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REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL

OF INDIA

FOR

THE YEAR 1974-75

UNION GOVERNMENT (CIVIL)

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APPENDICES

PREFATORY REMARKS

This Report has been prepared for submission to the President under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts for 1974-75 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 Haldia Dock Project and Delhi Milk Scheme. It also includes certain points of interest arising from the Finance Accounts for the year 1974-75.

The cases mentioned in the Report are among those which came to notice in the course of test audit during the year 1974-75 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 1974-75 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 1974-75 are shown below with the corresponding figures for the preceding two years:—

		Budget	Actuals	Variation	Percentage of variation
				(Crores of rupees)	
Revenue Receipts*	1972-73	@5050.24	5145.09	+94.85	+1.9
	1973-74	@5732.73	5703.36	−29.37	−0.5
	1974-75	@6338.09	7260.11	+922.02	+14.5
Expenditure met from Revenue	1972-73	@4661.71	5127.36	+465.65	+10.0
	1973-74	@5367.72	5466.57	+98.85	+1.8
	1974-75	@6080.29	6495.82	+415.53	+6.8
Expenditure on Capital Account	1972-73	821.64	933.13	+111.49	+13.6
	1973-74	901.52	1008.86	+107.34	+11.9
	1974-75	1223.13	1630.20	+407.07	+33.3

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

	1972-73	1973-74	1974-75
		(Crores of rupees)	
Taxes on Income	487.92	527.85	516.16
Estate Duty	7.19	11.20	10.03

@Budget estimates for revenue receipts shown above include Rs. 45.69 crores, Rs. 37.79 crores and Rs. 25.70 crores during 1972-73, 1973-74 and 1974-75 respectively being the share of Union Excise Duties payable to States as a result of budget proposals. The figures of budget estimates for expenditure met from revenue shown above do not include these amounts.

The figures for 1972-73 and 1973-74 shown above are those appearing in the Report for 1973-74. In the Finance Accounts the figures of actuals for and up to 1973-74 have, however, been recast to the extent possible under tke revised heads of classification effective from 1st April 1974. Similarly, the figures of actuals for 1972-73 and 1973-74 have been recast to the extent possible under the revised heads of classification effective from 1st April 1974 for comparison with the actuals for 1974-75 in the subsequent paragraphs of this Chapter. The recast figures of actuals for 1972-73 and 1973-74 shown in this chapter differ in some cases from the actuals for these years shown in the budgets for 1974-75 and 1975-76; the recast figures shown in this Chapter are based on the final figures in accounts.

During 1974-75, the revenue receipts, expenditure met from revenue and the expenditure on capital account exceeded the budget estimates by Rs. 922.02 crores, Rs. 415.53 crores and Rs. 407.07 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. 735.94 crores and Rs. 805.62 crores respectively.

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

II. OVERALL EXPENDITURE (REVENUE AND CAPITAL)

2. The following table compares the expenditure on revenue account during 1974-75 under broad headings with the provision of funds made thereunder:—

Head of Expenditure	Budget estimates	Actuals	Variation
		(Crores of rupees)	
Organs of State	56.90	59.80	+2.90
Fiscal Services	114.24	126.36	+12.12
Interest payment and Servicing of Debt .	975.13	1000.76	+25.63
Administrative Services	389.09	320.37	—68.72
Pension and Miscellaneous General Services	31.09	23.17	—7.92
Social and Community Services . .	450.81	427.60	—23.21
General Economic Services . . .	137.22	132.48	—4.74
Agriculture and Allied Services . .	222.31	404.60	+182.29
Industry and Minerals	119.94	137.67	+17.73
Water and Power Development . .	52.31	48.62	—3.69
Transport and Communications . .	71.78	75.57	+3.79
Grants and Contributions . . .	1779.74	1818.61	+38.87
Defence Services	1679.73	1920.21	+240.48
Total . . .	6080.29	6495.82	+415.53

3. The expenditure during 1974-75 compared with that during the previous two years is shown below:—

	1972-73	1973-74	1974-75
		(Crores of rupees)	
Organs of State	42.13	48.09	59.80
Fiscal Services	78.95	83.84	126.36
Interest payment and Servicing of Debt .	772.44	881.64	1000.76
Administrative Services	223.66	276.15	320.37
Pension and Miscellaneous General Services	18.95	28.74	23.17
Social and Community Services . .	289.47	322.90	427.60
General Economic Services . . .	216.96	206.65	132.48
Agriculture and Allied Services . .	185.97	322.85	404.60
Industry and Minerals	91.88	93.74	137.67
Water and Power Development . .	19.49	26.74	48.62
Transport and Communications . .	59.01	62.11	75.57
Grants and Contributions . . .	1660.03	1597.45	1818.61
Defence Services	1439.36	1480.97	1920.21

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

(a) Fiscal Services:	1972-73	1973-74	1974-75
		(Crores of rupees)	
Collection of Taxes on Income and Expenditure	22.54	24.87	31.21
Customs	12.85	15.15	16.83
Union Excise duties	13.59	14.63	23.52
Other Heads	29.97	29.19	54.80
Total	78.95	83.84	126.36
(b) Administrative Services :			
Police	130.91	129.46	162.55

The increase is mainly due to implementation of Pay Commission's recommendations and purchase of motor vehicles.

	1972-73	1973-74	1974-75
			(Crores of rupees)
Public Works	5.55	11.32	17.84

The increase is mainly due to larger expenditure on purchases of equipment and material as well as on their maintenance and repairs and lesser recoveries of establishment charges from other Government departments.

External Affairs	24.14	29.52	34.45

The increase is mainly due to larger expenditure on missions abroad.

Other Administrative Services . .	12.55	26.52	26.86
Other heads	50.51	79.33	78.67
Total . . .	223.66	276.15	320.37

(c) Social and Community Services :

Education	117.17	109.30	141.85

The increase is mainly due to larger grants to University Grants Commission, Kendriya Vidyalaya Sangathan, Nehru Yuvak Kendras, Indian Institute of Technology and National Council of Educational Research and Training.

Scientific Services and Research .	74.54	78.07	112.02

The increase is mainly due to (i) larger expenditure on new schemes in the field of electronics space and nuclear science and (ii) larger grants to Council of Scientific and Industrial Research.

Medical	23.57	24.08	30.36
Public Health, Sanitation and Water Supply	6.37	10.25	9.00
Broadcasting	14.89	16.73	22.06
Labour and Employment . . .	15.05	19.96	22.40
Social Security and Welfare . .	8.45	33.53	47.88

The increase is mainly due to (i) larger grants to Central Social Welfare Board and non-Government organisations for family and child welfare schemes and (ii) larger expenditure on education and welfare of handicapped.

Other heads	29.43	30.98	42.03
Total . . .	289.47	322.90	427.60

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

	1972-73	1973-74	1974-75
		(Crores of rupees)	
(*d*) Grants-in-aid and contributions :			
Payments to States of their share of Union Excise Duties	566.74	630.70	702.54
Grants to State Governments and Union Territory Governments :			
(*i*) Under Article 275 of the Constitution	159.83	147.41	364.69
(*ii*) Grants in lieu of Tax on Railway passenger fares	16.25	16.25	16.25
(*iii*) Grants to Union Territory Governments	19.38	27.75	39.90
(*iv*) Other Grants and contributions	897.83	775.34	695.23
Total . .	1660.03	1597.45	1818.61
(*e*) Economic Services :			
General Economic Services . .	216.96	206.65	132.48
Agriculture and Allied Services .	185.97	322.85	404.60
Industry and Minerals . . .	91.88	93.74	137.66
Water and Power Development .	19.49	26.74	48.62
Transport and Communications .	59.01	62.11	75.58
Total . .	573.31	712.09	798.94

5. The excess of Rs. 407.07 crores in expenditure on capital account as compared with the budget estimates of

1974-75 was mainly made up of excesses under the following heads:—

Head	Budget estimates	Actual expenditure	Excess
	(Crores of rupees)		
Agriculture	11.81	367.83	356.02
Petroleum, Chemicals and Fertilizers Industries	138.95	196.61	57.66
Mining and Metallurgical Industries .	119.01	202.78	83.77
Power Projects	78.05	97.78	19.73
Posts and Telegraphs	15.36	56.26	40.90

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

6. The following table shows the expenditure on capital account during the three years ending 31st March 1975 and also progressive capital outlay upto the end of 1974-75.

	1972-73	1973-74	1974-75	Total capital outlay upto the end of 1974-75
			(Crores of rupees)	
India Security Press . .	0.22	0.40	0.53	3.51
Currency, Coinage and Mint .	5.76	8.21	10.96	775.97
Defence Services . . .	212.86	199.83	192.06	*2184.62
Investments in International Financial Institutions . .	7.00	14.32	9.90	161.60
Other Industries . . .	0.20	0.61	1.04	2.46
Railways	209.32	171.63	219.22	*4113.02
Posts and Telegraphs . .	49.22	50.07	56.26	*448.35
Other items	448.55	563.79	1140.23	7089.95
TOTAL . .	933.13	1008.86	1630.20	14779.48

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

7. The total investment of Government in statutory corporations, Government companies, other joint stock companies, co-operative banks and societies etc. upto March 1975 was Rs. *4179. 53 crores. Against this investment the amount brought to account during 1974-75 by way of dividend was Rs. 27.16 crores; this includes dividend received from (a) Indian Oil Corporation (Rs. 8.53 crores), (b) State Trading Corporation of India (Rs. 1.20 crores) and (c) Minerals and Metals Trading Corporation (Rs. 0.72 crore), the total investment in these companies being Rs. 90.08 crores at the end of 1974-75. The dividend in the two preceding years was Rs. 25.12 crores (1973-74) and Rs. 23.57 crores (1972-73). 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 1974-75 are as under:—

	1972-73	1973-74	1974-75
		(Crores of rupees)	
Railways	—0.18	—2.53	—8.10***
Posts and Telegraphs	2.50	2.44	1.03

Contribution from Railways shown above does not include Rs. 16.25 crores received each year for payment to State Governments as grants in lieu of tax on railway passenger fares; Rs. 1.91 crores, Rs. 1.90 crores and Rs. 1.74 crores paid by the Railways during 1972-73, 1973-74 and 1974-75 respectively as contribution towards safety works are also not included in the figures shown above.

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*The figure includes value of bonus shares, gift materials treated as investment, shares transferred on consideration other than cash etc. Please see statement no. 13 of Finance Accounts—Union Government 1974-75.

**Interest received by Government from Railways and Posts and Telegraphs during three years ending 1974-75 was :—

	1972-73	1973-74	1974-75
		(Crores of rupees)	
Railways	143.53	155.30	177.58
Posts and Telegraphs	11.89	19.89	20.16

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

RECEIPT AND DISBURSEMENT OUTSIDE THE REVENUE ACCOUNT

8. The following tables give a broad analysis of the receipts and disbursements outside the revenue account during the three years ending 31st March 1975:—

	1972-73	1973-74	1974-75
		(Crores of rupees)	
(*a*) **Receipts**			
Consolidated Fund—			
(*i*) Miscellaneous Capital Receipts .	..	1664.00	170.59
(*ii*) Internal Debt (Other than treasury bills and *ad hoc* treasury bills) (*x*)	878.47	1133.02	802.00
(*iii*) External Debt	510.27	686.46	857.65
(*iv*) Repayment of loans and Advances by State Governments, etc.	1132.68	1471.32	1191.49
Contingency Fund—			
Recoupment to Contingency Fund . .	—69.99	1.13	..
Public Account—			
Small Savings, Provident Funds, etc. (Net)	455.96	—57.78	455.43
Reserve Funds (Net)	—214.59	48.27	24.56
Deposits and Advances (Net) . . .	167.66	623.79	220.64
Suspense and Miscellaneous (Net) . .	172.57	—32.68	—335.70
Remittances (Net)	—53.74	71.09	105.66
Total Receipts outside the revenue account	2979.29	5608.62	3492.32
Add—Debt raised by issue of treasury bills and *ad hoc* treasury bills (Net) .	1278.74	340.07	679.98
GRAND TOTAL	4258.03	5948.69	4172.30
(*b*) **Payments**			
Capital Outlay—Civil	461.73	587.33	1162.66

(*x*) The receipt shown against this head include Rs. 100 crores each during 1972-73, 1973-74 and 1974-75 on account of conversion of *ad hoc* treasury bills into dated securities (*c. f.* paragraph 10).

	1972-73	1973-74	1974-75
		(Crores of rupees)	
Capital Outlay—Railways	209.32	171.63	219.22
Capital Outlay—Posts and Telegraphs .	49.22	50.07	56.26
Capital Outlay—Defence	212.86	199.83	192.06
TOTAL .	933.13	1008.86	1630.20
Loans and Advances by Central Government	2742.85	2519.82	2629.24
Repayment of debt—			
Internal Debt (Other than treasury bills and *ad hoc* treasury bills)	294.76	562.99	218.72
External Debt	217.50	1981.99	307.07
Inter State Settlement	0.33	0.07	0.37
Contingency Fund	1.13	..	..
Total expenditure outside the Revenue Account	4189.70	6073.73	4785.60
Total receipt as in sub-paragraph (*a*) above	4258.03	5948.69	4172.30
Excess of expenditure over receipts (—)/Excess of receipts over expenditure (+) pertaining to the heads outside the revenue account	+68.33	—125.04	—613.30
Revenue surplus (+)	+17.73	+236.79	+764.29
Net surplus (+)	+86.06	+111.75	+150.99

It will be seen that if net expansion of treasury bills and conversion of *ad hoc* treasury bills of Rs. 100 crores into dated securities during each year are taken into account the overall deficit was Rs. 1292.68 crores, Rs. 328.32 crores and Rs. 628.99 crores during 1972-73, 1973-74 and 1974-75 respectively.

(*c*) The year 1974-75 closed with a deficit of Rs. 628.99 crores against the anticipated deficit of Rs. 125.92 crores (budget) and Rs. 525.15 crores (revised estimate exclusive of conversion of *ad hoc* treasury bills for Rs. 100 crores into dated securities). The table below gives the analysis of the deficit :—

	Budget	Actuals	Variation
	(Crores of rupees)		
Treasury bills and *ad hoc* treasury bills (Net)	125.78	679.98	—554.20
Conversion of *ad hoc* treasury bills into dated Securities	..	100.00	—100.00
Increase of cash balance	0.14	—150.99	+151.13
TOTAL	125.92	628.99	—503.07

III—DEBT

9. (*a*) The following table indicates the outstanding under "Public Debt" and "Small Savings, Provident Funds, etc." at the end of 1955-56, 1973-74 and 1974-75 :—

	31st March 1956	31st March 1974	31st March 1975
	(Crores of rupees)		
Public Debt—			
(*a*) Internal Debt—			
(*i*) Market Loans	1569	5992	6572
(*ii*) Treasury Bills	595	496	781
(*iii*) *Ad hoc* Treasury Bills		3888	4283
(*iv*) Other Internal Debt	189	731	734
(*b*) External Debt	111	5869	(x) 6421
(*c*) Small Savings, Provident Funds, etc.—			
(*i*) Small Savings Collections	576	3274	3552
(*ii*) Provident Funds	169	1130	(x) 1313
(*iii*) Other accounts	13	189	175
TOTAL	3222	21569	23831

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

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

	31st March 1956	31st March 1974	31st March 1975
		(Crores of rupees)	
Reserve Funds bearing interest . .		405.86	442.40
Reserve Funds not bearing interest . .		410.01	411.69
Deposits bearing interest (x)	188.96	155.11	235.12
Deposits not bearing interest (y) . .	233.14	1730.99	1914.77

(c) Details of debt transactions during 1974-75 are given below :—

	Receipts	Payments	Net increase (+) decrease (—)
		(Crores of rupees)	
(*a*) Internal Debt—			
(*i*) Market Loans	*795.81	215.30	+580.51
(*ii*) Treasury Bills	3454.38	3169.89	+284.49
(*iii*) *Ad hoc* Treasury Bills . .	4276.24	3880.75	+395.49
(*iv*) Other Internal Debt . . .	6.19	3.42	+2.77
(*b*) External Debt	857.65	307.07	+550.58
(*c*) Small Savings, Provident Funds, etc.—			
(*i*) Small Savings Collections . .	1344.90	1067.43	+277.47
(*ii*) Provident Funds	374.25	182.79	+191.46
(*iii*) Other accounts	38.31	51.81	—13.50
TOTAL .	11147.73	8878.46	+2269.27

(x) Includes amount under Reserve Funds bearing Interest.

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

*Includes Rs. 0.07 crore erroneously adjusted under this head; the error is being rectified in 1975-76.

10. (*A*) **Market Loans.**—The following are the details of the receipts during 1974-75 from market loans.

	In cash	By conversion of loans maturing during the year	By conversion of *ad hoc* treasury bills held by the Reserve Bank of India	Total
			(Crores of rupees)	
5 per cent Loan, 1979 . .	58.86	27.97	..	86.83
5½ per cent Loan, 1985 .	102.72	76.34	..	179.06
6 per cent Loan, 1998 .	89.79	82.64	..	172.43
5¼ per cent Loan, 1978 . .	47.24	..	..	47.24
6 per cent Loan, 1988 . .	145.41	..	..	145.41
6¼ per cent Loan, 1997 . .	64.68	..	..	64.68
5 per cent Loan, 1984 (IInd issue) . . .	..	0.01	..	0.01
5 per cent National Defence Loan, 1981 . . .	..	..	15.00	15.00
5 per cent Loan, 1983 . . .	..	..	20.00	20.00
5¼ per cent National Defence Loan, 1986 . . .	..	..	15.00	15.00
5½ per cent Loan, 1991 . .	..	..	10.00	10.00
5¾ per cent Loan, 2003 . .	..	*(a)	40.00	40.00
5¾ per cent Loan. 2003 (IInd issue) . . .	0.01	*(b)	..	0.01
4¾ per cent Loan, 1981 .	0.01	*(c)	..	0.01
5¼ per cent Loan, 1987 . .	0.06	..	..	0.06
7 per cent Gold Bonds, 1980	*(d)	..	..	..
TOTAL .	508.78	186.96	100.00	**795.74

*The actual amount is (a) Rs. 35,000, (b) Rs. 21,000, (c) Rs. 25,000 and (d) Rs. 1,900.

**Excludes Rs. 0.07 crore erroneously adjusted under the head "Market Loans".

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

(*a*) *Ad hoc* treasury bills issued to the Reserve Bank of India and some State Governments. Rupees 4283.40 crores were outstanding as on 31st March 1975. The outstanding bills were held by the Reserve Bank of India (Rs. 3746.41 crores) and State Governments (Rs. 536.99 crores).

(*b*) Other treasury bills issued to the public (Rs. 780.87 crores) on 31st March 1975.

(*c*) Non-negotiable, non-interest bearing securities issued to International financial institutions (Rs 733.36 crores).

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

	1972-73	1973-74	1974-75
			(Crores of rupees)
(*i*) Interest paid by Government on debt and other obligations . .	772.44	881.64	1000.76
(*ii*) Deduct—			
(*a*) Interest received on loans to State and Union Territory Governments . . .	381.68	390.16	373.98
(*b*) Interest received on other loans from investment of cash balance and other items [excluding the receipts mentioned at item (*iv*) below]	166.61	163.60	44.07
(*iii*) Net amount of interest charges .	224.15	327.88	582.71
(*iv*) Interest from Departmental Commercial undertakings, Public Sector undertakings and other undertakings including Railways and Posts and Telegraphs . .	165.15	182.05	357.47
(*v*) Net amount of interest charges after deducting the receipts shown at item (*iv*) above . . .	59.00	145.83	225.24

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

	1972-73	1973-74	1974-75
		(Crores of rupees)	
Interest on market loans	235.46	268.91	292.11
Discount on Treasury bills . . .	129.95	168.49	236.31
Payment to Reserve Bank for management of debt	0.67	1.33	0.93
Interest on External Debt . . .	186.67	173.42	152.97
Interest on Provident Funds . . .	52.72	59.01	84.09
Interest on Savings Certificates . .	89.61	89.36	75.82
Other items	77.36	121.12	158.53
TOTAL .	772.44	881.64	1000.76

IV. GRANTS AND LOANS FROM FOREIGN SOURCES

12. (*a*) Up to 31st March 1975, Rs. 11749.84 crores were received as grants (Rs. 2706.27 crores) and loans (Rs. 9043.57 crores*) from foreign countries, International Bank for Reconstruction and Development, International Development Association, etc. In addition, contributions in the shape of technical services etc., which are not reflected in Government accounts, have been received from UNTAA, UNESCO etc. and certain international philanthrophic organisations. Certain contributions received up to 1973-74 in the shape of materials, equipment, etc. were also not reflected in Government accounts. From 1974-75 onwards, value of all materials, equipment, etc. received as aid from foreign sources are accounted for in Government accounts.

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

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

Programme	Source	Grants Received During 1974-75	Grants Received Up to the end of 1974-75	Earliest period from which grants have been received	Remarks
Indo-U.S. Technical Co-operation aid programme	U.S.A.	0.50	136.25	1952-53	Assistance received in the form of Technical services is not reflected in Government accounts.
Grant from U.S.A. under the Agreement PL 480 and other Funds—1974	U.S.A.	132.40	2187.32	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	12.65	1951-52	
	TOTAL.	132.90	2706.27		

13. The foreign loans received and outstanding at the end of 1974-75 were Rs. 6420.94 crores. The details of these loans are given below:—

Source	Amount authorised	Received		Repaid		Outstanding at the end of 1974-75**	Rate of Interest
		During 1974-75	Up to the end of 1974-75*	During 1974-75	Up to the end of 1974-75*		
1	2	3	4	5	6	7	
					(Crores of rupees)		
U.S.A.	4142.87	99.29	3712.88	54.73	2235.76	2098.29	$\frac{3}{4}$ per cent to 6 per cent
U.S.S.R.	739.63	17.39	620.10	49.90	544.75	232.94	$2\frac{1}{2}$ per cent
West Germany . . .	797.24	65.61	727.00	61.18	386.88	(a)471.40	1 per cent to $6\frac{3}{4}$ per cent
Canada	379.43	28.90	231.50	3.09	30.26	212.24	$4\frac{1}{2}$ per cent to 6 per cent
Japan	520.82	80.21	465.35	45.59	119.13	400.51	4 per cent to 6 per cent
U.K.	1201.78	114.29	1139.40	30.27	238.69	(a)1020.96	(A)
International Bank for Reconstruction and Development .	348.94	3.85	289.90	24.02	203.34	186.55	4 per cent to $6\frac{1}{2}$ per cent
International Development Association . . .	2007.23	305.41	1286.12	4.04	7.81	1399.68	No interest is charged. A service charge of $\frac{3}{4}$ per cent is payable on the amount outstanding.

Netherland	113.02	18.88	73.74	1.71	5.47	74.09	2½ per cent
Czechoslovakia . . .	166.10	6.85	69.99	7.68	48.91	28.80	2½ per cent
France	233.56	66.12	166.56	9.96	22.69	143.87	3 per cent to 3½ per cent.
Others (including Denmark, Austria, Belgium, Norway, Poland, Sweden, Switzerland, Yugoslavia, Italy, Kuwait, Bahrain and other Trucial States in connection with the retirement of Indian Currency etc.) . . .	414.18	50.85	261.03	14.90	145.18	151.61	(B)
Total	11064.80	857.65	9043.57	307.07	3988.87	6420.94	

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

**The closing balances include the effect of devaluation.

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

(A) Credit from Lazard Bros. and Company carried interest at 1 percent 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 1973-74 1 1974-75 are given below:—

whom lent	Amount outstanding on 31st March 1974	Loans paid during 1974-75	Loans repaid during 1974-75	Amount outstanding on 31st March 1975
		(Crores of rupees)		
State Governments . .	*8571.61	1076.40	504.38	9143.63
Union Territory Governments .	*74.91	16.56	3.00	88.47
Foreign Governments . .	*108.37	336.85	318.10	127.12
Government Servants . .	*77.90	30.99	40.43	68.46
Government Corporations, Non-Government Institutions, Local Funds, Cultivators etc. .	3758.04	1168.44	325.58	4600.90
TOTAL .	12590.83	2629.24	1191.49	14028.58

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

In January 1964, Government decided that the entire loss not exceeding 10 per cent of the total loans advanced to States for rehabilitation of displaced persons from West Pakistan would be borne by the Union Government. In May 1964, it was decided by Government that losses on loans granted up to 31st March 1964 to displaced persons from erstwhile East Pakistan would be borne fully by the Union Government. The decision was not to be applied to loans granted to displaced persons migrating after 31st December 1963. The Union Government has so far (up to 31st March 1975) borne loss of Rs. 23.74 crores for such loans.

16. During 1974-75 Rs. 64.77 crores were paid as advances (loans) to State Governments for clearance of overdrafts from the Reserve Bank of India. The entire amount was recovered within that year.

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

17. The terms and conditions of repayment of four loans amounting to Rs. 21 crores advanced to Cochin Shipyard Ltd., during 1974-75 by the Ministry of Shipping and Transport have not yet been settled.

18. Details of loans and advances to Government Corporations, Non-Government Institutions, Local Funds, Cultivators etc. in which recovery of principal and interest remained in arrear at the end of 1974-75 are shown in Appendix II.

19. **Assistance to various countries.**—Government of India has been rendering assistance to various countries under the Colombo Plan and Special Commonwealth African Assistance Plan. The aid rendered under the Colombo Plan was Rs. 9.48 crores during 1974-75 and Rs. 110.95 crores up to 1974-75 of which Rs. 105.02 crores were to Nepal (for national highways, hydro-electric projects, minor irrigation works, village development programme, training of technical personnel and services of Indian experts). The aid rendered under the Special Commonwealth African Assistance Plan was Rs. 18 lakhs during 1974-75 and Rs. 135 lakhs up to end of 1974-75.

In addition Government has also given loans to foreign countries. The amount outstanding on that account at the close of 1974-75 was Rs. 127.12 crores.

20. **Guarantees given by the Union Government.**—During 1974-75 Government issued guarantees in 46 cases (including renewal of old guarantees) for Rs. 116.90 crores. The total amount guaranteed by Government outstanding at the end of 1974-75 was Rs. 1157.25 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, 4 co-operative banks, 77 co-operative societies, 3 State Electricity Boards, 2 State Financial Corporations, 27 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 debenture etc., floated by them.

Payments by Government under the terms of guarantees:—

i. Branch line railway companies:—

Government has guaranteed a net return of 3½ per cent/5 per cent per annum on the paid up share capital of branch line railway companies. The guarantee was invoked during 1974-75 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 235 cases during 1974-75 and Rs. 29.30 lakhs were paid as Government's share on account of default in repayment of loans/advances.

21. **Contribution to International Organisations.**—The total amount of contributions to international bodies made during 1974-75 was Rs. 957.85 lakhs. The more important contributions made during each of the three years ending 1974-75 are indicated below:—

To whom paid	1972-73	1973-74 (Lakhs of rupees)	1974-75
Ministry of Education and Social Welfare—			
United Nations Educational Scientific and Cultural Organisation	48.60	65.56	78.48
United Nations International Children's Emergency Fund	75.00	75.00	85.00
Ministry of External Affairs—			
United Nations Organisation . .	200.70	190.25	(*x*)20.40
Ministry of Finance—			
United Nations Development Programme .	272.96	285.00	307.54
Ministry of Agriculture and Irrigation —			
Commonwealth Agricultural Bureau .	7.50	7.53	9.62
Food and Agricultural Organisation .	59.37	58.07	65.30
Ministry of Health and Family Planning—			
World Health Organisation . . .	..	**154.73	108.95
Ministry of Labour—			
International Labour Organisation .	..	***124.08	55.35
Ministry of Communications—			
International Telecommunications Union .	17.92	18.14	23.78
Department of Atomic Energy—			
International Atomic Energy Agency .	17.88	25.37	5.19

*Excludes Rs. 1 lakh being subsidy withheld.

**Includes Rs. 47.70 lakhs paid during 1972-73.

***Includes Rs. 55.03 lakhs paid during 1972-73.

(*x*) In 1974-75 Rs. 272.57 lakhs more were paid ; this amount has been adjusted in the accounts for 1975-76.

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

Results of appropriation audit

22. The table given below shows the amount of original and supplementary grants and appropriations, the actual expenditure and the savings in the revenue and capital sections during 1974-75.

		Total grants/ appropriations	Actual expenditure	Excess + Saving— Amount	Excess + Saving— Percentage
				(Crores of rupees)	
Voted Grants—					
Revenue					
Original	2462.83	2817.14	2543.34	—273.80	9.7
Supplementary	354.31				
Capital					
Original	2415.58	3441.65	3307.95	—133.70	3.9
Supplementary	1026.07				
Charged Appropriations					
Revenue					
Original	*2159.16*	*2242.46*	*2214.99*	*—27.47*	*1.2*
Supplementary	*83.30*				
Capital					
Original	*8039.68*	*8472.56*	*8655.45*	*+182.89*	*2.2*
Supplementary	*432.88*				
GRAND TOTAL		16973.81	16721.73	—252.08	1.5

The overall saving of Rs. 252.08 crores represents about 2 per cent of the total amount of voted grants and charged appropriations against 17 per cent in the previous year; it was the net result of savings of Rs. 309.13 crores in 111 grants/appropriations in the revenue section and Rs. 173.27 crores in 77 grants/appropriations in the capital section and excess of Rs. 7.86 crores in 22 grants/appropriations in the revenue section and Rs. 222.46 crores in 6 grants/appropriations in the capital section. The savings in 1974-75 have been analysed in paragraph 25.

23. *Supplementary grants/appropriations.*—During the year supplementary provisions of Rs. 354.31 crores and Rs. 1026.07 crores were obtained under 62 and 23 grants in the revenue and capital sections respectively. Supplementary appropriations of Rs. 83.30 crores and Rs. 432.88 crores were also obtained for charged expenditure under 16 and 9 appropriations in the revenue and capital sections respectively.

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

Year	Voted	Charged (Crores of rupees)
1971-72	767.27	*1319.78*
	(in 55 cases)	(in 21 cases)
1972-73	542.84	*909.50*
	(in 55 cases)	(in 24 cases)
1973-74	725.40	*346.04*
	(in 56 cases)	(in 18 cases)

In 14 cases* supplementary provision of Rs. 24.28 crores (revenue Rs. 16.05 crores and capital Rs. 8.23 crores) proved unnecessary as the expenditure did not even come up to the original grant/appropriation. In these cases, supplementary provision of Rs. 16.99 crores (revenue Rs. 15.93 crores and capital Rs. 1.06 crores) was obtained in March 1975.

24. Excess over grants/appropriations:—

(*a*) *Excess over grants.*—There were excesses of Rs. 7.85 crores in 19 grants in the revenue section and Rs. 2.12 crores in 4 grants in the capital section; these excesses; details

*Details of these cases are given in Appendix III.

of which are given below, require regularisation under Article 115 of the Constitution:—

Revenue Section

Sl. No.	Grant	Total grant	Actual expenditure	Excess
		Rs.	Rs.	Rs.
	Ministry of Agriculture			
(1)	1-Department of Agriculture .	1,68 87,000	1,81,34,562	12,47,562

Excess occurred mainly under 'A.—Secretariat—Economic Services, A.1—Secretariat' (expenditure Rs. 153.83 lakhs; provision Rs. 130.73 lakhs) and was mainly due to implementation of Third Pay Commission's recommendations and payment of additional dearness allowance.

Ministry of Commerce

(2)	11-Ministry of Commerce . .	1,14,61,000	1,23,28,309	8,67,309

Excess occurred mainly under 'A.—Department of Foreign Trade', 'A. 1—Secretariat —Economic Services', 'A.1(1)—Secretariat' (expenditure Rs. 63.05 lakhs; provision Rs. 49.85 lakhs) and was mainly due to implementation of Third Pay Commission's recommendations and payment of additional dearness allowance.

Ministry of Communications

(3)	13-Ministry of Communications	80,12,000	82,25,989	2,13,989

Excess occurred mainly under 'B.—Other Transport and Communication Services', 'B.1—Other Services', 'B.1(3)—International Co-operation', 'B.1(3)(1)—International Telecommunication Union, Geneva' (expenditure Rs. 23.78 lakhs; provision Rs. 20.11 lakhs) and was mainly due to general increase in expenses of International Tele-communication Union resulting in increase in India's contribution for 1974.

Ministry of Defence

(4) 18-Ministry of Defence	1,52 12,000	1,59,49,538	7,37,538

Excess occurred mainly under 'A.—Secretariat—General Services', 'A.1—Secretariat', 'A.1(1)—Department of Defence' (expenditure Rs. 133.00 lakhs; provision Rs. 113.11 lakhs) and was mainly due to more expenditure on printing than anticipated and implementation of Pay Commission's recommendations.

Ministry of Finance

(5) 31-Taxes on Income, Estate Duty, Wealth Tax and Gift Tax	33,43,67,000	33,90,00,680	46,33,680

Excess occurred mainly under 'A.—Collection of Taxes on Income and Expenditure', 'A.2—Collection Charges—Income Tax' (expenditure Rs. 3319.92 lakhs; provision Rs. 2648.97 lakhs) and was mainly due to implementation of Third Pay Commission's recommendations and payment of additional dearness allowance.

(6) 32-Stamps	8,42,86,000	8,42,86,780	780

Excess occurred mainly under 'A.1—Printing and Stocking of stamps' 'A.1(1)—India Security Press' 'A.1(1)(1)—Management.'

(7) 34-Currency, Coinage and Mint	31,57,74,000	32,08,87,742	51,13,742

Excess occurred mainly under 'A.—Currency, Coinage and Mint', 'A.1—Currency Note Press', 'A.1(1)—Management' (expenditure Rs. 355.11 lakhs; provision Rs. 256.72 lakhs), 'A.1(2)—Operation and Maintenance' (expenditure Rs. 554.00 lakhs; provision Rs. 456.40 lakhs) and 'A.6(1)—Mint Masters Establishment' (expenditure Rs. 784.63 lakhs ; provision Rs. 637.87 lakhs) and was mainly due to (i) implementation of Third Pay Commission's recommendations and payment of additional dearness allowance, (ii) payment for imported paper received earlier and (iii) more expenditure on rags, furnace oil, etc.

Ministry of Health and Family Planning

(8) 40-Ministry of Health and Family Planning	60,21,000	60,51,528	30,528

Excess occurred mainly under 'A.—Secretariat—Social and Community Services', 'A.1—Secretariat', 'A.1(1)—Department of Health'.

Reasons for excess are awaited (December 1975).

Ministry of Heavy Industry

(9) 43-Ministry of Heavy Industry	31,68,000	31,86,336	18,336

Excess occurred mainly under 'A.—Secretariat—Economic Services,' 'A.1—Secretariat'.

Ministry of Home Affairs

(10) 50-Other Expenditure of the Ministry of Home Affairs	83,50,66,000	87,61,56,991	4,10,90,991

Excess occurred mainly under 'B.—Other Administrative Services', 'B.3—Civil Defence', 'B.3(1)—Director General of Civil Defence' (expenditure Rs. 466.23 lakhs; provision Rs. 349.42 lakhs) 'B.8—Other Expenditure', 'B. 8(1)—Intelligence Bureau' (expenditure Rs. 1016.91 lakhs; provision Rs. 887.52 lakhs) 'D.—Social Security and Welfare', 'D.2—Other Social Security and Welfare Programmes', 'D. 2(1)—Pensions to freedom fighters and their dependents, etc.' (expenditure Rs. 2296.13 lakhs; provision Rs. 1506.70 lakhs), 'G.-Grants-in-aid to Union Territory Governments', 'G.1—Non-Plan Grants', 'G.1(1)—Grants to meet Non-Plan deficit', 'G.1(1)(2)—Mizoram' (expenditure Rs. 1398.43 lakhs; provision Rs. 1154.00 lakhs) and was mainly due to (i) more expenditure on professional and special services, (ii) implementation of Pay Commission's recommendations, (iii) payment of additional dearness allowance,

(iv) purchase of new vehicles, (v) grant of more pensions and (vi) more grants paid to the Government of Mizoram.

(11) 53-Andaman and Nicobar Islands	17,21,76,000	18,00,27,083	78,51,083

Excess occurred mainly under 'A.—General Services', 'A.12.—Public Works', 'A. 12(4)—Machinery and Equipment', 'A.12(4)(1)—New Supplies' (expenditure Rs. 31.50 lakhs; provision Rs. 4.50 lakhs), 'A.12(5)—Suspense', 'A.12(5)(1)—Stock' (expenditure Rs. 231.41 lakhs; provision Rs. 200.00 lakhs) and 'A.12(5)(2)—Purchases' (expenditure Rs. 198.54 lakhs; provision Rs. 120.00 lakhs) and was mainly due to (i) receipt of more machinery and equipment and (ii) more adjustment of debits than anticipated.

Ministry of Industrial Development

(12) 57-Ministry of Industrial Development	2,34,39,000	2,53,68,775	19,29,775

Excess occurred mainly under 'C.—Other General Economic Services', 'C.3—Regulation of Patents, Designs and Trade Marks', 'C.3(1)—Controller General of Patents, Designs and Trade Marks' (expenditure Rs. 106.67 lakhs; provision Rs. 90.23 lakhs).

Excess of Rs. 0.24 lakh was due to implementation of Pay Commission's recommendations. Reasons for the excess of Rs. 16.20 lakhs are awaited (December 1975).

Ministry of Information and Broadcasting

(13) 60-Ministry of Information and Broadcasting	34,90,000	36,94,840	2,04,840

Excess occurred mainly under 'A.—Secretariat—Social and Community Services', 'A. 1—Secretariat' (expenditure Rs. 36.95 lakhs; provision Rs. 30.38 lakhs) and was mainly due to implementation of Pay Commission's recommendations and payment of additional dearness allowance.

(14) 62-Broadcasting	24,98,74,000	25,50,92,304	52,18,304

Excess occurred mainly under 'A.—Broadcasting', 'A.1—General', 'A.1(1)—Direction', 'A.1(1)(1)—Headquarters Establishment' (expenditure Rs. 123.48 lakhs; provision Rs. 99.67

lakhs) and 'A. 2—All India Radio—Working Expenses', 'A.2(3)—Programme Services' (expenditure Rs. 1071.50 lakhs; provision Rs. 1018.66 lakhs).

Under A.1(1)(1) excess of Rs. 3.35 lakhs was due to implementation of Pay Commission's recommendations. Reasons for other excesses are awaited (December 1975).

Ministry of Irrigation and Power

(15) 65-Power Schemes	11,29,38,000	11,52,72,037	23,34,037

Excess occurred mainly under 'A.—Power Projects', 'A.1—Hydro Electric Schemes', 'A.1(1)—Trisuli Hydro Electric Project', 'A.1(1)(1)—Maintenance Works' (expenditure Rs. 91.68 lakhs; provision Rs. 51.42 lakhs) and was mainly due to accelerated progress of works.

Ministry of Shipping and Transport

(16) 76-Ports, Lighthouses and Shipping	15,68,79,000	15,73,80,857	5,01,857

Excess occurred mainly under 'B.3—Shipping', 'B.3(7)—Other Expenditure', 'B.3(7)(1)—Shipping Development Fund' (expenditure Rs. 361.00 lakhs; provision Rs. 327.00 lakhs) and was mainly due to actual requirements being more than anticipated.

