated (December, 1973) as follows :—

“Cost Accounts Officer of the Ministry of Finance joined this organisation on 1-3-1973. He has made the assessment of staff requirement in Costing Wing. His proposal is now under examination by the Ministry.”

## 7.2. Cost of Films.

In para 1.70 of their 120th report (1969-70), the Public Accounts Committee had observed that the large disparity between the cost of production of films in Films Division and by private producers left the Committee with the impression that the optimum use was not being made of the talent recruited by the Division. The Films Division stated (August, S/30 C & AG/73—11

1972) that it would be unrealistic to compare the cost of production of films by Films Division with that of outside producers. On the basis of the information collected from the Films Division, the cost of (average) of films produced departmentally and those produced by private producers (*viz.*, the price paid per meter plus Rs. 5 per meter upto 1970-71 and Rs. 9 per meter thereafter taken to cover overheads) during the five years ended 31st March, 1972 is indicated in the table below :

(Cost per meter in Rupees)

Year	Black & White		Colour		Colour Cartoon	
	Films Division	Outside Production	Films Division	Outside Production	Films Division	Outside production
1967-68 . . . . .	118.00	67.25	153.15 *	177.23	777.53	—
1968-69 . . . . .	126.35	88.70	175.70	139.27	169.25	306.20
1969-70 . . . . .	149.30	93.20	307.45	140.45	810.65	195.00
1970-71 . . . . .	123.30	77.55	206.50	130.30	779.90	223.75
1971-72 . . . . .	80.50	81.00	149.60	146.15	Not produced	297.28

The higher cost of production in the earlier years by the Films Division has been attributed to maintenance of large establishments and incurring of expenditure on several items unrelated to making of films, such as holding of Films Festivals, Seminars publicity, training, technical advice to Ministries and State Governments, processing of subjects which are eventually dropped, developmental activities etc. The scrutiny of cost figures indicated that the reasons for lower cost in 1971-72 were due to the nature of subjects chosen, the extent of raw stock used as opposed to incorporation of stock shots, location of shooting, number of films produced etc. Accordingly the average cost per meter does not provide a realistic yard-stick for making any meaningful comparison.

### 7.3. Production of 16 mm. Films.

In January, 1970, the Public Accounts Committee was informed by the Ministry of Information and Broadcasting that one of the measures of economy adopted in the Films Division in pursuance of the recommendations made by the Committee in Para 155 of their 23rd Report (1963-64), was that documentary films were produced by Films Division in 16 mm. where the prints were required only in 16 mm. A review of the

films produced during 1967-68 to 1971-72, however, showed that films made specifically for non-theatrical release, for which prints were required only in 16 mm. were initially made in 35 mm. and later converted into 16 mm. The extra expenditure on rawstock and on conversion of such films from 35 mm. to 16 mm. has not been quantified. The Films Division stated (July, 1972) that it was not possible to produce films directly in 16 mm. as 16 mm. processing facilities available in India were not satisfactory and it was expected that it would be possible to adopt 16 mm. films technology for the production of films in the next 2 or 3 years with the expansion of television in India and availability of better 16 mm. facilities. It was stated (June, 1973) that one Black and White films in 16 mm. was completed recently as an experimental measure and the results were just acceptable.

It was further stated (December, 1973) that :

“In keeping with the policy of gradual switch over to 16 mm. production, Films Division has since completed 5 more Films in 16 mm. As the 16 mm. processing facilities improve, the Division should be able to take up the production of more and more films in 16 mm. ....”.

#### 8. Idle Time.

The table below indicates the total purchase hours, total general hours and total idle hours in respect of the ten productive departments, studio and Cameramen's Department of the Films Division during the five years ended 31st March, 1972 :

Category	1967-68	1968-69	1969-70	1970-71	1971-72
(i) Purchase hours*	5,33,624	4,65,282	5,13,695	5,20,127	5,42,833
(ii) General hours*	1,11,933	1,09,520	1,28,427	1,30,613	1,47,116
(iii) Idle hours	28,718	21,500	26,439	14,706	16,844
(iv) Percentage of :					
(a) (ii) to (i)	22.2	23.5	25.0	25.1	27.1
(b) (iii) to (i)	5.7	4.6	5.1	2.8	3.1

\*Purchase hours' is the product of the strength of establishment and total working hours and 'General Hours' is the productive hours of general nature which cannot be specifically charged to any particular film.

It will be seen from the above table that while the percentage of idle hours to total purchase hours has been fluctuating and has come down from 5.7 in 1967-68 to 3.1 in 1971-72 the percentage of general hours to total hours has been on the increase and has gone up from 22.2 in 1967-68 to 27.1 in 1971-72.

#### 9. Non-utilisation of equipment purchased to effect saving.

Government approved a scheme (September, 1967) to switch-over from the use of optical film to magnetic tapes for the preparation of sound tracks in order to improve quality and simultaneously effect recurring annual saving of Rs. 3.43 lakhs. Although the equipment required for the change-over was purchased during the period from February, 1969 to April, 1969 at a cost of Rs. 7 lakhs, complete switch-over has not been effected so far (December, 1973) and the equipment has by and large remained unutilised.

The Films Division stated (July, 1972) as follows :—

- (i) The first step for the switch-over, *i.e.* purchase and installation of equipment has already been implemented and in some cases, editing of commentary was also done on magnetic tape. Complete switch-over will, however, be achieved after the staff required is in position.
- (ii) “.....when the scheme was first drawn up it was estimated that the edited tape could be used 5 times but practical experience has shown that it cannot be used more than 2 times. The saving will, therefore, be considerably reduced.”

#### 10. Internal Audit.

The Films Division Manual (issued in December, 1957) envisages an internal audit cell and lays down its set-up and broad functions. No such cell has been set up so far (December, 1973).

In this connection, the Films Division has stated (December, 1973) as follows :—

“On the proposal submitted by the Films Division in January, 1973 for creation of additional staff for Internal Audit Cell, Government has asked for some additional justification in August, 1973 for further examination of the proposal.”



### 11. Losses by fraud/misappropriation.

The following cases of losses were noticed in the Distribution Head Office, Bombay.

(i) In January, 1966, stock shots valued at Rs. 65,075 were supplied on credit to a private party without observing the prescribed formalities and raw stock valued at Rs. 4,148 was loaned to the same party, although the rules of the Division did not permit giving raw stock on loan. The party who is stated to have obtained the material by impersonation as a representative of a State Government Company has not paid the cost of the stock shots and has also not returned the raw stock so far. A final decision on legal proceedings against the party was awaited (December, 1973). According to information available with the Films Division, the party has no tangible assets.

(ii) In twelve cases of sales of waste film, the first page of the two paged letters addressed to the successful tenderers was submitted fraudulently by another page containing lower rates, thereby enabling the successful tenderers to pay less amount to the Films Division. The loss of revenue on this account amounted to Rs. 46,063 during the period from November, 1969 to March, 1971. In this connection, the Films Division has stated (December, 1973) as follows :—

“.....steps were taken to contact the party and to arrange recovery of the amount in instalments. By now, Rs. 9,000 has been recovered.....”.

(iii) Five cases of misappropriation of sale proceeds of stock shots involving Rs. 7,983.40 were reported during the period November, 1970 to May, 1971. In one case, a sum of Rs. 2,639.80 was subsequently (June, 1971) refunded.

An official of the Distribution Head Office, Bombay who was allegedly responsible for the cases mentioned at (ii) and (iii) above was placed under suspension on 8th June, 1971. Criminal proceedings were instituted against the official by the Special Police Establishment in respect of cases mentioned at (iii) above. According to the Films Division (December, 1973) the Court is understood to have awarded the punishment of fine/imprisonment to the official. The services of the official have, however, not been terminated so far (January, 1974) pending receipt of copy of the Court's judgement.