Ministry of Steel and Mines

(17) 80-Mines and Minerals	35,57,70,000	35,86,61,337	28,91,337

Excess occurred mainly under 'A.—Mines and Minerals', 'A.1—Geological Survey of India', 'A.1(1)—Direction and Administration' (expenditure Rs. 1070.35 lakhs; provision Rs. 846.00 lakhs) and was mainly due to implementation of Pay Commission's recommendations.

Department of Atomic Energy

(18) 94-Atomic Energy Research, Development and Industrial Projects	38,06,36,000	38,31,06,789	24,70,789

Excess occurred mainly under 'B.—Industries—Atomic Energy Industrial Projects', 'B.1—Isotopes', 'B.1(1)—Bhaba Atomic Research Centre' (expenditure Rs. 67.90 lakhs; provision Rs. 57.94 lakhs), 'B.2—Atomic Fuels' (expenditure Rs. 814.40 lakhs; provision Rs. 526.68 lakhs),B.4—Fabrication and Equipment' (expenditure Rs. 77.53 lakhs; provision Rs. 57.85 lakhs) and was mainly due to (i) more expenditure on procurement of materials and supplies and (ii) payment of arrears of pay and allowances consequent on revision of pay scales and extension of workshop.

Department of Space

(19) 102-Department of Space	23,22,53,000	23,34,49,002	11,96,002

Excess occurred mainly under 'B.—Scientific Services and Research—Space Research', 'B.1—Research Programmes', 'B.1(1)—Grants-in-aid and donations to the Scientific Societies and Institutions' (expenditure Rs. 2274.32 lakhs; provision Rs. 2256.57 lakhs) and was mainly due to payment of additional instalments of dearness allowance to employees of Indian Space Research Organisation/Physical Research Laboratory and adjustment of debits for the supplies obtained through the Directorate General,Supplies and Disposals and the Defence Department.

Capital Section

Ministry of Finance

(1) 34-Currency, Coinage and Mint	16,93,30,000	18,25,21,994	1,31,91,994

Excess occurred mainly under 'B.—Capital Outlay on Currency, Coinage and Mint', 'B.4—Purchase of Metal' (expenditure Rs. 1252.09 lakhs; provision Rs. 897.26 lakhs) and was mainly due to (i) purchase of more coinage metals, (ii) increase in prices of various coinage metals and (iii) adjustment of unanticipated debits.

Ministry of Health and Family Planning

(2) 41-Medical and Public Health	23,83,50,000	24,31,64,934	48,14,934

Excess occurred mainly under 'F.—Capital Outlay on Medical', 'F.1—Medical—Allopathy', 'F.1(1)—Medical Stores', 'F.1(1)(3) —Purchase of Materials in India and abroad' (expenditure Rs. 1190.30 lakhs; provision Rs. 1000.00 lakhs) and was mainly due to fluctuations in the market prices, purchase of more medicines and adjustment of more debits.

Ministry of Home Affairs

(3) 52-Chandigarh	4,82,72,000	4,86,61,030	3,89,030

Excess occurred mainly under 'G.—Loans and Advances', 'G.5—Loans for Village and Small Industries', 'G.5(1)—Small Scale Industries', 'G. 5(1)(1)—Loans under State Aid to Industries Act, (expenditure Rs. 16.00 lakhs; provision Rs. 10.00 lakhs).

Reasons for excess are awaited (December 1975).

Department of Space

(4) 102-Department of Space	7,10,83,000	7,38,38,449	27,55,449

Excess occurred mainly under 'C.6—Suspense' (expenditure Rs. 58.91 lakhs; provision Rs. 25.00 lakhs), 'C. 8—Other Expenditure', 'C.8(1)—Space Science and Technology Centre' (expenditure Rs. 120.35 lakhs; provision Rs. 85.00 lakhs) and was mainly due to (i) adjustment of unanticipated debits and (ii) more expenditure on acquisition of land and civil works.

(*b*) *Excess over charged appropriations.*—There were excesses of Rs. *0.01 crore in 3 appropriations in the revenue section and Rs. 220.34 crores in 2 appropriations in the capital section. These also require regularisation under Article 115 of the Constitution. The details are:—

Revenue Section

Ministry of Home Affairs

(1) 52-Chandigarh	*47,78,000*	*48,01,790*	*23,790*

Excess occurred mainly under 'A.—General Services', 'A.2—Administration of Justice', 'A. 2(1)—High Courts'.

*Rs. 1,24,251

Ministry of Tourism and Civil Aviation

(2) 86-Aviation	..	*17,540*	*17,540*

Excess occurred mainly under 'A.—Civil Aviation', 'A.3—Aerodromes and Air Route Services', 'A.3(1)—Controller of Aerodromes'.

Reasons for excess are awaited (December 1975).

Ministry of Works and Housing

(3) 89-Public Works	*21,000*	*1,03,921*	*82,921*

Excess occurred mainly under 'A.—Public Works', 'A.1—Direction and Administration' (expenditure Rs. 0.45 lakh; provision nil).

Reasons for excess are awaited (December 1975).

Capital Section

Ministry of Finance

(1) 34-Currency, Coinage and Mint	..	*18,694*	*18,694*

Excess occurred mainly under 'B.—Capital Outlay on Currency, Coinage and Mint', 'B.3—Security Paper Mill', 'B.3(1)—Buildings' and was due to residual payment of arbitration award.

(2) *Repayment of Debt*	*73,56,46,57,000*	*75,76,80,39,289*	*2,20,33,82,289*

Excess occurred mainly under 'A.—Internal Debt of the Central Government', 'A.1—Market Loans bearing Interest' (expenditure Rs. 21245.87 lakhs; provision Rs. 20164.00 lakhs), 'A.3—Treasury Bills' (expenditure Rs. 705064.28 lakhs, provision Rs. 684324.21 lakhs), 'B.—External Debt', 'B.2—Loans from U.S.A.', 'B.2(1)—Loans from U.S. Government', 'B.2(1)(2)—Other Loans' (expenditure Rs. 1325.20 lakhs; provision

Rs. 200.33 lakhs) and 'B.2(2)—'Loans from U.S. Export-Import Bank' (expenditure Rs. 1841.03 lakhs; provision Rs. 1341.16 lakhs). Excess under 'A.3' was mainly due to more discharges of treasury bills and premature retirement of *ad hoc* treasury bills held by the Reserve Bank of India in March 1975.

Reasons for excess under A.1, B.2(1)(2) and B.2(2) are awaited (December 1975).

25. *Savings in voted grants and charged appropriations.*—The overall saving of Rs. 252.08 crores was the net result of excesses and savings as shown below:—

	Savings		Excesses		Net Savings — Excess +	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
					(Crores of Rupees)	
Voted Grants	281.65 (in 78 grants)	135.82 (in 50 grants)	7.85 (in 19 grants)	2.12 (in 4 grants)	—273.80	—133.70
Charged Appropriations	27.48 (in 33 appropriations)	37.45 (in 27 appropriations)	0.01 (in 3 appropriations)	220.34 (in 2 appropriations)	—27.47	+182.89

It would be seen from Appendix IV that in 33 grants (12 grants in the revenue section and 21 grants in the capital section) the savings (more than Rs. 5 lakhs in each case) exceeded 20 per cent of the funds; in 23 grants (revenue 8 and capital 15) of these cases, the savings exceeded 30 per cent.

Out of the final saving of Rs. 417.47 crores (Rs. 281.65 crores in revenue section and Rs. 135.82 crores in capital section) under voted grants, savings in 5 grants, particulars of which are given below, accounted for savings of Rs. 237.88 crores (Rs. 184.77 crores in revenue section and Rs. 53.11 crores in capital section):—

Revenue Section

(1) 3—Agriculture Rs. 25.86 crores

Saving occurred mainly under (i) 'A.9—Schemes for Small and Marginal Farmers and Agricultural Labourers' (Rs. 4.65 crores), (ii) 'E.2(3)—Area Development : E. 2(3)(1)—Dry Land Development : E.2(3)(1)(1)—Command Area Development Programme' (Rs. 5.15 crores), (iii) 'E.3(1)(4)—Commercial Crops : E.3(1)(4)(6)—Intensive Cotton District Programme' (Rs. 1.44 crores), (iv) 'E.3(1)(4)(9)—Intensive Jute District Programme' (Rs. 2.85 crores), (v) 'E.3(1)(4)(14)—Development of Oil Seeds' (Rs. 1.17 crores) and (vi) 'E.3(1)(4)(15)—Development of Sugarcane' (Rs. 1.50 crores).

Saving was mainly due to (i) economy measures and (ii) non-finalisation of the schemes.

(2) 38-Other Expenditure of the Ministry of Finance Rs. 158.91 crores

Saving occurred mainly under (i) 'B.3(2)—Lump Provision for increase in dearness allowance' (Rs. 120.00 crores) and (ii) 'B.6(1)(1)(2)—Employment Promotion Programme (Rs. 39.99 crores).

Saving was mainly due to (i) meeting the expenditure on payment of additional dearness allowance by obtaining supplementary provisions under various grants wherever necessary and (ii) provision of funds for assistance to State and Union Territory Governments for the employment promotion programme under Grant No. 37—Transfers to State and Union Territory Governments.

Capital Section

(3) 12-Foreign Trade and Export Production — Rs. 11.28 crores

Saving occurred mainly under (i) 'L.9—Loans to Government of U.A.R. : L.9(1)—Technical Credits incorporated in Trade Agreements' (Rs. 22.00 crores) and (ii) 'L.10—Loans to Government of Sudan : L.10(1)—Technical Credits incorporated in Trade Agreements' (Rs. 20.02 crores) and was mainly due to less requirement of funds for technical credits under trade agreements with foreign Governments.

(4) 27-Ministry of External Affairs — Rs. 15.96 crores

Saving occurred under 'F.—Loans to foreign Governments : F.3-Loans to Government of Bangladesh' and was mainly due to non-finalisation of loan agreements, etc.

(5) 39-Loans to Government Servants, etc. — Rs. 25.87 crores

Saving occurred mainly under (i) 'A.1—House Building Advances' (Rs. 3.85 crores), (ii) 'A.2—Advances for Purchase of Motor Conveyance' (Rs. 5.68 crores) and (iii) 'A.5—Other Advances' (Rs. 13.28 crores).

Saving was mainly due to (i) restrictions imposed on grant of house building advances, (ii) ban imposed on grant of advances for purchase of motor conveyance and (iii) demand for loans to Government servants affected by natural calamities and drought being less than anticipated.

(ii) The rest of the saving under voted grants of Rs. 179.59 crores (Rs. 96.88 crores in revenue section and Rs. 82.71 crores in the capital section) largely occurred in the revenue and capital sections of the following grants :—

Revenue Section

		Controlling Ministry
7—Payments to Indian Council of Agricultural Research	(Rs. 5.91 crores)	Agriculture
9—Department of Community Development	(Rs. 6.15 crores)	Agriculture
37—Transfers to State and Union Territory Governments	(Rs. 6.54 crores)	Finance
75—Roads	(Rs. 5.15 crores)	Shipping and Transport
89—Public Works	(Rs. 5.61 crores)	Works and Housing

Capital Section

3—Agriculture	(Rs. 5.48 crores)	Agriculture
8—Department of Food	(Rs. 8.21 crores)	Agriculture
10—Department of Co-operation	(Rs. 5.38 crores)	Agriculture
86—Aviation	(Rs. 7.99 crores)	Tourism and Civil Aviation
94—Atomic Energy Research, Development and Industrial Projects	(Rs. 7.46 crores)	Department of Atomic Energy

CHAPTER III

CIVIL DEPARTMENTS

MINISTRY OF AGRICULTURE AND IRRIGATION

(Department of Agriculture)

26. *Fumigation of imported cotton.*—American and West Indies cotton has been continuing to be infested with cotton boll weevil (anthonomus grandis) since the early part of this century. Under the Destructive Insects and Pests Act 1914 such infested cotton is required to be fumigated at the port of entry. Fumigation of American and West Indies cotton was being done by the Indian Central Cotton Committee during 1925 to 1953 in Bombay port which was the only port of entry for American and West Indies cotton till about the middle of the 1950's. Fumigation of American and West Indies cotton started in Madras port in June 1950. Thereafter, fumigation of American and West Indies cotton was started in the Cochin (1956), Calcutta (1961), Bhavnagar (1963) and Tuticorin (1969) ports. Till July 1972, only American and West Indies cotton was subject to fumigation. In 1972 import of American cotton under P.L. 480 was stopped. In August 1972, fumigation of cotton imported from all countries was made compulsory.

Imported cotton is unloaded in lighters and carried in them for fumigation by the Directorate of Plant Protection. The work of lighterage of cotton bales is done by the Port authorities in all ports except Bombay. The port authorities charge a fumigation fee per bale from the consignees of cotton, which includes charges for lighterage of bales and inspection and fumigation charges incurred by Government. In Bombay the work of lighterage of cotton bales was entrusted by the Directorate of Plant Protection, when the Plant Quarantine and Fumigation station set up in Bombay (in 1949) started fumigating imported cotton from 1953 onwards, to a contractor, who was doing the work earlier also. The question of entrusting the lighterage work to Bombay Port Trust was considered on some occasions since 1957-58, but the Bombay Port Trust declined to undertake the work. The Plant Quarantine and Fumigation station in Bombay realises through the Customs department "fumigation fee", which includes lighterage charge payable to the contractor and inspection and fumigation charges of the Directorate of Plant Protection.

Lighterage charge

Till January 1975 the lighterage charges in different ports were as follows :—

	Lighterage charge (Rs. per square bale) (a)
Bombay	10.50
Madras	7.30
Cochin	6.57
Calcutta	6.07
Bhavanagar	6.25
Tuticorin	3.56

The table given above shows that till January 1975 lighterage charge was highest in Bombay where the work is got done by a contractor ; the rate for lighterage charge for Bombay shown above (Rs. 10.50 per square bale) became effective for 5 years from December 1970. In Madras the rate of Rs. 7.30 per square bale was introduced in 1970-71 and was effective till January 1975. The rate for lighterage charge for Madras was revised from February 1975 to Rs. 13.57 per square bale for fumigation in the special quarantine chambers and to Rs. 9.60 for fumigation elsewhere. In Cochin the rate of Rs. 6.57 per square bale was fixed in September 1966. There has been no change in the rate charged by the Calcutta, Tuticorin and Bhavnagar ports since fumigation was started at those ports.

(a) A square bale means a bale of weight exceeding 270 pounds.

Contract for lighterage at Bombay Port

The total imports of cotton, quantity imported through Bombay port, the total quantity of imported cotton needing fumigation and the quantity needing fumigation in Bombay port, where lighterage is done by a contractor during 1968-69 to 1973-74 are shown below :—

Year	Import of cotton through all ports	Import of cotton through Bombay port	Imported cotton needing fumigation all ports	Imported cotton needing fumigation Bombay port	Percentage of fumigation done in Bombay port
	(Quantity—lakh bales of 180 kgs.)				
1968-69	7.24	3.98	2.53	0.82	32
1969-70	6.63	4.80	2.65	1.81	68
1970-71	7.73	5.41	2.78	1.67	60
1971-72	8.84	6.27	3.63	2.45	67
1972-73	6.26	4.60	2.66	2.14	80
1973-74	3.18	1.52	3.18	1.52	48

'A' has been the lighterage contractor for the Directorate of Plant Protection since 1953 in Bombay. In 1960, the contract with 'A' was executed for 5 years at a time. The contract for five years ending June 1970 was executed in July 1965; till then the rates offered by 'A' were the lowest. For awarding contract for lighterage from July 1970, tenders were invited in May 1970. Five tenders were received in June 1970.

The lowest rate offered by 'B' was Rs. 6.66 per square bale as against Rs. 11.81 per square bale quoted by 'A'. Of the five tenders received, three were found opened before the due date. As such, the Ministry of Agriculture sought advice from the Ministry of Law and the latter advised on 22nd June 1970 that the lowest offer of 'B' could be accepted. Even then the Ministry of Agriculture felt that as the prescribed procedure of opening the tenders had not been followed, fresh tenders should be called for. While the question whether the work could be allotted to 'B' for 6 months pending finalisation of another contract after calling fresh tenders or whether 'A' would be allowed to continue to work at its old rate till finalisation of another contract was under consideration, the representative of 'A' requested the Ministry of Agriculture in June/July 1970 to ensure by inspection of barges and other facilities available with 'B' that it had the capacity to handle 4,500 bales of American cotton which might be received on any working day. A team of two officers inspected on 16th July 1970 the barges and facilities available with 'B'. 'B' was reported as owning four barges of 644 square bales capacity; the total capacity of 'B', including the barges which were still to be hired by it, was assessed by the team of officers as 3,400 square bales. On the basis of the report of the team, submitted on 17th July 1970, that 'B' did not have adequate barge capacity, it was decided (July 1970) to call fresh tenders. The existing contract with 'A' was extended on 31st August 1970 upto November 1970. The Ministry stated (November 1975) that "the lowest tenderer had only 4 barges and their claim to charter another 11 barges did not stand substantiated."

It may be mentioned in this connection that in a note recorded on 19th November 1970 in the Ministry it was stated that "while it is indeed important that the contractor should have the capacity to perform the job we should not perhaps insist on his having the maximum capacity required at any time considering that hiring of barges for meeting peak demand at any particular time is admissible..............". In another note recorded on 30th November 1970 it was stated that it was not difficult to charter barges. In fact, 'A' had had its contract amended in 1960 to enable it to hire barges.

Against tenders invited in September 1970, four tenders were received, and opened on 6th October 1970. The lowest rate quoted by 'C' was Rs. 7.50 per square bale, while the highest rate of Rs. 10.50 per square bale was quoted by 'A'. The question whether to award the contract to 'C' or to award 50 *per cent* of the work to it and the remaining 50 *per cent* to 'A', provided the latter accepted the work at Rs. 7.50 per square bale, remained under consideration of the Ministry of Agriculture.

On 11th November 1970, 'C' pointed out its difficulties in arranging barges. Negotiations were thereafter carried out on 7th and 8th December 1970 with the other tenderers. The rate quoted by 'B', the second lowest tenderer, was Rs. 8.82 per square bale. ('B' was the lowest tenderer against the tenders invited in May 1970.) During negotiations 'B' offered the rate of Rs. 7.50 per square bale, while 'A' offered the rate of Rs. 9.77 per square bale. 'D', a co-operative society, which had no barges of its own, quoted Rs. 9 per square bale during negotiations, against Rs. 10.50 quoted earlier. Before negotiation was started it was decided on 30th November 1970 that 'D' should not be ignored for discussion as it was felt that it was not difficult to charter barges and because a co-operative should be shown preference, if it accepted a "reasonable and low rate."

It was decided on 31st December 1970 that 50 *per cent* of the work might be given to 'B' and the remaining 50 *per cent* to 'A' by bringing its rate down to Rs. 7.50. In taking this decision it was assumed that in addition to the 644 square bales capacity of its own barges, 'B' would be able to hire barges for half of the 2,800 square bales it had indicated earlier. It was also decided that in case 'A' did not reduce its rate, 'B' would be asked to "fulfil his claim made during negotiations that he can hire barges to handle 4,500 bales in a day". This decision taken on 31st December 1970 did not appear to have been intimated to 'B' in writing. On 1st January 1971, 'B' was requested telegraphically to send its representative for finalising the contract. The Ministry stated that "on the 5th and 6th January 1971, a partner of 'B' visited Delhi and agreed to pay the necessary security and guarantee as stipulated in the proposed contract." On 11th January 1971, 'B' was asked to handle 412 bales and was informed that further instructions would follow. After handling these 412 bales, 'B' sent a telegram on 18th January 1971 informing the Ministry that due to inordinate delay in finalisation of the contract, it had contracted for other lighterage work. Thereafter, the Ministry contacted 'A' which agreed on 28th January 1971 to undertake the work at the rate of Rs. 10.50 per square bale and that too if the contract was awarded for five years, although it had offered the rate of Rs. 9.77 per square bale in the course of negotiations. In February 1971, the Department accepted the rate of Rs. 10.50 per square bale with retrospective effect from December 1970. The Ministry stated (November 1975) that "since the contract was to be valid from 1.12.70, the rate had to be applied from that date. It may be relevant to mention that the contract had not been signed and the contractor would not have agreed to enforcement of the rate of Rs. 10.50 only from February 1971". The Ministry did not seem to have considered the question of enforcing the rate of Rs. 9.77 agreed to by 'A' earlier in negotiations.

As compared to the rate of Rs. 7.50 per square bale offered by 'B' in December 1970 acceptance of the rate of Rs. 10.50 of 'A' increased the cost of lighterage of 9,35,161 bales during December 1970 to November 1975 by about Rs. 28 lakhs.

MINISTRY OF AGRICULTURE AND IRRIGATION

(Department of Food)

AND

MINISTRY OF COMMERCE

27. *Sugar exports in 1974 and 1975.*—The area under sugarcane increased from 24.5 lakh hectares in 1972-73 to 27.2 lakh hectares in 1973-74 showing thereby an increase of 11 *per cent*. The area under sugarcane during 1974-75 season is estimated to be 26.05 lakh hectares. The sugar season is from October to September. During 1972-73 the minimum basic cane price fixed by Government was Rs. 8 per quintal linked to a recovery of 8.5 *per cent* or below with a premium of 9.4 paise for every 0.1 *per cent* increase in recovery over 8.5 *per cent*. For the 1974-75 crushing season the minimum price was increased to Rs. 8.50 per quintal linked to a recovery of 8.5 *per cent* or below with a premium of 10 paise for every 0.1 *per cent* increase in recovery above 8.5 *per cent*.

During 1972-73 and 1973-74 Government continued the policy of partial control on sugar under which Government acquired 70 *per cent* of total production of sugar for priority internal needs and exports. The proportion of levy sugar was reduced from 70 to 65 *per cent* in 1974-75 season, keeping in view the expected higher production in that season and to offset the increased cost of production. The consumer price of levy sugar was kept unchanged at Rs. 2.15 per Kg. throughout the country since 15th December 1972.

By an amendment of the Sugarcane (Control) Order in September 1974, the excess realisations accruing to the industry from the sale of free sugar are required to be shared with the growers in the ratio of 50 : 50 by way of additional cane price.

There are in the country two major associations of sugar producers—one for the private sector known as the Indian Sugar Mills' Association (I.S.M.A.) and the other for the co-operative sector known as the National Federation of Co-operative Sugar Factories Ltd. (N.F.C.S.F.).

Exports of sugar from our country during the calendar years 1970 to 1974 were as follows :—

1970	1971	1972 (lakh tonnes)	1973	1974
3.18	3.32	0.99	2.49	4.43 (A)

(A) Of this, sales by the Department of Food were 0.70 lakh tonnes and the rest was sales by the State Trading Corporation of India.

Production, consumption, exports and stocks of sugar during the 1972-73 and 1973-74 production seasons were as follows :—

	1972-73	1973-74
	(lakh tonnes)	
(1) Carry-over from previous season	5.99	8.64
(2) Production	38.73	39.48
(3) Total availability (1 plus 2)	44.72	48.12
(4) Internal consumption	35.11	35.29
(5) Exports	0.97	4.05
(6) Closing stock (3-4-5)	8.64	8.78

In February 1974 Government had estimated that total production of sugar in the 1973-74 season would be 45 lakh tonnes. In the context of the anticipated increased production, the high international prices of sugar and the need for maximising foreign exchange earnings from exports, Government decided on 1st March 1974 that there might be a maximum export of 7 lakh tonnes (of which, as proposed by the Department of Food on 5th March 1974, 5 lakh tonnes might be levy sugar and 2 lakh tonnes free-sale sugar); four lakh tonnes were to be exported immediately. The exports were to be on the Government account, the entire profit accruing to Government. During the early part of the year export sales of 0.70 lakh tonnes were effected by the Food Department. Since early 1974 export of sugar has been entrusted to the State Trading Corporation of India on agency basis. The Corporation was to be paid a service charge of ½ *per cent* of sale price in addition to re-imbursement of other expenses incidental to exports.

For export of 6.81 lakh tonnes of raw and white sugars between April 1974 and March 1975, total f.o.b. realisation was Rs. 333.19 crores, of which Rs. 26.26 crores were realised by Government from export of 0.7 lakh tonnes of raw and white sugars by the Department of Food. By the end of March 1975 State Trading Corporation credited to Government Rs. 126.14 crores as the net profit on sugar sales and adjusted Rs. 1.94 crores as its commission, bank guarantee charges etc. In addition the net profit of Government from export of 0.7 lakh tonnes of raw and white sugars by the Department of Food was Rs. 11.83 crores.

On 5th March 1974 the Department of Food proposed to the Ministry of Finance that 2 lakh tonnes of free sale sugar should be procured for export. Simultaneously, the Department of Food held discussions with the representatives of the industry on 26th March 1974 for purchase of free-sale sugar. On 28th March 1974 the I.S.M.A. and the N.F.C.S.F. offered free-sale sugar to the extent of 30 *per cent* of total sugar export during the year 1974 subject to a ceiling of 2 lakh tonnes at the fixed negotiated ex-factory price of Rs. 290 per quintal (excluding excise duty) on the condition that the existing 70 : 30 proportion of levy and free-sale sugar would be continued during the year 1974. No time limit for acceptance of the offer was specified by the industry. The Ministry of Food stated (December 1975) that "a definitive decision to export levy-free sugar was taken only in July 1974 and not earlier and the negotiations held with the industry for purchase of levy-free sugar in March 1974 before that decision was taken was purely an exploratory one with no firm commitments from either side".

The Ministry of Finance did not approve (28th April 1974) the proposal of the Department of Food for purchase of free-sale sugar and advised that the position should be reviewed by the end of May 1974 when the actual production would be known, by and large.

In the meantime, on 28th March 1974 the industry had informed Government that, according to its estimate, total sugar production during the 1973-74 season would not be more than 43 lakh tonnes (while Government's estimate in February 1974 was 45 lakh tonnes). Actual production of sugar upto April 1974 was 35.81 lakh tonnes, and in May 1974 Government's estimate of total production during the 1973-74 season was further brought down to 41 lakh tonnes. Actual production was 39.48 lakh tonnes which was somewhat more (by 0.75 lakh tonnes) than the production in the previous year, 1972-73.

On 24th May 1974 the Department of Food again proposed to the Ministry of Finance that 2 lakh tonnes of free-sale sugar should be procured for export. While doing so, the Department of Food sent the previous offer of the industry, *viz.*, Rs. 290 per quintal ex-factory (excluding excise duty) to the Ministry of Finance for concurrence. The Ministry of Finance got the reasonableness of the price of Rs. 290 per quintal checked by the Chief Economic Adviser who certified that the price demanded by the industry was reasonable. Having regard to the decrease in the estimated production (as compared with the earlier estimates), the Ministry of Finance took the view that it would not be correct to take, for export, more than 4 lakh tonnes out of the levy quota and that only 1 lakh tonnes out of the free-sale quota might be procured for export. The Ministry also suggested to the Department of Food to negotiate with the industry to get as low a price as possible. This was on 1st July 1974.

The actual contractual position for exports committed by the State Trading Corporation till 16th July 1974 was as follows :—

	(Lakh tonnes)
(1) Authorised for export in 1974 out of levy quota	4.00
(2) Raw sugar meant for U.K. and U.S.A. under international agreements	1.00
(3) Authorised for exports (to other than U.K. and U.S.A.) (1—2)	3.00
(4) Less already sold by the Department of Food before transfer of work to the State Trading Corporation	0.44
(5) To be exported by the State Trading Corporation (3—4)	2.56
(6) Quantity contracted by State Trading Corporation till 16th July 1974	2.64

The State Trading Corporation continued to contract for additional exports, and between 17th and 23rd July 1974 entered into contracts for export of 0.55 lakh tonnes more. Thus, by the latter date the Corporation entered into contractual obligation for export of 0.63 lakh tonnes of free-sale sugar while arrangement for their procurement from the internal market had not been made. In the meeting of the Special Committee on sugar headed by the Secretary of the Department of Food, held on 24th July 1974, the representative of the Department of Food pointed out that "the Department of Food had not informed the S.T.C. of the additional provision of 1.00 lakh tonnes for export out of free sales quotas....................................".

Whole-sale price of sugar in the Indian market was almost steady between February and May 1974. It picked up in June 1974. As stated in the preceding paragraph the State Trading Corporation entered into more export commitments (which had to come from out of the free-sale quota) in July 1974, and the bullish trend in the market was maintained in July 1974 and August 1974.

In pursuance of the communication of the Ministry of Finance of 1st July 1974 referred to earlier, the Department of Food held a meeting with the industry on 15th July 1974 when the industry withdrew its earlier offer of March 1974 (Rs. 290 per quintal) *inter alia* on the ground that this price "was based on the expectations that if the Government had then desired to export sugar from the free quota, the free market price would have remained reasonably steady", but "the free market was unduly depressed in April, May and June due to larger arrival of Khandsari sugar and other factors which decreased the free market realisations considerably." The industry also suggested that State Trading Corporation which was handling sugar exports, should purchase sugar from the industry by inviting tenders or direct negotiations.

In view of this development, on 24th July 1974 Government instructed State Trading Corporation not to enter into contractual obligations for export of the remaining 37 thousand tonnes (1 lakh tonnes from out of free-sale quota less 0.63 lakh tonnes already contracted for export), pending arrangement for their procurement in the country from the industry. Department of Food was also requested to make one more attempt to procure 1 lakh tonnes of free-sale sugar from the industry by negotiations.

Department of Food accordingly conducted negotiations with the industry on 5th August 1974. Both Indian Sugar Mills'

Association and National Federation of Co-operative Sugar Factories Ltd., offered one lakh tonnes of sugar at Rs. 325 per quintal (excluding excise duty). Department of Food referred the offer to the Ministry of Finance on 6th August 1974 for acceptance. Reasons given by the Department of Food for accepting the higher prices were as follows :—

(i) Price offered represented mean of the free sale sugar prices in the different zones in the country.

(ii) State Trading Corporation having committed to the export had also to some extent contributed to the difficult situation.

(iii) The sugar season was coming to a close.

(iv) Festival season was approaching.

On the ground that by accepting the above offer, Government "would not really know whether Government had benefited or lost" in this deal, Ministry of Finance suggested to the Department of Food on 21st August 1974 that the Corporation should purchase one lakh tonnes of sugar by inviting tenders. The Ministry of Finance stated (December 1975) that "the industry's representative had mentioned during negotiations that if the Department of Food went for tender, the price offered was likely to be lower. In fact even with reference to the free sale prices prevailing at the time the proposal was considered in the Ministry of Finance, the price offered by the industry was not particularly attractive. After excluding the element of excise duty and the normal storage, interest, transportation and handling expenses, the average price even for the Bombay market at the mentioned point of time was less than Rs. 320 per quintal. Thirdly, we were keen to get the benefit of price prevailing in the low-cost zones where the price would have been still lower. The price offered by the industry did not stipulate any time-limit and in taking a decision to go in for the open tender, the Government took a calculated risk which was well justified under the circumstances prevailing then".

During the period 5th August 1974 and 21st August 1974 the whole-sale market ex-factory price was rising almost every day. The following table shows the whole-sale market ex-factory prices per quintal prevailing in Bombay and Delhi during that period :—

Date	Whole-sale market price (export quality) per quintal ex-factory (excluding excise duty, transport charges and whole-saler's commission)	
	Bombay	Delhi
	Rs.	Rs.
5-8-1974	324	316
7-8-1974	329	323
9-8-1974	331	323
12-8-1974	333	340
14-8-1974	353	343
16-8-1974	369	355
17-8-1974	369	358
19-8-1974	394	363
20-8-1974	391	370
21-8-1974	387	375

Before calling for tenders, the Corporation conducted negotiation with the industry on 4th September 1974 when the latter offered about 1.10 lakh tonnes at Rs. 340 per quintal. On the advice of Government the Corporation also floated a tender to all the sugar mills but the response was very poor. Subsequently, negotiations were again conducted with the industry by the Corporation on 18th October 1974 when the former agreed to sell only about 80,000 tonnes at the same rate, *viz.,* Rs. 340 per quintal on the condition that the factories should be paid 98 *per cent* of the price on presentation of documents without furnishing any bank guarantee, that the bank charges/commission incurred in respect of the despatches of sugar would be paid by the Corporation and that the factories should be permitted to sell sugar from both the production years 1973-74 and 1974-75. This was accepted by the Corporation as "only about 80,000 tonnes of exportable qualities were available at that point of time". Ultimately 90,349 tonnes were supplied at this rate.

State Trading Corporation's commitment as on 29th August 1974 for export during the year 1974 was 3.63 lakh tonnes including a commitment of 1.07 lakh tonnes from the free-sale quota. As the industry supplied 0.90 lakh tonnes only at Rs. 340 per quintal, the balance 0.17 lakh tonnes was procured at Rs. 360 per quintal.

Total production of sugar in the 1973-74 season (30.48 lakh tonnes) was more than that in the 1972-73 season (38.73 lakh tonnes) by 0.75 lakh tonnes. The quantity released for internal consumption in 1973-74 was 35.29 lakh tonnes which was slightly more (by 0.18 lakh tonnes) than that in 1972-73, *viz.*, 35.11 lakh tonnes. Yet, for procurement of 1.07 lakh tonnes from the market for exports, Government, in the above milieu, had to pay (to the industry) Rs. 5.68 crores more than what it would have paid at the price of Rs. 290 per quintal which, having regard to the industry's cost structure, was certified by Government's Chief Economic Adviser as reasonable.

Department of Food used to sell sugar for export through open tender system. On the other hand, State Trading Corporation adopted 'bid-system' under which contracts were entered into through restricted negotiations with international sugar and commodity traders. Bids were obtained through the Corporation's foreign offices situated in London, New York, etc., and were valid for 24 hours for acceptance. The Ministry of Commerce stated (December 1975) that "it was felt that better prices would be realised if sales were made against specific enquiries and market demand rather than through tenders when the market may lack the necessary buying strength......" and that there was "need to introduce an element of competition so as to attract more bids for Indian sugar".

Sales to United States of America under the U.S. Sugar Act

On 17th May 1974, Department of Food instructed the State Trading Corporation to sell the quota of 75,000 tonnes of raw-sugar to United States of America exercising its best commercial judgement and ensuring at the same time that the procedure adopted did not infringe the U.S. Sugar Act.

State Trading Corporation obtained bids through its foreign offices and bids obtained on 23rd May 1974 in New York and Delhi were examined and contracts on firm f.o.b. basis were settled at the prices and for the quantities specified below :—

Date of contract	Name of the buyer	Quantity contracted	Delivery period	Price f.o.b. * (in U.S. $)	Quantity shipped	Date of shipment
		(in tonnes)			(in tonnes)	
25-5-1974	B	16,200	June 1974	429	15,875	July 1974
25-5-1974	B	16,800	June 1974	429	16,258	June 1974
25-5-1974	C	14,700	July 1974	429	14,700	July 1974
31-5-1974	D	14,700	July 1974	429	13,899	July 1974
31-5-1974	D	12,600	August 1974	427	14,000	September 1974
	Total	75,000			74,732	

*State Trading Corporation's sale price worked out to 19.46 cents per pound and 19.37 cents per pound (f. o. b.) equivalent to 22.58 cents and 22.49 cents per pound c.i.f. U.S. port duty paid delivered basis.

Sales to the United States of America are made on the basis of the United States domestic price of spot contract no. 10 quoted by the New York Coffee and Sugar Exchange which is in terms of U.S. cents per pound c.i.f. duty paid delivered basis. Such quotations from the beginning of 1974 were as follows :—

Average for January 1974—U.S. cents 12.63 per pound.

Average for February 1974—U.S. cents 17.09 per pound.

Average for March 1974—U.S. cents 18.11 per pound.

Average for April 1974—U.S. cents 19.25 per pound.

The price was thus continually rising. It was 17.25 cents per pound on 1st April 1974, 20.50 cents per pound on 30th April 1974, 23.25 cents per pound on 15th May 1974 and 24.25 cents per pound from 24th May 1974 to 31st May 1974.

Actual sales for the months of April 1974, May 1974 and June 1974 to U.S.A. under the U.S. Sugar Act by other exporting countries, as reported in fortnightly News-Letter published by a sugar broker of New York, reveals that, except a small quantity purchased from the South American countries, all other sales were at par or above the spot no. 10 quotations prevalent on the date of sale.

Prior to transfer of work to State Trading Corporation, Department of Food had all along finalised contracts for sale of raw sugar under the U.S. Sugar Act at prices determined on the average of the prices of spot contract no. 10 published by the New York Coffee and Sugar Exchange for the period from March and September/October of that year plus a fixed premium.

But all the sales effected by the State Trading Corporation of India were below the domestic quotations—the total amount less being U.S. $ 27,78,526 equivalent to Rs. 2.23 crores.

Even in the cases of the South American countries the gap between the prices realised by them and the spot no. 10 quotations was less than that in the case of India. The Ministry of Commerce stated (December 1975) that there was "apprehension created in the minds of foreign buyers about India fulfilling its commitments on account of the *'Force Majeure'* (following the strike by Indian railways) declared on 9th May 1974 by the Department of Food in respect of shipments of sugar sold by it". The railway strike continued up to 28th May 1974. The prices realised against the two contracts executed on 31st May 1974, after the railway strike ended, were also less than the spot no. 10 quotations.

Against its offers for sale, State Trading Corporation had also received offers from three reputed trade houses for the total quantity on the average pricing pattern. These bids, if accepted, would have given an additional price advantage of Rs. 12.46 crores to Government.

Sale of white sugar.

The monthly average of London daily price (which is c.i.f. from Caribbean ports to London for raw sugar) was almost constant at £ 225 during February 1974 to April 1974. It rose to £ 243 in May 1974. It was £ 243 in June, 1974 and started rising from the third week of July 1974 and reached £ 277 by the end of July 1974. By 7th August 1974 it reached £ 300 and was continuously on the increase except for four days in August 1974 and reached £ 355 on 30th August 1974.

Results of beet tests indicating the expected production/yield published by some European countries in the first week of August 1974 confirmed that the outlook for the crop was not very promising. The crop in United Kingdom was also expected to be bad due to virus infections.

In August 1974 the U.S. Department of Agriculture also announced suspension of restriction on import of sugar to the United States of America during the remainder of the year 1974. This was expected to result in absorption of more sugar by United States of America, thereby further accentuating the expected shortage of sugar in the world market.