## MINISTRY OF AGRICULTURE

50. *Deficiencies and delay in the compilation of the Proforma accounts of the Central Fertilisers Pool.*—The Central Fertilisers Pool was established in 1944-45 as a State Trading Scheme with a view to

- (a) popularise the use of fertilisers and make them available at economic rate; and
- (b) ensure equitable distribution of available supplies.

The indigenous supply being inadequate to meet the requirements, the Pool supplements it by arranging imports. According to the *pro forma* accounts, imports and indigenous procurement of fertilisers and the value of turnover during 1968-69 and 1969-70 were as follows :—

Year	Imports		Indigenous procurement		Turnover
	Quantity (in tonnes)	Value (Rs in crores)	Quantity (in tonnes)	Value (Rs. in crores)	Value (Rs. in crores)
1968-69	29,72,334	153.77	4,82,404	17.59	254.45
1969-70*	21,92,309	102.25	38,312	1.24	108.46

\*(According to the accounts revised and submitted in July, 1972).

The imported as well as indigenous supplies are allotted by the Pool to the State Governments, Plantations, Industrial users, etc. at the pooled prices which are determined after taking into account the following :—

- (a) Procurement price paid for indigenous as well as imported fertilisers.
- (b) Handling charges at the ports.
- (c) Departmental charges levied by the purchasing organisations.
- (d) Internal transport charges.
- (e) Indirect charges (e.g. interest on capital, establishment cost, etc.) incurred by the Pool.
- (f) Incidental charges.

In order to ascertain the working results of the Scheme, *pro forma* accounts in the form of Trading and Profit and Loss Account and Balance

Sheet are to be drawn up by the Chief Pay & Accounts Officer, Ministries of Agriculture and Supplies and countersigned by the Ministry of Agriculture. The actual transactions entering into these *pro forma* accounts, except those on liability basis, find a place primarily in the regular Government Accounts.

So far, *pro forma* accounts up to 1968-69 have been certified by Audit subject to certain audit comments. Some of the important deficiencies noticed in the latest audited *pro forma* accounts for 1968-69 are given below :—

- (a) *Deficient stock accounts.*—The figures of closing stock shown in the *pro forma* accounts were worked out in an indirect manner (*i.e.* opening balance plus purchases as booked minus sales/issues as per stock and distribution statements received) and were not reconciled with the quantity accounts maintained at the Depots.
- (b) Physical verification of stock lying at the various Depots was not conducted in all the cases.
- (c) Non-reconciliation of the figures adopted in the *pro forma* accounts with those booked in the Government Accounts to ensure the accuracy of *pro forma* accounts.

In view of basic shortcomings of the nature mentioned above, audit of the *pro forma* accounts of the year 1969-70 (initially compiled by the Ministry in December, 1970 and again in July, 1972) was conducted in detail and it was noticed that the accounts did not represent the true state of affairs mainly on account of the following defects :—

- (a) There was non-provision of liabilities aggregating Rs. 3.46 crores on account of cost, freight and handling charges.
- (b) Sales of the year were computed on an *ad hoc* basis pending receipt of sale/distribution statements from the Port or Depot authorities. These included sales pertaining to previous years.
- (c) The quantity accounts of the fertilisers had not been maintained up to date and the value of closing stock was determined in the manner referred to above. Besides, physical verification of the stock had not been conducted.
- (d) The figures shown in the *pro forma* accounts had not been reconciled with the figures booked in the Government Accounts. (Such a reconciliation was pending for the years 1961-62 to 1964-65, 1966-67 and 1967-68 also).

It was noticed that the deficiencies referred to above were mainly on account of lack of maintenance of suitable subsidiary records (e.g. complete and proper records relating to quantity accounts, purchases and sales of fertilisers, outstanding liabilities, allocation of expenses, etc.), with the result that the figures of closing stock, purchases and sales, sundry debtors and creditors, Government capital, expenses and profit or loss shown in the *pro forma* accounts did not represent the correct position. Accordingly, the basic objective of compiling the *pro forma* accounts for ascertaining the working results of the Scheme was not achieved.

In this connection, the Ministry of Agriculture stated (March, 1973) as follows :—

- (a) "Of these different reasons requiring revision of the accounts by far the most voluminous and laborious item of work is the one of quantity linking. . . . . The quantity linking had remained largely undone from the very beginning for various reasons, the more important being large scale opening of depots (nearly 400 in number) at different places in the country for wider distribution of fertilisers and non-receipt of stock accounts etc. from these depots in time. A separate Cell has now been constituted in the office of the Chief Pay & Accounts Officer to do this quantity linking. Also, action was taken and is being taken to obtain stock accounts etc. from the various depots."
- (b) "The entire position regarding preparation of the *pro forma* accounts for the year 1969-70, 1970-71 and 1971-72 was discussed in detail by the Officers of the Ministry, the Chief Pay and Accounts Officer and the Ministry of Finance. The Fertilisers transactions are continuous by their very nature, running from year to year. It has, therefore, been considered necessary and expedient to prepare the 3 years' accounts simultaneously. Such a simultaneous preparation of the accounts for the 3 years would not only facilitate proper correlation of the transactions under each head in each year's account, thus meeting the requirements of audit more adequately but also enable us to over-take the arrears within a target date. The end of December, 1973 has been set as

the target date by which the preparation of the *pro forma* accounts for the 3 years should be brought up to date. Arrangements are being made to augment staff requirements for this purpose."

The *pro forma* accounts for 1969-70 as further revised and countersigned by the Ministry were received by Audit on the 26th February, 1974, and are under scrutiny (March, 1974). The *pro forma* accounts for the subsequent years viz., 1970-71 to 1972-73, are still awaited (March, 1974).

## CHAPTER VII

### OUTSTANDING AUDIT OBSERVATIONS AND INSPECTION REPORTS

51. *Outstanding Audit Observations.*—Audit observations on financial transactions of Government are communicated to the departmental authorities from time to time. Half-yearly reports of such observations which remain outstanding for more than six months are also sent by Audit to Administrative Ministries for taking necessary steps to expedite their settlement.

(i) The number of such outstanding audit observations in the Ministries/Departments noted below and their attached and subordinate offices is large :—

Ministries/Departments	Total number of observations made upto March 1973 but outstanding on 31st August 1973	Total amount (Lakhs of rupees)	Number of observations made prior to April 1970	Amount (Lakhs of rupees)
1	2	3	4	5
<i>A. Civil Departments</i>				
Agriculture . . . . .	4,298	1,88.25	699	13.06
Commerce . . . . .	812	24.72	154	7.62
Defence . . . . .	194	13.54	19	0.36
Education and Social Welfare . . . . .	4,671	1,39.63	724	21.40
External Affairs . . . . .	8,199	1,68.09	4,801	40.53
Finance . . . . .	15,797	1,47.35	3,387	17.93
Health and Family Planning . . . . .	3,885	2,50.71	816	35.86
Home Affairs . . . . .	27,522	15,81.92	4,555	2,62.38
Industrial Development . . . . .	2,140	17.34	585	3.27
Information and Broadcasting . . . . .	3,316	79.83	325	1.69

1	2	3	4	5
Irrigation and Power . . . . .	6,170	19,72.43	1,503	3,80.70
Labour and Rehabilitation . . . . .	9,068	4,29.16	2,833	1,13.57
Shipping and Transport . . . . .	1,273	3,30.90	194	2.81
Steel and Mines . . . . .	8,717	1,13.62	2,350	35.90
Tourism and Civil Aviation . . . . .	5,084	3,14.69	947	1,11.92
Works and Housing . . . . .	25,856	54,42.70	5,461	6,98.28
Cabinet Secretariat . . . . .	1,655	19.08	175	1.24
Culture . . . . .	729	12.77	210	3.69
Science and Technology . . . . .	2,115	50.58	206	9.80
Supply . . . . .	3,216	32.70	1,032	2.33

*B. Departmentally managed commercial and quasi-commercial undertakings*

Agriculture . . . . .	12	6.43	11	6.42
Information and Broadcasting . . . . .	91	1.43	6	0.01