The details of contracts executed by the State Trading Corporation with foreign trade houses for white sugar in 1974 and the London daily prices for raw sugar (which are c.i.f. from

Caribbean ports to London) prevailing on the dates the contracts were executed are shown below :—

Date of contract	Party	Quantity (tonnes)	F.o.b. India price for white sugar per tonne	London daily prices for raw sugar c.i.f. Caribbean ports per ton
			£	£
17-4-1974	H	11,000	266	230
17-4-1974	E	11,000	285.07	230
18-4-1974	X	33,000	270	240
19-4-1974	A	11,000	272	244
1-5-1974	A	11,000	273.50	238
6-6-1974	G	11,000	275	250
2-7-1974	A	44,000	267	232
11-7-1974	A	11,000	274	240
12-7-1974	G	11,000	273	238
15-7-1974	G	11,000	274	245
15-7-1974	F	33,000	268.50	245
16-7-1974	A	22,000	270	250
22-7-1974	A	11,000	274	274
23-7-1974	E	11,000	280	276
23-7-1974	E	11,000	274	276
5-8-1974	F	33,000	285	285
6-8-1974	G	11,000	291	290
7-8-1974	A	11,000	298.25	300
7-8-1974	A	22,000	300.50	300
27-8-1974	A	66,000	315	340
23-9-1974	E	10,000	341	360

It will be seen from the above that during 17th April 1974 to 16th July 1974 the f.o.b. prices obtained for Indian white sugar were substantially higher (not less than £ 20 per tonne) than the London daily prices for raw sugar (c.i.f. Caribbean ports). However, during 22nd July 1974 to 23rd September 1974, the f.o.b. prices obtained from export of Indian white sugar were on three occasions very slightly higher, on two occasions equal to it and on the four remaining occasions were, in fact, lower than the London daily prices for raw sugar.

It will also be seen that during the middle of April 1974 to middle of July 1974 there was not much variation in both the f.o.b. prices for Indian white sugar and the London daily prices (c.i.f. Caribbean ports) for raw sugar. From the middle of July 1974 international prices of sugar started rising sharply. Between 16th July 1974 and 23rd September 1974, London daily prices (c.i.f. Caribbean ports) rose by 44 *per cent* from £ 250 to £ 360 per ton, while f.o.b. price for Indian white sugar rose by about only 26 *per cent* from £ 270 to £ 341 per tonne.

Rescinding of contract

Out of total quantity of 6.32 lakh tonnes sold by State Trading Corporation up to March 1975, 2.84 lakh tonnes were contracted with a commodity trader, 'A', who is not normally in the international sugar business.

Except 0.33 lakh tonnes and 0.36 lakh tonnes sold in April 1974 and March 1975 respectively, two leading trade houses in Sugar—'X' and 'Y'—did not get any contract for purchase of Indian white sugar. But they actually repurchased 1.67 lakh tonnes out of 3.46 lakh tonnes shipped up to December 1974, from those with whom these contracts were entered into, the principal one of which was 'A'.

Against contracts signed with 'A', deliveries in all cases up to December 1974 were taken by firms other than the contracting party.

The monthly average of L.D.P. was £ 397 in October 1974, £ 566 in November 1974 and £ 460 in December 1974. London daily price started coming down in 1975. Its monthly average was £ 392, £ 341, £ 261, £ 240, £ 180 and £ 145 during January 1975 to June 1975.

Between December 1974 and March 1975, State Trading Corporation contracted for sale of 1.47 lakh tonnes of sugar, of which 0.75 lakh tonnes was with 'A'. 'A' signed the contract dated 19th December 1974 for 11,000 tonnes. It did not sign the other two contracts for 31,000 tonnes and 33,000 tonnes dated 10th March 1975 and 17th March 1975. Except one contract with 'A' for £ 473 per tonne in December 1974, all these sales were at prices ranging between £ 292 and £ 311.50 per tonne.

The format of the contract adopted by the State Trading Corporation for free world destinations stipulates that "should however buyer fail to declare vessels within the extended delivery period, it shall be deemed to be a breach of the contract on the part of the buyer for the quantity, whole or part, which remains unlifted at the cost, losses and damages to the account of the Buyer", and provides for arbitration by the Council of Refined Sugar Association in London, whose decision is enforceable in law in the United Kingdom. .

While all the other purchasers took delivery, 'A' did not take delivery of 0.63 lakh tonnes against its contracts for 0.75 lakh tonnes. These contracts were rescinded by the State Trading Corporation without taking recourse to the contractual provisions as the Corporation thought that prospects of recovery of claims in the event of starting litigation were poor. A fresh contract for 0.60 lakh tonnes in lieu of the rescinded contracts was entered into with 'A' by the State Trading Corporation in July 1975 at $ 525 (£ 219.39) per tonne. As compared to the prices in the rescinded contracts, Government got £ 78.95 lakhs (Rs. 14.91 crores) less.

MINISTRY OF COMMERCE

28. *Export of bicycles and bicycle components during the 1970's.*—Presently, the installed capacity of the 14 units in the organised sector engaged in production of bicycles is reported to be 40.19 lakh bicycles; these units are located in Punjab, Uttar Pradesh, Haryana, West Bengal, Bihar, Tamil Nadu, Maharashtra and Assam. The organised sector accounts for about 80 *per cent* of the production of bicycles. There are a number of units in the small-scale sector also, with a capacity of 5 lakh bicycles. They are mainly located in Punjab, Delhi, Uttar Pradesh and West Bengal. In 1974 about 27 lakh bicycles were produced by the organised sector and the small-scale sector.

Apart from 56 units in the organised sector, about 300 units in the small-scale sector are engaged in manufacture of bicycles components and accessories (hereinafter mentioned as bicycle components).

The value of annual production and exports of bicycles and bicycle components during 1970 to 1974 were as follows :—

Production of organised sector

Year	Bicycles (Nos. lakhs)	Bicycle components value (Rs. lakhs)
1970*	20.94	1,026.00
1971*	18.17	1,066.00
1972*	22.87	1,423.00
1973@	25.00	1,500.00
1974@	27.00	2,240.00

*Source :—Annual Reports of the Director General, Technical Development.

@Source :—Annual Report of the Ministry of Industry and Civil Supplies.

Exports of bicycles (complete) and bicycle components

Year	Bicycles No. (Lakhs)	(complete) Value (Rs. Lakhs)	Bicycle components Value (Rs. Lakhs)	Total value (Rs. Lakhs)	Percentage of Col. 3 to 5	Percentage of Col. 4 to 5
1970-71	2.03	243.88	461.77	705.65	35	65
1971-72	1.28	166.66	562.21	728.87	23	77
1972-73	2.16	305.22	732.86	1,038.08	30	70
1973-74	1.72	264.99	1,197.68	1,462.67	18	82
1974-75	1.55	352.24	1,770.07	2,122.31	17	83

Source :—Export statistics published by the Director General, Commercial Intelligence and Statistics, Calcutta.

Most of the exports of bicycles is in knocked-down conditions. Export of bicycles (complete) bears a relatively small proportion (about 8 *per cent*) to production of bicycles. The proportion (45 to 80 *per cent*) which export of the components bears to the production thereof in the organised sector alone is, on the other hand, very high.

Indian bicycles and bicycle components are exported to about 86 countries of the world, main importers being Nigeria, Indonesia, Iran, Thailand, Malaysia, Kenya, Vietnam Republic, Singapore, the United States of America and Tanzania.

Bicycles exported are of two types, *viz.*, roadster and sports light roadster (special model speed light weight bicycles). The roadster is the universal model commonly used, and accounts for the major portion of our exports. The sports light roadster is a sophisticated model which is mainly in demand in the United States of America. There are only two manufacturers of sports light roadster bicycles, export of which constitutes only a small portion (less than 10 *per cent* in 1974) of the total export of bicycles.

Rates of cash assistance and import replenishment admissible on exports of bicycles and bicycle components from April 1970 onwards are shown below :—

Period	Complete bicycle (Roadster)		Complete bicycle (Sports Light Roadster)		Bicycle components	
	Cash assistance	Import replenishment	Cash assistance	Import replenishment	Cash assistance	Import replenishment
	(percentage of f.o.b. value)					
1st April 1970 to 31st August 1970	30	20	20	47	30	30
1st September 1970 to 21st February 1974	30	20	25	30	30	30
22nd February 1974 to 13th March 1974	Nil	20	25	30	30	30
14th March 1974 to 31st March 1974	Nil	20	25	30	20	30
1st April 1974 to 22nd April 1974	Nil	10	25	30	20	20
23rd April 1974 to 31st August 1974	Nil	10	10	30	20	20
1st September 1974 to 31st March 1975	15	10	10	30	20	20
1st April 1975 onwards	15	10	$12\frac{1}{2}$	30	20	20

In 1972 the Indian Institute of Foreign Trade was asked to study the adequacy or otherwise of the cash assistance available for exports of complete (roadster) bicycles and bicycle components. In its report submitted in November 1972 the Institute recommended continuance of cash assistance and export assistance at the rates prevailing then.

In January 1973 a committee was set up by the Ministry of Commerce under the Chairmanship of the Chief Controller of Imports and Exports to review the registered exporters policy for 1973-74. Ministries of Commerce and Finance as well as the Director General, Technical Development, were represented in the Committee, which was asked to review, among other things, the need for and quantum of existing cash subsidies and import replenishment. It was decided that since this committee was going into the question of cash subsidies on engineering goods exports, consideration of the Institute's report on bicycles might be held over.

In an annexure to its report submitted to Government in February 1973 the committee indicated the proposed rates of cash assistance on exports of complete bicycles (roadster) and bicycle components as 22.5 and 20 *per cent* of f.o.b. realisation respectively as against 30 *per cent* admissible for both then. The Committee also indicated therein proposed reduction of the existing rates of import replenishment by 10 *per cent viz.*, from 20 to 10 *per cent* for complete bicycles (roadster) and from 30 to 20 *per cent* for components. It was estimated that the proposed reduction in cash assistance would result in a saving of Rs. 83 lakhs to Government during 1973-74. The proposed reduction in import replenishment was expected to result in a saving of Rs. 80 lakhs in foreign exchange during that year. The above reductions were, however, not effected.

The report of the Indian Institute of Foreign Trade was referred to the Cost Accounts Branch of the Ministry of Finance in May 1973 for advice about cash assistance admissible on marginal cost basis. The Cost Accounts Branch pointed out certain anomalies in the method adopted by the Institute in working out the f.o.b. cost of bicycles. On the basis of the data for two manufacturing units, the Cost Accounts Branch estimated that f.o.b. realisation fell short of the f.o.b. cost of those two units by 24.65 and 17.69 *per cent* as against the existing cash assistance of 30 *per cent*. The Cost Accounts Branch also pointed out that the Institute's study did not take into account the extra benefits accruing to exporters from import replenishment on exports of bicycles and components. It added that "Normally import entitlements are sold at heavy premium or utilised by importing directly raw materials or capital goods. The units concerned would derive considerable advantage in imports over indigenous cost".

In July 1973 the Director General, Technical Development, confirmed the above presumption, stating that the actual import content in complete bicycles (roadster) would not exceed Rs. 10 per bicycle, which worked out to less than 10 *per cent* of the f.o.b. realisation, as against 20 *per cent* import replenishment allowed. About components also, it was stated that the actual import content was much less than the permitted level of 30 *per cent*.

In November 1974 'C', one of the leading manufacturers of bicycles, submitted its cost data for 1973-74 to Government. 'C's calculations showed a premium of 50 *per cent* on import replenishment. Had premium on import replenishment been taken into account for the two units whose costing had been done by the Indian Institute of Foreign Trade, the gap between the f.o.b. cost and f.o.b. realisation would have been substantially less than 24.65 and 17.69 *per cent*. For example, presuming that premium on import replenishment in 1971-72, for which costing was done by the Institute, was 50 *per cent*, as in the case of 'C' in 1973-74, the gap between the f.o.b. cost and f.o.b. realisation would have been 14.65 and 7.68 *per cent* respectively.

In August 1973 the Ministry of Commerce proposed reduction of cash assistance on complete bicycles (roadster) and bicycle components from 30 to 21 *per cent* of f.o.b. value. The Ministry of Finance pointed out in October 1973 that certain facts *viz.*, increase in f.o.b. realisation by 17 shillings per unit, increase in the rate of duty draw-back from 11 to 13 *per cent* and premium on import replenishment, had not been taken into account in working out the proposed rate of cash assistance. Had those facts been taken into account the rate of cash assistance would have been lower than the rate proposed by the Ministry of Commerce. However, since the Institute's report had been received in November 1972 and a decision had already been delayed, the Finance Ministry gave its concurrence (October 1973) subject to the following :—

(i) reduction of cash assistance on complete bicycles (roadster) and components from 30 *per cent* to 20 *per cent* and not 21 *per cent* since the system was to fix the cash assistance at rounded rates ;

(ii) reduction of cash assistance on sports light roadster bicycles from 25 to 20 *per cent* as the f.o.b. realisation had increased by 6 dollars per unit as reported by the Director General, Technical Development; and

(iii) reduction of import replenishment on complete bicycles (roadster) and components from 20 and 30 *per cent* to 10 and 20 *per cent* respectively.

In January 1974, it was decided to allow cash assistance on complete bicycles (roadster) and components at 20 *per cent* and on sports light roadster bicycles at 22½ *per cent* of f.o.b. value against the prevailing rates of 30 *per cent* and 25 *per cent*, respectively. It was directed that suitable adjustments in the import replenishment rates should be made simultaneously.

While orders conveying the above decision were yet to be issued, the Director General, Technical Development, informed the Ministry of Commerce in February 1974 that the unit-value realisation from complete bicycles (roadster) had gone up from £ 8.50 (Rs. 161) to £ 12.50 (Rs. 236), and that substantial export contracts were currently being booked at the higher price. The Ministry of Commerce made fresh calculations, and it was found that there was no loss in export of complete bicycles (roadster). It was accordingly decided (February 1974) to abolish cash assistance for complete bicycles (roadster).

No change was made in the decision of January 1974 about bicycle components and sports light roadster bicycles on the ground that no separate costing of these two items had been made, nor had the Director General, Technical Development, intimated any higher unit-value realisation therefor. According to Government, average increase in unit value realisation on components was 6.57 *per cent* (excluding saddles) during April 1973 to December 1973, as compared to the corresponding period of the previous year. However, unit value of most bicycle components exported (which accounted for 91 *per cent* of the total exports of components by weight, excluding saddles) had increased by 8 *per cent* or more during April 1973 to December 1973 compared to the corresponding period of the previous year as against increase of 10 *per cent* registered by bicycles. (Saddles are exported by numbers and account for about 3 *per cent* of the total exports by value.) The Ministry stated (December 1975) that "the proposal not to effect any change in the rates of Cash Assistance for export of Components was recorded in February

1974, when the statistics of the D.G.C.I.&S. relied upon were not available. Usually the published statistics are available six months after the period these relate to".

Cash assistance on complete bicycles (roadster) was abolished from 22nd February 1974, and that on bicycle components was reduced to 20 *per cent* from 14th March 1974. For sports light roadster bicycles, cash assistance was reduced from 25 to 10 *per cent* of f.o.b. value from 23rd April 1974.

The import replenishment on complete bicycles (roadster) and bicycle components was reduced from 20 and 30 *per cent* to 10 and 20 *per cent* respectively from 1st April 1974.

In March 1974 the Director General, Technical Development, informed the Ministry of Commerce as follows :—

> "............conventional roadster bicycles are almost always shipped in a knocked down condition. There is, therefore, a risk consequent on abolition of cash subsidy on the export of complete bicycles, that unscrupulous exporting units might show exports of complete bicycles as exports of bicycle components and walk away with 30 *per cent* cash assistance prescribed for bicycle components".

He suggested that to avoid this situation cash assistance might be restricted only to eight important bicycle components which he specified, and pointed out that those eight components constituted the bulk of exports of bicycle components from our country. The Ministry of Commerce stated (March 1974) in reply that, as there were more than seventyfive components of bicycles, "some more thought could be given to the problem" and perhaps the components could be put in two groups, one for which cash assistance would be admissible and other for which cash assistance would not be available, while announcing registered exporters policy and cash assistance effective from April 1974. No such grouping has so far been made (November 1975). There was no cash assistance on complete bicycles (roadster) during 22nd February 1974 to 31st August 1974. During the period cash assistance was available for bicycle components, their exports increased to 83.70 lakh kilograms (Rs. 8.44 crores) during April 1974 to September 1974 from 71.51 lakh kilograms (Rs. 4. 58 crores) during the corresponding period in the previous year, *i.e.,* April 1973 to September 1973, while exports of bicycles decreased to 51,435 (Rs. 1.14 crores) during April 1974 to September 1974 from 87,627 (Rs. 1.32 crores) during April 1973 to September 1973. The Ministry stated (December 1975) that "although it may be admitted that there was a decline in exports of bicycles complete during the period in question and that it could be due to abolition of Cash Assistance on this item, it will be incorrect to conclude that bicycles were being exported as components and the percentage rise (of about 17 *per cent*) in exports of components represented exports of bicycles complete in knocked down condition exported as components".

In the test audit check it was, however, noticed that the number of complete bicycles exported to country 'P' during April 1973 to September 1973 was 7,500 bicycles (Rs. 12.06 lakhs) while during April 1974 to September 1974 there was no export of complete bicycles to that country. Export of bicycle components to that country rose from 12.23 lakh kilograms (Rs. 63.09 lakhs) during April 1973 to September 1973 to 14.97 lakh kilograms (Rs. 138.38 lakhs) during April 1974 to September 1974. Similarly, while 1,060 complete bicycles were exported to country 'Q' during April 1973 to September 1973, there was no export of complete bicycles to that country during April 1974 to September 1974. During that period the number of saddles exported increased from 1,250 to 2,250. Exports of components (other than saddles) to country 'Q' increased from 2.74 lakh kilograms (Rs. 17.48 lakhs) during April 1973 to September 1973 to 4.59 lakh kilograms (Rs. 47.44 lakhs) during April 1974 to September 1974.

Government stated (December 1975) that export of bicycles to the countries 'P' and 'Q' was erratic and the fact that there was no export of bicycles to these countries during April 1974 to September 1974 "cannot be attributed to any particular reason". The table below shows the exports of bicycles during the half year April 1974 to September 1974 as compared to corresponding half years of earlier years :—

Period	P	Q
April 1971—September 1971	15,950	1,496
April 1972—September 1972	21,700	605
April 1973—September 1973	7,500	1,060
April 1974—September 1974	Nil	Nil

When the proposal for reduction of cash assistance from 30 *per cent* to 20 *per cent* on bicycle components was sent to the Ministry of Finance in February 1974, that Ministry suggested

(February 1974) to the Ministry of Commerce that cash assistance on bicycle components might be withdrawn. The Ministry of Commerce did not, however, accept the proposal on the ground that export of bicycle components was more than 75 *per cent* of the total export of bicycles and bicycle components, and the manufacturers of bicycle components, being in the small-scale sector there would be a set back in export of bicycle components if cash assistance was withdrawn or reduced further. While pointing out that the rate of cash assistance is decided on the basis of cost of production and f.o.b. realisation without any distinction between the small-scale sector and large-scale sector, the Ministry of Finance did not press (March 1974) its view further as proper cost data were not readily available for an objective analysis to determine the rate of cash assistance justified. On reconsideration, however, the Ministry of Finance felt in June 1974 that even without waiting for detailed cost study, which would take more than 6 months, there was clear justification for reducing cash assistance on export of bicycle components, particularly because cash assistance on export of bicycle components might lead to malpractices, as there was no cash assistance on complete bicycles, and suggested to the Ministry of Commerce the following two alternatives :—

(i) reduction of cash assistance on export of bicycle components from 20 *per cent* to 10 *per cent*, or

(ii) grant of cash assistance on export of both complete bicycles and bicycle components at the rate of 10 *per cent*.

The second alternative was based on the consideration that cash assistance at 20 *per cent* on export of bicycle components was estimated to be about Rs. 2.20 crores whereas cash assistance at 10 *per cent* on both complete bicycles and bicycle components would be around Rs. 1.50 crores and there would be a saving of Rs. 70.00 lakhs in a full year. In the meantime, several representations were received during February 1974 to July 1974 from the trade for restoration of cash assistance on complete bicycles (roadster). One State Government also made a similar request in July 1974. On consideration of the representations and also the suggestion of the Ministry of Finance mentioned above, on 5th August 1974 the Ministry of Commerce recommended to the Ministry of Finance cash assistance at the rate of 12½ *per cent* for both complete bicycles (roadster) and bicycle components upto March 1975 as it was understood by the former Ministry that "f.o.b. realisations have not been as high as were originally" and that "realisations vary from market to market"

On 13th August 1974 the Ministry of Finance reiterated its earlier view that cash assistance on complete bicycles (roadster) and components should be 10 *per cent* on the following grounds :—

(i) Having withdrawn the cash assistance wholly on export of complete bicycles, its restoration at the rate of 12.5 *per cent* without detailed cost study was not justified.

(ii) The cost data for bicycles given by one or two exporters were not authenticated by Chartered Accountants and therefore could not be relied upon. Moreover, certain inadmissible expenses had been included in the f.o.b. cost.

(iii) No data about components were available in proper form.

From a note recorded on 17th August 1974 in the Ministry of Commerce it appears that the Director General, Technical Development, had been consulted and the Ministry was informed that "from the point of view of costing data and its potential the rate cannot admit of any reduction below 15 *per cent*." On 22nd August 1974 the case was discussed by cash assistance review committee which recommeded that cash assistance on complete bicycles should be 15 *per cent* on the basis of the following cost data :—

	Rs.
F.o.b. realisation per bicycle	200
Duty drawback at 12 *per cent*	24
F.o.b. Cost	260
Shortfall in realisation (18 *per cent* of f.o.b. value realisation)	36

It was also reported that two Far Eastern countries had reduced their prices considerably, which had posed a threat to the bicycle export. It was, therefore, decided to allow cash assistance on *ad hoc* basis at the rate of 15 *per cent* of f.o.b. realisation for bicycles from 1st September 1974 to 31st March 1975. In the case of components the existing rate of 20 *per cent* was to continue.

It was also decided that cost data would be collected and sent to the Cost Accounts Branch which would give its report by the end of October 1974.

For the above determination of the f.o.b. cost of, and f.o.b. realisations from, bicycles, the Ministry of Commerce relied on unauthenticated data, as pointed out by the Ministry of Finance. F.o.b. cost of Rs. 260 adopted as the basis for determining the loss had been furnished (July 1974), without any detailed break-up, by the Chairman, Bicycles and Bicycle Components and Accessories Panel of the Engineering Export Promotion Council (incidentally, he was connected with a leading bicycle-manufacturing firm); of the cost of Rs. 260 intimated by him, Rs. 220 were stated to be the average ex-factory cost and Rs. 40 for packing, freight, etc. F.o.b. realisation of Rs. 200 was assumed on the basis of data given by a different manufacturer. According to the statistics published by the Director General, Commercial Intelligence and Statistics, f.o.b. realisations during April 1974 to July 1974 ranged between Rs. 188 and Rs. 247, the average being Rs. 219 per bicycle. If this figure had been taken into account, the loss would have worked out to 6.7 *per cent* only, even assuming the f.o.b. cost of Rs. 260 as correct and without taking into account the benefit accruing from import replenishment :—

	Rs.
F.o.b. realisation	219
Add duty drawback at 12 *per cent*	26.28
F.o.b. cost	260
Loss	14.72
Loss as percentage of f.o.b. realisation	6.7

The Ministry stated (December 1975) that "as the exports of bicycles were going down steeply after the abolition of Cash Assistance on them and as the industry was protesting vehemently, it was necessary to take an early decision in the matter. It was for this reason that the unaudited cost data available was taken into account as a rough estimate......................".

As mentioned earlier, the Indian Institute of Foreign Trade had not gone into the costing of components. In June 1974, the Engineering Export Promotion Council had recommended cash assistance at the rate of 15 *per cent* both for components and complete bicycles. The decision to continue cash assistance on export of bicycle components at 20 *per cent* of f.o.b. value was taken without reference to any cost data. It is to be pointed out that while the unit-value realisation of bicycles rose by 9 *per cent* in 1973-74 as compared to 1972-73, the corresponding rise for most of the components (covering 96 *per cent* of the total exports of components by weight, excluding saddles) was 11 *per cent* or more. Between April 1974 and July 1974 the unit-value realisations from most components (exports of which accounted for 94 *per cent* of the total exports of components by weight, excluding saddles) rose by 25 *per cent* or more whereas that of bicycles fell marginally by 3 *per cent*. The rise in unit-value realisations from components does not seem to have been taken into consideration in continuing cash assistance on components at 20 *per cent*. The Ministry stated (December 1975) that "these statistics were not available at the time of taking the decision to continue cash assistance on components and accessories."

On 30th August 1974, the Cost Accounts Branch of the Ministry of Finance was directed to undertake cost-study of four bicycle manufacturers ('A', 'B', 'C' and 'D') and submit its findings by the end of September 1974. It was later reported (14th October 1974) that 'D' had remained closed for long. On the recommendation of the Engineering Export Promotion Council another unit ('E') was selected in its place. The Cost Accounts Branch submitted reports (in February 1975 and March 1975) in respect of 'A', 'B' and 'C' only. As 'E' did not furnish the details and documents required by the Cost Accounts Branch no report was submitted on it. Incidentally, the Chairman of the Engineering Export Promotion Council's Panel for Bicycles and Bicycle Components was connected with 'E'. As mentioned earlier Government had relied on the f.o.b. cost intimated by him while determining the rate of cash assistance in August 1974.

As shown below, doubts arise from the cost studies whether cash assistance on exports of complete bicycles (roadster) allowed from time to time had good justification :—

	Cash assistance admissible (as percentage of f.o.b. realisation)		Gap between f.o.b. cost and f.o.b. realisation expressed as percentage of f.o.b. realisation Profit (+) Loss (—)	
	Complete bicycles (roadster)	S.L.R. bicycles	Complete bicycles (roadster)	S.L.R. bicycles
'A' 1973	30	25	(—)11.8	(—)18.74
1974	30 upto 21-2-1974 Nil during 22-2-1974 to 31-8-1974 15 from 1-9-1974	25 upto 22-4-1974 10 from 23-4-1974	(—)1.3	(—)40.50
Early 1975	15	10 upto 31-3-1975 $12\frac{1}{2}$ from 1-4-1975	(—)1.3	(—)12.10

As mentioned earlier, exporters of bicycles derive substantial gain from import replenishment licences. In arriving at the loss in the case of 'A' the benefit derived from import replenishment licences was not taken into account. If the benefit from import replenishment is taken into account to the extent of average benefit of 'B' in 1973 as shown below, the loss was insignificant (0.4 *per cent*) in 1973 and there was gain in subsequent years.

'B'	1974	As against 'A' above	(—)11.9	(—)19.5
	Early 1975	Do.	(+)5.3	(+)10.4

The company had sold its import replenishment in 1973 at a premium ranging from 30 to 49 *per cent*. For 1974 premium of 38 *per cent* was assumed on the basis of average realisation for 1973.

'C'	1973-74	As against 'A' above	(+)9.32	..
	1974-75	Do.	(+)8.93	..

The reports of the Cost Accounts Branch also disclosed that the actual import content in the bicycles exported by the respective units was very small compared to the entitlement, *viz.*, between 0.5 to 2.27 *per cent* of f.o.b. realisation for various brands of complete bicycles (roadster) against entitlement of 20 *per cent* in 1973-74 and 10 *per cent* in 1974-75, and about 15 *per cent* of f.o.b. realisation in the case of sports light roadster bicycles (against entitlement of 30 *per cent*).

According to the report of the Cost Accounts Branch, return on capital of 'A', 'B' and 'C' expressed as percentage of capital was as follows :—

*'A'			
(Profit before interest on borrowed funds, income tax and profit sharing bonus)	1971	1972	1973
	13.23	14.18	4.86
*for cycle activity			
'B'			
(Before tax and interest)	..	31.74	28.13
'C'			
(Loss before interest on borrowed funds, annual bonus and similar items)	1971-72	1972-73	1973-74
	(—)11.21	(—)14.21	(—)0.96

In October 1974 the Engineering Export Promotion Council forwarded cost data, obtained from eleven manufacturers, of components. This was referred to the Cost Accounts Branch of the Ministry of Finance in November 1974. That Branch reported in April 1975 that it could conduct cost study of five units only, since the remaining six units had not furnished the required information. Out of the five units studied, reports on three units were finalised in February 1975 and March 1975.

These reports disclosed that cash assistance allowed from time to time on export of components, which were studied, was not justified or was hardly justified.

Cash assistance admissible (as percentage of f.o.b. realisation)		Profit (+) Loss (—) Gap between f.o.b. cost and f.o.b. realisation (percentage of f.o.b. realisation)		
'X'	Rims	West wood CP/DC rim	West wood raw rim	Endrick rim
1973	30	(—)26.6	(+)9.00	
1974	30 upto 13-3-1974 20 from 14-3-1974	(+)7.5	(+)11.1	(+)11.4

During 1973 the actual import content of rims manufactured by 'X' was 10 *per cent*. The excess entitlement was used by 'X' in manufacture of rims for domestic market. If the benefit derived by 'X' in production for domestic sales is taken into account the loss on export would turn into average profit of Re. 0.71 per rim, or 11 *per cent* of f.o.b. realisation from export of rims of all varieties. During 1974 also the excess import replenishment was used by 'X' in manufacture of rims for domestic market. The benefit was to the extent of Rs. 3 per rim exported and would step up the average profit to about 41 *per cent* of f.o.b. realisations from export of rims of all varieties.

'Y' *Caliper brakes*

1973	Do.	(—)33.24
Current (early 1975)	20	(—)47.12

There was no import content in caliper brakes. The usual import replenishment was allowed to 'Y'. 'Y' mainly produces industrial gas valves and regulators. The production of caliper brakes is hardly 8 *per cent* of its total production. In the production of caliper brakes most of the parts are either bought from or machined through sub-contractors and only a few machine operations and assembly work are done by 'Y'. Some of the sub-contractors have substantial interest in the firm. 'Y' did not follow any system of cost accounting, and no reliable data of stores consumption were available with it. The conversion cost paid to sub-contractors was considered to be very high.

'Z' *Dynamo lighting sets*

1973	Do.	(—)22.78
1974	Do.	(—)3.82
1975	20	(+)3.37

On 30th April 1975 Government sanctioned continuation of cash assistance on complete bicycle (roadster) at the rate of 15 *per cent* and on bicycle components at the rate of 20 *per cent* for a further period of six months, *i.e.*, upto 30th September 1975.

The assistance for sports light roadster bicycles was increased from 10 to 12.5 *per cent* of f.o.b. realisation. It was clarified that the cash assistance was being allowed provisionally pending detailed examination, and that Government reserved the right to reduce or withdraw cash assistance even prior to the above date on the basis of detailed cost examination being carried out. Government stated (December 1975) that the Engineering Export Promotion Council "forwarded the cost data on 31st July 1975 and these were transmitted to the Cost Accounts Branch through the Ministry of Finance (Commerce Division)".

On 1st October 1975 continuance of cash assistance at the existing rates upto March 1976 was sanctioned. The Ministry stated that "so long as the new cash assistance scheme was not brought into force, it was also felt desirable that the existing rates should not be disturbed, unless they were wholly unjustified. The Cash Assistance Review Committee, in its meeting held on 30th September 1975, decided about the rates that should continue, in regard to products for which terminal date of assistance was 30-9-75, in the context of the views held by Government at the time". The Ministry added that "the entire structure of export benefits including import replenishment and cash assistance, is at present being reviewed by a fairly high level committee..........".

The total amount of cash assistance admissible on bicycle exports from 1970-71 to 1974-75 was about Rs. 3 crores, and that on bicycle components about Rs. 12 crores. During the same period, import replenishments for exports of bicycles were about Rs. 2 crores and those for components were about Rs. 12 crores. The total value of exports of bicycles and bicycle components during this period was about Rs. 60.58 crores.

MINISTRY OF EXTERNAL AFFAIRS

29. *Residential accommodation.*—Order posting 'B' as First Secretary in a Mission abroad was issued by Government in December 1972. His predecessor 'A' vacated the post in January 1973. The house in which 'A' was staying was retained for 'B' who joined the post on 7th July 1973 as he was associated with important delegations in the meantime. The rent of the building for the intervening period of a little over 5 months was Rs. 14,441. The Ministry stated (October 1975) that "acquiring residential accommodation for new arrivals is a difficult and costly proposition than retention of the houses

in occupation earlier, even if these houses have to be kept vacant for some time".

The house, which was 200 years old, was taken on lease by the Mission in 1967. The lease of the house was last renewed on 11th September 1972 for one year from 5th September 1972. While applying for sanction for additional accommodation for his maid servant in the same house, 'A' had informed Government in May 1971 that the house was very old. Some cracks noticed by 'A' in April 1972 were repaired by the owner; after that 'A' did not make any complaint about the house till he vacated it in January 1973. The Mission had also recommended to Government on 18th January 1973 retention of the house for 'B' and had enquired of Government on 1st May 1973 whether the house might be retained. The Ministry stated (October 1975) that after repairs were done in April 1972, "the *prima facie* conclusion was that the house was in a state of good repair—fit for continued habitation. Based on this appreciation, the lease of the house was renewed in September 1972 for a further period of one year".

'B' moved into the house on 7th July 1973. He reported to the Ambassador on 20th July 1973 that the building had developed large cracks and was dangerous to live in and sought permission to shift to a hotel immediately. A notice for premature termination of the lease from 31st July 1973 was issued to the owner of the building on 24th July 1973 ; this was agreed to by the owner of the house on 27th July 1973. On 24th July 1973 the Mission also approached Government for approval to move 'B' to a hotel. Government informed the Mission by telex on 1st August 1973 that it did not approve the proposal to move 'B' to a hotel and asked it to arrange alternative accommodation for 'B'. Government also enquired whether the building had been declared dangerous by the municipal authorities. However, before Government's telex was received by the Mission on 2nd August 1973, 'B' shifted to a hotel on 31st July 1973 with the approval of the Ambassador and the house was vacated on that date. In October 1973 Government informed the Mission that as it had recommended vacant retention of the house, it was presumed that the house was in a habitable condition and observed that "for a three weeks' stay of the officer Government had to pay rent for nearly six months". Government also reminded the Mission to furnish reply to the query whether the local authorities had declared the house dangerous for habitation; no reply to this has so far been given by the Mission (July 1975). Government stated (July 1975) that "the house remained locked up for over five months after the departure of Shri..................... during which period the building appeared to have further deteriorated. Obviously due to lack of local technical know-how it was not visualised that the building would deteriorate so sharply to such an extent as to make it altogether dangerous for habitation". Government also stated that "the Head of the Mission being on the spot and being the best judge did not think it desirable to spend substantial amount on the examination of the house either by the experts hired by the Mission or the Municipal authorities......................".

Cash allowance is admissible for stay in a hotel on first arrival, if suitable accommodation is not available and if the hotel accommodation is not provided with kitchen or kitchenette, or, when kitchen facilities are provided, cooking is not feasible; when kitchen facilities can be used only partially, cash allowance is admissible at reduced rates. If an officer has lost his accommodation for reasons beyond his control he may also be allowed to stay in a hotel and paid cash allowance, if no other suitable accommodation is available. 'B' moved to a hotel on 31st July 1973. At that time a house leased by the Mission for another officer of a lower rank was lying vacant, but 'B' was not moved to this house although the rules prescribe that accommodation smaller than entitlement may be provided to an officer for avoiding heavy expenditure on hotel charges; this house was surrendered by the Mission on 14th September 1973. Besides, the accommodation in the hotel had kitchenette facilities. For his stay in the hotel for 62 days from 31st July 1973 to 30th September 1973 Government had to pay him Rs. 20,533 more than what would have been payable had he not stayed in the hotel. *Ex post facto* sanction for this payment was issued by Government on 20th February 1975.

'B' remained in the hotel for 62 days upto 30th September 1973. The hotel accommodation charges paid by Government for that period were Rs. 21,807 of which Rs. 2,537 were recovered from 'B' as breakfast charges. As against that, the rent liability of the Mission for 62 days at the rate at which a new residence was arranged for 'B' on 1st October 1973 would have been Rs. 10,891.

MINISTRY OF HEALTH AND FAMILY PLANNING

(Department of Health)

30. *Three Government hospitals in Delhi.*—The principal three hospitals in the Union Territory of Delhi are Safdarjang and Willingdon hospitals under the Government of India and Irwin hospital under the Delhi Administration. The following table indicates the bed strength, attendance etc., in the three hospitals during 1974-75 :

	Safdarjang	Willingdon	Irwin
(i) Bed strength as on 31-3-1975	1,207	730	1,175
(ii) Number of patients admitted	65,393	30,528	51,465
(iii) Percentage of bed occupancy	88.3	95	100.6
(iv) Number of outpatients treated	9,92,208	6,16,110	7,23,633

The details of expenditure of the three hospitals during the three years ended March 1975 are given below :—

(Lakhs of rupees)

	Safdarjang			Willingdon			Irwin		
	1972-73	1973-74	1974-75	1972-73	1973-74	1974-75	1972-73	1973-74	1974-75
(i) Establishment charges	101	109	151	50	56	79	71	70	117
(ii) Medicines	51	48	64	19	22	36	33	33	35
(iii) Diet	8	10	12	6	6	7	8	9	10
(iv) X-ray including cost of films and chemicals	6	4	8	4	3	3	9	9	10
(v) Equipment	14	14	17	12	12	9	25	26	22
(vi) Linen	3	3	6	2	1	2	1	2	3
(vii) Miscellaneous	19	19	22	13	15	14	16	10	20
TOTAL :	202	207	280	106	115	150	163	159	217

The expenditure on medicines in Irwin hospital during 1972-73 to 1974-75 remained almost the same, although the cost of medicines has been rising consistently.

The treatment in all the three hospitals is free of cost except that patients whose total income exceeds Rs. 250 per month have to pay for laboratory tests, X-rays etc., if they attend as O.P.D. (Outpatient department) patients in Safdarjang and Willingdon hospitals. The limit of income prescribed in Irwin hospital is Rs. 400 per month. The beneficiaries of Central Government Health Scheme (C.G.H.S.) are treated free of cost in the two Central Government hospitals and similarly the officials of the Delhi Administration are treated free of cost in Irwin hospital.

In Willingdon hospital there is a nursing home with 63 beds. In the other two hospitals (except 20 paying beds in the gynaecology department of Irwin hospital), there are only general wards. In Safdarjang hospital there are specialised departments like orthopaedic and rehabilitation centre, plastic and maxillofacial surgery, neurology, and cancer centre. One of the two eye banks in Delhi is located in Irwin hospital, the other being located at All India Institute of Medical Sciences. The bank registers donors, collects eyes on their death and performs corneal transplantations. During 1972-73 to 1974-75, the bank collected 644 eyes for keratoplasty and carried out 543 transplantation operations. The eye department of this hospital has also facilities for fitting patients with contact lenses on payment.