(ii) The following is a broad analysis of the outstanding observations :—

Nature of observations	Number of items	Amount (Lakhs of rupees)
	2	3
<i>A. Civil Departments.</i>		
(a) Sanctions for establishment not received . . . . .	1,697	35.00
(b) Sanctions not received for contingent and miscellaneous expenditure . . . . .	3,686	3,95.49
(c) Sanctions to estimates not received . . . . .	3,626	13,80.73
(d) Detailed bills for lump sum drawals not received . . . . .	18,786	7,60.22
(e) Vouchers not received . . . . .	6,305	17,24.61
(f) Payees' receipts not received . . . . .	41,458	31,36.45
(g) Advances paid to Government servants not recovered . . . . .	33,670	2,59.79
(h) Agreements with contractors/suppliers not received . . . . .	2,112	19,63.87
(i) Payments to contractors/suppliers not in conformity with contracts and agreements . . . . .	95	9.33
(j) Overpayments or amounts disallowed in audit not recovered . . . . .	1,120	39.99
(k) Sanctions to write off of losses etc. not received . . . . .	229	1.02
(l) Breach of financial propriety . . . . .	99	3.61
(m) Sanctions for reserve limit of stock/excess over reserve stock not received . . . . .	18	87.45

(n) Miscellaneous Public Works Department advances . . . . .	45	54.10
(o) Other reasons . . . . .	21,771	14,78.37

**B. Departmentally managed commercial and quasi-commercial undertakings**

(a) Sanctions for establishment not received . . . . .	19	0.63
(b) Detailed bills for lump sum drawals not received . . . . .	16	6.99
(c) Payees' receipts not received . . . . .	7	0.06
(d) Advances paid to Government servants not recovered . . . . .	32	0.10
(e) Overpayments or amounts disallowed in audit not recovered . . . . .	7	0.01
(f) Other reasons . . . . .	22	0.07

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.

52. *Outstanding Inspection Reports.*—The audit done in central office is supplemented by local inspection. All important financial irregularities and defects in initial accounts noticed during local audit and inspections are included in inspection reports and sent to departmental officers for necessary action. Besides, copies of the inspection reports and half-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 outstanding	
		Reports	Paragraphs in the Reports
1	2	3	4
<b>A. Civil Departments</b>			
Agriculture . . . . .	1952-53	583	2,416
Commerce . . . . .	1959-60	301	1,309
Education and Social Welfare . . . . .	1951-52	1,584	5,660
External Affairs . . . . .	1949-50	307	1,338
Finance . . . . .	1955-56	847	2,286
Health and Family Planning . . . . .	1957-58	227	893
Home Affairs . . . . .	1955-56	1,113	4,296
Industrial Development . . . . .	1960-61	185	547



1	2	3	4
Irrigation and Power . . . . .	1953-54	645	5,932
Labour and Rehabilitation . . . . .	1959-60	2,461	4,940
Shipping and Transport . . . . .	1954-55	197	636
Steel and Mines . . . . .	1965-66	125	636
Tourism and Civil Aviation . . . . .	1956-57	250	1,134
Works and Housing . . . . .	1952-53	2,060	17,072

*B. Departmentally managed commercial and quasi-commercial Undertakings*

Agriculture . . . . .	1959-60	21	66
Finance . . . . .	1966-67	13	23
Health and Family Planning . . . . .	1964-65	38	114
Home Affairs . . . . .	1959-60	70	237
Information and Broadcasting . . . . .	1966-67	73	136
Irrigation and Power . . . . .	1957-58	18	109
Labour and Rehabilitation . . . . .	1964-65	11	43
Works and Housing . . . . .	1964-65	27	80

(ii) The more important types of irregularities noticed during inspection and local audit are briefly summarised below :—

Number of  
offices in which  
irregularities  
were noticed

*A. Civil Departments*

1. Public Works Offices—

Number of offices inspected during 1972-73 . . . . .	407
(i) Wasteful and infructuous expenditure due to defective plans, designs and abandonment of works . . . . .	46
(ii) Extra cost to Government due to rejection of lowest tenders or delay in accepting tenders . . . . .	19
(iii) Excess payments due to non-observance of the conditions of contracts or non-provision of necessary safeguards in contracts . . . . .	38
(iv) Splitting up of purchase orders . . . . .	13
(v) Unauthorised financial aids to contractors . . . . .	30
(vi) Delay in effecting recovery of security deposits from contractors and payment of contractors' bills . . . . .	44
(vii) Arrears in maintenance and/or non-maintenance of initial accounts of road metal, material-at-site accounts, etc. . . . .	33

Number of  
offices in which  
irregularities  
were noticed

(viii) Other irregularities . . . . .	173
2. Treasuries and other Civil Offices—	
Number of offices inspected during 1972-73 . . . . .	2,712
(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. . . . .	675
(ii) Securities from persons handling cash and store not obtained, or, if obtained, not for the prescribed amount . . . . .	228
(iii) Stores accounts not maintained properly and periodical verification not done . . . . .	608
(iv) Defective maintenance and/or non-maintenance of log books of staff cars, etc. . . . .	169
(v) Local purchase of stationery in excess of authorised limits and expenditure incurred without proper sanction . . . . .	334
(vi) Delay and/or non-recovery of receipts, advances and other charges, etc. . . . .	654
(vii) G.P. Fund accounts of Class IV staff not maintained properly . . . . .	270
(viii) Payment of grant-in-aid in excess of actual requirements . . . . .	105
(ix) Irregular drawal of travelling allowance . . . . .	5
(x) Other types of irregularities . . . . .	1,912

*B. Departmentally managed commercial and quasi-commercial under-takings*

Number of offices inspected during 1972-73 . . . . .	141
(i) Extra cost to Government due to rejection of lowest tenders or delay in accepting tenders . . . . .	1
(ii) Excess payments due to non-observance of conditions of contracts or non-provision of necessary safeguards in contracts . . . . .	1
(iii) Non-observance of rules relating to the 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. . . . .	4
(iv) Delay in recovery and/or non-recovery of receipts, advances and other charges etc. . . . .	10
(v) Store accounts not maintained properly and periodical verification not done . . . . .	14

	Number of offices in which irregularities were noticed
(vi) Securities from persons handling cash and stores not obtained or, if obtained, not according to the prescribed amount . . . . .	2
(vii) Defective maintenance and/or non-maintenance of log books of staff cars, etc. . . . .	3
(viii) Local purchase of stationery in excess of authorised limits and expenditure incurred without proper sanction . . . . .	2
(ix) Payment of grant-in-aid in excess of actual requirements . . . . .	2
(x) Non-observance of rules relating to maintenance of accounts showing reconciliation of Departmental remittances and withdrawals with the audit offices . . . . .	9
(xi) Non-maintenance of proper records and non-production of records . . . . .	5
(xii) Write off of losses etc. . . . .	6
(xiii) Splitting up of purchase orders . . . . .	2
(xiv) Delay in effecting recovery of security deposits from contractors and payment of contractors' bills. . . . .	4
(xv) Irregularities in calculation of depreciation . . . . .	13
(xvi) Non-adjustment of figures in accounts etc. . . . .	34
(xvii) Other types of irregularities. . . . .	128

## CHAPTER VIII

### OTHER TOPICS OF INTEREST

#### CABINET SECRETARIAT

(*Department of Personnel and Administrative Reforms*)

53. *Former Secretary of State Service Officers (Conditions of Service) Act, 1972.*—The former Secretary of State Service Officers (conditions of Service) Act 1972 contains, among other provisions, one section relating to pension of such officers. According to Section 8 of that Act, the officers covered by that Act are entitled to pension only in rupees and that too in India. If the pension was originally expressed in sterling or a sterling minimum was applicable to such officers, the rupee equivalent of the sterling is to be calculated at the rate of Rs. 13-1/3 to the pound. These provisions have retrospective effect in the sense that, under the Act, the officers are deemed never to have had the right to claim pension in sterling or for payment outside India or for a rate of conversion of sterling into rupees at a rate higher than Rs. 13-1/3 to a pound. The provisions are applicable notwithstanding any judgement or order of any Court. The Act took effect from 1st October 1972.