Casualty and emergency

The casualty department provides, round the clock, immediate diagnosis and urgent treatment for illness of emergent nature and injuries from accidents. The cases are attended to by the casualty medical officer and the less serious cases after giving preliminary treatment are sent back home with instructions to attend O.P.D. the next day. Cases of serious nature are admitted in emergency wards or other wards. With a view to rendering immediate medical aid without loss of time, certain departments, like gynaecology, entertain patients direct without the intervention of casualty department. The hospitals do not have a separate strength of doctors for manning the emergency services. For providing medicare in the wards and the

O.P.Ds. each discipline in the hospital has been divided into three/four compact units of doctors headed by professors, consultants or specialists. A unit comprises of several medical officers. A unit in each discipline is on duty in the O.P.D. for two days in a week. On those days some of its doctors are placed in the Emergency to look after emergent cases pertaining to its discipline. Certain information about the emergency services in the three hospitals during April 1975 to June 1975 is given below :

	Safdarjang	Willingdon	Irwin	Remarks
(i) Total number of beds	62	124*	32	*These beds are available at four floors—ground floor 20, 1st floor 35, 2nd floor 29 (excluding 11 beds of intensive coronary care unit) and 3rd floor 40 (where emergency, children and burn cases are put). The average daily number of patients as per mid-night statistics on these floors was 29, 31, 27 and 48 respectively.
(ii) Average daily number of patients as per mid-night statistics	99	135*	29	
(iii) Number of days on which the number of patients exceeded the bed strength	91	84	19	
(iv) Number of doctors normally available				
(a) first shift	6	5	3	
(b) second shift	6	5	7	
(c) third shift	6	6	33	
(v) Doctor-patient ratio (as per mid-night statistics)	1 : 16	1 : 23	1 : 10	
(vi) Number of nurses normally available				
(a) first shift	4	9	8	
(b) second shift	4	8	7	
(c) third shift	3	7	7	
(vii) Nurse-patient ratio (as per mid-night statistics)	1 : 33	1 : 19	1 : 4	

From the details against (i) to (iii) above it would seem that the number of beds in this ward in Safdarjang hospital is inadequate; patients have to be put on floor in this hospital when beds are not available. The Ministry stated (December 1975) that "the position is, however, likely to improve when the space presently occupied by the Super Bazar within the hospital will be vacated. The matter has already been taken up with the Super Bazar authorities".

The work load on the doctors and nurses is more than that brought out in (v) and (vii) of the above table because a large number of cases seen are kept under observation for varying periods of time and discharged or transferred to wards, if their further stay in emergency ward is not warranted, before mid-night. Very serious cases arriving at the emergency wards often require immediate attention and care of more than one doctor/nurse in order to save life. The Ministry stated (December 1975) that patient care in Safdarjang hospital would improve when the additional staff recommended by the staff inspection unit is sanctioned. It was further stated that the mid-night statistics shown against (ii), (iii), (v) and (vii) in the above table for Irwin hospital did not show the correct picture as the number of beds in the casualty and emergency wards was considerably less than that of other two hospitals and "as such in order to accommodate the patients coming to casualty, the respective medical officers have to make rounds from time to time to transfer patients from emergency wards to wards concerned".

Airconditioning facilities are regarded as necessary for management of certain conditions like heat stroke cases etc. Whereas central airconditioning covers about 50 *per cent* of the beds in Irwin hospital, this facility does not exist in Safdarjang and Willingdon hospitals. The Ministry stated (December 1975) that airconditioning of casualty ward in Willingdon hospital had been agreed to in principle and that detailed proposals in this regard were being worked out.

For bringing accident cases and patients suffering from serious ailments the hospitals are provided with ambulances. Out of the six ambulances available in Safdarjang hospital, three are being mainly used as load carriers. The other three are used only partially as ambulances. A stretcher bearer accompanies the ambulance to bring the patients. The Ministry stated (December 1975) that "there has never been a case when the ambulance service of the hospital failed to bring a patient whatever the number of ambulances available with the hospital. However, the required number of vehicles, including ambulances are being obtained".

Out of four ambulances available with Irwin hospital, two have been out of order and off the road since January 1975 and May 1975 respectively. Out of 231 trips covering 3,107 kilometres undertaken by these vehicles during April 1975 to June 1975, only 84 trips covering 1,129 kilometres were for transportation of patients. A nursing orderly is sent, if available. The Ministry stated (December 1975) that action was being taken to get the vehicles repaired and put on the road.

In Willingdon hospital, four ambulances in working condition are available. It was, however, intimated (December 1975) that action had been initiated to obtain the required number of vehicles, including ambulances.

It was observed that important medicines including certain life savings drugs like geramycin, reverine, adrenalin, clauden, decadron, ampicillin, achromycin, chloromycitin, crystalline penicillin etc., were not available with the emergency wards in the three hospitals during certain times. Injection ampicillin, an antibiotic, was not available in the casualty and emergency wards of Safdarjang and Willingdon hospitals during 4th June 1975 to 22nd September 1975 and 1st November 1974 to 1st January 1975 respectively. Injection ampicillin was, however, available in the stores of Safdarjang hospital. The Ministry stated (December 1975) that medicines stated to be not available in Safdarjang hospital were normally procured "from the D.G.S.&D.", and in Willingdon hospital medicines not available in the casualty and emergency wards were procured from other wards, super bazar or local market depending on the urgency of the situation and that patient care was not allowed to suffer.

For providing intensive care, special units with 8, 3 and 6 beds exist in Safdarjang, Willingdon and Irwin hospitals respectively. In Safdarjang and Willingdon hospitals coronary care units equipped with monitoring facilities for 2 and 11 patients respectively at a time also function. For Irwin hospital, this facility is provided by G. B. Pant hospital.

In resuscitation ward (intensive care unit) of Irwin hospital one hypothermea machine meant for regulating body temperatures purchased in 1964 at a cost of about Rs. 10,000 has been lying out of order since 1973. No other machine is available in the hospital for this purpose. Such a machine is stated to be in working condition in Safdarjang hospital, while Willingdon hospital has none. Another machine, earoxemeter, used for measuring oxygen tension purchased in 1964 for about Rs. 11,000 has been lying out of order in Irwin hospital since 1969. The Ministry stated (December 1975) that these machines "have outlived their normal life. However efforts are being made to repair and use them". The other two hospitals do not have a similar machine.

In Safdarjang hospital, all the three oxygen tents meant for giving oxygen-rich environment purchased at a cost of Rs. 20,000 have been out of use since January 1973 (two) and December 1974 (one) because of non-availability of canopy which is an imported item. The Ministry stated (December 1975) that "indigenous canopy was tried but it did not work for more than two months. Recently a firm has offered to supply canopy of the required specification".

Outpatient department

The outpatient department is one of the most important departments of a hospital where nearly all patients (old and new) suffering from diseases of minor, serious, acute and chronic nature have to report first. All the three hospitals run several O.P.Ds. and clinics (for specific diseases) to cater to the needs of a large number of patients who come to the hospitals for treatment. The outpatient departments function both in the morning and in the evening. The evening outpatient departments in Irwin hospital started functioning in December 1973, whereas these departments in Safdarjang and Willingdon hospitals were started in July 1975. No additional staff to man these departments has been sanctioned so far (December 1975) in Safdarjang and Willingdon hospitals. The Ministry stated (December 1975) that proposal for additional staff for the evening O.P.D. in the two hospitals was under active consideration of Government. While the outpatient departments in the morning have all the specialities of the hospital, the outpatient departments in the evening, except in Willingdon hospital, have a limited number of specialities. The clinics are held only in the afternoons.

Safdarjang hospital has 16, Willingdon hospital 10 and Irwin hospital 14 outpatient departments in the morning and 6, 10 and 4 in the evening respectively. The number of clinics are 32, 21 and 30 in the respective hospitals. The following table gives certain information about the three main disciplines of medical, surgery and paediatric in the morning O.P.Ds. of the three hospitals during April 1975 to June 1975 (76 working days).

	Safdarjang	Willingdon	Irwin
(i) *Medical*			
(a) Total number of patients	27,770	16,727	38,622
(b) Number of patients seen per day	365	220	508
(c) Number of doctor hours available per day	28	20	48
(d) Number of patients seen per doctor per hour	15	11	11
(ii) *Surgery*			
(a) Total number of patients	14,478	13,411	21,438
(b) Number of patients seen per day	191	176	282
(c) Number of doctor hours available per day	24	16	64
(d) Number of patients seen per doctor per hour	8	11	4
(iii) *Paediatric*			
(a) Total number of patients	18,803	12,134	15,704
(b) Number of patients seen per day	247	160	207
(c) Number of doctor hours available per day	24	20	28
(d) Number of patients seen per doctor per hour	10	8	7

The number of patients seen per hour by a doctor in the O.P.Ds. as worked out above is based on the total strength of the unit present in O.P.D. In actual practice the number of doctors available for initial examination of the patients in the O.P.D. is lower. The senior doctors see only referred cases and those old cases which were previously seen by them. The time that can be devoted to a patient by a junior doctor is only 3-4 minutes.

A study by the Department of Administrative Reforms in Safdarjang hospital in 1972 showed that a new and an old patient normally spent 105 and 58 minutes respectively for registration; and 50 and 115 minutes more in waiting for consultation. The patients advised X-ray and/or laboratory tests often have to come the next day since those departments close their registration at 11.30 A.M. (Saturday 10.30 A.M.). A similar study conducted in Willingdon hospital in that year showed that on an average the total waiting time of a patient at the points of registration and doctor's cubicle was about 150 minutes. The position in both the hospitals on date remains the same. Further, a patient has to spend normally 30-50 minutes for receiving the prescribed medicines. The average waiting time for a patient in O.P.D. in Irwin hospital is about the same. The Ministry stated (December 1975) that "time taken for examining patients and waiting time for the patient is related to the number of medical officers available for examination and advice. The position might improve slightly when the additional staff is sanctioned".

The medicines stocked by a hospital for issue to outpatients and inpatients are detailed in the hospital formulary/pharmacopoea. Since February 1975 the two Central Government hospitals have got a common formulary in which 576 medicines are listed. Of these 229 are injections, 220 tablets and the remaining 127 are mixtures, syrups, ointments, lotions and powders. While all medicines are issuable to inpatients, the number of medicines approved for issue to outpatients is 130 (16 injections, 67 tablets and 47 mixtures, ointments etc.) in Safdarjang hospital and 81 in Willingdon hospital (8 injections, 28 tablets and 45 mixtures, ointments etc.). On the other hand, in Irwin hospital which had, till September 1975, 344 medicines (86 injections, 121 tablets and 137 mixtures, ointments etc.) in its pharmacopoea, 217 items (15 injections, 73 tablets and 129 mixtures, ointments etc.) were authorised for issue to outpatients.

Inpatient care

Diet

Each of the three hospitals have qualified dieticians on their staff who are consulted for the therapeutic diets. In addition, it is their duty to supervise preparation of food and service to the patients. The diet is supplied to patients in the general wards free of cost, which on an average worked out to Rs. 2.81, Rs. 2.95 and Rs. 2.30 in Safdarjang, Willingdon and Irwin hospitals respectively during 1974-75. Indents for diets are sent by the sisters-in-charge of the wards to the dieticians a day in advance. The total number of diets issued as compared to the number of patients accounted for during mid-night census in 1974-75 is shown below :—

	Safdarjang	Willingdon	Irwin
(i) Number of patients as per mid-night census	4,05,247	1,92,317	4,13,892
(ii) Number of diets issued	4,45,501	2,25,060	4,38,748
(iii) Number of excess diets issued	40,254	32,743	24,856
(iv) Percentage of excess diets to census figures	9.9	17.0	6.0

There was wide variation in the percentage of excess diets issued in the three hospitals.

A recent survey (July 1975) at Willingdon hospital by the Nutrition Cell of the Director General of Health Services (D.G.H.S.) disclosed that the diet served in the general wards did not come up to the prescribed standards in the matter of calories and proteins. It also found the washing facility inadequate for keeping cooking utensils hygienically clean, cloak rooms and sanitary conveniences dirty and poor. For conveyance of food to the wards, the available thermostatic trolleys were not being used on the ground that they were too heavy to be pushed by a single person from the kitchen to the ward. Health check-up of the staff in the kitchen and other staff handling food required to be done once in six months had not been done during the last one year. The Ministry stated (December 1975) that "the kitchen in Willingdon hospital was constructed to meet the requirements of 250 patients. The present bed strength is 730. The proposal to build a new kitchen has been postponed for the present due to financial constraints. The medical check-up of the kitchen staff is being done".

In Irwin hospital, the last medical check-up of the staff working in the kitchen was conducted in 1971.

In Safdarjang hospital medical check-up of the kitchen staff is done once a year. The Ministry stated (December 1975) that last check-up was done in October 1975, and "such staff members who were not found healthy/suitable have been sent on leave or transferred to other Departments".

Disinfection of mattresses and washing linen

An imported disinfector plant for mattresses, pillows and blankets costing Rs. 0.75 lakh was acquired by Safdarjang hospital in 1960. The plant worked erratically upto March 1974 and thereafter it has been out of order. The Ministry stated (December 1975) that the plant "is not working as spare parts are not available indigenously. Non-availability of furnace oil is also a reason for non-functioning of the plant. The Indian Oil do not supply furnace oil less than 10,000 litres. The hospital has no facility to store such a huge quantity of oil. It is contemplated to build a storage tank and with the appointment of operating staff the plant will start working. In the meantime mattresses, blankets etc. are passed through high pressure steam for their disinfection and to avoid cross infection". The other two hospitals have not acquired any disinfector plant.

The three hospitals are equipped with mechanical laundries for washing linen. The minimum requirement of linen articles per inpatient at a time is five (2 articles to wear and 3 for bed). The Ministry stated (December 1975) that in the coronary care unit, burn unit, intensive care ward, casualty ward, recovery room and nursing home of Willingdon hospital sterilized linen is supplied daily and in the remaining wards twice a week. In Safdarjang and Irwin hospitals linen is required to be changed twice a week. To afford twice a week change in the general wards 6.34 lakh pieces of washed linen in Safdarjang, 3.24 lakhs in Willingdon and 6.11 lakhs in Irwin were required during 1974-75. The actual number of linen pieces washed during the year, however, was 5.15 lakhs, 1.38 lakhs and 2.92 lakhs respectively which were insufficient for even one change in a week in Willingdon and Irwin hospitals. Administrative approval for construction of a modern laundry in Willingdon hospital was stated to have been issued on 18th December 1975.

X-ray investigations

For diagnostic purposes the hospitals provide for special X-ray tests including barium meal for tracking ulcers in the abdomen and I.V.P. for determining the condition of the kidneys. The number of special X-ray tests conducted during 1974-75 and the period for which the patients had to wait before X-rays could be taken in these hospitals is given in the table below :—

	Safdarjang	Willingdon	Irwin
(i) Number of barium meal tests done	3,100	1,126	2,943
(ii) Number of I.V.P. tests done	1,500	1,401	1,543
(iii) Waiting time for barium meal and I.V.P. tests			
(a) for inpatients	1 to 10 days	7 to 15 days	1 to 6 days
(b) for outpatients	2 to 12 weeks	8 to 12 weeks	10 to 15 days
(iv) Total number of machines available	4	2	4
(v) Total number of machines utilised	1	1	4

For manning 23 X-ray machines (inclusive of four meant for special investigations) 17 posts of radiographers have been sanctioned in Safdarjang hospital. Of these the radiology department could spare one to two radiographers only on each day to undertake the special tests. According to the Ministry (December 1975), this staff was not able to cope with the work. Willingdon hospital has 14 sanctioned posts of radiographers for operating 13 X-ray machines (inclusive of two intended for special tests). Only one senior radiographer, who has other supervisory duties also, could be spared for carrying out special investigations in 1974-75. For handling dry as well as wet films at a time in three dark rooms the sanctioned strength of dark room assistants is only 2 in Willingdon hospital as against 9 in Safdarjang hospital for its three dark rooms. Consequently, in Willingdon hospital the work is generally entrusted to non-technical persons like nursing orderlies to cope with heavy rush. The Ministry stated (December 1975) that in Willingdon hospital "the time lag will be reduced when new X-ray Department is opened. The delay is also due to non-availability at times of contrast dyes, many of which are imported. Attempt is, however, made that emergent cases are not delayed".

Artificial kidney machines

For dealing with acute and chronic cases of renal failure, artificial kidney machines are used for conducting haemodyalisis. For this purpose Safdarjang hospital had acquired four imported machines (costing about Rs. 45,000 each) during 1963—70. All these machines stopped working by April 1973. The Ministry stated (December 1975) that one of these machines "is working since 27th October 1975. The other machines are not working on account of difficulty in the procurement of spare parts". In Irwin and Willingdon hospitals one machine each was procured in 1970 and 1960 respectively; they have not functioned satisfactorily since then. The Ministry stated (December 1975) that the machine in Irwin hospital "did not function properly due to defective membrane but during the last 3 months it has been used successfully 6 times". In Willingdon hospital the machine was stated (December 1975) to be in working order but was not being used for want of trained medical officer in the speciality. The Ministry stated (December 1975) that Willingdon hospital has "deputed a medical officer to A.I.I.M.S. for training. The unit will start working when he returns after training".

Non-utilisation of operation theatres in Irwin hospital

In Irwin hospital, a new four storeyed operation theatre block constructed at a cost of Rs. 36.28 lakhs was commissioned in May 1974. Out of 12 operation theatres only eight have been commissioned so far (December 1975). The ground floor meant to house the central sterilization service department of the hospital has not yet been occupied by that department. Non-utilisation of the remaining four operation theatres has been attributed to non-procurement of (i) bulk sterilizers (orders for which have not yet been placed because of lack of funds) for the central sterilization service department and (ii) high speed sterilizers (as the D.G.S. & D. has not been able to procure such satisfactory sterilizers) for the operation theatres. The Ministry stated (December 1975) that "there has been no occasion of postponement of operation cases due to non-availability of operation theatres".

Neurology department of Safdarjang hospital

Neuro-medicine department in Safdarjang hospital is a super speciality for the benefit of the C.G.H.S. and other patients. The two important tests recommended for investigation of patients are electroencephalography (EEG) for study of functioning of brain in particular areas and electromyography (EMG) for determining sensory nerve conduction in peripheral nerves.

The number of EEG's conducted by the department during the three years ending December 1974 was 1,132, 1,086 and 978 respectively. There is only one specialist to look after the activities of the department. The specialist having been on study leave from September 1973 to June 1975, about 1700 reports could not be interpreted in the absence of any substitute in her place. The waiting time for investigation is 1-7 days for inpatients and 2-8 weeks for outpatients because out of three machines costing Rs. 2.35 lakhs, only one machine is being utilised as there is only one technician with the department. Another post of technician recommended by the Staff Inspection Unit in August 1973 has not been sanctioned so far (September 1975).

Rehabilitation centre of Safdarjang hospital

The rehabilitation department in Safdarjang hospital helps handicapped patients to go back to their normal lives. It has five sections, *viz.,* physiotherapy, occupational therapy, psychology, vocational centre and workshop. The physiotherapy section treats patients by electrotherapy and exercises and the occupational therapy by therapeutic arts and crafts. The vocational section imparts job-oriented training and helps in getting employment for the handicapped. The psychology section renders treatment to mentally sick patients and workshop helps by manufacturing essential equipments. The department attended to 71,430, 77,355 and 75,157 cases in the O.P.D. during the three years ending December 1974 respectively.

The workshop attached to the department prepares on order artificial limbs, calipers, corsets and shoes prescribed for the patients. Due to heavy work-load in the workshop the patients have to wait for a long time for getting these appliances. The number of pending orders is large in leather and shoe section due to shortage of staff. Out of the three posts of shoe-makers, one has been lying vacant since June 1971. Out of the three hospitals, only Safdarjang hospital has the centre for supply of artificial appliances.

Nursing home

Willingdon hospital has a 63 bedded nursing home for use by the C.G.H.S. beneficiaries drawing pay Rs. 750 or above per month and members of the public on payment.

A comparative picture of the facilities available to the patients in the nursing home *vis-a-vis* the general wards during the year 1974-75 is given below :—

	Nursing home including 10 beds in special wards (73 beds)	General wards (522 beds)	
(i) *Carpet area*			
(a) Old nursing home	24.40 sq. metres per room	34.02 sq. metres for room with six beds	
(b) New nursing home	15.00 sq. metres per room (containing one bed for the patient and one bed for the attendant)		
(c) Maternity nursing home	16.00 sq. metres per room		
(d) Floor area of special wards	19.00 sq. metres per room with four beds		
(ii) *Furniture*	6-9 items	3 items	
(iii) *Para-Medical Staff*			
(a) Number of staff nurses	31	67	
(b) Nurse-bed ratio	1 : 2.35	1 : 7.79	
(c) Number of nursing sisters	4	19	
(d) Nursing orderlies	23	45	
(e) Nursing orderlies-bed ratio	1 : 3.2	1 : 11.6	
(f) Sweepers	27	70	
(g) Sweeper-bed ratio	1 : 2.7	1 : 7.5	
(iv) *Kitchen Staff*			
(a) Number of bearers	6	7	Nursing home's kitchen provides for 63 beds and general wards' kitchen provides for 667 beds including emergency etc.
(b) Number of masalchis	4	4	
(c) Number of cooks	4	7	
(d) Number of khidmatgars	6	8	
(e) Number of cookmates	3	6	
(f) Number of sweepers	1	2	
(v) *Expenditure on diet*			
Cost per patient per day	Rs. 13.59	Rs. 2.95	

Rupees 7 per day (fixed in 1954) are recoverable as diet charges both from the C.G.H.S. beneficiaries and the members of public making use of the nursing home. The Ministry stated (December 1975) that the "case for revision of diet charges is under consideration". In the nursing home, 24 rooms are fitted with air-conditioners and 4 rooms with air-coolers. A heater is supplied to every room during winter. The patients admitted to the air-conditioned rooms have to pay Rs. 8 per day as air-conditioning charges. In the general wards cooling and heating facilities are provided in surgical and children wards as and when it is considered necessary.

Patients from the general public can also make use of 10 *per cent* of the rooms in the nursing home on payment of room rent, operation fee, clinical charges, attendance charges etc. at various rates depending on their monthly income. The following table shows the number of patients (category-wise) making use of the nursing home during the three years ending March 1975 :—

	C.G.H.S. beneficiaries	General public	Total	Percentage of patients from general public to the total number of patients
1972-73	1,539	515	2,054	25
1973-74	1,479	606	2,085	29
1974-75	1,470	543	2,013	27

The hospital has a blood bank to cater to the needs of the patients both of the nursing home and the general wards. A test check of indents for blood from the bank during the period January to July 1975 disclosed varying response to the needs of the patients of the nursing home *vis-a-vis* the general wards as indicated below :

	Nursing home		General wards	
	Emergent/ most urgent cases	Routine cases	Emergent/ most urgent cases	Routine cases
(i) Number of patients	6	4	10	4
(ii) Number of blood units recommended by the doctor	18	11	40	8
(iii) Number of blood units actually supplied	19	11	14	4
(iv) Number of units replaced by relative donor	2	Nil	3	4

The Ministry stated (December 1975) that "blood is provided on 100 *per cent* replacement basis. However, when no donor is available and the condition of the patient warrants immediate transfusion, blood is issued from the Bank as a life saving measure. The required Units are supplied to save patients' lives even when no replacement is forthcoming".

Purchase of medicines

The requirement of medicines, including surgical dressings, is worked out before commencement of the financial year on the basis of actual consumption during the previous year. The three main sources of procurement are the Medical Stores Depot, Karnal, firms on the D.G.S.&D. rate contracts and the open market. The expenditure on purchases made from the open market was 63.93 per cent of the total expenditure on purchases made by the three hospitals during the year 1974-75 as indicated below :

	Purchased through				
	M.S.D Karnal	D.G.S. & D. rate contract	Open market	Total purchases	Percentage of expenditure on open market purchase to the total expenditure
	(Lakhs of rupees)				
(i) Safdarjang	7.95	19.59	36.10	63.64	57
(ii) Willingdon	8.58	6.56	21.38	36.52	59
(iii) Irwin	2.65	3.39	28.87	34.91	83

(The above figures of expenditure include adjustment of debits for supplies in previous year).

The Medical Stores Depot, Karnal, had either not met or met only partially the requirements of the hospitals during the year leading to purchase of medicines from the open market. The

Ministry stated (January 1976) that the position of items indented and those supplied by the M.S.D., Karnal, during 1974-75 was as follows :

	Safdarjang		Willingdon		Irwin		Total	
	Number of items	Value*	Number of items	Value*	Number of items	Value*	Number of items	Value*
Items indented	201	10.03	406	13.86	230	17.64	837	41.53
Items supplied in full	97	5.10	162	3.53	82	1.82	341	10.45
Items supplied 50 per cent and above	15	0.41	41	0.61	13	0.27	69	1.29
Items supplied less than 50 per cent	23	0.40	58	1.12	59	1.60	140	3.12
Items not supplied	66	4.82	145	7.09	76	6.63	287	18.54

*Value in lakhs of rupees. For items indented estimated value has been given. For items supplied actual value has been given.

The main reasons for non-supply or part supply by the Depot were stated to be (i) inadequacy of funds, (ii) dependence on the D.G.S.&D. for bulk purchases and (iii) policy of the Depot to achieve widest distribution of its available stocks giving preference to smaller units located in rural and semi-urban areas which constituted its vast clientele.

The Medical Stores Depot, Karnal, set up in 1947 is responsible for making supplies to hospitals, dispensaries and some other medical institutions located in Punjab, Haryana, Himachal Pradesh and Delhi. The depot is run on commercial basis and the recipient institutions have to pay for the stores, their packing and departmental charges at the rate of 10 *per cent* of the value of stores supplied. Provisioning of stores for a particular financial year is based on the demand in terms of quantities for the previous three years or twelve previous months whichever is less. The provisioning statements of all the depots are consolidated in the office of the D.G.H.S. For items costing more than Rs. 50,000 each, the D.G.H.S. places indents with the D.G.S.&D. who enters into contracts through acceptance of tender; the consignees being the various depots. Individual items costing less than Rs. 50,000 each are procured either on rate contracts approved by the D.G.S.&D. or by open market purchase by the

Karnal Depot. The following table shows purchases made through the various sources and the turnover, *i.e.,* the supplies by the Depot, for the three years ending March 1975 :

	1972-73	1973-74	1974-75
		(Lakhs of rupees)	
(i) Open market purchase	45.79	42.87	42.67
(ii) Purchases through D.G.S. & D.	169.81	94.03	109.54
(iii) Received from other Depots	29.01	28.60	18.15
(iv) Total	244.61	165.50	170.36
(v) Turnover	280.66	200.28	Figures not available pending finalisation of proforma accounts.

From a test check of 44 items (of heavy consumption) indented by the three Delhi hospitals during 1974-75, it was noticed that the Depot could not supply 19 items as it had either no or had only inadequate stock of those medicines. Twentytwo items could be supplied by the Depot only upto 50 *per cent* and three items were supplied more than 50 *per cent* of the quantities indented. The main reasons for non-supply/short supply of those stores were understood to be as follows :

(i) Omission of certain items not supplied during the year by the Depot from the next year's requirements.

The Ministry stated (January 1976) that "there is no guarantee that the demand for a particular item will necessarily repeat itself to the same extent in the next year as in the previous year". It was further stated that "the medicines constitute a rapidly changing field of merchandise and any large scale acquisition of stocks can lead to losses to the State if the drugs concerned become obsolete and are no longer prescribed to the same extent".

(ii) The provisioning statements for 1974-75 were sent to the D.G.H.S. in February 1974. Authorisations to make local purchases of provisioned items valuing less than Rs. 50,000 were received by the Depot only in July 1974 and August 1974. For items valuing above Rs. 50,000 the D.G.H.S. placed indents on the D.G.S.&D. as late as June 1974 to March 1975.

The Ministry stated (January 1976) that "it is not the time which is taken to return the items for local purchase to Depots but the paucity of funds which is the real limiting factor". It was further stated that "the indents on the D.G.S.&D. could not be placed earlier than June-July 1974 as placement of such indents involves a very long drawn exercise in the Directorate".

(iii) Non-supply of stores by the firms on D.G.S.&D. rate contracts in anticipation of revision of the rates.

In certain cases the medicines were purchased by the three hospitals from the open market even though they were on D.G.S.&D. rate contracts the rates of which were lower than the market rates. Extra expenditure incurred on purchase of such medicines was Rs. 2.30 lakhs in 1974-75. The details of medicines in which extra expenditure of Rs. 5,000 or more was incurred due to their purchase from the open market are given below :

	Open market rate Rs.	D.G.S. & D. rate Rs.	Quantity purchased	Extra amount paid Rs.	Remarks
Safdarjang Hospital :					
(i) Aspirin (1,000 tablets)	16.50+ sales tax	6.60+ sales tax	10,00,000	10,530	Orders on rate contract firms placed but supplies not received in time.
(ii) Mysoline (1,000 tablets)	243.90+ sales tax	137.00+ sales tax	50,000	5,345	
(iii) Cottonwool absorbant (per packet of 400 gms)	6.65+ sales tax	4.20+ sales tax	2,200	5,390	
(iv) -Do-	5.95+ sales tax	4.20+ sales tax	6,000	10,500	
(v) Normal saline (per bottle of 540 ml)	5.40+ sales tax	4.50+ sales tax	25,600	24,192	
Willingdon Hospital :					
(vi) B. Complex (1,000 tablets)	55.64+ sales tax	26.00	2,00,000	5,928	No supply order was placed with firms on rate contract.
Irwin Hospital :					
(vii) Analgin (1,000 tablets)	129.50+ sales tax	79.90	1,25,000	6,510	Indian Drugs & Pharmaceuticals Ltd. withheld supply pending revision of rates.
(viii) Plaster adhesive zinc oxide 7.5 Cm × 5 metres (per dozen)	107.27+ sales tax	56.40	2,400	10,683	Not supplied due to shortage of raw material.
(ix) -Do-	105.00+ sales tax	56.40	4,800	20,412	Firm withheld supply pending revision of rates.

(x) Predonisolone (1,000 tablets)	112.06+ sales tax	80.00	3,06,000	10,300	Firm withheld supply even after grant of extension of time for delivery.
(xi) Di-iodohydroxy quinoline (1,000 tablets)	53.90+ sales tax	29.70	4,50,000	11,435	Firm withheld supply pending revision of rates.
(xii) Acetyl salicylic acid (1,000 tablets)	14.60+ sales tax	6.63	33,16,000	27,750	Supply order for six months' requirement was placed with one of the two firms on D.G.S. & D. rate contract but no supply was received.

The Ministry stated (December 1975) that Safdarjang and Willingdon hospitals "have to take resort to purchase emergent requirements from local market in the interest of patient care when supplies from usual sources *i.e.* M.S.D., Karnal or through the D.G.S.&D. rate contract firms are not forthcoming or are being inordinately delayed. The supply of medicines to patients is the elementary and primary responsibility of any public hospital and if for want of medicines any patients lives are lost, the criticism to which the institution will be exposed can well be imagined. The plea of non-supply by approved sources will be treated as untenable. Utmost efforts are, however, made to keep the purchase of medicines from the local market to the minimum. Only if more rigid conditions are put on the D.G.S.&D. rate contract firms, they could be expected to comply with the contracts on agreed conditions, otherwise they would continue to back out from agreements thus necessitating local purchase by hospitals at higher prices".

Sub-standard medicines

Certain medicines were found to be sub-standard, on chemical analysis by the testing laboratory. Bulk of these medicines had already been consumed by the time the test results were received as shown below :

	Quantity received	When received	Value Rs.	Date of taking samples for testing	Date of receipt of test report	Quantity consumed before receipt of report
Willingdon Hospital :						
(i) Dextrose 5 per cent of 540 ml.	10,000 bottles	February and April 1974	42,500	16-7-74	28-10-74	9,761 bottles
(ii) Normal saline 5 per cent 540 ml.	15,000 bottles	January and March 1974	75,000	May and June 1974	August 1974 to Jan. 1975	4,294 bottles
(iii) Ringer Lactate	10,000 bottles	April 1973	Received as gift	23-5-74 4-6-74	Sept. 1974 to Feb. 1975	5,984 bottles
(iv) Hydrocortisone Acetate Ointment 0.5 per cent	600 tubes	June 1973	576	3-8-73	5-11-1973	402 tubes
(v) Aspirin tablets I.P. 30 mg.	4,00,000	14-12-70	2,730	March 1973	10-5-1973	3,41,000 tablets
Irwin Hospital :						
(vi) Tetracycline oral suspension 40 ml.	1,250 bottles	25-7-72	3,875	19-8-72	19-7-73	1,250 bottles
(vii) Prednisolone 5mg. tablets	3,00,000	16-5-73	24,720	4-6-73	16-12-74	3,00,000 tablets
(viii) Injection Levarternol bitartrate.	4,200 ampules	20-7-73	1,470	12-12-73	19-8-74	4,200 amp.
(ix) Injection Heparin 5 ml.	190 vials	13-10-73	4,797	9-8-74	24-12-74	190 vials
(x) Injection Atarax	2,250 ampules	12-6-72	2,739	19-8-72	21-8-73	2,450 amp.

Medical audit (patient care evaluation)

The Health Survey and Planning Committee (1959—61) in its report had suggested that medical audit should be encouraged in every hospital/institution. The Delhi hospital review committee headed by Dr. K. N. Rao, in its report submitted in April 1968, had recommended that each hospital should appoint immediately a medical audit committee, with a pathologist, a surgeon, a physician and a medical-record-officer. The medical audit committee was to function as a patient care evaluation cell and look into wide ranging issues which impinge on patient care. This recommendation was accepted by Government of India and instructions were issued for its implementation (February 1970). No such committee has been constituted in any of the three hospitals so far (September 1975).

The Rao committee had also recommended that in each hospital mortality review should be carried out periodically. This recommendation was also accepted by Government (February 1970) and, in pursuance thereof, mortality review committees are functioning in Safdarjang and Irwin hospitals. No such committee is functioning in Willingdon hospital. These committees in their deliberations review the course of treatment given, essentially from the professional angle, with a view to draw lessons for future guidance.

The Ministry stated (December 1975) that action was being taken to introduce medical audit and mortality review immediately wherever it was not being done.

In Safdarjang hospital, four committees constituted to review the mortality cases held 20 meetings during 1974-75 and reviewed 2 to 68 (average 26) cases in each sitting. The principal findings were :

(i) Recording of case history poor.

(ii) Case notes were incomplete and not in order.

(iii) Operation notes were not recorded.

(iv) Details of the resuscitation measures carried out were not mentioned.

In Irwin hospital, there is one committee to review the mortality cases. During 1974-75 it held ten meetings during which it reviewed 4 to 10 cases in each sitting. The main findings were :

(i) Documentation was sketchy.

(ii) Due regard was not given to the calorific intake of the patient when he was put on high doses of geramycine.

(iii) As there were a number of deaths as a result of tetanus it was decided that in future A.T.S. may be invariably used instead of tetanus toxide.

(iv) In the case of a patient who developed tetanus after operation, it was observed that tetanus toxide injection was given instead of A.T.S.

(v) Patients in the resuscitation ward might be seen by the senior members of the faculty instead of senior residents.

MINISTRY OF HOME AFFAIRS

31. *Resettlement of ex-servicemen near Seijosa.*—In July 1968 the erstwhile North East Frontier Agency Administration informed Government of India that 2,000 acres of land would be available for resettlement of ex-servicemen near Seijosa in Kameng district of North East Frontier Agency (presently Arunachal Pradesh). Seijosa is a hilly place near the Himalayas and is connected to Tezpur, a district town of Assam, by a 74 kilometres long road suitable for heavy traffic; half of the road is metalled and the rest is gravelled. The place is also connected by a motorable road with North Rangapara Railway station of the North East Frontier Railway. The altitude of the place is about 500 feet to 1,500 feet above sea level. The average rainfall of the area is 75 to 90 inches.

The place was inspected in August 1967 by a team of officers comprising an officer of the Ministry of Food and Agriculture and an officer of the Directorate of Resettlement, Ministry of Defence, who was the Liaison Officer of that Ministry attached to the erstwhile North East Frontier Agency Administration. These officers found wild elephants, wild buffaloes and wild bears in the area. The Arunachal Pradesh Government stated (November 1975) that "so far no complaint except occasional appearance of wild elephants has been received from the settlers. Presence of wild elephants is a common problem all over the foothills of the North Eastern India including Arunachal Pradesh".

At the time the place was inspected by the team of officers mentioned above the nearest village was about 6 kilometres away from the place while other villages were not less than 25 kilometres away. The nearest market was also about 25 kilometres away. According to the report submitted (September 1967) after the visit mentioned above, 3,500 acres of unhabited and unreclaimed land, rich in agricultural potential, were available in the place for resettlement of ex-servicemen. The report also stated that the area had rich potentials for growing high yielding paddy, maize, millets, pulses, potatoes, all types of vegetables, and cash crops like mustard, chillies and ginger. The team of officers recommended the place for resettlement of ex-servicemen; this was subject to detailed soil survey being undertaken for finding out the soil conditions, land being reclaimed, communications being improved and marketing facilities being developed for the agricultural produces of the re-settled families.

In January 1969 Government of India sanctioned resettlement of 75 families in that place at a cost of Rs. 24.23 lakhs. In September 1970 resettlement of 115 families more at a cost of Rs. 28.83 lakhs was sanctioned.

The ex-servicemen were selected for resettlement near Seijosa by the Directorate of Resettlement, Ministry of Defence, through selection boards in different States. Selection board in a district comprised of the Deputy Commissioner, the District Agricultural Officer, the Secretary of the Soldiers', Sailors' and Airmen's Board of that district and the officer of the Directorate General, Resettlement, Ministry of Defence, who was Liaison Officer attached to the erstwhile North East Frontier Agency Administration and represented both the Ministry of Defence and that Administration. Most of the settlers were from Punjab and Haryana.

The area of resettlement of the ex-servicemen was divided in three sectors, *viz.,* Sector 'A', Jolly sector and Dibru sector. Sector 'A' is nearest to upper Seijosa and is about 4 to 5 kilometres from that place. Dibru and Jolly sectors are about 10 to 16 kilometres from upper Seijosa. River Dibru flows through the area. On one side of the river is sector 'A' and on the other side Jolly and Dibru sectors. The administrative centre is at upper Seijosa where a post office existed before the settlers started arriving. A health unit was set up at upper Seijosa in June 1969. A school was also started in November 1969. A market started functioning at upper Seijosa in 1971.

The first batch of 70 ex-servicemen along with their families arrived at the place in March 1969 and were settled in sector 'A'. Eighty-six more families were inducted in April 1970 and May 1970 and one family in July 1973 ; they were settled in Jolly and Dibru sectors. The expenditure incurred for these families upto March 1974 was as follows :—

Item	(In lakhs of rupees)
Compensation for land	0.10
Cost of reclamation and grants for development of land	5.38
Water supply	0.29
Construction and maintenance of roads and paths	5.99
Construction of transit camp	0.62
Construction and maintenance of houses	3.91
Grants (in cash and kind) for purchase of live-stock, tools and implements, seeds and seedlings and household equipment	4.74
Cash grants for purchase of rations	3.29
Cost of transportation of ex-servicemen and their families	0.36
	24.68

Of the 70 families which arrived in March 1969 and were to be settled in sector 'A', 16 families deserted in 1968-69, 6 families in 1969-70, 6 families in 1971-72, 7 families in 1972-73 and 4 families in 1973-74. Only 31 families are still in that sector. Out of the 87 families which came later and were to be settled in Jolly and Dibru sectors, 25 families deserted in 1970-71, 24 families in 1971-72 and 33 families in 1972-73. All the families in Jolly sector left by May 1972. Only 5 families are left in Dibru sector. Thus, out of the 157 families which were inducted in the area for resettlement, 121 families deserted by March 1974 and only 36 families have been continuing there. The settlers were initially accommodated in transit camps ; 23 families deserted from the transit camps even before houses and land were allotted to them.

Houses were constructed by the local Administration before the ex-servicemen arrived. These are stated to be "improved basha type houses" made of wooden posts, bamboo walling and corrugated galvanised iron sheets or thatched roofing each costing about Rs. 2,500. Each family, irrespective of the number of family members, was entitled to cash grant of Rs. 150 per month for the first 18 months and Rs. 75 per month for 6 months thereafter for purchase of rations.

In all 2,238 acres of land were reclaimed. As mentioned earlier, of the 157 families inducted into the area for resettlement, 23 families left before land was allotted to them. Each of the remaining 134 families was given on an average 1 acre of homestead land and 10 acres of land for agricultural purposes. Total area of reclaimed land allotted was 1,522 acres. Reclaimed land given for agricultural purposes needed further development (*e.g.,* construction of terraces, levelling of land inside the terraces etc.), which was to be done by the settlers. Cash grant was sanctioned to each family (Rs. 400 per acre) for development of land. Grants (in cash and kind) were also sanctioned to each family for purchase of live-stock (Rs. 2,550), tools and implements (Rs. 437), seeds, seedlings (Rs. 270) and household equipment (Rs. 1,013), instead of supplying these to them, although there was no market nearby where these could be purchased. The Arunachal Pradesh Government stated (November 1975) that "to facilitate the easy procurement of various items and also in consideration of the practical difficulties involved in the selection of required articles by the settlers, the erstwhile N.E.F.A. Administration constituted a Purchase Board comprising of responsible district officers and the representatives of the settlers. They were to inspect few firms of repute at the nearest town of Tezpur and nearby important marketing centres and to purchase the items".

As mentioned earlier, the team of officers which had visited the area in August 1967 had pointed out the need for detailed soil survey. While agreeing in May 1968 to resettlement of ex-servicemen in the area, the Directorate of Resettlement of the Ministry of Defence had requested the Ministry of Food and Agriculture to get the necessary soil tests done. The then Arunachal Pradesh Administration stated (January 1975) that a detailed soil survey was organised by the technical authorities of the Administration with the assistance of the Jorhat Soil Testing Laboratory of the Government of Assam, before the area was selected for resettlement of ex-servicemen.

In October 1970 and November 1970, 82 settlers were stated to have represented to the erstwhile North East Frontier Agency Administration that the plots allotted to them for cultivation were rocky, sandy and not fit for permanent cultivation. The Administration constituted (December 1970) a board of officers to look into the complaints. The board found that the plots allotted to 21 families measuring 246 acres were unsuitable for cultivation and recommended allotment of other plots to them. The Arunachal Pradesh Government stated (November 1975) that "before making any progress in this respect, the settlers started desertion from the site without any notice or intimation whatsoever. It was experienced that majority of the settlers settled in Jolly sector did not reconcile to type of land available in Foot Hill areas of the then N.E.F.A. but they were inclined to bring a comparison with the land of Seijosa area to that of Punjab".

In May 1971, the erstwhile North East Frontier Agency Administration reported to Government of India that almost all the settlers complained against the quality of land offered to them which, according to that Administration, was the best available by the standards of North East Frontier Agency. The Administration further stated that the "settlers in general were not happy with the land generally available in NEFA which is not always flat and free from boulders, small nullahas, criss-crossing here and there and slopes". A detailed soil survey (240 hectares) of the area got done by the Ministry of Agriculture in November 1973 disclosed that only about 35.80 *per cent* of the land was suitable for cultivation. Some of the other problems in resettling the ex-servicemen were identified during this survey as follows :—

(i) severe risk of life and crop caused by wild animals especially wild elephants ;

(ii) inaccessibility of the area due to torrential state of rivers during rains, and

(iii) high cost of development of the settlement.

The then Arunachal Pradesh Administration stated (January 1975) that a further soil survey was likely to be done by a soil survey team of the Ministry of Agriculture.

Upto March 1974, the settlers had developed only 311.25 acres of land for agriculture as shown below :—

	Acres
1969-70	161.00
1970-71	55.50
1971-72	68.75
1972-73	25.00
1973-74	1.00
	311.25

The Arunachal Pradesh Government intimated in November 1975 that in all about 378 acres of land had been developed. The growth of weeds in the area is very quick. Land which had been reclaimed but not developed (about 1,860 acres) for cultivation may, therefore, require further reclamation. The Arunachal Pradesh Government stated (November 1975) that "majority of the selected settlers had either left from the transit barrack itself or from the settlement site within a few months of their arrival without making any serious effort for settling far from being ardent cultivators".

The team of officers which had visited the area in August 1967 had recommended that irrigation facilities should be provided for the agricultural land. Out of 500 acres of land in sector 'A' irrigation facilities were provided to 105 acres—60 acres in September 1972 and 45 acres in March 1973. No irrigation facilities were provided in the Jolly and Dibru sectors. The then Arunachal Pradesh Administration stated (January 1975) that the delay in providing irrigation facilities was due to inadequate provision of funds for irrigation. The Arunachal Pradesh Government stated subsequently (November 1975) that "the question of providing irrigational facilities to agricultural land comes only after the land is reclaimed and properly developed. The cropping pattern that will be practised by the cultivators also play an important part in deciding appropriate arrangement for irrigational facilities. In the case of certain blocks of Seijosa, the selected settlers who ultimately deserted within few months of their arrival at the site, did not make any serious attempt to properly reclaim and develop their land thus make it suitable for agricultural practices. The question of providing irrigational facilities to the land allotted to the settlers of Jolly and Dibru areas, who deserted, did not therefore crop up". That Government further stated (November 1975) that a scheme for providing irrigation was being prepared.

Water supply was arranged in sector 'A' in 1968-69. In Dibru sector supply of water was arranged in June 1973. No arrangement for supply of water was made for Jolly sector till May 1972, by when all the settlers in this sector had deserted. The then Arunachal Pradesh Administration stated (January 1975) that the delay in arranging water supply was due to inadequate provision of funds and delay in sanction of water supply scheme. The Arunachal Pradesh Government stated in November 1975 that the "case could not be progressed further as the selected settlers for whom arrangements of drinking water supply was to be made had deserted within a few months of their arrival at site", and added that a scheme for supply of water was being prepared.

Construction of roads connecting Jolly and Dibru sectors with upper Seijosa was started in January 1969 and December 1970 respectively. A portion of the road connecting Jolly sector with upper Seijosa was completed in January 1973 except causeways; by then all the settlers had deserted that sector. Construction of road connecting Dibru sector with upper Seijosa was completed to the extent of 82 *per cent* by February 1974 ; the road is yet to be completed (January 1975). The then Arunachal Pradesh Administration stated (January 1975) that as settlers of some plots had in the meantime deserted, no further action in the matter was progressed for communication facilities for such plots.

The residents of Dibru and Jolly sectors were to come to upper Seijosa for attending the health unit, school, post office and the market. There being no bridge over Dibru river, the residents of Dibru and Jolly sectors had to cross the river on elephant back; the elephants were provided by the Administration. In September 1969 the local Administration had proposed construction of a bridge over Dibru river; this was not agreed to by Government of India.

In February 1971 construction of four causeways and pipe culverts was approved at a cost of Rs. 2.33 lakhs to make the road between upper Seijosa and sector 'A' negotiable during rainy season. The work was not taken up till December 1975. As a result, the settlers had to face difficulty during monsoon in reaching upper Seijosa for availing of the various facilities available there.

Excluding the cost of common benefits such as construction of roads etc., the amount directly spent on the 121 families who had deserted was Rs. 11.52 lakhs as indicated below :—

	(In lakhs of rupees)
Cost of reclamation and grant for development of land	3.17
Construction of houses	2.74
Grant (in cash and kind) for purchase of tools and implements, seeds and seedlings, live-stock and house-hold equipment	3.29
Cash grant for purchase of rations	2.23
Transportation of families	0.09
	11.52

The Arunachal Pradesh Government stated (November 1975) that "desertion is not due to existence of wild elephants, unsuitability of land etc., but the settlers as selected for settlement were not right type of settlers and also not accustomed to stay with the geographical and climatic condition prevailing at the Foot Hills areas of North-Eastern India". The Ministry of Home Affairs stated (December 1975) that it had decided to adopt a new procedure for selection of right type of settlers.

It was decided by Government of India in May 1973 that the deserters should be asked to refund Rs. 3,563 each, being the cost of live-stock and house-hold equipment. The Arunachal Pradesh Government stated (November 1975) that its district authority had taken action to recover the amount from each of the deserters.

No new ex-serviceman has come to the area after July 1973.

MINISTRY OF INFORMATION AND BROADCASTING

(*Directorate of Film Festivals*)

32. *Fifth international film festival.*—Forty-six countries including India participated in the fifth international film festival held in New Delhi from 30th December 1974 to 12th January 1975.

Ten cinema halls owned by private exhibitors were hired (nine in the first week and ten in the second) on weekly rental basis for exhibition of the films. In addition, films were also exhibited in Vigyan Bhavan, Mavlankar Hall, Indian Institute of Technology and Delhi University.

The private exhibitors, in response to an enquiry, sent quotations for exhibition of films on income sharing basis. It was, however, decided (16th September 1974) by Government to hire the halls on weekly rental basis as "that would result in greater profit to Government". The exhibitors were invited on 17th September 1974 to specify the rentals. At a meeting held on 10th December 1974 with the representatives of the cinema halls it was agreed that rentals quoted by them would be acceptable subject to an *ad hoc* rebate of 10 *per cent;* representatives of four private exhibitors did not attend this meeting. The minutes of this meeting containing the above decision were sent on 12th December 1974 to the private exhibitors. According to the Ministry, the rental quoted by each exhibitor was the same as usually charged by him from private distributors.

The agreements executed with the private exhibitors, however, did not specify the rental payable by Government to them. The Ministry stated (September 1975) that "actual rental of each cinema house was not specifically mentioned in the agreement for the reason that the rentals were earlier decided with cinema owners during the discussions held on 10th December 1974. No formal letter accepting the rental quoted by the cinemas was issued as it was not considered necessary in view of the decision taken and communicated to cinema owners on 12th December 1974". The form of the agreement was stated to have been finalised in consultation with the Ministry of Law.

While arrangements for printing and sale of tickets for Vigyan Bhawan and Mavlankar Hall were made by the Directorate, the responsibility for printing and sale of tickets for cinema halls was left to the private exhibitors and for Delhi University and Indian Institute of Technology, Delhi to the authorities of those institutions. The Ministry stated (September 1975) that its representatives "were present in the booking offices on each day when advance and current bookings of tickets took place".

The rates for tickets were Rs. 15, Rs. 10, Rs. 7.50 and Rs. 5 for each show in the private cinema halls. The rates for season tickets (for seven days) were seven times the daily rates. Daily collection reports signed by the representatives of the Ministry were stated to have been received for each cinema hall. During test check counter-foils of tickets were called for by Audit on 15th March 1975 for checking the daily collection reports. The Department intimated on 21st March 1975 that a letter had been issued to the private exhibitors for the counter-foils and their replies were awaited. The daily collection reports could not, therefore, be test checked with reference to the counter-foils of tickets.

The table below shows actual occupancy of the private cinema halls for the 28 shows each week :—

	First week	Second week
Full house	84 shows	107 shows
Above 80 *per cent* capacity	58 shows	47 shows
Between 61 *per cent* and 80 *per cent* capacity	100 shows	57 shows
Between 20 *per cent* and 60 *per cent* capacity	10 shows	53 shows
Less than 20 *per cent* capacity	..	16 shows
TOTAL	252 shows	280 shows

According to the number of seats in different classes as shown in the daily collection reports the total collection due for full occupancy for all the shows in the two weeks from the ten cinema houses was about Rs. 37 lakhs. The gross collection by the cinema halls as per daily collection reports was Rs. 29.27 lakhs ; of this Rs. 24.67 lakhs were remitted to Government and Rs. 3.47 lakhs were retained as rentals. The balance of Rs. 1.13 lakhs was withheld by the private exhibitors; this included the 10 *per cent* rebate (Rs. 0.38 lakh) on rent which Government expected. Government stated (September 1975) that "the amount withheld by the cinema owners represented the disputed 10 *per cent* of the weekly rentals plus the amount shown as outstanding due to various discrepancies in the Daily Collection Reports". Of this, Rs. 0.36 lakh were stated to have since been recovered (September 1975). Government further stated (December 1975) that "we are issuing legal notices to the defaulting cinema owners for making the payment due to the Government immediately".

Test check in Audit disclosed that Rs. 20,250 were realised less as indicated below :—

(a) According to the agreement, the cinema owners were entitled to ten complimentary passes of Rs. 10 denomination for each show. Three exhibitors deducted Rs. 100 for ten seats for each show from the gross collection irrespective of the fact whether all the tickets of Rs. 10 denomination were sold or not. This resulted in short receipt of Rs. 9,050.

(b) Two exhibitors utilised twenty complimentary passes against ten. This resulted in short receipt of Rs. 11,200.

Government stated (September 1975) that steps were being taken to recover the amounts pointed out at (a) and (b) above.

MINISTRY OF SHIPPING AND TRANSPORT

33. *Haldia Dock Project.*—The riverine port of Calcutta has been functioning for more than 100 years. It is 126 miles away from the Bay of Bengal. Proper functioning of this port is largely dependent on the navigability of the Hooghly river. In 1938-39 the maximum and minimum drafts of the river were 30 feet and 22.5 feet. In that year the draft of the river fell below 26 feet on 92 days. After five years in 1943-44 the maximum and the minimum drafts of the river were 29 feet and

18 feet; in that year the draft was below 26 feet on 285 days. The position was worst in 1961-62 when the maximum and minimum drafts were 25.5 feet and 17.5 feet. This trend continued and although the position improved in certain years in between, the maximum and minimum drafts in 1972-73 were 27 feet and 17.4 feet, and on 323 days in that year the draft was below 26 feet in spite of the expenditure of Rs. 3.99 crores on dredging during that year. There are also sharp bends in the river in the downstream from Calcutta. These bends and low draft of the river limit the size of the ships which can visit the port. The drafts available during 1964-65 to 1973-74 and expenditure on dredging during those years are shown below :—

	Maximum draft	Minimum draft	Number of days when draft was below 26 feet	Expenditure on dredging
	(In feet)			(in crores of rupees)
1964-65	27.4	20.1	329	1.69
1965-66	29.0	18.5	329	1.86
1966-67	29.0	18.8	308	2.58
1967-68	28.0	18.3	289	2.64
1968-69	29.5	18.8	243	2.87
1969-70	28.5	19.0	284	3.15
1970-71	29.0	19.5	307	3.29
1971-72	28.6	18.0	313	3.17
1972-73	27.0	17.4	323	3.99
1973-74	28.6	18.0	311	3.89

According to Calcutta Port Trust (January 1975), the maximum length of the ships which can enter the port is 515 feet (12,000 DWT) for Kidderpore dock, 565 feet (16,000 DWT) for Netaji Subash dock and 620 feet (20,000 DWT) for Budge Budge. Only 8 ships above 514 feet length can be given alongside berths inside the docks at a time. Larger ships of 650 feet length (about 25,000 DWT) and above require more than 28 feet. More and more world cargo is gradually being carried by bigger ships because of freight advantage.

Calcutta port caters to the needs of the eastern part of the country. Due to limitations of draft the traffic handled by Calcutta port decreased from 110 lakh tonnes in 1964-65 to 63 lakh tonnes in 1973-74 ; the total number of ships handled declined from 1807 to 1045 during the same period.

The question of construction of a subsidiary port had been under consideration from the early 1950s. In the meantime, due to non-availability of adequate drafts, in October 1959 the Port Trust started lightening the ships at Haldia about 56½ nautical miles downstream from Calcutta and carrying some portion of the cargo in barges so that the ships could proceed to Calcutta. In 1960 the Port Trust approved a provisional estimate of Rs. 25 crores (foreign exchange element : Rs. 14 crores) for construction of a new port at Haldia nearabout where the ships were being lightened. A master plan of the project was drawn up in 1962. The master plan envisaged setting up of a port and an industrial complex in an area of about 14 square miles, including an oil refinery and a fertiliser factory in the public sector and various other medium and small-scale industries. The master plan provides for 6 bulk cargo berths, 28 general cargo berths, 2 dry docks and 2 riverside jetties.

A team set up by Government in 1964 to make a study of the proposed dock project at Haldia stated in its report in August 1965 that setting up of a subsidiary port at Haldia was economically justified with investment of Rs. 40 crores (foreign exchange : Rs. 14 crores). The estimate for the first phase of the dock project, providing for one riverside oil jetty, 5 berths for coal, ore, fertiliser, general cargo and containers and one finger jetty prepared initially in April 1962 and reframed n 1965-66 was for Rs. 36.92 crores (foreign exchange : Rs. 4.40 crores). A committee appointed by Government in January 1966 to examine the estimate recommended this in April 1966. The first phase of the project was approved by the Central Government in November 1966. In the meantime, consequent on devaluation of the rupee the estimated cost rose to Rs. 40 crores (Rs. 7 crores in foreign exchange). According to the estimate of 1965, the dock was expected to handle ships of 40,000 to 60,000 DWT. In February 1968 it was decided that the dock should provide facilities for handling ships up to 80,000 DWT. Consequent on this decision the estimate was revised in March 1969 to Rs. 53.83 crores (foreign exchange : Rs. 5.09 crores). The estimate was further revised in April 1972 to Rs. 90.40 crores (foreign exchange : Rs. 9.05 crores). None of the estimates has yet been sanctioned (August 1975). Actual expenditure on the first phase of the dock project up to March 1975 was Rs. 116.19 crores. The following table shows the break-up of the estimate of April 1972 by major items of expenditure as compared to earlier two estimates and the actual expenditure up to March 1975 :—

	Break-up of original and revised estimates			Expenditure up to 31-3-75
	1965 estimate (Rs. in lakhs)	1969 estimate (Rs. in lakhs)	1972 estimate (Rs. in lakhs)	(Rs. in lakhs)
Land acquisition	200.00	435.00	435.00	520.58
Land excavation, dredging and reclamation	325.00	539.00	740.00	757.85
Dock construction	1,233.00	1,957.00	2,855.00	2,950.98
Ri rside construction	221.00	314.00	376.00	309.54
Mechanical equipment for berths including oil jetty	637.00	800.00	1,540.00	1,218.31
Permanent way work in railway line, marshalling yard etc.	60.00	109.00	240.00	360.74
Floating crafts	323.00	396.00	407.00	285.73
Construction of office and workshop buildings, residential quarters, social amenities and internal services	515.00	573.00	1,061.00	1,286.73
Esturian dredger	—	—	950.00	591.40
	3,514.00	5,123.00	8,604.00	8,281.86
Percentage charges	177.80	260.00	435.36	..
Establishment (including travelling allowance)	..	..	..	605.62
Debt charges	..	..	..	2,356.29
Other expenditure	..	..	..	374.86
	*3,691.80	5,383.00	9,039.36	11,618.63

*Increased to Rs. 40.00 crores due to devaluation.

A map of the dock project dealt with in this paragraph is given in appendix V.

According to the schedule of work drawn up in August 1965, the first phase of the Haldia dock project was to be completed by January 1971. As mentioned subsequently, the riverside oil jetty was commissioned in August 1968. Rest of the first phase of the dock project is yet to be commissioned (August 1975). It has been stated in the Performance Budget of the Ministry of Shipping and Transport 1975-76 that the progress of this project has been delayed on account of—

(i) Delays and difficulties in acquisition of land on account of injunctions, litigations and resistance of local people;

(ii) Non-availability of matching steel, shortage of wagons for movement of construction material and short supply of cement ;

(iii) Political turmoil during certain periods in the State;

(iv) Technical problems, the most serious of which was unexpected sub-soil water conditions encountered at the lock entrance affecting other components of the project;

(v) Delay on the part of a number of contractors to fabricate and erect or supply equipment.

A steering committee presided over by the Secretary of the Ministry of Shipping and Transport and consisting of representatives of various departments of Government oversees the progress of the project. The first meeting of the steering committee was held in January 1967 and the second meeting in February 1967 to discuss various problems for remedial measures. Thereafter, the committee usually met once in 3 to 12 months. The steering committee met altogether 18 times up to April 1975 in more than 8 years.

Issue of notices for acquisition of land was started in October 1962. Out of 9,092 acres of land required for the whole complex, about 7,279 acres were acquired by October 1975. The Port Trust stated (October 1975) that due to non-availability of sufficient land for disposal of spoil, dredging was affected.

Mostly it was the responsibility of the contractors to procure steel. But on specific requests from the contractors the project authorities placed indents with the Joint Plant Committee for supply of steel. In the steering committee meeting held in May 1967, the representative of the Ministry of Iron and Steel assured that Haldia dock project would be given priority next to Defence in allotment of steel. Defence department is in category 'A' while power and atomic energy projects are in category 'B'. Haldia dock project was actually given 'C' category priority along with Central Public Works department and other Government projects.

A few instances given below indicate how much steel was allotted for this project during different quarters against its indents :—

For the quarter	Quantity indented (in tonnes)	Quantity supplied (in tonnes)
January 1971 to March 1971	11,948	2,010
January 1972 to March 1972	4,625	890
January 1973 to March 1973	11,778	297

In November 1970 the Ministry of Shipping and Transport had asked the Port Trust to assess its requirement of scarce categories of steel about one year in advance and place orders on the producers. Again in May 1972 the Ministry of Steel and Mines asked the Port Trust to make a projection of quarter-wise requirement of steel for one year. From January 1974 the Haldia dock project is being treated as a 'core project' for allotment of steel ('Core projects' are given priority next to operational demands of Defence department and demands sponsored by the Engineering Export Promotion Council). Even thereafter, allotment of steel was far less than that indented as indicated below :—

For the quarter	Quantity indented (in tonnes)	Quantity supplied (in tonnes)
January 1974—March 1974	2,744	401
April 1974—June 1974	8,154	885

As will be evident from the instance given below the number of wagons supplied was far less than those indented :—

	Number of wagons requisitioned	supplied
April 1971 to March 1972	5122	2056

Construction of the oil jetty was started in June 1965 and completed in May 1968. Construction of the oil refinery of Indian Oil Corporation was started by the end of 1969 and it was commissioned in the latter part of 1974 for production of 2.5 million tonnes per annum in the first phase. Other major construction works were started in January 1968. Till December 1968, however, the railhead nearest to the project area was Panskura, about 72 kilometres away. Till then the project site was connected by a 64 kilometre long 16 feet wide road with Calcutta-Bombay national highway No. 6 at Mechada. The railway between Panskura and the project site was originally (1962-63) contemplated to be completed by 1965. However, as there was delay in starting works of the project, construction of the railway was slowed down for some time. The railway upto Durgachak, about 10 kilometres from the dock area, was completed in January 1969, after the Port Trust emphasised in January 1967 the need for early completion of the railway for carriage of construction materials. The remaining portion (about 10 kilometres) is expected to be completed by the end of 1975. Apart from carriage of construction materials for the dock project and the fertilizer factory of the Fertilizer Corporation of India, which is due to be commissioned by the end of 1977, the railway is presently also used for haulage of oil tankers from the oil refinery.

As will be evident from the paragraphs following, apart from the constraints mentioned above progress of the project was hampered because necessary sub-soil investigations for deep foundation work to be done very near the river were not apparently done before beginning the difficult work of the lock entrance and also because detailed planning and designs were not commenced and done in time.

Under the Haldia dock project an impounded dock, *i.e.,* dock in an inland man-made lagoon connected with the river through a lock-system, is being constructed by dredging of land in an area of about 170 acres. The nearest point of the lagoon to the river is about 100 metres from the river bank and the farthest point about 1,500 metres. The dock basin consists of two parts, a turning circle of 1,800 feet diameter and the 5,000 feet long and 970 feet wide dock area. Except the oil jetty and the lead-in-jetty (where ships will be berthed before they are taken inside the impounded dock) which are on the river side, all the other berths are on the inland lagoon. This impounded dock basin will provide a safe berthing zone for the ships free from tidal variations of the river. The impounded dock will be connected with the river by a water-way, called lock entrance, for passage of ships from the river to the dock basin and *vice versa*.

Major components of the dock construction work taken up under the first phase of the project are—

(i) construction of the berths,

(ii) construction of the lock entrance,

(iii) dredging of the impounded dock lagoon, and

(iv) installation of mechanical equipment.

Construction of Berths

Global tenders were called for in March 1964 for construction of the riverside oil jetty capable of handling ships of 875 feet requiring draft of about 34 feet. Only two offers of Rs. 153.76 lakhs and Rs. 163.84 lakhs were received in June 1964. These offers were rejected (August 1964) as the prices quoted were considered to be very high. In October 1964 fresh quotations were called for from 7 selected firms. Offers were received from three of them in December 1964. The offers were as follows :—

	(Rs. in lakhs)
Lowest offer	126.81
Second lowest offer	134.66
Highest offer	153.76

The first and the second lowest offers were on the basis of tenderers' own drawings, which were not acceptable to the committee, consisting of the Development Adviser (Ports), Ministry of Shipping and Transport, and the Chief Engineer and the Financial Adviser and Chief Accounts Officer of the Calcutta Port Trust, set up (March 1965) for considering the offers. As the prices offered were considered high, the committee decided (March 1965) to conduct negotiations. During the negotiations the tenderers indicated that their offers would be about Rs. 146.81 lakhs and Rs. 144.66 lakhs respectively for making these technically acceptable. After negotiations the work was allotted to 'A', the highest tenderer, for Rs. 139.76 lakhs (foreign exchange 60 *per cent*) in June 1965 for completion by May 1967. The work was actually completed one year later in May 1968. 'A' was supplied electricity at the subsidised rate of 10 paise per unit. Subsidy on this account was Rs. 5 lakhs making the total negotiated price Rs. 144.76 lakhs, which was a little higher than the revised offer of the second lowest tenderer. The second lowest tenderer had offered to complete the work in about 30 months, *i.e.*, by the end of 1967 as against 36 months taken by 'A'. Besides, the second lowest tenderer had wanted payment of Rs. 20 lakhs only in foreign exchange, whereas out of Rs. 139.76 lakhs payable to 'A', the foreign exchange element was as much as Rs. 83.86 lakhs (60 *per cent*), the foreign exchange element was stated to be available for exports against bilateral trade agreement with the country to which 'A' belonged. Due to devaluation of the Indian currency the total payment (including the rupee equivalent of foreign exchange portion) to 'A' was about Rs. 187.52 lakhs. The Port Trust stated (September 1975) that the "devaluation of the Indian currency in June 1966 could not possibly have been anticipated at the time of tender evaluation in 1965 and the additional involvement on this account is an unforeseen contingency".

The Project report had estimated that the oil jetty would earn revenue of Rs. 210 lakhs per year. The actual revenue of the oil jetty was as follows :—

	Traffic (in lakh tonnes)	Revenue (Rupees in lakhs)
1968-69	0.28	5.67
1969-70	1.77	36.61
1970-71	2.04	34.07
1971-72	5.99	84.10
1972-73	7.08	104.62
1973-74	7.12	96.31
1974-75	14.35	203.49

As mentioned below, the civil construction work of the berths inside the impounded dock, the lead-in-jetty and the lock entrance was allotted to 'B' in August 1967. The berths inside the impounded dock were to be completed in 40 months and the lead-in-jetty in 45 months. According to the progress status report of the dock project as on 1st August 1975, construction of the lead-in-jetty and the berths within the impounded dock was completed except a few fixtures.

Lock entrance

The 130 feet wide lock entrance will have an over-all length of 1,250 feet. This lock entrance will be provided with three electrically operated sliding caisson type gates, which will divide it into two chambers having a clear length of 305 feet and 654 feet and 6 inches. The clear length between the two gates at the ends of the lock entrance at the river side and the dock side will be about 985 feet, sufficient for accommodating 930 feet long ships. This inner portion of the lock entrance which provides the water passage for the ships is the lock barrel. The lock entrance is made of massive walls, founded on concrete monoliths (24 on the river side and 42 on the land side), having three recesses (called cambers) in the land side wall for the three gates to remain when they are not in operation across the lock barrel. The camber on the river side is called outer camber, that in the dock side is called inner camber and the one in between is called the intermediate camber. The mouth of each camber can be closed by a gate (called stoplog) for pumping out water from the cambers for inspection and maintenance of the gates. The foundations on which the caisson gates move in or out of the cambers are called the sliding ways.

The floor level of the lock entrance is 33 feet below datum, *i.e.*, the level of an imaginary horizontal plane about 9 feet below the mean sea level as adopted by the Survey of India. The height of each monolith above the floor level is 33 feet while 44 feet to 55 feet of the monoliths are below floor level, *i.e.*, 77 feet to 88 feet below datum. Of the 66 monoliths, sixty-one are 36 feet × 36 feet placed 12 feet 6 inches apart in the lock barrel and 9 feet 2 inches apart in the camber, while five (three at the inner and two at the outer camber) are of the size 90 feet × 36 feet. The inter-space between the monoliths is filled with 23 feet and 6 inches concrete going down upto 10 feet below the floor level at the lock barrel, *i.e.*, 43 feet below the datum and 17 feet below the floor level, *i.e.,* 50 feet below the datum at the cambers.

Through each of the two walls on both sides of the lock entrance runs a culvert of the size of 18 feet × 12 feet and 6 inches, which has been provided with openings at the river end as well as the dock basin. Each culvert has also 6 openings towards the lock barrel, each of which is provided with a gate called radial gate lowered or raised by radial movement for controlling flow of water in the culvert. The levelling culverts are also used for filling, or taking out water from, the lock barrel to bring the water level in the lock barrel to the water level in the dock basin or in the river as may be necessary. These are also used for letting in water from the river to the dock basin, when the river is in high flood. The size and level of the levelling culverts was decided in May 1969 after model tests at the Central Water Power Research Station, Poona.

Six openings have also been provided in each wall of the lock entrance for flushing out silts from the sliding ways to keep movement of the caisson gates smooth. The gates for these openings are called flushing penstocks; these are electrically operated and move vertically.

The pumps required for pumping in water in the basin through the culverts and/or lock barrel are called impounding pumps. Four such pumps of 50,000 gallons per minute capacity will be housed in a pump house.

The impounded dock will have a depth of about 45 feet. Before a ship is taken to the impounded dock it will be berthed in the riverside lead-in-jetty. The water level inside the lock barrel will then be brought to the river level by letting out water from, or letting in water to, the lock barrel as may be necessary. The outer gate will then be opened while the dock side gate will remain closed. The vessel will then be towed inside the lock barrel and the outer gate will be closed. Then the water level in the lock barrel would be brought to the dock basin level. The dock basin side gate will be opened thereafter and the vessel will be taken inside the impounded dock. Similarly, if a ship has to be taken out, first the water level in the lock barrel will be brought to the level of the dock basin. Thereafter, the dock basin side gate will be opened and the ship will be brought inside the lock barrel from the impounded dock. After the ship has entered the lock barrel the dock basin side gate will be closed. Water inside the lock barrel will then be brought to the level of the river. Thereafter, the outer lock will be opened and the ship will be taken out. Apart from the two gates at each end of the lock entrance, the additional caisson gate in between has been provided for handling smaller ships without operating the entire lock barrel as bringing the water level to the river level and again to the level of the impounded dock is a costly operation.

Construction of the lock entrance is the first of its kind in India. Details of four other lock entrances constructed else-where in the world during the last three decades are given below along with similar details about Haldia

Period of construction	Location	Size in cubic feet	Volume in cubic feet
1965—1969	Leith, U.K.	849.52 × 109.88 × 49.86	46,93,570
1949—1954	Eastham, U.K.	806.88 × 100.04 × 59.70	47,99,440
1958—1962	Langton, Canada	823.28 × 131.20 × 59.04	63,16,910
1961—1967	Zandvliet, Antwerp	1,313.64 × 186.96 × 60.02	1,73,62,680
1968—1975	Haldia	1,136.52 × 130.22 × 62.98	93,34,210

(a) Civil construction work

Tenders were invited in July 1966 for civil construction work of the lock entrance, lead-in-jetty and berths in the impounded dock basin. The tenders were received in December 1966. Civil construction work of all these was allotted to 'B' in August 1967 for Rs. 16.69 crores, subject to variation under the escalation clause etc. Civil construction work of the lock entrance was to be completed in 45 months, *i.e.*, by May 1972.

Before, however, 'B' could start work on the lock entrance, the Port Trust was to get an earthen bund constructed between the river and the site of work, to protect the latter from river water. Tenders were invited for this work in November 1965. The tenders were opened in December 1965, and work orders were issued in March 1966 on 'X' for completion of one portion of the bund by October 1966, and in May 1966 on 'Y' for another portion to be completed by September 1966. Total cost of construction of the bund was about Rs. 8 lakhs. The bund was completed in all respects on 22nd January 1968. As a result, 'B' could start work on the lock entrance only in January 1968. In December 1971, 'B' pointed out that the earthen dam was not sufficient to protect the site of the work. Another protective coffer dam made of sheet piles was constructed in mid 1973 at a cost of about Rs. 23 lakhs. The Port Trust stated (September 1975) that in the outer camber "the face of which is very much close to the river, the sheet pile coffer dam for the portion was necessary, as sufficient safe gradient required as safe slope for deep excavation in the area could not be ensured for lack of space. The coffer dam was, therefore, constructed with the opinion of the consultants".

When tenders for the civil construction work of the lock entrance, lead-in-jetty and the berths were called in July 1966, only preliminary drawings were ready just to give an idea of the nature of the work; they were not based on detailed design work. The detailed design work was done after the notice inviting tenders was issued (July 1966). Final working drawings were issued as the work progressed. According to the final drawings, the work had become more complex and time consuming as compared to the tender drawings, particularly because of,

(a) the size and details of construction of the culverts running along the two walls of the entrance lock with its intricately shaped inlets and outlets decided in July 1969 after model tests at the Central Water and Power Research Station, Poona,

(b) the complicated and precision work necessary in the foundation for installation of radial gates and pen stocks, and

(c) provision of five huge 90 feet × 36 feet monoliths at the two ends of the lock entrance found necessary because of changes in the designs of the lock culverts.

Besides, subsequent to acceptance of the tender when the contractor was about to commence work, it was decided (early 1968) to increase the length of the lock entrance by 48 feet, width by 5 feet and depth by 2 feet. The increased depth of the lock by 2 feet involved sinking of all the sixtysix monoliths deeper by 2 feet. Because of these changes 'B' pointed out in April 1971 that "the actual work being carried out is entirely different and much more intricate and complicated compared to the drawings given to us at the time of tender" and also complained to the Port Trust that "the final drawings and instructions from your end were not forthcoming and there were considerable delays at every stage". 'B' also stated that the time for completion of the work should be extended minimum up to December 1974 and that too subject to the conditions *inter alia* that (i) no further alterations would be made in the drawings which had already been given to it, (ii) other drawings necessary would be given to it immediately and (iii) it would be allowed to do de-watering constantly. The Port Trust stated (September 1975) that the tender drawings "as is usual in such contracts envisaged general arrangements in an overall manner based on the designed specification and data. Detailed working drawings for stage to stage work in the required sequence of work necessarily are prepared in the course of execution of the related stages of the work".

When the tender committee had considered the tenders for construction of the lock entrance, it had assumed that, as the soil was impervious, the cost of de-watering would be negligible. The cost of de-watering necessary for the work was fixed at Rs. 1.50 per horse-power hour of pumping. As pointed out by 'B' in April 1971, while executing the work constant de-watering was necessary to keep water pressure in the water bearing strata below the floor level of the entrance lock, which was also the founding strata for the monoliths, at a safe level in a stablisized state during the operations. 'B' also pointed out that work had slowed down in some areas where de-watering was not done. It was eventually decided in October 1971 by the Port Trust in consultation with its consultants and company 'C', and after extensive investigation and experiments, that deep tubewells should be sunk all-round the lock entrance 20 feet to 40 feet apart for pumping round-the-clock, to keep the water pressure to the desired level so that work could proceed safely in the excavated area. For round-the-clock pumping, provision had to be made for stand-by power, pumping sets, tubewells etc. In December 1971, 'B' pointed out that de-watering alone would retard the progress of work by about 3 years. Apart from the delay, this involved expenditure of Rs. 23.24 lakhs on installation of pumps, while de-watering expenses were about Rs. 4 crores up to March 1975. The Port Trust stated (September 1975) that "prior to issue of tender documents, soil investigation by preliminary borings at places selected at random was carried out. Such investigation was again confirmed through confirmatory boring before and after commencement of the work. Such initial investigation failed to establish any adverse sub-soil condition till the work had progressed substantially when only such condition revealed itself."

The portion of the floor through which each caisson gate will move in and out of its camber (resting place) is to be lined with machinable iron castings of special composition. The sides of the two walls of the lock entrance where the gate will remain fixed when in operation, for stopping water from entering the lock entrance or going out of it, are also to be lined with such iron castings of special composition. Such linings with iron castings of special composition make the movements of the gates smooth and prevent seepage of water. Fixing of the iron castings is a high precision work. Such iron castings patented by a foreign company are called meehanite castings and are manufactured in India by Company 'D' holding licence for producing the castings under the brand name. Of the 2,115 castings necessary, drawings for 1,983 castings were received from the consultants in the middle of 1968. Orders were placed by 'B' with the aproval of the Port Trust, on company 'D' in May 1969 for 1,533 castings for supply by October 1970. In this order there was no stipulation for inspection of the castings by Lloyds. When subsequantly in October 1969 company 'D' was told by 'B', at the instance of the Port Trust, that the castings would have to be got inspected by Lloyds, it refused

(October 1969) to produce such certificate without extra payment. The order was, therefore, cancelled in May 1970. Fresh orders were placed by 'B' on another company 'E' in November 1969 for 450 castings and in June 1970 for 1,533 more castings. 'E' did not have licence to produce the castings under the brand name, but the Port Trust expected that there would be no difficulty in getting meehanite type castings from 'E' according to specifications. In the order placed in June 1970 no specific date of completion was mentioned. The drawings for the remaining 132 castings were received from the consultants by the end of 1973 and orders were placed for these castings on 'E' in January 1974. Out of 2,115 meehanite castings required, only 1,803 had been despatched to site till the end of July 1975.

According to the progress report of the project as on 1st August 1975 prepared by the Port Trust, civil construction work of the entrance lock was expected to be completed by the end of September 1975.

(b) *Radial gates and penstocks*

Tenders for fabrication and installation of 12 radial gates and 18 penstocks were invited in March 1969. The tenders were opened in May 1969. The offer (Rs. 17.47 lakhs) of 'F', a public sector undertaking, was the lowest. The second lowest offer of 'G' was for Rs. 28.47 lakhs for completion of the work in 25 months. A letter of intent was issued on 'F' in October 1969 for supply and installation of the radial gates and penstocks by December 1970. Final order was issued in June 1970.

The first set of drawings of radial gates prepared by 'F' were received by the Port Trust in May 1970. The consultants of the Port Trust, however, did not find (June 1970) the drawings acceptable as they did not conform to the specifications indicated in the notice inviting tender. In July 1970, 'F' informed the Port Trust that the radial gates according to revised drawings would cost Rs. 5.21 lakhs more, and till this demand was accepted the work would not be started. 'F' was assured in September 1970 by the Port Trust that its extra claim would be recommended to Government, if justified. On 31st October, 1970 'F' submitted revised drawings which were approved in principle by the engineers of the Port Trust on 22nd December 1970.