As a result of a review undertaken, the following matters have come to notice :

- (1) Among officers drawing pensions/annuities in rupees in India, there is a class of pre-1921 entrants who had been granted, under the Civil Service Regulations, a protected rate (1s 4d to a rupee or Rs. 15 for pound sterling) for conversion (into rupees) of the minimum guaranteed annuity expressed in sterling. The retrospective application of the rate indicated in the Act (Rs. 13-1/3 to a pound sterling) has resulted in overpayments requiring recovery. There are nine former officers of this class drawing pension in India. Their pensions were revised with effect from 1st October 1972 at the rate of exchange indicated in the Act and a total overpayment of Rs. 3,08,200 upto 30th September 1972 on this account has been reported to the Government in the Cabinet Secretariat between March and September 1973. The Act prescribes

that the overpayment may be set off by the Central or State Government, as the case may be, against any sum including pension which is or which may become due from Government to the officer. Government has stated that this class of officers was not contemplated while enacting this statute and that Government is obtaining legal opinion about such cases. Government's final decision has not been indicated so far.

- (2) There are three former officers who are now drawing pension in foreign currency from the High Commission of India in London. As no payment of pension can be claimed in sterling outside India all such payments abroad have to be stopped with effect from 1st October 1972. However, as sudden cessation of such pensions abroad may cause hardship to persons who have been residing abroad for many years, Government of India has continued the payment in sterling beyond 1st October 1972 pending final decision on the view expressed by the Ministry of Law and Justice that the Act takes away only the right of the officers to claim pensions in sterling but that, in any class of cases which can be distinguished on valid consideration, it would be permissible for Government to allow pension in sterling or outside India. It has been suggested to Government that the opinion of the Attorney General should be obtained on the legality of any order continuing the payments of pensions abroad in sterling and if such an order is held to be legal, whether payment can be at the rate of 1s 6d to the rupee or should be at the prevailing rate of exchange from time to time.
- (3) The liability for further payment of pensions to a large number of former Secretary of State Service officers, who had been drawing pension in sterling, was transferred to the British Government in 1955 and India's liability extinguished by payment of a capital sum to that Government in terms of a settlement reached between the two Governments. The question arises whether the pensions covered by the settlement with the UK Government are affected by the present Act or not. Section 8 of the Act or Section 1(b) of Article 312-A of the Constitution does not appear to support the view that this class of pensions is not covered by the present Act. If the legal position is that pensions covered by the 1955 settlement

come within the purview of the Former Secretary of State Service Officers (Conditions of Service) Act, 1972, then it would be necessary to review the correctness of the amount of all such pensions, taken for the purpose of the Indo-UK sterling pension agreement of 1955, in the light of the Act. If the view is taken that reopening of a settlement with the Government of UK may not, at this stage, be within the realm of practical possibility it would follow that implementation of the Act would necessarily remain incomplete to that extent.

- (4) Another aspect of the Act which is not clear is whether the officers, who had retired before the Constitution came into force on 26th January 1950 and to whom, therefore, Article 314 of the Constitution (now deleted) did not apply, would be covered by the newly inserted Article 312-A of the Constitution. According to this new Article 312-A(1)(b) of the Constitution, Parliament may by law vary or revoke even retrospectively the conditions of service of Secretary of State Service Officers who retired before the commencement of the Constitution (28th Amendment Act 1972 assented to by the President on 27th August 1972).

The Department of Personnel stated (October 1973) that the Ministry of Law had been requested to obtain the opinion of Attorney General on these points.

#### MINISTRY OF FINANCE

54. *Remuneration of members of the Monopolies and Restrictive Trade Practices Commission.*—In Rule 3(1) and (2) of the Monopolies and Restrictive Trade Practices Commission (Conditions of Service of Chairman and Members) Rules 1970, which have been framed in pursuance of section 67 of the Monopolies and Restrictive Trade Practices Act 1969, provisions have been made that in case a retired judge of the Supreme Court/High Court is appointed as Chairman or a Member of the Commission, or a serving Judge is so appointed and he retires from service as a Judge during his term of office in the Commission, his salary in the Commission together with his pension and pension equivalent of any other form of retirement benefits shall not exceed the last pay drawn by him before retirement. However, rules 3(3) and 4 of the Rules *ibid* further provide that a person, not being a serving or a retired Judge, appointed

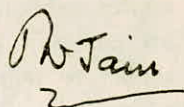
as Chairman or Member shall be paid a salary of Rs. 3,500 or 3,000 per month respectively. For such a person, no provision has been made in the Rules for reducing the salary by the amount of pension and pension equivalent of gratuity to which he may be entitled as a retired Government servant or to which he may become entitled on retirement from Government service during his term of office in the Commission. It is to be pointed out that, according to section 6(5) of the Monopolies and Restrictive Trade Practices Act, the Chairman or any other member shall receive such remuneration as may be prescribed but the remuneration shall not be varied to his disadvantage after his appointment.

Thus, the rules framed treat members of the Commission, retired from service other than as Judge of a High Court or of the Supreme Court, more favourably than one who retired as Judge of a High Court or the Supreme Court. Particulars of two cases in which such benefits have actually accrued are given below :—

- (i) Shri A, an officer of the Government of India, was appointed as Member of the Commission on 6th August 1970 and was authorised a salary of Rs. 3,000 per month under rule 4 of the Monopolies and Restrictive Trade Practices Commission Rules. He retired from Government service from 15th January 1971 during his term as Member of the Commission. Under the existing rules, he was entitled to continue getting the same salary of Rs. 3,000 beyond the date of his retirement from service, without having to deduct his pensionary benefits from his salary of Rs. 3,000 p.m. in the absence of a provision similar to that existing for a serving Judge appointed to the Commission and who retires from the judiciary during his service with the Commission. The extent of the benefit which accrued to him from 15th January 1971 till 2nd November 1973 was Rs. 869.36 per month.
- (ii) Shri B, an officer of a State Government, was appointed as Member of the Commission from 6th August 1970. Subsequently, he was allowed to retire from service under the State Government retrospectively from the same date, and sanctioned a pension of Rs. 451 (plus a temporary increase of Rs. 30) p.m. and death-cum-retirement gratuity of Rs. 14,200 (its pension equivalent is Rs. 109.83). The benefit to him is Rs. 590.83 per month from 6th August 1970 till date.

The audit officer authorised pay to the two members on a provisional basis deducting pensionary benefits from the salary of Rs. 3,000 and referred the matter to the Ministry of Finance in January 1973. It is seen that earlier, in October 1972 the Ministry of Finance had referred the case to the Ministry of Law which advised in February 1973 that the Monopolies and Restrictive Trade Practices Rules did not provide for reduction of the salary by the amount of pension in the case of a member who was not a serving judge or a retired judge at the time of appointment and that, under section 6(5) of the Act, the remuneration of a member shall not be varied to his disadvantage after his appointment. The Ministry of Finance, however, felt that acceptance of the Law Ministry's opinion would not be correct as it would be contrary to the intention of Government. On the advice of the Comptroller and Auditor General being sought by the Ministry of Finance, it was pointed out in April 1973 that whatever the Government's intention might have been, the position as per the existing rules framed under the Act was as stated by the Ministry of Law and that the matter should be resolved by Government as quickly as possible.

Since then, the matter has remained under consideration of Government (February 1974). Meanwhile as the continued withholding of the pensionary benefits from the salary of the two members is not legal, the audit officer has paid the withheld amounts.



(P. N. JAIN)

Accountant General, Central Revenues.

NEW DELHI;  
The

18 APR 1974

Countersigned.