The first set of drawings for penstocks were submitted by 'F' between 9th January 1970 and 29th March 1970. These were also not acceptable to the consulting engineers of the Port Trust. After several meetings, on 29th January 1971 'F' submitted revised drawings which were approved in principle on 18th February 1971. Even at that stage detailed drawings were not submitted by 'F'. As the delay in submitting the detailed drawings was going to affect progress of civil works, a series of reminders were issued to 'F'. Detailed drawings were thereafter received from 'F' on 27th May 1971.

On the basis of the drawings subsequently approved, 'F' demanded higher prices. It was decided in inter-ministerial meetings held on 15th January 1972 and 24th November 1973 that 'F' would be paid Rs. 44.96 lakhs against its original quotation of Rs. 17.47 lakhs.

According to the progress report of the project as on 1st August 1975, the radial gates and the penstocks were expected to be completed by the end of August 1975.

(c) *Caisson gates*

Each caisson gate is 24 feet wide, 141 feet and 6 inches long and 61 feet and 7½ inches high and needs about 1,000 tonnes of steel. The gate is a hollow box-like structure having six horizontal decks. The caisson gates will be filled with water. They are provided with inlets and outlets for water for the purposes of floatation, sinking and manoeuvrability. Normally, such caisson gates are fabricated in a horizontal position outside the entrance lock. It was, however, decided in the case of this project that the gates would be fabricated vertically in the respective cambers in the entrance lock. Tenders were called for in August 1968 for such vertical fabrication and the work was awarded to 'H' in December 1968 (firm order was issued in May 1969) at a cost of Rs. 1.44 crores. The three gates were to be completed by January 1971. For fabrication of the gates, the cambers were to be made available to 'H' by April 1970, July 1970, and October 1970 respectively. As mentioned earlier, civil works lagged behind the schedule. As a result, the Port Trust realised in late 1970 that the cambers would not be ready for at least another year. It was, therefore, decided that the gates should be fabricated under horizontal method away from the entrance lock. 'H' opposed (October 1970) this as it would necessitate complete replanning of its work entailing extra expenditure. 'H' also stated (April 1971) that it was not equipped to tow the gates over the lagoon to the lock entrance and uprighting them to vertical position for installation. After a series of discussions, 'H' agreed in April 1971 to the revised method of fabrication but demanded Rs. 35.90 lakhs more. On the bank of the lagoon a site, at a distance of about 1.5 kilometres from the entrance lock, was made available to 'H' for fabrication of the three gates simultaneously. The due date for completion was fixed as September 1972. The Port Trust agreed (February 1974) to bear the additional expenditure in fabricating the gates in horizontal position away from the lock entrance and asked 'H' to appoint qualified naval architects for towing and uprighting the gates. The Port Trust stated (September 1975) that "designing of the scheme for floatation and model studies has already been undertaken and almost completed by a qualified naval architect. The final work is yet to be undertaken......................................(H)'s extra claim on this account for Rs. 35.90 lakhs is under negotiation".

According to a review made by the Chief Engineer of the project in January 1973, 'H' had received by the middle of 1971 the bulk of the steel to commence work but it "went on putting one excuse or the other for not starting the work in right earnest...................................".

According to the agreement, the steel could be cleaned by sand blasting either before or after welding, the latter being preferred. But the blast cleaned surface was to be painted with primer within 3 hours of sand blasting. The question whether sand blasting and painting would be done before or after welding remained under consideration for quite sometime. In July 1972, 'H' agreed that painting after welding would be the best, but pointed out that it would affect progress of work as the capacity of its main factory at another place (Dum Dum) for sand blasting was 300 tonnes per month against fabrication requirement of 600/700 tonnes per month. The Port Trust agreed in July 1972 that steel in excess of 300 tonnes would be sand blasted by 'H' at the site of the work and extra expenditure for that would be borne by the Port Trust. In December 1972 the Port Trust agreed to pay a lump sum amount of Rs. 5 lakhs for this purpose. The Port Trust stated (September 1975) that in the revised method of erection "the quantum of welding work at site considerably increased from what was envisaged in the vertical method of erection and hence preference had to be given to blast cleaning being done after fabrication at site assembly shop as was envisaged in the contract specification".

Against 1,000 tonnes of steel structurals for each gate, the progress of fabrication at the end of July 1975 was as follows :—

	Caisson gate for		
	Outer camber	Intermadiate camber	Inner camber
		(In tonnes)	
Materials fabricated and finally assembled on main stallage at site	876	824	879
Materials finally welded	706	641	721

(d) *Stoplogs*

Initially, the intention was to have three stoplogs for each of the three cambers. The number was reduced to two in March 1973. When it was decided that the caisson gates would be fabricated under horizontal method and not under vertical method within the cambers, the stoplogs assumed added importance as after the gates are brought to the lock barrel by floating them in water it would be necessary to de-water the cambers for fixing the gates. According to the decision taken in October 1970, installation of the caisson gates was to be completed by September 1972. Tenders for fabrication and installation of the stoplogs were invited in May 1972. The response being poor, fresh tenders were invited in August 1972. The lowest tenderer did not quote for all the items of work and hence it was rejected. The second lowest offer of 'I' for three stoplogs was for Rs. 21.18 lakhs; its delivery period was, however, dependent on availability of steel as it had no steel in its stock. The second lowest offer was not, therefore, accepted and an order for supply of two stoplogs at a cost of Rs. 15.78 lakhs was placed on 'F' in June 1973 on the expectation that the required steel would be available with 'F' and both the stoplogs would be ready by March 1974. 'F', however, failed to manufacture the stoplogs by the due date. Installation of the stoplogs was expected to be completed by the end of August 1975.

Additional culvert and pump house for impounding pumps

After extensive hydraulic studies, the consultants of the Port Trust reported in July 1969 that a separate culvert at 14 feet below datum connecting the river and the dock basin, and also with connections to the culvert in the land side wall of the lock entrance at different points would be necessary. Tenders were invited in September 1970 for construction of this culvert and the pump house for the impounding pumps. Only two offers were received. The Chief Engineer of the project recommended (January 1971) the lowest offer of 'K' for acceptance by the Port Trust. The Chief Engineer reported that 'K' was a reputed firm which had done several important works of a State Government and had machinery to do the above works. These works were entrusted to 'K' in November 1971 at a cost of Rs. 79.05 lakhs for completion in 18 months. By then 'K' had failed to complete in time several works awarded by a State Government and one work of Farakka Barrage Project. Construction of the culvert and the pump house was suspended by 'K' at the end of 1973 after doing only a small portion of the work. It was decided in August 1975 to terminate the contract and have the work executed by some other agency. The work has not yet been awarded to any other contractor (July 1975).

Dredging

The impounded dock basin covers about 170 acres with a turning circle of 1,800 feet diameter. The dock basin is about 5,000 feet long and 970 feet broad. A contract for dredging (i) about 65 lakh cubic metres in the dock basin for providing 34 feet draft (depth 38 feet) and (ii) 24.10 lakh cubic metres in the river basin was awarded to 'A' in November 1966. The dredging was to be completed in 36 months, *i.e.,* by October 1969. It was subsequently intimated in 1973 to 'A' that it would not be required to dredge the river basin as that would be taken up by the Port Trust as part of its river training programme. Completion of dredging was dependent on civil construction work of the berths in the impounded dock. The civil construction work of the berths started only in January 1968. The Port Trust permitted 'A' in February 1968 to withdraw its dredger and use it for a naval project, as it would not be possible to continue dredging in the dock basin after March 1968 till the understructures of the berths were ready. This permission was subject to the condition that the dredger would be brought back for recommencing dredging from September 1969. By the time the dredger was withdrawn in March 1968, 'A' had dredged about 45 lakh cubic metres in the dock basin. Consequent on the decision (February 1968) that the dock project should provide facilities for handling larger ships up to 80,000 DWT instead of up to 60,000 DWT additional dredging of about 25 lakh cubic metres became necessary for providing draft of about 40 feet (depth 45 feet). Including the left-over portion of the work awarded to 'A' about 45 lakh cubic metres more, therefore, were to be dredged in the dock basin.

'A' did not resume dredging in September 1969. In February 1970 Calcutta Port Trust asked 'A' to resume work. Despite reminders, 'A' did not do so. In August 1971 the Port Trust requested the Ministry of Shipping and Transport to use its good offices to persuade 'A' to recommence work by December 1971 at the latest. In December 1972 the Port Trust, however, informed the Ministry of Shipping and Transport that the dock basin was ready for recommencing dredging from the beginning of 1972 only. The Port Trust further stated (December 1972) that dredging was taken up in December 1966 far in advance of the civil engineering work "in order to take advantage of a very low rate of Rs. 3 per cubic metre" offered by 'A'.

The Port Trust had proposed to 'A' that it should dredge the additional 25 lakh cubic metres in the dock basin in lieu of the dredging of 24.10 lakh cubic metres to be done by it in the river basin according to the agreement of November 1966.

In December 1971 the Development Adviser of the Ministry of Shipping and Transport was asked to discuss the matter with 'A'. After discussions the development adviser recommended the proposal of the contractor for dredging of 45 lakh cubic metres at the rate of Rs. 5.06 per cubic metre and payment of Rs. 37.50 lakhs towards mobilisation and demobilisation charges (cost of towage of dredger, insurance charges, charges for tug etc.). The question of re-inviting tenders and the possibility of getting the work done by Ministry of Transport dredger were also considered. In view of the prevailing dredging rates elsewhere, the Ministry was of the opinion (April 1973) that the cost of dredging would go up to about Rs. 8 per cubic metre if fresh tenders were invited and valuable time of about one year would be lost in inviting tenders and finalising them and mobilisation of equipment by the selected contractor. It was also not considered practicable to use a MOT dredger due to planning already made and the tight time schedule of the Haldia dock project. A negotiation committee was formed in January 1973 to have further negotiations with 'A'. In course of negotiations on 1st February 1973 the representative of 'A' was asked what would be the mobilisation charges if one of its dredgers in Mormugao was brought to Haldia, instead of bringing a new dredger from abroad. The representative of 'A' said that a dredger from Mormugao would not be available before the end of May 1973 and the mobilisation charges for it would be at least Rs. 24.50 lakhs. It was pointed out to the representative of 'A' that mobilisation charges of Rs. 24.50 lakhs demanded for a dredger available in India was very high compared to Rs. 37.50 lakhs demanded for a dredger to be brought from abroad. It was agreed in that day's meeting that 'A' would consider this aspect and give its rates next day. On the next day the representative of 'A' reduced the rate for dredging to Rs. 4.85 per cubic metre but demanded the mobilisation charge of Rs. 37.50 lakhs. As compared to the rate of Rs. 5.06 per cubic metre, the cost of dredging 45 lakh cubic metres was less by Rs. 9.45 lakhs. The mobilisation charge was, however, higher by Rs. 13 lakhs than that indicated in the meeting of 1st February 1973 for a dredger expected to be available by May 1973.

In April 1973 Government agreed to the rate of Rs. 4.85 per cubic metre and mobilisation and demobilisation charges of Rs. 37.50 lakhs on the basis of recommendations of the negotiation committee. At that time it was expected that the contractor would bring the dredger to Haldia in September 1973 and would complete dredging of 45 lakh cubic metres by about the middle of 1975. The dredger working in Haldia was brought from Mormugao. According to the progress report of the project as on 1st August 1973, dredging is expected to be completed by the end of October 1975.

Ore and Coal handling plants

In May 1968 an order was placed on 'L', a public sector undertaking, for designing, fabricating and installing one ore-loading and one coal-loading mechanical handling plant at an estimated cost of Rs. 4.20 crores. The ore and coal handling plants were of rated capacity of 6,000 tonnes and 3,000 tonnes per hour respectively and unloader would cost about Rs. 106 lakhs. In January 1970 the Port Trust sent a proposal to Government for purchase of one unloader from 'P' at Rs. 58.51 lakhs.

In the meantime in May 1969 an expert team from a foreign country, which was to give loan for increasing fertiliser handling capacity in ports in India, went round different major ports to assess the need for increasing handling capacity of imported fertiliser. Based on the recommendations of that committee, the Port Trust submitted an estimate for Rs. 329 lakhs for creating facilities for handling about 20 lakh tonnes (16 lakh tonnes of raw materials for fertiliser production and about 3 to 5 lakh tonnes of finished fertiliser) with two unloaders, storage shed and bagging and stitching equipment. It was estimated in January 1971 that the total traffic of fertiliser would be about 11.47 lakh tonnes per annum by 1978-79 (1.97 lakh tonnes of finished fertiliser and 9.50 lakh tonnes raw materials for fertiliser production). The steering committee decided in that month that two unloaders (with total handling capacity of 20 lakh tonnes per annum) proposed by the Port Trust would be necessary. The question of purchasing the unloader from 'P' under this estimate remained under consideration for sometime, but was dropped in November 1971 as 'P' did not have licence for manufacture of unloading equipment. The estimate for Rs. 329 lakhs was revised by the Port Trust in January 1972 to Rs. 331.39 lakhs. This estimate was approved by Government in March 1972. The traffic at the end of the Fifth Plan was then estimated to be 13 lakh tonnes. The loan assistance from the foreign country was subject to appointment of consultants for the work from that country, and for this the foreign country agreed to pay as grant the entire amount payable as fees to the consultants. The estimate approved by Government in March 1972 for Rs. 331.39 lakhs (including foreign exchange of Rs. 100.34 lakhs) was revised in May 1972 to Rs. 348.72 lakhs (foreign exchange of Rs. 133.95 lakhs) mainly to include the fees for consultants. The estimate was further revised in January 1973 to Rs. 525.25 lakhs (excluding Rs. 26.25 lakhs payable as fees to consultants to be reimbursed as grant by the foreign country) on the basis of quoted prices, consequent on price rise. It was estimated by the Calcutta Port Trust in August 1974 that the actual cost of the handling facilities would be about Rs. 953.94 lakhs (foreign exchange : Rs. 133 lakhs). In February 1975 it was estimated that the actual cost might be about Rs. 1,395 lakhs. The amount of loan sanctioned by the foreign country is Canadian $ 19 lakhs (about Rs. 142.50 lakhs). According to the conditions of the loan sanctioned by the foreign country, import of all the items not available indigenously will have to be made from that country. Order for two unloaders was placed on 'H' in August 1974. Tender for bagging and stitching plant was received in October 1974 and tenders for supply, delivery, erection and commissioning of the fertiliser handling equipment were received in June 1975; these tenders were under consideration (August 1975). The mechanical handling facilities are expected (August 1975) to be available by December 1976.

Other equipment

According to the progress report as on 1st August 1975, thirteen capstans and three cranes required for the dock and ordered between January 1973 and October 1973 were received between August 1975 and October 1975.

General

It was expected in August 1975 that the dock would be commissioned by the middle of 1976. Presently, draft in the river is 30 feet, which is expected to increase, by dredging, to 35 feet by the end of 1975 and to 40 feet by 1980. Even after the dock is commissioned, ships of 60,000 to 80,000 DWT will not be able to come to the dock till the river is dredged to provide sufficient draft for such ships.

In March 1972 Government approved purchase of four 87,500 DWT tankers by the Shipping Corporation of India at a cost of 5,000 million yens each (about Rs. 15 crores) from Japan for bringing imported crude to Bombay and Haldia (for the refineries at Barauni and Haldia). These four tankers were received by the Shipping Corporation of India between November 1973 and May 1974. Purchase of two more tankers (cost : 5,000 million yens each *i.e.,* about Rs. 15 crores each) from Japan of the same capacity and for the same purpose was approved by Government in May 1972; one of these tankers was received in March 1975 and the other in October 1975. The draft of 30 feet presently available at Haldia is not sufficient for such tankers with full load. Even after the river is dredged to 40 feet draft by 1980, these tankers may not be able to come to Haldia with full load.

Between 1971-72 and 1973-74 total cargo in the major ports in the country rose from 592 lakh tonnes to 644 lakh tonnes, *i.e.*, an increase of about 8 *per cent*. During the same period the traffic handled by Calcutta port decreased from 74 lakh tonnes to 63 lakh tonnes.

LOSSES AND IRRECOVERABLE DUES WRITTEN OFF/WAIVED, AND *ex gratia* PAYMENTS MADE

34. A statement showing losses and irrecoverable revenue, duties, advances, etc. written off/waived and also *ex gratia* payments made during 1974-75 is given in Appendix VI to this Report.

CHAPTER IV

WORKS EXPENDITURE

MINISTRY OF WORKS AND HOUSING

35. *Faridkot House.*—Portion 'A' (2,766 square feet) of Faridkot House (total area : 17,675 square feet) at Lytton Road, New Delhi, was taken over by Government with effect from 4th May 1948, for accommodating an office of the United Nations Organisation. Another portion—portion 'B' (11,599 square feet)—was taken over by Government with effect from 7th November 1951. Portion 'B' was handed over to a foreign embassy for setting up an office. Out of 2,766 square feet occupied by the office of the United Nations Organisation, 1,478 square feet were surrendered on 2nd May 1956, and were merged with portion 'B'.

The rent payable to the owner was fixed as under subject to deduction of one-twelfth of rent per annum for ordinary annual repairs and maintenance of the building :—

Period	Monthly rent	
	Portion 'A' Rs.	Portion 'B' Rs.
1st July 1948 to 6th November 1951	615.43	—
7th November 1951 to 1st May 1956	615.43	2,035.25
From 2nd May 1956 onwards	310.08	2,340.50

Government decided not to recover any rent for portion 'A'. For portion 'B' Government was recovering Rs. 2,641.55 P.M. from the foreign embassy for the portion occupied by it.

No written agreement or deed was executed between Government and the owner of the building. Under the Transfer of Property Act, the lessee is bound to keep, and on termination of the lease to restore, the property in as good condition as it was at the time when he was put in possession subject only to changes caused by reasonable wear and tear.

The foreign embassy occupied the portion 'B' of the building till 2nd October 1968. Under the terms and conditions of allotment, the embassy was to restore the portion 'B' of the building to its original condition before handing it over to Government. During the period it occupied the building, the embassy made additions and alterations in the portion 'B'. In May 1968, the foreign embassy proposed that Government might take over the assets created by it in the portion 'B' of the building and relieve it from the obligation of restoring that portion to its original condition. The Central Public Works Department valued (August 1968) the assets created by the foreign embassy at Rs. 98,643 and estimated the cost of restoration of the portion 'B' to its original condition as Rs. 82,820. Government, therefore, agreed (September 1968) to the proposal of the foreign embassy. The portion 'B' of the building was taken over by Government on 3rd October 1968 along with the assets created by the foreign embassy, relieving it of its responsibility to restore that portion to its original condition.

In February 1969, Government informed the owner about its assessment of the value of the assets created by the foreign embassy and the cost of restoration of the House to its original condition and requested him to pay the difference of about Rs. 15,000 to Government and take possession of the House. The owner, however, demanded (March 1969) Rs. 9 lakhs as the cost of restoration of the House to its original condition saying that he was not interested in the assets created by the sub-tenant.

Portion 'B' of the House vacated by the embassy in October 1968 was used for accommodating Central Bureau of Investigation till December 1970. The office of the United Nations Organisation vacated the portion 'A' of the building on 4th July 1972. Work of restoration of the House to its original condition was thereafter started in December 1972 and completed in October 1973 at a cost of Rs. 2.81 lakhs, against which Rs. 1.02 lakhs were received as sale-proceeds, excluding dismantled air-conditioning units. These were put to auction, the highest bid of Rs. 40,000 (April 1973) was considered low and rejected. These were finally sold in auction (February 1975) at Rs. 0.31 lakh only. Taking into account the sale proceeds of the air-conditioning units, the net expenditure of Government on restoring the building to its original condition was nearly Rs. 1.48 lakhs. Had not the foreign embassy been relieved of its liability to restore the building to its original condition, Government would not have had to bear this expenditure. The building was offered to the owner on 20th October 1973, possession was taken over by the owner on 26th November 1973.

Besides, Government had also to spend Rs. 0.86 lakh on rent, watch and ward of the portions 'B' and 'A' of the building during the periods these were vacant from January 1971 and July 1972 respectively to November 1973 when these portions were handed over to the owner.

36. *Payment for cement concrete work in a multi-storeyed building.*—Prior to July 1964 strength requirements of concrete used to be expressed in volumetric terms, *e.g.,* 1 (cement) : 2 (sand) : 4 (stone chips). Indian Standards Institution adopted in July 1964 the Indian Standard No. IS : 456-1964. The strength requirements of concrete prescribed for works test under IS : 456-1964 are as follows :—

Grade of concrete	(All values in kg/cm^2) Compressive strength of 15 cm cubes at 28 days after mixing conducted in accordance with IS : 516-1959. Works Test Min.
M 100	100
M 150	150
M 200	200
M 250	250
M 300	300
M 350	350
M 400	400

In the schedule of quantities attached to the notice inviting tender issued in October 1969 for construction of a multistoreyed building (estimated cost : Rs. 41.18 lakhs) in New Delhi, the requirements of concrete mix were expressed merely as grades M 150 and M 200 of IS : 456-1964 without indicating the prescribed strength requirement against each grade.

The following strength requirements of concrete mentioned in the "additional conditions" attached to the notice inviting tenders were different from those prescribed under IS : 456-1964 :—

Grade of concrete	(All values in kg/cm²) Compressive strength of 6″ × 6″ × 6″ at 28 days.
M 150	200
M 200	270
M 250	330

In the detailed estimate the rates for concrete were based on the Delhi Schedule of Rates 1967, which indicate proportions of concrete as "1 : 2 : 4", "1 : 1½ : 3", "1 : 1 : 2" etc. The Indian Standard No. IS : 456-1964 indicates that the grades M 100, M 150, M 200 and M 250 correspond approximately to "1 : 3 : 6", "1 : 2 : 4", "1 : 1½ : 3" and "1 : 1 : 2".

'A' was awarded the work in January 1970 for Rs. 47.55 lakhs. The Central Public Works Department insisted on concrete mixes according to the strengths mentioned in the "additional conditions". 'A' accepted payments up to July 1971 against running bills at the rates quoted by it. After reinforced cement concrete work was completed (July 1971), 'A' claimed in September 1971 Rs. 3.91 lakhs more for such work on the ground that it had quoted on the basis of the strengths mentioned in IS : 456-1964 for the grades indicated in the 'Schedule of quantities', but was made to use concrete mixes of the strengths specified in the "additional conditions". The matter was referred to arbitration in February 1972. The Central Public Works Department argued before the arbitrator that the strength requirements of concrete mix mentioned in the "additional conditions" were known to 'A' even before it had tendered, as the "additional conditions" formed part of the notice inviting tenders and that it had accepted payments without any protest till July 1971. The arbitrator, however, awarded Rs. 2.53 lakhs in favour of 'A'; the amount was paid in November 1972.

The Ministry stated (September 1975) that "with 10 *per cent* tolerance, the Department would have been obliged to accept a compressive strength of 135 kg/cm^2 for M 150 and of 180 kg/cm^2 for M 200 grade, whereas the Department wanted a strength not lower than 150 kg/cm^2 and this could be achieved by prescribing a compressive strength of 200 kg/cm^2 for 150 M grade in modification of the Indian Standard Specification". According to the acceptance criteria for IS : 456-1964, however, cement concrete may be accepted if average strength of the specimen tested (28 days compressive strength test) is not less than specified strength, provided, however, if three specimens are tested, one may give less value up to 90 *per cent* of the specified strength, and if five specimens are tested, one may give a value less than the specified strength (no limit has been prescribed for this).

CHAPTER V

STORES PURCHASES

MINISTRY OF SUPPLY AND REHABILITATION

(Department of Supply)

37. *Purchase of zinc slabs.*—Our country's need for zinc is mostly (usually 75 to 80 *per cent*) met by imports. Imports of zinc from 1968-69 onwards were as follows :—

	(In tonnes)
1968-69	89,856
1969-70	36,554
1970-71	91,000
1971-72	70,500
1972-73	76,802
1973-74	62,672
1974-75	66,644

Indigenous production of zinc has been as follows since 1968-69 :—

	(In tonnes)
1968-69	28,024
1969-70	23,726
1970-71	21,650
1971-72	24,607
1972-73	22,837
1973-74	22,466
1974-75	22,781

There are only two indigenous producers of zinc in the country—one in public sector and the other in private sector. The public sector undertaking (installed capacity : 18,000 tonnes per annum) produces zinc from Zawar (Rajasthan) ore deposits.

The producer 'A' in the private sector (installed capacity : 20,000 tonnes per annum) is dependent wholly on imported zinc concentrates.

Distribution of indigenous zinc was informally controlled by Government till January 1975. Upto January 1975 allocation of quantities to Government departments and industrial units registered with the Director General, Technical Development, used to be made by the Department of Mines and Metals for the half years : April to September and October to March. Upto 6th January 1975 the Director General, Supplies and Disposals, used to place orders for Government departments against the half yearly allotments; from 7th January 1975 Government departments were allowed to place orders directly. Since February 1975, informal control on distribution of indigenous zinc has been relaxed and the producers have been permitted to sell the metal to Government departments, public sector undertakings and units registered with the Directorate General of Technical Development without any formal allocation. Supplies so made are to be reported to the sponsoring authorities.

Import of zinc is made through the Minerals and Metals Trading Corporation, which fixes the sale price of imported zinc for every quarter. Sale price fixed by the Minerals and Metals Trading Corporation is the lowest for sale to registered exporters; a little higher price is charged from "Actual users (P)" *i.e.*, who export a prescribed portion of their production and the price charged from others is still higher. There was no formal control on the price of indigenous zinc but the producers agreed in June 1968 to sell the metal at a uniform price fixed by Government. The selling price of indigenous zinc of the two producers was initially fixed at Rs. 2,700 per tonne (exclusive of excise duty) in June 1968. Though this price was intended for the period upto 31st March 1969, it continued upto 31st January 1970. On 9th February 1970, the Department of Mines and Metals agreed to the proposal of the two producers to fixation of the price of indigenous zinc at Rs. 2,850 per tonne (exclusive of excise duty) for the period February 1970 to March 1971. While fixing this price, "the producers were informed that future proposals for increase in the selling price would be considered only on the basis of actual cost of production....................". No price was fixed for the period from April 1971 to January 1972: according to the Department of Mines the price of Rs. 2,850 per tonne continued during that period.

While reviewing the performance of the public sector undertaking in November 1970 it was decided that it "might submit proposals for revision of price of zinc duly supported by cost data". Cost data for the public sector undertaking was received by the Department of Mines and Metals in February 1971. In the same month the Department of Mines and Metals informed 'A' that the public sector undertaking had represented for increase in price of zinc and asked 'A' to submit "cost data indicating actuals for the period 1969 and 1970" and "cost projections, based on the best estimation possible for the years 1971 and 1972", as the price of indigenous zinc was fixed earlier on a uniform basis for both the producers. 'A' submitted the cost data in March 1971 intimating Government that it had suffered losses in the earlier years due to low price fixed for zinc. In April 1971 the Bureau of Industrial Costs and Prices was requested to examine the cost data of the indigenous producers for price fixation.

The Bureau recommended (January 1972) the price of Rs. 4,090 per tonne from February 1972 (exclusive of excise duty etc.). Customs duty on imported zinc concentrate was withdrawn on 17th July 1968, and was reimposed from 29th May 1971. The Bureau had recommended that retrospective effect to the increased price could be considered for the producers to the extent they utilised duty paid concentrates for production of zinc. Government, however, decided to allow the increased price only from 1st February 1972 on the following grounds :—

(i) 'A' had just received a consignment and was to commence its utilisation shortly and, as such, "the question of giving retrospective price to.................. ('A') does not arise".

(ii) The public sector undertaking had received only a small quantity of zinc concentrate in November 1971 on which it had paid duty, and there were practical difficulties in segregating the zinc produced from duty paid concentrates from that produced from duty free concentrates received earlier.

(iii) Retrospective increase in price "would create administrative problems relating to recoveries for the past sales, etc.".

The performance of 'A' against orders placed on it by the Director General, Supplies and Disposals, on the basis of half-yearly allotments was as follows :—

(a) Against the allotment for the half-year October 1970 to March 1971 orders were placed on 'A' for supply of 1,316 tonnes of zinc at the rate of Rs. 2,850 (excluding excise duty). 'A' supplied only 416 tonnes at the price of Rs. 2,850 per tonne. The balance 900 tonnes due to be supplied by March 1971 was not supplied by it. The period of delivery was extended once up to June 1971 and again up to August 1971. In August 1971, 'A' informed the Director General, Supplies and Disposals, that it could not supply zinc at the rate of Rs. 2,850 per tonne and requested him to treat this price as provisional for supplies made from April 1971, subject to finalisation of price by the Department of Mines. After the revised price of Rs. 4,090 per tonne (excluding excise duty) effective from 1st February 1972 was announced, 'A' intimated the revised price to the Director General, Supplies and Disposals, on 15th March 1972 requesting him to amend the contract for payment of the enhanced price for the outstanding 900 tonnes. On 1st September 1973, 'A' informed the Director General, Supplies and Disposals, that it was treating the order for the balance 900 tonnes as having lapsed. The case was referred to the Ministry of Law in July 1974. That Ministry advised in August 1974 that as the delivery period had expired long ago, the Department could only claim general damages treating 30th June 1971 as the date of breach. The department assessed the market price of zinc as on 30th June 1971 as Rs. 5,700 per tonne and worked out the general damages as Rs. 21.78 lakhs. The Department of Mines, however, informed the Director General, Supplies and Disposals, on 11th February 1975 that the selling price of Rs. 2,850 per tonne of indigenous zinc metal fixed for the period February 1970 to March 1971 continued up to 31st January 1972. In view of this, the Ministry of Law observed on 5th August 1975 that "if the Department is in a position to establish by way of documentary evidence to show that actual sale transactions had taken place at the relevant time @ Rs. 5,700 per Metric ton then they may be in a position to support or substantiate their claim for general damages on the basis of the aforesaid rate. On the other hand, if the firm is in a position to lead the evidence to show to the contrary that the aforesaid rate is not truly reflective of the market rate for the reason that the actual sales have been concluded at the relevant time @ Rs. 2,850 per metric ton as fixed by the Ministry of Mines, then the claim of the Government may not be entertainable or sustainable". The amount of the general damages recoverable has not yet been worked out (November 1975). It may be mentioned in this connection that of the 416 tonnes supplied by 'A', 30.20 tonnes were supplied in July 1971 and October 1971 against two acceptances of tender of February 1971. On 1st September 1973, 'A' approached the Director General, Supplies and Disposals to declare the price of Rs. 2,850 per tonne as final for those supplies. The Director General, Supplies and Disposals, did so in March 1974.

(b) On the basis of allocation for April 1971 to September 1971, Director General, Supplies and Disposals placed the following three acceptances of tender on 'A' for supply of zinc ingots by 30th September 1971 :—

Date of acceptance of tender	Quantity (In tonnes)	Supplies to be made to
(i) 2nd April 1971	36.967	Southern Railway
(ii) 15th May 1971	10	Western Railway
(iii) 26th August 1971	750	Posts and Telegraphs Department (Telecom Factory Jabalpur)

The performance of 'A' against the acceptances of tender mentioned above was as follows :—

(i) While acknowledging receipt of the acceptance of tender dated 2nd April 1971, the firm informed

Director General, Supplies and Disposals, on 21st April 1971, that the workmen of its factory had resorted to an indefinite strike from 13th March 1971 and that execution of the acceptance of tender should be deemed to be suspended until resumption of normal working in the factory. The strike ended on 23rd June 1971. But the firm did not make any supply against this acceptance of tender. After the price increase effective from 1st February 1972 was announced, 'A' wrote to the Director General, Supplies and Disposals, on 28th February 1972 requesting him to amend the acceptance of tender of 2nd April 1971 for allowing the increased price mentioned above and extending the period of delivery upto 30th April 1972. (Subsequently, this quantity was purchased in June 1974 and July 1974 at a price of Rs. 15,035 per tonne.)

(ii) On receipt of the acceptance of tender dated 15th May 1971 the firm requested on 19th May 1971 for extension of the delivery period up to 31st December 1971 on the ground of strike in its factory but was informed by the Director General, Supplies and Disposals, on 6th July 1971 that the matter might be taken up by the end of September 1971. As in the case of the acceptance of tender of 2nd April 1971 mentioned above, 'A' wrote to the Director General, Supplies and Disposals, on 1st March 1972 to amend the acceptance of tender of 15th May 1971 for allowing the increased price effective from 1st February 1972 and extending the delivery period up to 30th April 1972.

(iii) After placement of the acceptance of tender dated 26th August 1971, the Director General, Supplies and Disposals received a letter from the indenting officer on 16th September 1971 requesting him to spread over the delivery period from January 1972 to March 1972. This request had been made because the indentor was expecting a heavy consignment of some imported material during the next three to four months and unloading facilities at his end were very limited. The Director General, Supplies and Disposals enquired from 'A' on 11th October 1971, *i.e.*, after the prescribed delivery period up to 30th September 1971 was already over, whether it could deliver the zinc during 1st January 1972 to 31st March 1972 in respect of acceptance of tender dated 26th August 1971. Simultaneously, the indentor was also informed that the price of zinc was periodically fixed by the Department of Mines and if the delivery period was amended from 1st January 1972 to 31st March 1972, any price increase applicable to that period would have to be allowed to 'A'. The indentor sent a telegraphic reply (which was received in the Directorate General of Supplies and Disposals on 5th November 1971), stating that any increase in price was not acceptable to him and 'A' could despatch the stores immediately. On 19th November 1971, the Director General, Supplies and Disposals received 'A's reply stating that the acceptance of tender had been issued only on the strength of the allocation made by the Ministry of Mines and Metals and that it had not submitted any offer by itself. Hence the usual terms of the contract should not be binding on it. 'A' further stated that all possible efforts would be made to despatch the material within the stipulated delivery period, but supply would commence only after the final price was fixed by Government on its representation pending with Government.

On 9th December 1971, 'A' requested the Director of Inspection, Madras, to inspect the material against the acceptance of tender dated 26th August 1971. 'A' also requested the Director General, Supplies and Disposals, on 9th December 1971 to extend the delivery period up to 31st March 1972 without liquidated damages and to confirm that the revised price for zinc being fixed by Government would apply to this acceptance of tender. Pending price fixation, 'A' expressed its willingness to accept payment on the basis of the provisional price mentioned in the acceptance of tender.

On 22nd December 1971, the Director of Inspection, Madras informed 'A' and the Director General, Supplies and Disposals, that as the delivery date stipulated in the acceptance of tender had expired on 30th September 1971, inspection of the material could not be taken up till the delivery date was suitably amended. After the increased price effective from 1st February 1972 was announced, 'A' requested the Director General, Supplies and Disposals, as in the cases of the other two acceptances of tender, to amend the acceptance of tender dated 26th August 1971 allowing increase in price and extending the period of delivery up to 30th April 1972. On 26th May 1972 the Director General, Supplies and Disposals enquired from the indentor (earlier action was not taken as the papers were stated to have got mixed up with other papers) whether the price effective from 1st February 1972, *i.e.* Rs. 4,090 per tonne plus excise duty at Rs. 875, was acceptable to it. The indentor replied on 9th June 1972 that the stores were urgently required and that additional funds had been provided.

On 20th July 1972, the Director General, Supplies and Disposals allowed the increased price (Rs. 4,090 plus excise duty of Rs. 875 per tonne) effective from 1st February 1972 for supply of zinc ingots against the acceptance of tender dated 26th August 1971 and extended the delivery period up to 30th September 1972. The firm completed supplies on 21st August 1972.

In a meeting held with the representative of the Department of Mines on 13th April 1973, the Director General, Supplies and Disposals, was told that the selling price of indigenous zinc was fixed informally at Rs. 2,850 per tonne (exclusive of excise duty) from 1st February 1970 to 31st March 1971 and that even after 1st April 1971, the same price continued as some supplies had been made by the producers against the contracts placed by the Director General, Supplies and Disposals, at Rs. 2,850 per tonne. The Director General, Supplies and Disposals, was also told that the Department of Mines would have no objection to the Director General, Supplies and Disposals, enforcing his right under the terms of the contract for supply of zinc at the rate of Rs. 2,850 in respect of contracts for the period 1st April 1971 to 31st January 1972. The acceptances of tender dated 2nd April 1971 and 15th May 1971 were then referred to the Ministry of Law for advice whether it would be possible to obtain supplies from the firm at the price of Rs. 2,850 per tonne plus excise duty. In both the cases, the Ministry of Law advised that the firm could not be made to supply stores at the old rates, firstly because the Department of Mines had not decided the price applicable from 1st April 1971 and secondly because the Director General, Supplies and Disposals did not extend the delivery period of the contract, which had expired on 30th September 1971, inspite of reminders from the firm and

Comments about sale performance of the public sector undertaking (Hindustan Zinc Limited) have been included in paragraph 10 of the Report on Union Government (Commercial), 1974 Part III.

38. *Purchase of tents.*—In October 1965 it was assessed by an Inspector of General Stores of the Defence Department that 'A' had capacity to produce outer files of tents worth Rs. 5 to Rs. 7 lakhs per month. On 17th January 1966, an acceptance of tender was placed on 'A' for supply of 3,000 outer flies of tents at Rs. 871 each (total cost : Rs. 26.13 lakhs) to Ordnance Depot, Mathura by 31st March 1966. In June 1966, the delivery period was extended up to 30th September 1966. 'A' however, offered only 900 outer flies of tents for inspection till 30th September 1966. In November 1966, the Director General, Supplies and Disposals observed that 'A' had capacity to produce only about 500 outer flies of tents per month and that the period of two and half months originally allowed to it for supplying 3,000 outer flies of tents was unrealistic. The delivery period was further extended (December 1966) initially upto January 1967 and then again (February 1967) upto March 1967.

A standby risk purchase tender enquiry was also issued in February 1967 for purchase of outer flies of tents not supplied by firm 'A'. The lowest offer of Rs. 1,129 per outer fly of tents against this enquiry was from 'B' for supply of tents valuing Rs. 2 lakhs per month on an average, including supplies against pending orders, commencing after 60 days from the date of receipt of confirmation order. Expectation of the Director General, Supplies and Disposals was that supply would be completed by 'B' by May/June 1968. The second lowest offer of Rs. 1,130 each was from 'A'. Although by March 1967 only 25 more outer flies of tents were supplied by 'A', instead of making risk purchase of the remaining tents further extension of delivery period upto 31st December 1967 was allowed to 'A' as it represented on 30th March 1967 that not only the prices of raw materials and dyes had increased but also these were not readily available even at the high prices. Fifteen more outer flies of tents were supplied by 'A' by December 1967. Thereafter, no further supply was made by 'A', although the period of delivery was extended (November 1967) upto 30th June 1968. Order for the remaining 2,060 outer flies of tents was cancelled in October 1968 at the risk and cost of 'A'.

In the meantime a standby limited tender enquiry was issued on 22nd July 1968 for effecting risk purchase. The lowest quotation of Rs. 870 each against this tender enquiry was from 'C', a sister concern of 'A'. The second lowest quotation was from 'A' at the rate of Rs. 871 each.

On 30th October 1968 order for 2,060 outer flies was placed on 'C'. No supply was made by 'C'. As, however, the acceptance of tender was not in conformity with the tender of 'C' about arbitration, quantum of liquidated damages etc. no action could be taken against it and the acceptance of tender was cancelled in June 1970 without financial repercussion on either side.

For purchase from 'C' at the rate of Rs. 870 each there would not have been any extra cost as the price allowed to 'A' was more.

However, a sum of Rs. 11,842 was decided to be recovered from 'A' as pre-estimated damages for delay in supplies. Out of this, Rs. 7,850 were waived (October 1969) as there were delays in inspection.

On the basis of tenders received in August 1970 against a limited tender enquiry (July 1970), an order was placed on 'D' by telegram on 18th November 1970 for supply of 2,060 outer flies of tents at Rs. 1,297.50 each. The formal acceptance of tender was issued on 13th January 1971. On 15th January 1971, 'D' intimated by telegram that it had not received the formal acceptance of tender and requested the Director of Supplies (Textiles) either to withdraw the order or to enhance the rate to Rs. 1,450 each as the prices of raw material had shot up.

The Ministry of Law advised the Ministry of Supply on 10th March 1971 that 'D' was justified in repudiating the contract on account of delay in issuing the confirmatory acceptance of tender and that, in the circumstances, there was no possibility of enforcing the contract against the firm. The acceptance of tender placed on 'D' was accordingly cancelled on 6th May 1971 without financial repercussions. Earlier on 25th March 1971, the same firm had offered to supply 400 outer flies of tents at the rate of Rs. 1,297.50 each and the balance 1,660 flies of tents at the rate of Rs. 1,435 each. Orders were placed on 'D' at those rates in April 1971 for 400 outer flies of tents and for 1,660 more in June 1971.

Cost of 2,060 outer flies of tents (Rs. 29.01 lakhs) at those rates was Rs. 11.07 lakhs more than the cost at the rate of Rs. 871 allowed to 'A'. Had the formal acceptance of tender been issued in time to firm 'D' against its offer of August 1970, the cost would have been less by Rs. 2.28 lakhs.

Except 33 outer flies of tents, 'D' completed the supply by February 1973.

Thirtythree outer flies of tents were repurchased in August 1973 from 'E' at an extra expenditure of Rs. 3,102. A demand notice for Rs. 3,552 recoverable as general damages was sent to 'D' on 11th December 1973. The amount has not yet been recovered (November 1975).

Apart from the increase in cost in this case, supply of the outer flies of tents was delayed by about 7 years. The Ministry stated (November 1975) that "full quantity was not being supplied by the firms and orders for balance quantity were being placed on other firms who also did not complete the supplies and this process had to be continued for sometime to make purchases effected."

39. *Purchase of assembly springs.*—On 28th July 1969, the Director General, Supplies and Disposal placed an order on 'A' for supply of 2,000 front assembly springs at the rate of Rs. 40 each and 3,000 rear assembly springs at the rate of Rs. 60 each for supply to the Commandant, Central Ordnance Depot, Delhi Cantt. Before commencing bulk production samples were to be submitted to the Inspector of Vehicles, Delhi within sixty days from the placement of the order *i.e.*, by 26th September 1969. Supplies were to commence within one month from the date of approval of the samples and were to be completed in four months.

'A' failed to submit the samples within the specified time. The order for rear assembly springs was, however, increased from 3,000 to 3,600 on 9th October 1969. Certain deviations in specifications sought for by 'A' on 17th November 1969 were agreed to by the Inspector of Vehicles, Delhi, on 28th November 1969. Extension was also granted on 26th December 1969 for submission of samples by 25th January 1970. The samples submitted on 7th January 1970 were approved on 5th March 1970. According to the delivery period re-fixed on 31st March 1970 the supplies were to commence on 5th April 1970 or earlier and were to be completed by 5th July 1970 or earlier.

On 4th August 1970 'A' applied for 3 months extension of delivery period. On 26th September 1970, extension was granted upto 31st December 1970. The firm offered 800 front assembly springs for inspection on 26th December 1970. These were accepted by the Inspector of Vehicles, Delhi, on 31st December 1970.

As no further supplies were made, representatives of the Directorate General of Supplies and Disposals contacted 'A' several times between February 1971 and May 1972. One of them had reported in September 1971 that the firm was not interested in making the supply. Other reports indicated that the firm intended to apply for extension of time. Some of the reports also indicated that the firm also intended to apply for increase in price.

Eventually, twenty months after expiry of delivery period, the firm offered on 24th October 1972 to commence delivery five months later from April 1973 and complete supply of the outstanding quantity in one year by March 1974. This was agreed to by the Director General, Supplies and Disposals, on 6th December 1972. The Director General, Supplies and Disposals, was aware of the heavy increase in the price of assembly springs as the rates quoted against another tender in October 1972 were 79 to 94 *per cent* higher than the rates allowed to 'A' in July 1969.

'A' did not commence supply in April 1973. No reply was sent by it to a communication from the Director General, Supplies and Disposals sent on 30th July 1973. Officers sent for inspection on 22nd September 1973, 16th November 1973 and 18th January 1974 reported that the firm was not interested in making the supplies due to heavy increases in the price of raw materials. After consulting the Law Ministry, the contract was cancelled on 15th May 1974, at the risk and cost of 'A', indicating 31st March 1974 as the date of breach.

For making the risk purchase a limited tender enquiry was issued on 17th June 1974 for 1,200 front assembly springs and 3,600 rear assembly springs. Tenders were opened on 12th July 1974. Of the four offers received, the lowest offer of 'B' was not recommended by the inspecting authority and was rejected. The second lowest offer of 'C' was rejected as it was subject to price variation clause. The third lowest offer of 'D' was rejected as the deviations from specifications proposed by it were not acceptable. The next higher offer was from 'E' which quoted Rs. 170 for a front assembly spring and Rs. 235 for a rear assembly spring. The indentor was informed, on 18th July 1974, of the rates received, and was asked to confirm, within ten days, provision of additional funds at the increased rates ; the indentor was not, however, told that risk purchase had to be effected by 30th September 1974.

On 6th August 1974, 'E' proposed deviations from specifications. Before providing additional funds, the indentor reduced the requirements of rear assembly springs from 3,600 to 2,600 and withdrew demand for front assembly springs, on 5th September 1974, and enquired from the Director General, Supplies and Disposals, whether any recovery would be possible from 'A'. The indentor was informed on 12th September 1974 by the Director General, Supplies and Disposals, that valid risk purchase was not possible because the acceptable offer from 'E' was subject to deviations and only general damages would be recoverable from 'A'.

In spite of several reminders from the Director General, Supplies and Disposals, Army Headquarters intimated provision of additional funds on 31st October 1974, one month after expiry of the last date for valid risk purchase. The Inspector of Vehicles, Jabalpur, intimated on 1st November 1974 that the deviations sought by 'E' had been allowed in the past. An acceptance of tender was placed on that firm for 2,600 rear assembly springs at the rate of Rs. 235 each on 22nd November 1974. The rear assembly springs (2,600) purchased from 'E' cost Rs. 4.55 lakhs more as compared to the price of 'A'. Liquidated damages cannot be recovered from 'A' as the risk purchase was not effected within the validity period, *i.e.,* by 30th September 1974. On 13th August 1975, the Director General, Supplies and Disposals issued circulars to all likely suppliers/approved sources in order to ascertain market rate on or around the date of breach for assessing general damages recoverable from 'A'. Government stated (September 1975) that necessary action for assessment and recovery of general damages would be taken on receipt of replies from those to whom references were made for ascertaining market rate.

40. *Purchase of drill cotton.*—Sealed tenders for supply of drill cotton (varied types) were invited by the Director of Supplies (Textiles), Bombay, in October 1970. The offers received by him were sent to the Director General, Supplies and Disposals on 21st December 1970. After considering the offers, telegraphic acceptances of tender were sent on 9th January, 1971

to firm 'A' for supply of 7,83,147 metres of drill cotton (bleached) and to firm 'B' for supply of 4,00,000 metres of drill cotton (dyed mineral khaki). Under Article 299 of the Constitution, all contracts are to be executed on behalf of the President of India or the Governor of a State, as the case may be. The above mentioned telegraphic acceptances were, however, issued as from 'SUPDIS' which is a telegraphic abbreviation for the Directorate General of Supplies and Disposals instead of 'SUPDISCON' which stands for Director General of Supplies and Disposals for and on behalf of the purchaser named in the schedule to tender/contract, *i.e.,* the President of India or the Governor of a State. The post copies of the telegrams were, however, signed by the official concerned for and on behalf of the President of India.

'A', while intimating receipt of advance telegraphic acceptance of the tender, informed by a telegram dated 13th January 1971 that it could supply only 1 lakh metres due to acute shortage of cotton. However, on 15th February 1971 it withdrew its offer stating that the terms of delivery mentioned in the advance acceptance of tender as "Delivery commences after two months of order and completing in nine months thereafter" varied from what it had mentioned in its tender, *i.e.,* "Delivery to commence after two months from the date of receipt of order and to be completed in nine months thereafter", and, as such, there was no concluded contract. It also mentioned that "the contract is also not enforceable under Section 299 of the Constitution of India".

'B' sent a telegram on 14th January 1971 withdrawing its offer. In its letter of 2nd March 1971 'B' also pointed out that the expression "Delivery to commence after three months of order" in the advance acceptance of tender differed from its offer that delivery was to commence three months after receipt of order, and as such, there was no concluded contract. It also pointed out that the contract was not enforceable under Article 299 of the Constitution.

On being requested on 5th February 1971 to advise whether confirmatory acceptances of tender could be issued for the quantities ordered by telegram, as mentioned above, the Ministry of Law stated on 15th February 1971 that telegraphic communications of acceptance of the offers concluded valid contracts and confirmatory acceptances of order might be issued. The Director of Supplies (Textiles) issued confirmatory acceptances of tender to these two firms on various dates between 16th February 1971 and 3rd March 1971. Both the firms returned the confirmatory acceptances of tender in original. The cases were again referred to the Ministry of Law on 10th February 1972. That Ministry while holding the view (on 23rd February, 1972) that concluded contracts came into existence in these two cases observed as follows :—

> "..................in the two cases, no action was taken to issue the confirmatory Acceptances of Tender for about not less than 35 days in both the cases. The delayed issue of the Acceptances of Tender can thus be said to have prevented the firm even in its stipulated delivery.
>
> In view of the facts and circumstances of this case, there would appear to be also no reasonable chance of successfully enforcing the contracts against the firms and that being the position, the deliveries of goods at the contracted rates in the two cases does not arise. The only course, therefore, is to cancel the contract without financial repercussion on either sides."

The contracts were accordingly cancelled in March 1972, and 11,83,147 metres of drill cotton ordered on 'A' and 'B' on 9th January 1971 were purchased between March 1972 and July 1972 from others paying Rs. 4.32 lakhs more than what would have been payable to 'A' and 'B'.

41. *Purchase of Angola shirting.*—On 27th July 1966 an order was placed on firm 'A' for supply of 1,36,750 metres of drab Angola shirting of 76 centimetres width—at Rs. 5.28 per metre—to Defence department against its indent of 23rd March 1966. 'A' did not make any supply, as the increase in price demanded by it in June 1967, consequent on the high price it had to pay for imported wool tops and also increase in excise duty, was not allowed.

The contract was cancelled in June 1969 at the risk and cost of the firm. The contract provided that supply would commence after one month from the date of receipt of imported wool tops by 'A' and would be completed in 3½ months thereafter. The date of allocation of imported wool tops to 'A' by the Textile Commissioner was known to the Director General, Supplies and Disposals, but he did not know the date it had received the wool tops. As such, the exact date of breach could not be determined by the Ministry of Law and risk purchase was not possible.

Department's claim of Rs. 3.18 lakhs as general damages was referred to an arbitrator in September 1970. The arbitrator gave an award of Rs. 3,100 only in favour of the department in February 1975.

After the contract with 'A' was cancelled in June 1969, an order for 50,000 metres of Angola shirting of 152 centimetres width (1 lakh metres in terms of 76 centimetres width) was placed on 'B' in February 1970 at Rs. 14.90 per metre. Another order for supply of 18,375 metres of 152 centimetres width (36,750 metres in terms of 76 centimetres width) was placed on 'C' in March 1970 at the rate of Rs. 14.85 per metre. 'C' completed the supply by December 1971.

Upto January 1972, 33,218 metres of Angola shirting of 152 centimetres width supplied by 'B' were accepted with price reduction between 2 *per cent* and 10 *per cent*, as these did not conform to specifications. In August 1972 'B' informed the Director General, Supplies and Disposals, that it had 18,000 metres more, which, however, were not acceptable to the inspector of Defence department because sub-standard dyes had been used in that shirting. 'B' also stated that it had applied for licence for importing standard dyes, and as licence was not granted it had to use whatever sub-standard dye was available.

In November 1972 extension of delivery period was allowed to 'B' up to December 1972. 'B' neither applied for further extension of delivery period nor made any more supply. On being approached by the Director General, Supplies and Disposals, in February 1973 to state whether the contract could be cancelled at the risk and cost of 'B' the Ministry of Law stated in March 1973 that the difficulty in obtaining requisite dye could be said to have made the contract "impossible of performance". That Ministry was, therefore, doubtful whether, the contract could be cancelled at the risk and cost of 'B'. In November 1973, 2,650 metres of sub-standard Angola shirting of 152 centimetres width was accepted with 10 *per cent* (for 1,473 metres) and 12½ *per cent* (for 1,177 metres) reduction, as the indentor required 24,254 metres (width 152 centimetres) of such sub-standard Angola shirting for scarves and lining.

In February 1974, the indentor informed the Director General, Supplies and Disposals, that sub-standard Angola shirting was still needed urgently for scarves and lining and requested him to have the supply of the balance 14,132 metres by 'B' expedited. In March 1974, 'B' however, requested the Director General, Supplies and Disposals to cancel the contract for the balance 14,132 metres of 152 centimetres width. The contract for 14,132 metres was cancelled in that month, in consultation with the Ministry of Law, at the risk and cost of 'B'. The Ministry of Law determined 30th November 1973 as the date of breach.

A limited tender enquiry was issued on 6th April 1974 for effecting risk purchase of Angola shirting according to specification. Tenders were opened on 23rd April 1974. The indent of the Defence department was for Angola shirting according to specification. Order placed on 'B' in February 1970 was also for Angola shirting according to specification. As 'B' could supply only sub-standard Angola shirting, the indentor accepted, with price reduction, the sub-standard Angola shirting, which was also needed by the Defence department for scarves and lining, and wanted (February 1974) supply of the balance 14,132 metres as sub-standard Angola shirting from 'B'. However, on 3rd May 1974, *i.e.*, after issue of limited tender enquiry, the Director General, Supplies and Disposals drew reference to the indentor's letter of February 1974 and enquired whether sub-standard Angola shirting or specification Angola shirting was needed. The indentor was not told that risk purchase was to be completed by 29th May 1974. The Ministry stated (November 1975) that the indentor was reminded on 24th May 1974 through the Liaison Officer (Factories) of the Defence department to furnish the information, called for on 3rd May 1974, by 25th May 1974.

The Indentor's reply dated 27th May, 1974 that sub-standard Angola shirting was still needed was received by the Director General, Supplies and Disposals on 3rd June 1974, *i.e.*, after expiry of the date up to which risk purchase was possible. On 6th June 1974, the indentor was telegraphically informed by the Director General, Supplies and Disposals that sub-standard stores are not purchased by him and wanted to know whether the acceptance of tender should be closed. On 13th June 1974, the indentor informed the Director General, Supplies and Disposals that since the indent was for Angola shirting according to specification and as risk purchase was involved, Angola shirting according to specification should be purchased.

As the risk purchase was not effected by 29th May 1974, *i.e.,* the last date up to which risk purchase was possible, the balance 14,132 metres of Angola shirting of 152 centimetres width had to be purchased from 'D' in July 1974 at the rate of Rs. 38 per metre. As compared to the price of 'B' (Rs. 14.90 per metre), 14,132 metres purchased from firm 'D' cost Rs. 3.26 lakhs more. A demand notice for Rs. 21,280 representing general damages was issued to 'B' in September 1974. The amount has not yet been recovered from the firm, which obtained a stay order from the Delhi High Court in December 1974.

42. *Purchase of gun metal ingots.*—A trial order for supply of 13 tonnes of gun metal ingots was placed on 12th July 1972 on firm 'A', a small scale unit, at the rate of Rs. 13.25 per Kg; the supply was to be completed by 31st August 1972. The firm did not make any supply by the due date. On 20th September 1972 it applied for extension of the delivery period and made another such request on 12th October 1972. On 25th November 1972 the delivery period was extended up to 31st December 1972 subject to recovery of liquidated damages. On 22nd December 1972 'A' applied for further extension of delivery period up to 28th February 1973 on account of power shortage. The acceptance of tender was thereafter cancelled on 13th February 1973 at the risk and cost of 'A'.

A risk purchase tender enquiry was issued on 24th February 1973. A copy of the tender notice was also sent to firm 'A' on 24th February 1973 intimating it that it would have to furnish 10 *per cent* security deposit in view of its past default. Of the 16 offers received against the risk purchase enquiry and opened on 10th April 1973, lowest quotation (Rs. 13.25) was from 'A' offering 50 *per cent* of the quantity within 30 days from the date of formal acceptance of tender and the balance within 30 days from the date of first supply. That firm, however, requested waiver of security deposit as it was a small scale unit. The next higher offer was from firm 'B' and 'C' at the rate of Rs. 15.09 per Kg. In response to an enquiry from the Director General, Supplies and Disposals, on 17th April 1973, a reply was received from 'A' on 21st April 1973 intimating that it was agreeable to pay 10 *per cent* security deposit.

'A', however, did not furnish any security deposit till 25th April 1973, *i.e.,* the date upto which its offer was valid. Besides, the Director General, Supplies and Disposals, was aware that the prices had increased, as he had placed orders for gun metal ingots in Feburary 1973 at prices between Rs. 14.18 and Rs. 14.39. Besides, price fixed by Minerals and Metals Trading Corporation for actual users of copper, which constitutes about 88 *per cent* of gun metal alloy, increased from Rs. 14.25 per Kg. for January 1973 to February 1973 to Rs. 16.78 per Kg. for March 1973 and to Rs. 19.09 per Kg. for April 1973—June 1973. As, however, the validity of the offer of 'A' was expiring on 25th April 1973, the Director General, Supplies and Disposals placed an advance acceptance of tender on it on that day requiring it to furnish the security deposit within 15 days of the formal acceptance of tender. The formal acceptance of tender was issued on 3rd May 1973. 'A', however, did not furnish any security deposit. As it failed to make any supply, the acceptance of tender was cancelled on 3rd November 1973 at its risk and cost. Ultimately, against a further tender enquiry dated 12th November 1973, 13 tonnes of gun metal ingots were ordered on 'C' in January 1974, at the rates of Rs. 29.45 per Kg. for 7 tonnes and Rs. 29.71 per Kg. for the balance 6 tonnes. 'C' completed the supply in May 1974. Had the 13 tonnes been purchased from 'B' and/or 'C' at the rate of Rs. 15.09 per Kg. offered in April 1973 the expenditure would have been less by about Rs. 2 lakhs.

A demand for Rs. 2.25 lakhs, being the difference between the price payable to 'A' and the price at which the ingots were purchased in May 1974, was raised against it on 24th April 1974; the amount has not yet been recovered (October 1975). The Director General, Supplies and Disposals stated (December 1975) that the case "is being referred to Arbitration for recovery of the extra expenditure in accordance with the legal advice".

43. *Purchase of sterilisers.*—On 7th November 1969 the Director General, Supplies and Disposals placed an advance acceptance of tender for 443 electric sterilisers on firm 'A' without insisting on submission of a tender sample as it was a past supplier for this item. The rates of 'A' for each steriliser were Rs. 589.70 for free delivery at the Armed Forces Medical Services Depot, Delhi Cantonment in loose condition without packing and Rs. 598.70 for f.o.r. Delhi for delivery to consignee's in Bombay and Lucknow in commercial and trade packing.

According to the notice inviting tenders, the sterilisers were to be supplied by July 1969. In the advance acceptance of tender, the delivery period was described as follows at the instance of 'A' :—

> "First lot of 100 Nos. within 6/10 weeks from receipt of A/T *i.e.,* by 15th February 1970 and balance quantity in lots of one hundred each or part within 4 to 6 weeks from final inspection and approval of stores offered". 'A' did not supply the first lot of 100 sterilisers within the stipulated period, *i.e.,* by 15th February 1970. Extension of the delivery period up to 31st May 1970 for the first lot was applied for by the firm on 25th March 1970 on the ground of shortage of raw materials and this was agreed to by the Director General, Supplies and Disposals, on 6th April 1970.

In the meantime, 'A' wrote on 1st April 1970 to the Director General, Supplies and Disposals, asking for assistance in getting stainless steel sheets, copper ingots, zinc ingots etc. 'A' was informed that there was no contractual obligation for such assistance and if it failed to execute the contract, the same will be cancelled at its risk and cost. On 8th July 1970, 'A' again applied for extension of delivery period by three months from the date of issue of the amendment letter and stated that if the extension was not granted within 15 days, it would presume that the demand stood cancelled by the indentor and it would not be responsible for any consequences.

On being consulted about cancellation of the contract, the Ministry of Law advised the Director General, Supplies and Disposals, on 30th July 1970 that order for the first lot of 100 sterilisers could be cancelled at the risk and cost of the firm but cancellation of the balance quantity might not be legally tenable in view of the stipulation in the acceptance of tender that the firm would supply the "balance quantity in lots of 100 each or part within 4 to 6 weeks from final inspection and approval of stores offered", because, if the firm did not offer the stores for inspection, the question of supply would not arise. The Ministry of Law advised the Director General, Supplies and Disposals, to settle delivery terms for the balance quantity with the firm. The order for the first lot of 100 sterilisers was not, however, cancelled at the risk and expense of the firm on the ground that once that was done, mutual settlement of delivery period for the balance quantity might not be possible.

Subsequently, in December 1970, the Director General, Supplies and Disposals, placed another contract on the same firm for supply of 165 electric sterilisers at Rs. 742 each by 15th June 1971. Supplies against this contract were completed by the firm in June 1972.

While granting extension of delivery period in June 1971, 'A' was told that "to afford another opportunity to perform your contractual obligation the time for delivery is extended up to 15th August 1971". Further extension was granted in January 1972 and July 1972 for completion of supply by 15th July 1972 and 15th February 1973 respectively. As 'A' did not make any supply, another extension for completing supply by 30th June 1973 was granted in April 1973, subject to recovery of liquidated damages. 'A' offered 45 sterilisers for inspection on 30th June 1973, and on 27th August 1973, requested further extension of delivery period by sixteen weeks as inspection of the sterilisers offered had not been completed. On 4th October 1973, the Director General, Supplies and Disposals, further extended the delivery period upto 31st January 1974 subject to liquidated damages. Forty-five sterilisers offered for inspection were inspected on the 19th September 1973 and accepted with a price reduction of one *per cent*. Thereafter, the firm did not offer any further sterilisers for inspection.

On being consulted by the Director General, Supplies and Disposals, whether the contract for the outstanding sterilisers could be cancelled at the risk and cost of 'A', the Ministry of Law stated (March 1974) that it would not be possible to make the extension of delivery period up to 31st January 1974 binding on the firm for the following reasons :—

(i) The firm had not acknowledged the amendment letter of 4th October 1973 in unequivocal terms or acted upon it by tendering stores for inspection as was done in the case of the previous extension granted up to 30th June 1973;

(ii) The amendment letter of 4th October 1973 was not in accordance with the firm's request as it had asked for extension by sixteen weeks without reservation of rights and denial clauses.

The Ministry of Law advised that the acceptance of tender might be cancelled at the risk and cost of the firm, treating

30th June 1973 as the date of breach. As the period of six months from the date of breach prescribed for effecting a valid risk purchase had already expired, only general damages were recoverable from 'A'.

A fresh limited tender enquiry was issued by the Director General, Supplies and Disposals, on 5th April 1974 for purchasing the sterilisers not supplied by 'A' and a fresh acceptance of tender for 298 sterilisers (as per reduced requirement by the indentor) was placed on 16th August 1974 on firm 'B' at Rs. 1,110 each f.o.r. Bombay/free delivery to Bombay consignee by 15th November 1974 in packed condition. Thus, besides delay of more than four years in procurement of the sterilisers required for the Armed Forces Medical Services, extra expenditure of about Rs. 1.57 lakhs was incurred in repurchasing 298 sterilisers.

On 30th October 1975, 'A' was asked to pay Rs. 1.57 lakhs "as general damages/risk purchase loss" by 30th November 1975.

44. *Purchase of paints.*—On 25th April 1972, the Director General, Supplies and Disposals placed an acceptance of tender on firm 'A' for supply of 30,000 litres of olive green nitro-cellulose paint, at the rate of Rs. 10.75 per litre to the General Manager, Vehicle Factory, Jabalpur, by 31st July 1973. Subsequently, as a result of an agreement with the firm, the Director General, Supplies and Disposals increased the quantity on order to 60,000 litres on 9th June 1972 for supply by 31st August 1973 ; the supply was completed in September 1973.

The acceptance of tender dated 25th April 1972 contained a clause under which the Director General, Supplies and Disposals reserved the right to place order for additional quantity of 25 *per cent* at the same price, during the currency of the contract. The Director General, Supplies and Disposals placed an order on 'A' on 2nd June 1972, under this clause, for supply of 3,500 litres of the same paint to Army Headquarters; the supply was completed in May 1973. As such, further order could be placed for 11,500 litres more under that reservation clause.

The Director General, Supplies and Disposals, however, placed another acceptance of tender on 3rd July 1973 on 'A' under the reservation clause, for supply of 15,000 litres of the paint.

CHAPTER VI

FINANCIAL ASSISTANCE GIVEN BY GOVERNMENT

45. (i) *Loans and advances.*—Details of loans and advances paid by Union Government during 1974-75 are given in paragraph 14.

(ii) *Grants.*—During 1974-75 Rs. 1,268.76 crores were paid as grants by Union Government to State and Union Territory Governments, statutory bodies, registered and private institutions etc. as detailed below :—

	(Lakhs of rupees)
(a) Grants to State and Unio Territory Governments :	
(i) Grants to State Governments under Article 275(i) of the Constitution	3,64,68.63
(ii) Other grants to State Governments	6,55,31.30
(iii) Grants to Union Territory Governments	39,90.08
(b) Grants to statutory bodies, non-Government institutions or bodies and individuals (the details of the grants Ministry-wise are given in Appendix VII of the Report)	2,08,85.86

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

Ministry/Department	Period to which grants relate (upto September 1973)	Number of utilisation certificates outstanding at the end of September 1975	Amount (lakhs of rupees)
1	2	3	4
Agriculture and Irrigation			
(i) Department of Agriculture	1964-65 and 1967-74	246	1,958
(ii) Department of Agricultural Research and Education	1969-70	1	1

1	2	3	4
(iii) Department of Rural Development	1969-74	242	2,104
(iv) Department of Food	1964-65, 1968-69 and 1972-74	20	28
(v) Department of Irrigation	1972-73	2	2
ommerce	1964-74	401	1,681
Education and Social Welfare			
(i) Department of Education	1955-74	2,856	7,370
(ii) Department of Culture	1972-74	196	168
(iii) Department of Social Welfare	1962-74	240	230
External Affairs	1966-69 and 1970-74	73	152
Defence	1972-73	2	20
Finance	1970-74	18	31
Health and Family Planning			
(i) Department of Health	1954-55 and 1956-74	563	742
(ii) Department of Family Planning	1958-71	515	106
Home Affairs	1968-74	107	329
Industry and Civil Supplies			
(i) Department of Industrial Development	1969-74	80	2,710
(ii) Department of Civil Supplies and Co-operation	1969-73	214	1,386
Information and Broadcasting	1965-74	44	63
Department of Legal Affairs	1973-74	2	1
Labour	1971-72 and 1973-74	4	2
Petroleum and Chemicals	1968-70 and 1971-72	7	52
Planning	1965-66, 1969-70 and 1973-74	10	2

1	2	3	4
Rehabilitation	1960-62	5	5
Steel and Mines			
(i) Department of Steel	1973-74	3	4
(ii) Department of Mines	1972-73	4	11
Tourism and Civil Aviation	1971-74	11	46
Works and Housing	1965-66, 1968-69 and 1971-74	45	102
Cabinet Secretariat (Department of Personnel and Administrative Reforms)	1969-70 and 1971-74	24	16
		5,935	19,322

Of 5,935 outstanding utilisation certificates shown above, 1,794 certificates (Rs. 777 lakhs) relate to grants paid upto March 1970 and were due by 30th September 1971. The remaining 4,141 certificates (Rs. 18,545 lakhs) for grants paid during 1st April 1970 to 30th September 1973, as shown below, were due by 31st March 1975 but had not been received upto September 1975 :—

Utilisation Certificates

Period of payment of grant	Due		Received		Outstanding	
	Number	Amount (lakhs of rupees)	Number	Amount (lakhs of rupees)	Number	Amount (lakhs of rupees)
1-4-1970 to 31-3-1971	817	2,437	203	367	614	2,070
1-4-1971 to 31-3-1972	1,462	4,763	452	1,047	1,010	3,716
1-4-1972 to 31-3-1973	1,939	11,709	303	5,705	1,636	6,004
1-4-1973 to 30-9-1973	886	6,755	5	..	881	6,755
	5,104	25,664	963	7,119	4,141	18,545

Some of the important points noticed in Audit, under section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971, of bodies/authorities substantially financed by Union Government are mentioned in the following paragraph.

MINISTRY OF INFORMATION AND BROADCASTING

46. *Children's Film Society.*—The Children's Film Society was set up in 1955 as a registered body under the Societies Registration Act, 1860 to undertake, aid, sponsor, promote and co-ordinate production, distribution and exhibition of films specially suited to or of special interest to children and adolescents. The affairs of the Society are managed by the General Body at the apex and the Executive Council, Finance Committee and Production Committee at the base. The General Body which functions under a chairman, appointed by the Government of India, has among its members one representative each from the Ministries of Information and Broadcasting, Education and Finance. The Society's accounts are being audited by a Chartered Accountant.

The Society subsists on grants-in-aid given to it by the Central Government, though it also earns revenue by way of affiliate membership fee realised from the State/Union Territory Governments, sale of prints, commercial film shows, hire charges of 16 mm films etc.

At the time of its establishment Government assistance to the Society on the following pattern was envisaged :—

(a) First Year	100 *per cent* of the cost of a feature film to be produced in that year.
(b) Second Year	75 *per cent* of the cost of a feature film and two short films; the grant was to be reduced to the extent that the income from the distribution of the first film exceeded 25 *per cent* of the cost of the second year's programme.
(c) Third Year	50 *per cent* of the cost of a feature film and two short films; the grant was to be reduced to the extent that the income from the distribution of the second year's films exceeded 50 *per cent* of the cost of third year's programme.

It was expected that 30 *per cent* of the production cost would be realised by sale of tickets; and the remaining gap of 20 *per cent* as well as the cost of release prints and the administrative expenses of the Society would be met from the capital subscribed by its members and donations (about Rs. 5 lakhs).

As the Society could not raise funds or realise revenue to the extent envisaged, Government decided (October 1970) to meet the entire deficit in each year from 1970-71 onwards.

Mention was made in paragraph 93 of the Audit Report (Civil) 1963 and paragraph 100 of the Audit Report (Civil) 1965 of certain irregularities in the maintenance of accounts of raw stock of films, non-verification of stocks, high cost of production, avoidable expenditure on purchase of equipment, etc.

The Public Accounts Committee in its 42nd Report (1965-66) recommended that the Ministry should undertake a detailed evaluation of the working of the Society, both quantitatively and qualitatively. A study team of non-officials appointed in August 1967 to review the working of the Society submitted its report in April 1968. Its main recommendations were that at least 12 programmes (a programme consists of one feature and two short films) of children's films should be prepared every year with adequate provision for making regional films and cross-dubbing them into various languages at a cost of Rs. 30 lakhs. For this purpose Government should pay grant-in-aid of Rs. 25 lakhs in the first year which may be reduced in the subsequent years by about Rs. 2 lakhs every year and be stabilised at Rs. 20 lakhs per year; Rs. 10 lakhs were to be raised by the Society through its own resources. The cinema owners should be persuaded to allot at least one show every month on Sundays and holidays for screening of children's films on commercial basis and mobile units should be established at various centres to show children's films in rural areas. It was also recommended that distribution of 16 mm films might be strengthened and film clubs for children organised. These recommendations have not been implemented so far.

The accounts of the Society were audited for the period from 1-4-1973 to 31-3-1975 under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. Prior to 1973-74, the accounts of the Society were audited by the Comptroller and Auditor General under the then existing arrangements though it had its own auditors.

The annual income and expenditure of the Society during the years 1972-73 to 1974-75 was as follows :—

Particulars	1972-73	1973-74	1974-75
		(Lakhs of rupees)	
Income			
(i) Membership fee	1.25	1.30	1.30
(ii) Library membership fee	0.08	0.08	0.07
(iii) Exhibition receipts	2.40	4.87	4.66
(iv) Sale of prints	0.96	0.63	1.33
(v) Hire of equipments	0.18	0.28	0.27
(vi) Miscellaneous	0.33	0.11	0.18
TOTAL	5.20	7.27	7.81
Expenditure			
(i) Administrative expenses	2.97	2.40	4.39
(ii) Production			
Establishment cost	1.45	1.39	1.45
Other cost	7.21	4.08	11.74
(iii) Distribution and exhibition expenses	1.88	1.94	6.61
(iv) Equipment	0.44	0.24	0.79
TOTAL	13.95	10.05	24.98
Deficit	8.75	2.78	17.17

For the three years Government paid grants of Rs. 8.09 lakhs, Rs. 8.50 lakhs and Rs. 16.76 lakhs respectively.

The number of films in progress during the three years ending March 1975 was 12,5 and 8 (including 11,2 and 2 films brought forward from the previous year) respectively. In addition to about Rs. 1.43 lakhs per annum on pay and allowances of the staff employed in its production unit, the Society spent Rs. 7.21 lakhs, Rs. 4.08 lakhs and Rs. 11.74 lakhs (including Rs. 3.10 lakhs to a private producer) respectively on production of these films. This also included 3 foreign films acquired at a cost of Rs. 3.20 lakhs during 1974-75. The Ministry stated (November 1975) that the low output during 1973-74 and 1974-75 was due to the fact that the Society was going through a period of drastic re-organisation and re-orientation of policy.

Affiliate Membership

Out of 21 States and 9 Union Territories, 11 States and 5 Union Territories have become affiliate members of the Society (31st March 1975). Only one Municipal Corporation in the country became an affiliate member in 1970-71 but discontinued its membership from the following year.

Production

Of the 90 films (censored metre length 98,776.03) presently owned by the Society, 7 films (censored metre length 9,543.58) were acquired and the rest were produced either in the Society's own production unit or by farming out to outside agencies. The capacity of the production unit of the Society consisting of camera, sound and editing sections was assessed to be 7,600 to 9,100 metres of censored film every year (study team's report, 1968). During the three years ending March 1975, the Society besides farming out one feature film measuring 4,267 metres, produced 4 feature films (2 each during 1972-73 and 1974-75) and 13 short films (8, 3 and 2 in the respective years) measuring 13,735 metres of censored length (9,210, 1,341 and 3,184 metres) respectively.

The Society has not prescribed any norms regarding the cost per censored metre. The cost of production (excluding pay and allowances of the production unit) per censored metre of the films censored during the three years varied from Rs. 4.52 (Bal Jagat No. 7 censored in May 1972) to Rs. 149.48 (Samay Ka Chamatkar censored in February 1973) according to the information furnished by the Ministry.

The cost study of the films of the Society conducted by the Cost Accounts Branch of the Ministry of Finance in May 1970 disclosed that "films produced by the Society are much more costly even after providing for differentiation in costs due to varying theme and its treatment" and had suggested that "for the Society's cost to become competitive it is essential that number of films turned out by it should be trebled roughly and cost on account of so called direct expenses closely scrutinised and controlled". The Ministry stated (November 1975) that "the Production Committee of the Society is being directed to prescribe standard costs per censored metre. It will, however, be appreciated that there would still be variations depending upon the stature of the director, nature of the location, quality of the cast, etc. It may not be possible for the Society to take a firm decision about trebling the output of in-house production, as the predominant view in the Executive Council of the Society is that, as far as possible, a film should be farmed out to outside producer so that the best talent available in the country could be harnessed for production of children's films. This will surely have repercussions on the economics of the domestic production unit. In fact, the Executive Council of the Society has decided to reduce drastically the staff of their in-house production unit. With reduced expenditure on production unit and with production of more films during 1975-76, there is a reasonable hope that the cost of production of films per metre will be comparatively less than what was the case in previous years".

The quantum of raw film utilised per metre of final print length varies from film to film depending on several factors. It was, however, noticed that the variations were very large in respect of some films as would be seen from the table below :—

Sl. No.	Name of Film	Length in metres of final print	Length in metres of raw stock consumed			Length of raw film consumed per metre length of final print		
			Picture negative	Picture positive	Sound negative	Picture negative	Picture positive	Sound negative
			a	b	c	a	b	c
1972-73								
1.	Children of Ladakh	1,484	373	2,800	3,587	0.3	1.9	2.4
2.	Itihas Ki Khoj	833	744	4,142	2,952	0.9	5.0	3.5
3.	Bharat Darshan	2,905	24,689	67,783	49,050	8.5	23.3	17.0
4.	Bal Jagat No. 9	389	1,192	663	787	3.1	1.7	2.0
1974-75								
5.	Pandit Bhola Nath	465	305	2,924	2,436	0.7	6.3	5.2
6.	Jadoo Ka Shankh	1,418	7,320	10,448	11,604	5.2	7.4	8.2

The Ministry explained that consumption of raw film was excessive in the film 'Bharat Darshan' as the film was made mostly on outdoor shooting and, therefore, the normal rate of 1 : 4. was exceeded. The Ministry also stated that in cases where the stock of picture negative consumed is less than the censored length of the firm, stock shots readily available had been used thus reducing consumption of picture negative raw film. It was further stated that sound negative used would not have a specific ratio to the censored metre length of a film.

The Society had so far dubbed 37 films in eleven languages and also in English. Government have provided funds to the extent of Rs. 5 lakhs during the three years ending March 1975 for dubbing of films in regional languages. A sum of Rs. 1.83 lakhs only was spent for the purpose on 5 films dubbed in regional languages.

In March 1971 the Society produced a film 'Black Mountain' with Russian music at a cost of Rs. 1.73 lakhs. The distribution rights in India were given to a distributor in Bombay in July 1971. According to the agreement with the distributor, he was to pay Rs. 2 lakhs as minimum guarantee before screening the film and of that amount Rs. 1.75 lakhs were payable at the time of delivery of the print. The print was, however, made available to the distributor on payment of Rs. 0.25 lakh only. The Society agreed that the distributor might change the Russian music into Indian music but the revised version required the prior approval of the Society. The distributor, however, released the revised version without such prior approval and without payment of the balance amount. The Society filed a suit against the distributor and ultimately in December 1974 a settlement was reached under which neither party could make any claim on the other, and the distribution rights vested thereafter entirely with the Society.