(A. BAKSHI)

Comptroller and Auditor General of India.

NEW DELHI;  
The

18 APR 1974



APPENDIX I

(Vide Paragraph 7)

MAIN INVESTMENTS AND DIVIDEND

Name of undertaking/concern	Investment			Dividend credited to Government		
	During 1971-72	During 1972-73	Upto 1972-73	During 1971-72	During 1972-73	
1	2	3	4	5	6	7
(Lakhs of rupees)						
<b>I. Statutory Corporations—</b>						
Air India Corporation . . . . .	1000	500	4682	82	..	..
Indian Airlines Corporation . . . . .	100	651	4928	..	..	..
Oil and Natural Gas Commission . . . . .	610	55	13368	..	..	..
Life Insurance Corporation . . . . .	..	..	500	50	52	52
Central Warehousing Corporation . . . . .	203	361	1446	28	31	31
<b>II. (a) Government Companies—</b>						
Indian Oil Corporation . . . . .	..	..	7108	498	498	498
Neyveli Lignite Corporation . . . . .	..	..	8000	..	..	..
Heavy Electricals . . . . .	..	..	5000	..	..	..
Hindustan Steel . . . . .	3737	1648	61085	..	..	..
Heavy Engineering Corporation . . . . .	5950	55	16005	..	..	..
Hindustan Antibiotics . . . . .	..	..	205	..	..	..
Hindustan Cables . . . . .	63	200	901	..	..	..
National Newsprint and Paper Mills . . . . .	..	..	250	..	..	..
State Trading Corporation Minerals and Metals Trading Corporation . . . . .	..	..	200	164	140	140
National Coal Development Corporation . . . . .	..	..	300	30	36	36
Fertilizer Corporation . . . . .	..	1800	14003	..	..	..
Hindustan Machine Tools . . . . .	2198	6553	20306	..	..	..
Hindustan Shipyard . . . . .	492	486	2178	..	..	..
	130	130	1044	..	..	..

1	2	3	4	5	6	7
Indian Telephone Industries		5*	..	411	48	52**
Mogul Lines . . . . .		..	..	295	..	..
National Instruments . . . . .		23*	34	383	..	..
Hindustan Insecticides . . . . .		..	..	125	9	10
Bokaro Steel . . . . .		19000	..	60000	..	..
National Mineral Development Corporation . . . . .		1369	1707	7604	..	..
Shipping Corporation of India . . . . .		..	..	2345	141	153
<i>(b) Other Companies—</i>						
Indian Explosives . . . . .		..	..	274	47	48
Singareni Collieries . . . . .		..	..	272	..	..
Oil India . . . . .		—179	..	2162	302	181
British India Corporation . . . . .		..	..	106	5	..
Fertilizers and Chemicals, Travancore . . . . .		760	1975	4653	..	..
III. Industrial Finance Corporation . . . . .		..	..	211	..	..
IV. Atomic Energy Department		2444	3142	26410	..	..
V. Others . . . . .		13800*	16217	@94890	807	1156
TOTAL . . . . .		51705	35514	361650	2211	2357

\* Differs from last year's figures due to belated corrections.

\*\* Includes erroneous adjustment of Rs. 4 lakhs . Being rectified in 1973-74 accounts.

@ Includes *pro forma* adoption of Rs. 7730 lakhs.

## APPENDIX II

(Vide Paragraph 19)

### ARREARS IN RECOVERY OF LOANS AND ADVANCES GIVEN TO PARTIES OTHER THAN STATE GOVERNMENTS

To whom loan was paid	Amount outstanding on 31st March 1973 Principal Interest		Earliest period to which the arrears relate
	(Lakhs of rupees)		
<b>Ministry of Agriculture</b>			
Central Fisheries Corporation Ltd. . . . .	Nil	3.12	1971-72
Departmental Canteen . . . . .	0.05	Nil	1972-73
	<u>0.05</u>	<u>3.12</u>	
<b>Ministry of Commerce</b>			
Handicrafts Emporium, Madras . . . . .	1.41	0.26	1970-71
Shilpi Kendra, Bombay . . . . .	0.17	Nil	1970-71
All India Handloom Fabric Marketing Co- operative Society Ltd., Bombay . . . . .	42.73	Nil	1968-69
India United Mills Ltd., Bombay . . . . .	112.00	42.71	1971-72
Khadi and Village Industries Commission, Bombay . . . . .	Nil	155.03	1970-71
Tea Board, Calcutta . . . . .	Nil	9.53	1970-71
	<u>156.31</u>	<u>207.53</u>	
<b>Ministry of Communications</b>			
Telepost Co-operative House Construction Society Ltd., Madras . . . . .	Nil	2.54	1964-65
Indian Telephone Industries Ltd. . . . .	7.55	9.89	1972-73
	<u>7.55</u>	<u>12.43</u>	
<b>Ministry of Defence</b>			
Loans to Individuals . . . . .	25.07	1.88	1970-71

To whom loan was paid	Amount outstanding on 31st March 1973		Earliest period to which the arrears relate
	Principal	Interest	
(Lakhs of rupees)			
<b>Ministry of Education and Social Welfare</b>			
Co-operative Crafts Schools, Delhi . . . . .	2.43	2.06	1963-64
Sangeet Bharti, New Delhi . . . . .	0.27	0.20	1961-62
Various educational Institutions and Engineering Colleges . . . . .	94.21	30.49	1958-59
	(Rs. 0.59 lakh and Rs. 2.52 lakhs towards principal and interest res- pectively since recovered).		
Vidya Bhawan Society, Udaipur . . . . .	0.80	1.30	1966-67
	97.71	34.05	
<b>Delhi Administration</b>			
Municipal Corporation of Delhi . . . . .	62.28	45.57	1965-66
	(Rs. 2.83 lakhs and Rs. 2.56 lakhs towards principal and interest res- pectively since recovered).		
<b>Ministry of Finance</b>			
Departmental Canteen . . . . .	0.03	Nil	1970-71
<b>Ministry of Health and Family Planning</b>			
Water Supply and Sewage Disposal Undertakings, Delhi . . . . .	255.45	310.89	1968-69
	(Rs. 48.29 lakhs and Rs. 88.17 lakhs towards principal and interest res- pectively since recovered).		
Municipal Corporation of Delhi . . . . .	68.25	43.81	1965-66
Tibbia College Board and Hospital, New Delhi . . . . .	2.00	Nil	1962-63
Hindustan Latex Ltd., New Delhi . . . . .	5.50	4.66	1971-72
	331.20	359.36	

To whom loan is paid	Amount outstanding on on 31st March 1973		Earliest period to which the arrears relate
	Principal	Interest	
(Lakhs of rupees)			
<b>Ministry of Heavy Industry</b>			
Triveni Structurals Ltd. . . . .	31.04	41.49	1970-71
	(Rs. 1.35 lakhs towards interest since recovered).		
Bharat Heavy Plates and Vessels Ltd. . . . .	Nil	35.14	1972-73
Hindustan Machine Tools Ltd. . . . .	6.82	71.67	1970-71
	(Rs. 34.67 lakhs towards interest since recovered).		
Braithwaite and Co. (P) Ltd. . . . .	Nil	37.13	1971-72
Jessop and Co. Ltd. . . . .	Nil	26.26	1972-73
	37.86	211.69	
<b>Ministry of Home Affairs</b>			
Municipal Corporation of Delhi . . . . .	3.47	2.17	1968-69
Grih Kalyan Kendra, New Delhi . . . . .	0.13	0.04	1972-73
	3.60	2.21	
<b>Ministry of Industrial Development</b>			
Hindustan Photo Films Manufacturing Company Ltd. . . . .	160.33	16.73	1972-73
Nepa Mills Ltd., Neapanagar . . . . .	15.50	8.29	1972-73
Tannery and Footwear Corporation Ltd., Kanpur . . . . .	36.75	13.07	1972-73
Hindustan Cables Ltd. . . . .	Nil	0.10	1972-73
Faridabad Industrial and Quarrying Company Ltd. . . . .	0.41	0.24	1972-73
Universal Trade Emporium . . . . .	0.05	0.01	1972-73
Dogra Steel Industries Ltd., Faridabad . . . . .	0.86	0.49	1959-60
National Small Scale Industries Corporation Ltd. . . . .	83.06	31.10	1972-73
Mathur Chemical and Industrial Corporation Ltd. . . . .	0.04	Nil	1972-73
Departmental Canteen . . . . .	0.01	Nil	1971-72
Loans to Individuals . . . . .	0.55	0.07	1972-73
National Research Development Corporation, New Delhi . . . . .	Nil	0.32	1972-73
	297.56	70.42	

To whom loan was paid	Amount outstanding on 31st March 1973		Earliest period to which the arrears relate
	Principal	Interest	

(Lakhs of rupees)

**Ministry of Labour and Rehabilitation**

(Department of Labour and Employment)

Madras Dock Labour Board . . . . .	4.50	0.85	1971-72
	(Rs. 0.67 lakh and Rs. 0.04 lakh towards principal and interest res- pectively since recovered)		
Visakhapatnam Dock Labour Board . . . . .	Nil	0.03	1972-73
	<u>4.50</u>	<u>0.88</u>	

**(Department of Rehabilitation)**

Barbil Central Co-operative Stores Ltd., Barbil (Orissa) . . . . .	0.17	0.51	1972-73
United Council for Relief and Welfare, New Delhi	0.03	0.07	1955-56
Rehabilitation Industries Corporation, Calcutta .	378.78	69.07	1970-71
Departmental Canteen . . . . .	0.63	Nil	1972-73
Educational loan abroad . . . . .	0.65	Nil	1952-53
	<u>380.26</u>	<u>69.65</u>	

**Ministry of Petroleum and Chemicals**

Delhi Waqf Board, Delhi . . . . .	0.06	0.01	1972-73
Pyrites Phosphate and Chemicals Ltd. . . . .	51.35	7.86	1971-72
Fertilisers and Chemicals, Travancore Ltd. . . . .	98.23	65.26	1972-73
	<u>149.64</u>	<u>73.13</u>	

To whom loan was paid	Amount outstanding on 31st March 1973		Earliest period to which the arrears relate
	Principal	Interest	
	(Lakhs of rupees)		
<b>Ministry of Shipping and Transport</b>			
Malabar Steam ship Company, Bombay . . . . .	1.75	7.89	1971-72
	(Rs. 1.75 lakhs and Rs. 0.65 lakh towards principal and interest respectively since recovered).		
Central Inland Water Transport Corporation . . . . .	590.52	306.33	1964-65
The Delhi Educated Persons Co-operative Transport Society Ltd., New Delhi (under liquidation)	1.05	0.27	1962-63
Delhi Transport Corporation . . . . .	871.51	629.24	1962-63
Central Road Transport Corporation Ltd. . . . .	4.00	2.80	1971-72
	1468.83	946.53	
<b>Ministry of Steel and Mines</b>			
(Department of Mines)			
Singareni Collieries Co. Ltd. . . . .	253.66	20.00	1967-68
Sikkim Mining Corporation . . . . .	9.85	6.22	1967-68
Orissa Mining Corporation . . . . .	71.70	124.67	1966-67
Indian Bureau of Mines Consumer's Cooperative Society, Nagpur . . . . .	0.01	0.01	1967-68
	335.22	150.90	
<b>Ministry of Works and Housing</b>			
Jankiram Mills Ltd., Rajapalyam . . . . .	0.02	Nil	1971-72
Orissa Industries Ltd., Barang, Cuttack . . . . .	0.51	0.13	1964-65
Orissa Cement Ltd., Rajgangpur . . . . .	0.13	0.10	1967-68
Kalinga Tubes Ltd., Choudwar, Cuttack . . . . .	0.18	Nil	1972-73
Municipal Corporation of Delhi . . . . .	4.85	5.85	1965-66
	(Rs. 1.36 lakhs towards interest since recovered).		
Rabindranath Tagore Centenary Committee, New Delhi . . . . .	8.14	6.04	1965-66
C.P.W.D. Work charged Staff Consumer's Co-operative Society . . . . .	0.20	0.27	1968-69
Delhi Transport Corporation (Housing Loans) . . . . .	1.57	1.32	1969-70
	15.60	13.71	

**APPENDIX III**

*(Vide Paragraph 24)*

**EXTENT OF UTILISATION OF SUPPLEMENTARY GRANTS/APPROPRIATIONS**

Sl. No.	Grant/appropriation	Amount of grant/appropriation		Actual expenditure	Saving (Columns 3+4-5)
		Original	Supplementary		
1	2	3	4	5	6

Three cases where supplementary grants/appropriations proved unnecessary :-

(Lakhs of rupees)

**Ministry of Defence**

1.	105—Other Capital Outlay of the Ministry of Defence .	625.00	15.30	587.39	52.91
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**Ministry of Home Affairs**

2.	41—Census . . . . .	405.34	19.15	396.61	27.88
3.	44—Other Revenue expenditure of the Ministry of Home Affairs . . . . .	1432.26	1075.00	1311.75	1195.51



## APPENDIX IV

(Vide Paragraph 26)

### SAVINGS UNDER VOTED GRANTS

Sl. No.	Grants	Total grants	Expenditure	Saving	Percentage of saving
1	2	3	4	5	6

Voted grants where the savings exceeded 20 per cent of the total grant are given below :—

(Lakhs of rupees)					
1.	51—Mizoram . . . .	162.44	18.19	144.25	88.8
2.	107—Capital Outlay on the India Security Press . . . .	102.19	21.52	80.67	78.9
3.	92—Department of Electronics . . . . .	379.49	110.78	268.71	70.8
4.	43—Territorial and Political Pensions . . . . .	227.95	77.67	150.28	65.9
5.	35—Ministry of Health and Family Planning . . . .	157.71	58.56	99.15	62.9
6.	32—Ministry of Foreign Trade . . . . .	493.91	193.39	300.52	60.8
7.	109—Capital Outlay on Mints . . . . .	63.46	27.28	36.18	57.0
8.	99—Department of Supply . . . . .	481.89	216.17	265.72	55.1
9.	137—Other Capital Outlay of the Ministry of Communications . . . . .	360.75	187.17	173.58	48.1
10.	44—Other Revenue Expenditure of the Ministry of Home Affairs . . . . .	2507.26	1311.75	1195.51	47.7

1	2	3	4	5	6
11.	112—Capital Outlay on Grants to State Governments for Development . . .	3088.88	1794.60	1294.28	41.9
12.	60—Electricity Schemes . . .	367.00	215.42	151.58	41.3
13.	110—Commuted Value of Pensions . . .	1007.24	609.55	397.69	39.5
14.	129—Other Capital Outlay of the Ministry of Steel and Mines . . .	15832.24	9965.62	5866.62	37.1
15.	63—Department of Rehabilitation . . .	1360.90	869.43	491.47	36.1
16.	130—Capital Outlay on Aviation . . .	566.79	393.85	172.94	30.5
17.	61—Department of Labour and Employment . . .	165.13	121.45	43.68	26.4
18.	128—Other Capital Outlay of the Ministry of Shipping and Transport . . .	1760.32	1377.95	382.37	21.7
19.	108—Capital Outlay on Currency and Coinage . . .	2406.51	1870.39	536.12	22.3
20.	111—Other Capital Outlay of the Ministry of Finance . . .	3515.36	2756.60	758.76	21.6

APPENDIX V

(Vide paragraph 34)

LIST OF BIG NEWSPAPERS AND PERIODICALS WHICH GOT ADVERTISEMENTS DURING 1972-73

Sl. No.	Periodicity	Space in single column centimetre	Payment for advertisements in rupees thousands	Percentage of total payment
1	2	3	4	5
1.	Daily . . . . .	59,000	994	10.43
2.	Do. . . . .	69,000	798	8.37
3.	Do. . . . .	48,000	750	7.87
4.	Do. . . . .	41,000	710	7.45
5.	Do. . . . .	25,000	612	6.42
6.	Do. . . . .	39,000	581	6.10
7.	Do. . . . .	39,000	547	5.74
8.	Do. . . . .	40,000	511	5.36
9.	Do. . . . .	35,000	485	5.09
10.	Do. . . . .	39,000	359	3.77
11.	Do. . . . .	17,000	291	3.05
12.	Do. . . . .	34,000	273	2.87
13.	Do. . . . .	29,000	232	2.44
14.	Do. . . . .	34,000	218	2.29
15.	Do. . . . .	37,000	191	2.00
16.	Do. . . . .	14,000	174	1.83
17.	Do. . . . .	32,000	135	1.42
18.	Do. . . . .	19,000	123	1.29
19.	Do. . . . .	22,000	122	1.28
20.	Do. . . . .	15,000	118	1.24
21.	Do . . . . .	25,000	111	1.17
22.	Do. . . . .	11,000	105	1.12
23.	Do. . . . .	27,000	105	1.12
24.	Do. . . . .	14,000	94	0.99
25.	Do. . . . .	11,000	92	0.97
26.	Do. . . . .	4,000	87	0.91
27.	Do. . . . .	12,535	75	0.79
28.	Do. . . . .	9,714	70	0.73
29.	Weekly . . . . .	4,681	56	0.59
30.	Daily . . . . .	10,311	46	0.48

1	2	3	4	5
31.	Daily . . . .	10,972	44	0.46
32.	Do. . . . .	9,672	35	0.37
33.	Do. . . . .	3,886	33	0.35
34.	Monthly . . . .	8 pages	31	0.33
35.	Daily . . . . .	7,080	28	0.29
36.	Weekly . . . . .	30 $\frac{1}{2}$ pages	20	0.21
37.	Do. . . . .	21 pages	19	0.20
38.	Do. . . . .	2,327	17	0.18
39.	Do. . . . .	8,631	17	0.18
40.	Do. . . . .	1,402	16	0.17
41.	Do. . . . .	25 pages	14	0.15
42.	Do. . . . .	31 $\frac{1}{2}$ pages	13	0.14
43.	Fortnightly . . . .	28 pages	13	0.14
44.	Daily . . . . .	1,704	12	0.13
45.	Weekly . . . . .	57 $\frac{1}{2}$ pages	11	0.12
46.	Daily . . . . .	2,126	11	0.12
47.	Weekly . . . . .	1,461	10	0.10
48.	Weekly . . . . .	1,108	9	0.09
49.	Do. . . . .	455	9	0.09
50.	Do. . . . .	697	9	0.09
51.	Do. . . . .	2,814	8	0.08
52.	Fortnightly . . . .	3 $\frac{1}{2}$ pages	8	0.08
53.	Weekly . . . . .	1,260	8	0.08
54.	Monthly . . . . .	15 $\frac{1}{2}$ pages	8	0.08
55.	Weekly . . . . .	1,964	7	0.07
56.	Fortnightly . . . .	2 pages	7	0.07
57.	Monthly . . . . .	14 $\frac{1}{2}$ pages	7	0.07
58.	Weekly . . . . .	13 pages	6	0.06
59.	Monthly . . . . .	5 pages	5	0.05
60.	Weekly . . . . .	954	4	0.04
61.	Do- . . . . .	15 pages	4	0.04
62.	Do- . . . . .	483	4	0.04
63.	Do- . . . . .	8 $\frac{1}{2}$ pages	3	0.03
64.	Monthly . . . . .	5 pages	3	0.03
65.	Do- . . . . .	16 pages	2	0.02
66.	Weekly . . . . .	169	2	0.02
67.	Do- . . . . .	120	2	0.02
68.	Monthly . . . . .	15 $\frac{1}{2}$ pages	1	0.01
69.	Do- . . . . .	5 pages	1	0.01
70.	Do- . . . . .	1 page	1	0.01

TOTAL

95,27,000

100.00

## APPENDIX VI

(Vide Paragraph 36)

STATEMENT SHOWING LOSSES AND IRRECOVERABLE REVENUE, DUTIES, ADVANCES, ETC. WRITTEN OFF/WAIVED AND EX GRATIA PAYMENTS  
MADE DURING THE YEAR

(a) In 2881 cases, Rs. 95.49 lakhs representing mainly losses due to theft, fire, etc. irrecoverable revenue, duties, advances, etc. remission of revenue etc. were written off/waived and in 242 cases *ex gratia* payments aggregating Rs. 97.98 lakhs were made during 1972-73 as detailed below :—

Name of the Ministry/Department	Writes off of losses, irrecoverable revenue, duties, advances etc.		Waiver of recovery		Remission of revenue etc.		Ex gratia payments	
	No. of cases	Amount (Rs.)	No. of cases	Amount (Rs.)	No. of cases	Amount (Rs.)	No. of cases	Amount (Rs.)
Atomic Energy . . . . .	5	62,616	..	..	..	..	..	..
Agriculture . . . . .	180	13,73,382	3	1,69,618	..	..	..	..
Commerce . . . . .	5	629	..	..	..	..	210	96,60,662*
Cabinet Secretariat . . . . .	3	4,322	..	..	..	..	7	315
Education and Social Welfare . . . . .	2	16,359	6	10,527	..	..	..	..
External Affairs . . . . .	21	24,805	5	19,663	..	..	1	27,000
Finance . . . . .	12	959	..	..	..	..	1	599
Home Affairs . . . . .	57	2,49,333	..	..	..	..	..	..
Health and Family Planning . . . . .	4	52,000	..	..	..	..	..	..
Information and Broadcasting . . . . .	32	22,917	..	..	..	..	..	..
Irrigation and Power . . . . .	185	5,93,845	51	35,901	..	..	..	..
Industrial Development . . . . .	46	28,889	4	407	..	..	..	..
Law, Justice and Company Affairs . . . . .	1	4,454	..	..	..	..	..	..
Labour and Rehabilitation . . . . .	50	1,00,635	..	..	30	47,322	..	..
Supply . . . . .	4	94,802	..	..	..	..	..	..
Shipping and Transport . . . . .	1998	20,19,149	1	150	..	..	23	1,09,388
Steel and Mines . . . . .	144	44,09,887	..	..	..	..	..	..
Science and Technology . . . . .	12	6,634	..	..	..	..	..	..
Tourism and Civil Aviation . . . . .	9	36,909	..	..	..	..	..	..
Works and Housing . . . . .	11	1,63,224	..	..	..	..	..	..
TOTAL . . . . .	2781	92,65,750	70	2,36,266	30	47,322	242	97,97,964

189

\*Represent payments to individuals/firms for properties confiscated by Government of Pakistan during hostilities in 1971.

(b) Book value of stores declared as unserviceable, obsolete, etc. during 1972-73.

Name of the Ministry / Department	Total	
	No.	Amount (Rs.)
1. Education and Social Welfare . . . . .	9	21,817
2. Home Affairs . . . . .	85	89,323
3. Health and Family Planning . . . . .	2	8,344
	<hr/>	<hr/>
TOTAL . . . . .	96	1,19,484

APPENDIX VII

(Vide Paragraph 38)

STATEMENT SHOWING DEMAND AVAILABILITY AND PERCENTAGE OF SATISFACTION OF ACCOMMODATION

Type	Category as per emoluments	1970-71			1971-72			1972-73			
		Demand	Availability	Percentage of satisfaction	Demand	Availability	Percentage of satisfaction	Demand	Availability	Percentage of satisfaction	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
	Rs.										
I.	Less than . . . .	175	26,335	12,682	48.20	26,335	12,961	49.20	27,769	12,382	44.5
II	From . . . .	176	39,799	10,040	25.2	39,799	10,315	26.02	39,738	10,147	25.5
	to . . . .	349									
III	From . . . .	350	14,631	6,648	45.0	14,631	7,018	48.65	14,895	7,494	50.0
	to . . . .	499									
IV	From . . . .	500	9,353	5,832	62.6	9,353	6,036	64.54	10,142	5,836	57.5
	to . . . .	799									
V	From . . . .	800	5,107	3,473	68.0	5,107	3,481	68.00	5,278	3,709	70.0
	to . . . .	1299									
VI	From . . . .	1300	1,376	1,032	75.0	1,376	1,035	75.00	1,435	1,303	90.0
	to . . . .	2249									
VII	From . . . .	2250									
	& above (except those eligible for Type VIII)		421	334	79.3	421	325	77.00	424	330	77.8
VIII	Officers of the status of Secretary . . . .		112	101	90.2	112	98	88.00	147	136	92.5
	TOTAL . . . .		97,134	40,142	41.3	97,134	41,269	42.48	99,828	41,337	41.5

APPENDIX VIII  
(Vide Paragraph 49)

FILMS DIVISION

Balance Sheet as on 31st March, 1972

Liabilities	1970-71	1971-72	Asset	1970-71	1971-72
	Rs.	Rs.		Rs.	Rs.
<i>Government Capital</i>			<i>Fixed Assets (Net)</i>	34,17,278	28,53,528
			<i>Current Assets</i>		
Opening balance . . . . .	61,48,977	68,47,741	Films completed (not released) . . . . .	16,89,637	47,75,245
Add : Net adjustments . . . . .	52,13,955	54,78,746	Films in progress . . . . .	26,17,766	35,94,444
	1,13,62,932	1,23,26,487	Films deferred . . . . .	6,996	6,996
Less : Loss (without notional revenue)	45,15,191	29,69,386	Films dropped . . . . .	17,348	17,348
	68,47,741	93,57,101	Preliminary expenses . . . . .	5,97,008	1,11,199
Capital Reserves . . . . .	10,41,597	10,41,597	<i>Closing Stock</i>		
Advances & deposits . . . . .	25,70,778	30,51,814	Raw stock . . . . .	24,20,112	32,09,810
Sundry Creditors . . . . .	43,31,396	54,01,520	Miscellaneous, stores & spares . . . . .	57,331	15,448
Undisbursed pay & allowances . . . . .	39,029	88,755	Stamps . . . . .	16,081	25,491
Advance of revenue . . . . .	11,65,668	11,35,644	Spools & Cans . . . . .	1,58,140	1,09,838
<i>Pro forma adjustments</i>			Advances & deposits . . . . .	25,70,778	30,51,814
Audit fee . . . . .	4,65,923	5,56,100	Sundry debtors . . . . .	27,98,515	35,58,952
Adjustment account (being difference in)			Imprest Account . . . . .	35,000	35,000
(i) Raw stock consumption . . . . .	..	8,22,826	Undisbursed pay . . . . .	39,029	88,755
(ii) Processing charges . . . . .	..	60,736	Prepaid expenses . . . . .	21,113	62,225
<b>TOTAL . . . . .</b>	<b>1,64,62,132</b>	<b>2,15,16,093</b>	<b>TOTAL . . . . .</b>	<b>1,64,62,132</b>	<b>2,15,16,093</b>



FILMS DIVISION

*Production Account for the year ended 31st March, 1972*

Dr.			Cr.	
	1970-71	1971-72	1970-71	1971-72
	Rs.	Rs.	Rs.	Rs.
To :—				
(i) Films completed but not released (F.D.) . . . . .	13,04,218	8,13,739	16,89,637	47,75,241
(ii) Films completed but not released (O.P.) . . . . .	8,34,294	8,75,898		
(iii) Films in progress . . . . .	22,61,753	26,17,766	76,39,990	57,53,978
(iv) Films dropped . . . . .	5,483	17,348	26,17,766	35,94,444
(v) Films deferred . . . . .	6,996	6,996	17,348	17,348
(vi) Unallocated expenses . . . . .	1,38,999	5,97,008	6,996	6,996
	45,51,743	49,28,755	5,97,008	1,11,199
Raw stock consumed . . . . .	15,45,098	17,28,594	(vi) Transferred to DFW/Films Division . . . . .	1,57,833
Processing charges . . . . .	1,91,613	2,74,291	Transferred to Distribution account—work done for publicity purposes . . . . .	.. 33,018
Miscellaneous stores, spares and spools . . . . .	1,32,075	1,32,076		
Salaries & allowances . . . . .	34,77,665	40,75,105		
Cost of O.P. . . . .	7,23,952	12,85,971		
Rent including notional rent . . . . .	1,43,026	1,28,894		
Maintenance charges . . . . .	59,119	87,248		
Office & other miscellaneous expenses . . . . .	3,83,177	3,10,247		
Miscellaneous production expenses . . . . .	2,32,192	58,115		
Depreciation . . . . .	5,94,276	5,97,776		
Share of H.O./DFW expenses . . . . .		2,37,286		
Administration expenses . . . . .	6,92,642	7,09,661		
	1,27,26,578	1,45,54,019	1,27,26,578	1,45,54,019
TOTAL . . . . .				

FILMS DIVISION

*Distribution Account for the year ended 31st March, 1972*

Dr.					Cr.
	1970-71	1971-72		1970-71	1971-72
	Rs.	Rs.		Rs.	Rs.
To:—			By:—		
Cost of films released . . . . . (Transferred from Production account)	76,39,990	57,53,978	Net revenue from rentals, sale of prints etc. . . . .	1,50,85,266	1,66,60,428
Raw stock consumed . . . . .	65,37,087	75,68,158	Gross loss transferred to Profit & Loss Account . . . . .	34,74,178	16,08,644
Processing charges . . . . .	18,74,438	21,11,859			
Salaries & allowances . . . . .	14,01,699	13,19,566			
Rent (including notional rent) . . . . .	49,058	62,418			
Maintenance charges . . . . .	20,866	34,733			
Customs levy & Excise . . . . .	3,59,972	4,56,999			
Publicity . . . . .	13,080	42,116			
Censor fees . . . . .	7,345	7,785			
Office and other miscellaneous expenses.	3,93,191	5,84,314			
Spools, Cans & packing boxes . . . . .	2,45,836	3,09,607			
Depreciation . . . . .	16,882	17,539			
TOTAL . . . . .	1,85,59,444	1,82,69,072	TOTAL . . . . .	1,85,59,444	1,82,69,072

FILMS DIVISION

*Profit and Loss Account for the year ended 31st March, 1972*

Dr.	1970-71		1971-72		Cr.
	Rs.		Rs.		
	1970-71	1971-72	1970-71	1971-72	
To:—			By:—		
Gross loss transferred from Distribution account . . . . .	34,74,178	16,08,644	Net loss (Before crediting notional revenue for free exhibition) . . . . .	45,15,191	29,69,386
Interest . . . . .	3,94,100	4,30,050			
Pension & gratuity . . . . .	5,77,288	8,40,515			
Audit fee . . . . .	69,625	90,177			
<b>TOTAL . . . . .</b>	<b>45,15,191</b>	<b>29,69,386</b>	<b>TOTAL . . . . .</b>	<b>45,15,191</b>	<b>29,69,386</b>
Net loss (Before crediting notional revenue) . . . . .	45,15,191	29,69,386	Notional revenue for free exhibition . . . . .	1,08,27,938	65,58,107
Notional profit after crediting notional revenue . . . . .	63,12,747	35,88,721			
<b>TOTAL . . . . .</b>	<b>1,08,27,938</b>	<b>65,58,107</b>	<b>TOTAL . . . . .</b>	<b>1,08,27,938</b>	<b>65,58,107</b>

195





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1974

*Price : Inland—Rs. 4.70*  
*Foreign—£ 0.55 or \$ 1.70*