In 1972 the Society acquired for thirty years the distribution rights of a film 'Hamara Ghar' produced by a private producer-*cum*-director in 1964. The agreement for this purpose provided for a lump sum royalty of Rs. 0.50 lakh to the said producer of which Rs. 0.30 lakh were paid on signing the agreement on 30th December 1972 and the balance of Rs. 0.20 lakh was payable within 6 months by which time the producer was to transfer all territorial rights of the picture for the whole of India and for foreign territories (except Hong Kong). The Society also spent Rs. 0.34 lakh on making 13 prints of the film. The producer furnished documentary evidence to show that there were no other distributors in Delhi, Uttar Pradesh, Punjab, Bombay, Mysore and West Bengal but the producer was also to obtain clearance in writing from two distributors for Berar and Rajasthan territories within six months of signing the agreement. The contract was terminated in November 1974 due to dispute over distribution rights and the Society did not pay the balance of Rs. 0.20 lakh.

Distribution

The number of prints to be taken for each film is determined by the Secretary; it varied from 2—64 prints as detailed below :

35 mm			16 mm		
Range of prints	No. of films	No. of prints	Range of prints	No. of films	No. of prints
3 to 5	5	15	2 to 10	74	357
6 to 10	16	144	11 to 20	2	33
11 to 15	33	414	21 to 30	2	47
16 to 20	13	260	31 to 40	..	..
21 to 25	11	253	41 to 50	..	..
26 to 30	5	134	51 to 60	2	109
31 to 35	3	102	61 to 64	1	64
TOTAL	86	1,322	TOTAL	81	610

The Society stated (September 1975) that it "had already realised the fact, that in the past, the Society was often getting prints of films in excess of the requirements and it is in order to rectify this, that a new policy is being evolved, whereby prints will only be made, after assessing the needs. Efforts are being made, by which the same print can be shared by more than one distributor and thus effecting economy in the distribution expenditure".

35 *mm Films*

The Society through its own offices in Bombay and Delhi arranges screening of its films in Gujarat and Maharashtra States (except Vidarbha and Khandesh regions of Maharashtra State) and Punjab, Haryana, Jammu and Kashmir States, Chandigarh and Delhi respectively. It has also made arrangements with two commercial distributors at Indore and Madras to distribute films in Uttar Pradesh, Madhya Pradesh, Rajasthan, Vidarbha and

Khandesh regions of Maharashtra State and Tamil Nadu, Kerala, Karnataka and Pondicherry respectively. According to the agreements with them, the distributors shall have the exclusive rights of distribution and exploitation of Society's films in 35 mm on yearly basis. The Society shall supply at least one print of each film to the distributors in the regional languages and publicity material. The entire expenses of administration, travelling etc., shall be borne by the distributors. The distribution of films in Andhra Pradesh and West Bengal, Bihar, Orissa, Assam, Mizoram, Arunachal Pradesh, Nagaland, Manipur, Tripura and Meghalaya is looked after by the Films Division through its offices in Hyderabad and Calcutta respectively. The films are exhibited in the cinema halls on holidays or other days when cinema halls are available. The rate of admission varies from 40 paise to one rupee depending upon the local conditions. The sale proceeds are shared among the distributors, the Society and the cinema owners in the ratio of 1 : 2 : 3 respectively. The following table indicates the number of shows arranged during the year 1974-75 :—

Sl. No.	Area of operation	No. of films	No. of prints made available	No. of shows held	Average screening per print	Remarks
1.	Bombay office	85	335	289	0.86	Prints of one film censored in May 1968 not made available.
2.	Delhi office	85	327	146	0.45	Prints of one film censored during 1973-74 not made available.
3.	Indore distributor	82	339	1,061	3.13	Prints of 4 films censored in 1969, 1971 and 1972 not made available.
4.	Madras distributor	50	125	853	6.82	Prints of 36 films (including prints of a film, "Panchtantra Ki Ek Kahani", dubbed in Tamil, Telugu, Kannada and Malayalam) censored during the years 1965—74 not made available.
5.	Films Division office, Hyderabad.	72	134	208	1.55	Prints of 14 films censored during the years 1966—71 and 1973 not made available.
6.	Films Division office, Calcutta	43	62	20	0.32	Prints of 43 films (including prints of film, "Dilli Ki Kahani", dubbed in Bengali) censored during the years 1965—75 not made available.
	TOTAL		1,322	2,577	1.95	

The Society had not maintained any record to indicate the number of times each film/print was screened. During the three years ending 31st March 1975, the number of shows held by the Society and the distributors was 10,293 with an audience of 33.89 lakhs which on an average worked out to 3,431 shows with an audience of 11.30 lakhs per year. The Ministry stated (November 1975) that the "present circulation figures will improve only when the Society has a larger number of outlets".

16 *mm Films*

The Society supplies prints of its films in 16 mm size on perpetual lease to the Information and Education Departments of the Central and State Governments, Audio Visual Units, Corporations and Municipal Committees and lends films from its own 16 mm film libraries for screening. The Society enrolls educational institutions, social welfare organisations, clubs, factories etc., as members of its libraries on payment of a fee of Rs. 50 per year. Besides Rs. 50 as membership fee, the members have to pay Rs. 25 for screening a programme (against Rs. 50 for non-member) plus the to and fro freight charges. The libraries have, in their custody, 610 prints of 81 films (31st March 1975). The number of members on roll of the libraries during the three years ending March 1975 was 337, 259 and 155 and the number of shows held by them was 276, 347 and 208 respectively. The Ministry stated (November 1975) that "during the year 1974-75, the number of shows organised through libraries declined. The reason was that the members were not able to get new films".

Award winning films

Out of 78 films produced by the Society upto March 1974, the 12 films (6 produced by the Society's own unit and 6 assigned on contract basis) produced upto 1968-69 shown in Appendix VIII won awards. During the years 1969—74, the Society produced 22 films but none won awards (upto December 1975). The Ministry stated (December 1975) that one of the films 'Jadoo Ka Shankh' produced during 1974-75 had won the 1975 best child actress award at the Moscow Films Festival, May 1975.

CHAPTER VII

DEPARTMENTALLY MANAGED GOVERNMENT UNDERTAKINGS

47. On 31st March 1975, there were 36 Departmentally managed Government undertakings of Commercial and Quasi-commercial nature, as against 37 undertakings on 31st March 1974. One undertaking, *viz* Refractory Plant, Bhandaridah (Asian Refractories Limited) ceased to be a Departmentally managed undertaking, consequent upon its registration as a Government company, subsidiary of the Bokaro Steel Limited, with effect from 22nd July 1974.

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 1975. The financial results are ascertained annually by preparing *pro forma* accounts outside the general accounts of Government. Trading and Profit and Loss Accounts of those at serial Nos. 30 and 31 (Publication Branch, Delhi and Government of India Presses are not prepared; instead only stores accounts are maintained. The *pro forma* accounts of 29 undertakings at serial Nos. 1, 2, 6, 7, 9 to 20, 22, to 26, 28 and 30 to 36 of Annexure 'A' for the year 1974-75 have not been received so far for audit (January 1976).

ANNEXURE

SUMMARISED FINANCIAL

Serial No.	Name of the Undertaking	Government Capital	Block assets (Net)	Deprecia-tion to date	Profit (+) Loss(—)
(1)	(2)	(3)	(4)	(5)	(6)
	MINISTRY OF FINANCE				
1.	India Security Press, Nasik Road.				
2.	Currency Note Press, Nasik Road.				
3.	Government Opium Factory, Neemuch.	14,77	12,86	1,90	(+)5,80,31
4.	Government Opium Factory, Ghazipur.	16,69	13,86	3,73	(+)5,55,66
5.	Government Alkaloid Works, Ghazipur.	6,77	4,48	2,29	(—)12,32
6.	India Government Mint, Bombay.				
7.	India Government Mint, Calcutta.				
8.	India Government Mint, Hyderabad.	2,61,77	98,52	*4,18	(+)1,81,28
9.	Assay Department, Bombay.				
10.	Assay Department, Calcutta.				
11.	Silver Refinery Project, Calcutta.				

'A'

RESULTS OF 1974-75

(Figures in thousands of Rupees)

Interest on Government Capital	Total return	Percentage of total return to mean * capital	Remarks
(7)	(8)	(9)	(10)
—	(+)5,80,31	—	Figures are based on the unaudited accounts.
—	(+)5,55,66	—	Figures are based on the unaudited accounts.
—	(–)12,32	—	Figures are based on the unaudited accounts.
3,04	(+)1,84,32	312.78	*Depreciation for the year 1974-75 only.

(1)	(2)	(3)	(4)	(5)	(6)
	MINISTRY OF INFORMATION AND BROADCASTING				
12.	All India Radio.				
13.	Radio Publications, All India Radio.				
14.	Films Division.				
15.	Commercial Broadcasting Service, All India Radio.				
	MINISTRY OF COMMUNICATIONS				
16.	Overseas Communications Service, Bombay.				
	MINISTRY OF SHIPPING AND TRANSPORT				
17.	Lighthouses and Lightships Department.				
18.	Shipping Department, Andamans.				
19.	Ferry Service, Andamans.				
20.	Marine Department (Dockyard), Andamans.				
21.	Chandigarh Transport Undertaking, Chandigarh.	71,57	49,59	21,98	(+)57
	MINISTRY OF AGRICULTURE AND IRRIGATION				
22.	Reserve Pool of Fertilisers.				
23.	Delhi Milk Scheme.				
24.	Forest Department, Andamans.				
25.	Ice-*cum*-Freezing Plant, Ernakulam.				

(7)	(8)	(9)	(10)
2,44	(+)3,01	5.97	—

(1)	(2)	(3)	(4)	(5)	(6)
	MINISTRY OF HOME AFFAIRS				
26.	State Transport Service, Andamans.				
	MINISTRY OF HEALTH AND FAMILY PLANNING				
27.	Central Research Institute, Kasauli.	34,40	6,03	*9,03	(+)10,40
28.	Medical Stores Depots.				
29.	Bakery and Vegetable Garden of Hospital for Mental Diseases, Ranchi.	37	30	*1	(+)20
	MINISTRY OF WORKS AND HOUSING				
30.	Publication Branch, Delhi.				
31.	Government of India Presses.				
	MINISTRY OF ENERGY				
32.	Electricity Department, Andamans.				

(7)	(8)	(9)	(10)
1,18	(+)11,58	50.47	*(i) Depreciation includes consumption on Live Stock for the year 1974-75 only. (ii) *Pro forma* accounts have not been prepared acc[illegible]ding to the revised procedu[illegible] Ministry of Finance O[illegible] No. F. 1(35)-B/71 date[illegible] 23-1-1974.
1	(+)21	82.62	*(i) Depreciation for the year 1974-75 only. (ii) Figures are based on the unaudited accounts. (iii) *Pro forma* accounts have not been prepared according to the revised procedure *vide* Ministry of Finance Office Memo. No. F. 1(35)-B/71 dated 23-1-74. (iv) The Mineral Water Factory which was a part of the undertaking, was closed on 22nd July 1967. The figures do not include the figures of this factory as *pro forma* accounts up to 1971-72 only were prepared.

(1)	(2)	(3)	(4)	(5)	(6)
33.	Electricity Department, Lakshadweep.				
	MINISTRY OF COMMERCE				
34.	Pathini Tea Estate.				
	DEPARTMENT OF ATOMIC ENERGY				
35.	Atomic Power Authority.				
36.	Rajasthan Atomic Power Station Unit I.				
	MINISTRY OF STEEL AND MINES				
37.	Refractory Plant, Bhandaridah. .	24,60	1,59,00	10,94	(—) 15,73

(7)	(8)	(9)	(10)
*	—	—	(i) On registration as a Government company as a subsidiary of Bokaro Steel Limited, it has ceased to be a departmental undertaking with effect from 22nd July 1974. (ii) Figures relate to the period from 19th February 1972 to 21st July 1974. *(iii) Not provided.

In respect of Undertakings for which figures for the year except to the extent otherwise indicated

Serial No.	Name of the Undertaking	Government Capital	Block Assets (Net)	Deprecia-tion to date	Profit(+) Loss(—)
(1)	(2)	(3)	(4)	(5)	(6)
	MINISTRY OF FINANCE				
1.	India Security Press, Nasik Road.	7,05,70	2,15,96	1,25,84	(+)46,84
2.	Currency Note Press, Nasik Road.	4,73,98	1,92,87	1,17,89	(+)1,27,71
3.	India Government Mint, Bombay.	3,55,51	1,23,35	*5,76	(+)9,80,82
4.	India Government Mint, Calcutta.	1,22,70	1,22,70	1,73,58	(+)4,82,52
5.	Assay Department, Bombay.	6	66	*5	(+)4,06
6.	Assay Department, Calcutta. . .	(—)11	71	*4	(+)67

1974-75 are not available, figures for the year 1973-74, in column 10, are given below :—

(Figures in thousands of Rupees)

Interest on Government Capital	Total return	Percentage of total return to mean capital	Remarks
(7)	(8)	(9)	(10)
33,45	(+)80,29	11.81	*Pro forma* accounts have not been prepared according to the revised procedure *vide* Ministry of Finance Office Memo. No. F. 1(35)-B/71 dated 23-1-1974.
20,84	(+)1,48,55	35.07	*Pro forma* accounts have not been prepared according to the revised procedure *vide* Ministry of Finance Office Memo. No. F. 1(35)B/71 dated 23-1-1974.
28,77	(+)10,09,59	172.62	*Depreciation for the year 1973-74 only.
35,02	(+)5,17,54	72.72	*Pro forma* accounts have not been prepared according to the revised procedure *vide* Ministry of Finance Office Memo. No. F. 1(35)-B/71 dated 23-1-1974.
—	(+)4,06	—	*(i) Depreciation for the year 1973-74 only. (ii) *Pro forma* accounts have not been prepared according to the revised procedure *vide* Ministry of Finance Office Memo. No. F. 1(35)-B/71 dated 23-1-1974.
—	(+)67	—	*(i) Depreciation for the year 1973-74 only. (ii) *Pro forma* accounts have not been prepared according to the revised procedure *vide* Ministry of Finance Office Memo. No. F.1(35)-B/71 dated 23-1-1974.

(1)	(2)	(3)	(4)	(5)	(6)
7.	Silver Refinery Project, Calcutta .	(—)35,23,30	59,61	54,46	(+)1,71,74
	MINISTRY OF INFORMATION AND BROADCASTING				
8.	All India Radio .	34,05,26	*Capital Assets* 23,25,03	11,03,99	(+)2,40,71
			Revenue Assets 25,81	*8,05	
9.	Radio Publications, All India Radio .	1,14,23	12	*2	(—)12,55
10.	Films Division .	47,23	39,89	51,72	(—)*74,29
11.	Commercial Broadcasting Service, All India Radio .	60,94	*Capital Assets* 15,04	5,94	(+)3,29,11
			Revenue Assets 6,65	*37	
	MINISTRY OF COMMUNICATIONS				
12.	Overseas Communications Service, Bombay .	18,06,34	9,94,70	*5,11,92	(+)3,03,04

(7)	(8)	(9)	(10)
—	(+)1,71,74	—	Figures for the year 1972-73 have been taken as the *pro forma* accounts for the subsequent years have not been received.
97,42	(+)3,38,13	16.14	(i) Figures for the year 1971-72 have been taken as the *pro forma* accounts for the subsequent years have not been received.
			* (ii) Depreciation for the year 1971-72 only.
33	(—)12,22	—	(i) Figures for the year 1972-73 have been taken as the *pro forma* accounts for the subsequent years have not been received.
			* (ii) Depreciation for the year 1972-73 only.
6,57	(—)*67,72	—	*Before adjustment of notional value on films released for free exhibition.
—	(+)3,29,11	—	(i) Figures for the year 1972-73 have been taken as the *pro forma* accounts for the subsequent years have not been received.
			* (ii) Depreciation for the year 1972-73 only.
70,10	(+)3,73,14	25.39	(i) Figures for the year 1972-73 have been taken as the *pro forma* accounts for the year 1973-74, revised in the light of observations of Audit, are awaited.

(1)	(2)	(3)	(4)	(5)	(6)
	MINISTRY OF SHIPPING AND TRANSPORT				
13.	Lighthouses and Lightships Department . .	11,81,60	10,34,79	1,60,70	(+)12,32
14.	Shipping Department, Andamans .	43,58	56,80	*7,89	(—)80,15
15.	Ferry Service, Andamans . .	7,19	16,58	*2,92	(—)13,40
16.	Marine Department (Dockyard), Andamans . . .	59,92	2,37	*6	(—)2,22

(7)	(8)	(9)	(10)
			* (ii) Represents the depreciation provided up to 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.
7,18	(+)19,50	1.74	(i) Figures for the year 1972-73 have been taken as the *pro forma* accounts for the subsequent years have not been received. (ii) Revised accounts for the year 1973-74 are awaited.
4,47	(—)75,68	—	(i) Figures for the year 1972-73 have been taken as the *pro forma* accounts for the subsequent years have not been received. (ii) Figures are based on the unaudited accounts. *(iii) Depreciation for the year 1972-73 only.
84	(—)12,56	—	* (i) Depreciation for the year 1973-74 only. (ii) Figures are based on the unaudited accounts. (iii) *Pro forma* accounts have not been prepared according to the revised procedure *vide* Ministry of Finance Office Memo. No. F. 1(35)-B/71 dated 23-1-1974.
2,62	(+)40	0.74	*(i) Depreciation for the year 1973-74 only. (ii) Figures are based on the unaudited accounts. (iii) *Pro forma* accounts have not been prepared according to the revised procedure *vide* Ministry of Finance Office Memo. No. F. 1(35)-B/71 dated 23-1-1974.

(1)	(2)	(3)	(4)	(5)	(6)
	MINISTRY OF AGRICULTURE AND IRRIGATION				
17.	Reserve Pool of Fertilisers . .	20,48,13	—	—	(+)13,76,37
18.	Delhi Milk Scheme.	3,13,28	2,72,48	2,88,06	(—)2,21,50
19.	Forest Department, Andamans . .	38,55	42,27	*4,71	(—)59,75
20.	Ice-cum-Freezing Plant, Ernakulam.	**13,78	11,94	10,73	(—)1,66
	MINISTRY OF HOME AFFAIRS				
21.	State Transport Service, Andamans.	1,50	3,95	23,49	(—)7,85

(7)	(8)	(9)	(10)
1,46,98	(+)15,23,35	44.88	Figures for the year 1968-69 have been taken as the *pro forma* accounts for the year 1969-70, revised in the light of observations of Audit, are awaited.
18,07	(—)2,03,43	—	
45,16	(—)14,59	—	*(i) Depreciation for the year 1973-74 only. (ii) Figures are based on the unaudited accounts.
*82	(—)84	—	*(i) Interest on Government Capital was not chargeable as the mean capital works out to a minus figure. **(ii) Government Capital account in the *pro forma* accounts has not been drawn up according to the instructions laid down in the Ministry of Finance Office Memo. No. F. 1(35)-B/71 dated 9-6-1975.
31	(—)7,54	—	(i) Figures are based on the unaudited accounts. (ii) *Pro forma* accounts have not been prepared according to the revised procedure *vide* Ministry of Finance Office Memo. No. F. 1(35)-B/71 dated 23-1-1974.

(1)	(2)	(3)	(4)	(5)	(6)
	MINISTRY OF HEALTH AND FAMILY PLANNING				
22.	Medical Stores Depots.	10,44,33	42,64	10,86	(+)47,53
	MINISTRY OF ENERGY				
23.	Electricity Department, Andamans.	35,93	41,16	*2,58	(—)10,86
24.	Electricity Department, Lakshadweep.	24,19	21,04	4,74	(—)5,19
	MINISTRY OF COMMERCE				
25.	Pathini Tea Estate.	56,51	25,45	7,72	(—)3,89

(7)	(8)	(9)	(10)
37,79	(+)85,32	10.02	Figures for the year 1972-73 have been taken as the *pro forma* accounts for the subsequent years have not been received.
1,76	(—)9,10	—	(i) Figures for the year 1970-71 have been taken as the *pro forma* accounts for the subsequent years have not been received. *(ii) Depreciation for the year 1970-71 only.
1,13	(—)4,06	—	Figures for the year 1971-72 have been taken as the *pro forma* accounts for the subsequent years have not been received.
2,59	(—)1,30	—	(i) Figures are based on the accounts for the calendar year 1973. (ii) *Pro forma* accounts have not been prepared according to the revised procedure *vide* Ministry of Finance Office Memo. No. F. 1(35)-B/71 dated 23-1-1974.

(1)	(2)	(3)	(4)	(5)	(6)
	DEPARTMENT OF ATOMIC ENERGY				
26.	Atomic Power Authority (Tarapur Atomic Power Station) . . .	90,74,61	58,22,61	8,07,37	(—)2,34,13
27.	Rajasthan Atomic Power Station Unit I. . .	60,41,24	56,72,35	*59,08	(—)49,25

(7)	(8)	(9)	(10)
4,15,96	(+)1,81,83	2.09	No accounts of the Atomic Power Authority (other than Tarapur Atomic Power Station), which was declared as "Commercial undertaking" with effect from 1st April 1973, have been received.
91,24	(+)41,99	0.66	*(i) Depreciation for the year 1973-74 (16th December 1973 to 31st March 1974) only. (ii) Figures relate to the period from 16th December 1973 to 31st March 1974.

48. DELHI MILK SCHEME

1. INTRODUCTION

The Delhi Milk Scheme started functioning in November, 1959. The object of the Scheme is to reorganise milk supply in the entire metropolitan areas of Delhi/New Delhi, with a view to increasing milk production by assuring a remunerative market to the milk producers on the one hand, and supplying good and wholesome milk at reasonable prices to the consumers, on the other. The Scheme is a public utility undertaking and is to run more or less on 'no profit, no loss' basis.

The activities of the Scheme for the period ending 31st March, 1969, were reviewed in Chapter VIII (Para 80) of Central Government Audit Report (Civil), 1970. Action taken by Government on the recommendations of the Public Accounts Committee made in its Sixth Report (1971-72, Fifth Lok Sabha) is contained in the Committee's Fifty-Seventh Report (1972-73, Fifth Lok Sabha).

This Review was sent to the Ministry on 11th November, 1975. The comments of the Ministry are awaited (7th January, 1976).

2. ORGANISATIONAL SET-UP

(i) The Scheme functions as a departmental undertaking under the direct control of the Ministry of Agriculture. At the apex level, Government have constituted a Governing Body under the Chairmanship of the Minister of State in the Ministry of Agriculture with the Chairman, Delhi Milk Scheme, as the Member-Secretary.

The Governing Body considers matters of general policy relating to the Scheme, such as procurement and distribution of milk, manufacture of milk products, general pricing policy for milk and milk products, annual budget and review of progress of the Scheme and any matter of general importance which may be referred to the Governing Body by Government.

The Governing Body functions through a Management Committee comprising the Secretary of the Ministry of Agriculture as the Chairman and five other members, one of whom is the Chairman of the Scheme and the other four are officials of the Ministry of Agriculture. The functions of the Management Committee are to provide guidance to the Chairman, Delhi Milk

Scheme, in matters of policy arising out of day-to-day working of the Scheme and take decisions on important matters connected with day-to-day working, matters of major policy required to be placed before the Governing Body and matters of general importance which may be referred to the Management Committee by the Government.

(ii) The Chairman is the Chief Executive of the Scheme and has been vested with powers for carrying out day-to-day functions. He is assisted in his duties by various Departmental Heads who have also been delegated with certain financial powers. The powers delegated to the Chairman *inter alia* include the following :—

(a) Fixation of purchase price of raw milk subject to report to Government and the Management Committee. The quantum of commission payable to the milk contractors is, however, to be fixed by Government.

(b) Direct purchase of stores not covered by the rate/running contracts of the Director General, Supplies and Disposals, to the extent of Rs. 50,000 in each case.

(c) Execution of civil works up to Rs. 20,000 in each case.

(d) Entering into miscellaneous contracts such as, handling contracts, leases, etc. subject to the condition that the expenditure/income does not exceed Rs. 50,000 per annum.

The Governing Body and the Management Committee are required to meet, as often as necessary, but not less than once a quarter. During 1972-73 and 1973-74 and upto January, 1975, the Governing Body had met thrice, that is, on 16-8-1973, 27-9-1973 and 29-10-1973. During the same period, the Management Committee met four times, that is, on 12-5-1972, 23-9-1972, 23-10-1972 and 25-7-1973.

(iii) In the light of the recommendation made in September, 1964 by an Expert Committee appointed by Government, the latter approved in December, 1969 a proposal to convert the Scheme into a statutory corporation. A bill to this effect is yet (November, 1975) to be introduced in Parliament.

3. EXPANSION PROGRAMMES

The main constituent units of the Scheme are :

(a) Milk collection and chilling centres set up for collection of milk and its chilling before transportation to the Central Dairy.

(b) Central Dairy for processing of pasteurised milk and manufacture of milk products e.g. ghee, butter, ice cream, etc.

(c) Milk booths for distribution of milk.

The following is the broad classification of plant and equipment in the milk collection and chilling centres and the Central Dairy :—

Milk collection and chilling centres

(a) Storage tanks.

(b) Chilling equipment.

Central Dairy

(a) Storage tanks for raw milk.

(b) Processing equipment (*e.g.* pasteurisers, homogenisers, etc.) for production of pasteurised milk.

(c) Blending tanks for reconstituting/recombining milk with fat and skimmed milk powder.

(d) Bottling line.

(e) Cold Storage for milk and milk products.

(f) Plant and equipment for manufacture of milk products.

(g) Milk tankers and milk vans for collection and distribution of milk.

The initial capacity of the Central Dairy was for processing 2.55 lakh litres of milk per day. In 1966, Government approved the expansion of this capacity (known as first phase expansion) to three lakh litres per day, by providing the following items of equipment and facilities :—

(a) Additional milk storage tanks.

(b) Expansion of the capacity of ghee and butter sections and provision of cold storage facilities for ghee and butter.

(c) Installation of spray drier skimmed milk powder plant and equipment for production of casein.

While initiating the proposal for second phase expansion in October, 1969, it was stated by the Ministry that a part of the equipment under the first phase expansion programme had already been installed to permit expansion of the capacity of liquid milk handling and other related sections and that installation of the remaining equipment was expected to be completed by the end of 1969. It was further mentioned that the expanded capacity was expected to be fully utilised shortly and, considering that the Scheme's milk procurement situation was much more assured, it was necessary to expand the capacity of the Central Dairy to 4.35 lakh litres per day by providing additional equipment in certain section. It was envisaged that, on completion of second phase expansion, the Scheme would;

(a) handle 3.75 lakh litres of liquid milk per day and utilise 0.60 lakh litres of milk for production of butter, ghee, etc.; and

(b) earn a profit of about Rs. 32.40 lakhs on the basis of the existing margin between the cost of production and the selling price.

Based on the above proposals, Government approved in December, 1969 the second phase expansion of the Scheme at an estimated capital cost of Rs. 118.52 lakhs (including civil works of the value of Rs. 29.05 lakhs).

In February, 1971, an expert of the National Dairy Development Board also conducted a detailed survey with a view to examining the additional facilities required in the existing dairy for augmentation of daily through-put with skimmed milk powder and butter oil to be available under the World Food Programme Project No. 618 ('Operation Flood'). In order to achieve this object, the expert recommended additional equipment and facilities over and above those already sanctioned in December, 1969 for handling 3.75 lakh litres of milk per day. In August, 1971, Government accepted the above recommendation and sanctioned procurement/installation of additional equipment and facilities at a total estimated outlay of Rs. 66.80 lakhs. Out of this, machinery/equipment worth Rs. 27 lakhs (including Rs. 6.73 lakhs on account of spares and service charges) were to be procured by the Scheme through the Indian Dairy Corporation under 'operation flood'. This programme also formed part of the second phase expansion.

In connection with the implementation of above referred expansion programmes, the following aspects are relevant :—

First phase expansion

(i) The data relating to estimated capital outlay and the actual expenditure incurred there-against together with the schedule, if any, drawn up for completion were not available. The Management, while intimating in November, 1974 the approximate dates of commissioning of various items of equipment and machinery, stated that the handling capacity of the Central Dairy had been increased with effect from April, 1969 onwards when the Scheme commenced distributing, more or less, 3 lakh litres of milk per day.

According to the information furnished by the Management in November, 1974 and subsequently, the dates of installation of various equipment and facilities were as follows :—

Sl. No.	Equipment/ facility	Date of installation/ commissioning
1.	10 storage tanks of 15,000 litres capacity each.	December, 1969
2.	4 storage tanks of 30,000 litres capacity each.	February, 1973
3.	Ghee and butter sections.	March, 1971
4.	Spray drier skimmed milk powder plant.	The plant was installed in December, 1972 but was commissioned in February, 1975. The commissioning was held up for want of sufficient quantities of milk.
5.	Casein-plant.	January, 1973
6.	Cold storage for ghee and white butter.	June, 1972 and December, 1972
7.	Cold storage for table butter.	December, 1974

(ii) As against the target of distribution of 3 lakh litres of milk per day envisaged under the first phase expansion, the actual average distribution of milk per day was 2.57 lakh litres in 1969-70, 2.64 lakh litres in 1970-71 and 2.76 lakh litres in 1971-72. Similarly, the enhanced capacities of ghee and butter sections, etc. remained substantially un-utilised (for details please refer paragraph 4.2.2).

Second phase expansion

(iii) Neither any detailed schedules for completion and commissioning of the various items of work were drawn up by the Management nor were the figures of actual expenditure against the sanctioned estimates available.

(iv) The Memorandum for the second phase expansion put up to the Expenditure Finance Committee had envisaged that works connected with the Central Dairy would be completed by December, 1970 and that benefits to the consumers would commence in the early part of 1971. A review of the progress made in this regard, however, indicated the following features :—

(a) The majority of the items were acquired/installed/commissioned from 1973-74 to July, 1975.

(b) The items mentioned below were not acquired/executed :—

Item	Value (Rupees in lakhs)
(*i*) Equipment for 5 milk collection and chilling centres .	28.85
(*ii*) Airconditioning unit for butter oil storage . . .	8.00
(*iii*) Pipe fittings.	1.66
(*iv*) Civi works for 7 milk collection and chilling centres	21.00
(*v*) Civil works for Washing-bay, service station for vehicles, addtional butter oil melting room, extention of loading dock, roofing of scrap yard, racks in deep freeze cold store and relaying of sewer system	6.19
Total	65.70

(c) The following items, though installed/acquired, have not been commissioned/utilised so far (November, 1975) :—

Item	Date of installation etc.	Value (Rupees in lakhs)
(*i*) Steam generators . .	September, 1973	4.00
(*ii*) Ammonia compressor .	Not available	2.25
(*iii*) Metergauge rail milk tankers . . .	January, 1971 to July, 1971	15.00
(*iv*) 750 KVA transformer .	Not available	0.50
	Total	21.75

(d) Against 250 milk booths planned under the expansion scheme, only 142 booths were completed and taken over up to July, 1975.

(e) 2 items of civil works of the value of Rs. 1.78 lakhs were still (July, 1975) in progress.

The Management assigned (November, 1974) the following general reasons for the delay in the implementation of second phase expansion :—

(a) procedural delays in obtaining Government sanctions and formalities involved in the award of works by the Central Public Works Department and purchase of machinery and stores through the Director General, Supplies and Disposals.

(b) Involvement of three different agencies *viz.*, the Central Public Works Department, the National Dairy Development Board and the Director General, Supplies and Disposals, in the execution of the project.

(c) Accomplishment of the task without dislocating the normal functioning of the Scheme even for a day.

(v) The anticipations relating to procurement of additional quantities of raw milk so as to attain the capacity of 4.35 lakh litres (3.75 lakh litres in the form of liquid milk and 60,000 litres of milk in the form of ghee, butter, etc.) of milk per day have not materialised so far (November, 1975). In fact, it will be seen from the details given in paragraph 4.1.2 that the procurement of raw milk was constantly on the decline even with reference to the level obtained in 1969-70. Consequently, the projections of profitability envisaged under the expansion programme could not also be attained.

4. PERFORMANCE APPRAISAL

4.1 Milk procurement

4.1.1. *Source.*—The Scheme does not have a cattle dairy of its own and procures raw milk from contractors and producers for processing into pasteurised milk and milk products. The milk shed area of the scheme has not been defined/notified by Government so far (November, 1975). Its traditional sources of raw milk are Meerut and Bulandshahar districts in Uttar Pradesh, Gurgaon and parts of Rohtak and Karnal districts in Haryana, and Bikaner and parts of Alwar and Bharatpur districts in Rajasthan (*i.e.* the areas outside the territory of Delhi).

Procurement of milk is through the agency of contractors and the cooperatives of milk producers except in the case of Bikaner where milk is collected by the Scheme itself. The milk contractors are middlemen who collect milk from the producers. Both the contractors and the cooperatives deliver milk at milk collection and chilling centres set up by the Scheme (*vide* details given in Paragraph 4.1.5). Raw milk is accepted at the milk collection and chilling centres on the basis of its fat and solids-not-fat content and, after chilling, is transported therefrom to the Central Dairy. The milk procured in the Bikaner district is frozen and then transported to the Central Dairy by road; there being no chilling centre at Bikaner.

The Scheme also obtained condensed milk from the Mehsana District Cooperative Milk Producers Union, Gujarat during the period from 1968-69 to November, 1973. Thereafter, the latter discontinued the supplies on account of their other commitments.

cent of the quantity required to be supplied in the flush season (from November to March).

(ii) Furnishing of security deposits for due performance and the cans supplied by the Scheme.

(iii) Levy of penalties on an ascending scale in the event of short supplies.

The cooperative societies are exempt from payment of security deposits and levy of penalties and are also paid commission of rupee one over and above the rate payable to the contractors.

Although detailed records are maintained by the Scheme to indicate the extent of default made in the supplies of milk by each contractor and cooperative society on day-to-day basis, the Scheme has not compiled statistics relating to overall short-fall with reference to the overall contractual commitments. A test check of the supplies made by certain contractors in Bulandshahar and Meerut districts of Uttar Pradesh and Gurgaon District of Haryana during 1973 indicated the following position in this regard :—

(i) While the contractors of Bulandshahar and Meerut having commitments to supply ten or more than ten quintals per day fulfilled their commitments to the extent of 77.8 per cent and 42.2 per cent respectively, those having agreed to supply less than ten quintals per day over-fulfilled the contractual commitments.

(ii) The fulfillment of commitment in respect of contractors of Gurgaon was 101.3 per cent for those having agreed to supply ten quintals or more per day and 92.6 per cent for suppliers with commitment of less than ten quintals per day.

(b) The procurement of milk in the flush season (from November to March) was also below the daily handling capacity of 3 lakh litres as indicated below :—

Year	Average procurement per day (In lakhs of litres)
1970-71	2.21
1971-72	2.10
1972-73	1.99
1973-74	1.01
1974-75	2.64

(c) The Scheme does not compile statistics relating to the procurement of milk area-wise and agency-wise. The information compiled by the Management at the instance of Audit indicated the following position :—

Area-wise overall procurement

(Quantity in lakh quintals)

Area	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75
Bikaner (Rajasthan) .	0.07	0.20	0.50	0.35	0.13	0.48
Bulandshahar (U.P.) .	1.48	1.48	1.31	1.57	0.55	1.45
Gurgaon (Haryana) .	2.75	2.52	2.37	1.98	0.93	1.14
Karnal (Haryana) .	0.15	0.03	0.01	Procurement discontinued w.e.f. September, 1971		
Meerut (Uttar Pradesh)	2.75	2.29	1.99	1.96	1.07	1.68
Mathura (Uttar Pradesh) . . .	Departmental procurement commenced with effect from 1974-75					0.09
Sonepat (Haryana) .	-do-					0.03
State Agencies .	-do-					0.39
Private Agencies .	-do-					0.38
TOTAL .	7.20	6.52	6.18	5.86	2.68	5.64

Notes:— 1. At Bikaner, Mathura and Sonepat, procurement is made by the Scheme departmentally. The procurement at Karnal is through cooperatives.

2. The figures for 1969-70 to 1973-74 do not include the data relating to supply of condensed milk from Mehsana.

Agency-wise

(Quantity in lakh quintals)

Year	Gurgaon				Meerut			
	Contractors		Cooperatives		Contractors		Cooperatives	
	No.	Quantity	No.	Quantity	No.	Quantity	No.	Quantity
1969-70 .	N.A.	2.70	N.A.	0.05	N.A.	2.61	N.A.	0.14
1970-71	120	2.41	19	0.11	77	2.17	5	0.12
1971-72 .	120	2.18	48	0.19	186	1.94	15	0.05
1972-73 .	89	1.70	29	0.28	141	1.91	12	0.05
1973-74 .	N.A.	0.86	N.A.	0.07	N.A.	1.05	N.A.	0.02
1974-75 .	N.A.	1.14	N.A.	0.004	N.A.	1.66	N.A.	0.02

NOTES :—1. The number of contractors and cooperatives in respect of Bulandshahar together with the quantities procured from these agencies separately were not compiled by the Management.

2. The data relating to number of contractors and cooperatives for 1969-70, 1973-74 and 1974-75 had also not been compiled.

The following facts emerge from the details given above :—

(i) The bulk of the supplies of raw milk is procured through the agency of contractors; supplies through cooperative societies formed an insignificant proportion of the total milk procured. Similarly, departmental procurement of milk was also negligible in 1969-70, 1970-71 and 1973-74.

(ii) Supplies through contractors in Meerut district of Uttar Pradesh and Gurgaon district of Haryana showed constant decline in 1970-71 to 1973-74 over the data for 1969-70. However, there was some improvement in supply of milk during 1974-75.

(iii) Overall procurement of milk from Bulandshahar district of Uttar Pradesh declined sharply to a level of 0.55 lakh quintals in 1973-74 as compared with the range of 1.31 lakh quintals to 1.57 lakh quintals procured during 1969-70 to 1972-73 and 1974-75.

(iv) There was improvement in overall procurement of milk from Bulandshahar (Uttar Pradesh), Gurgaon (Haryana), Meerut (Uttar Pradesh) and Bikaner (Rajasthan) in 1974-75 over the figures for 1973-74.

(d) Up to January 1973, the Scheme was collecting data relating to the market prices of milk and milk products through its milk collection and chilling centres. Thereafter, the data are, however, being collected from the Directorate of Economics and Statistics, Department of Agriculture, New Delhi and the Bureau of Economics and Statistics, Delhi Administration.

The procurement prices paid by the Scheme ranged between Rs. 90 and Rs. 104 per quintal in 1971-72, between Rs. 95 and Rs. 110 per quintal in 1972-73, between Rs. 100 and Rs. 133 per quintal in 1973-74 and between Rs. 146 and Rs. 160 per quintal in 1974-75.

The Management stated to Audit in May, 1975 that the private factories were paying more than Rs. 15 to 20 per quintal to the milk suppliers over and above the basic purchase price of the Scheme.

4.1.4. *Measures adopted to step up procurement of raw milk.*—In paragraph 3.33 to 3.36 of its Sixth Report (1971-72), the Public Accounts Committee had *inter alia* recommended for taking appropriate measures to step up procurement of raw milk. The Ministry, while accepting the above recommendation, apprised the Committee of certain measures adopted in this regard *vide* paragraph 1.17 of the Committee's Fifty-Seventh Report (1972-73). In November, 1974, the Management also intimated to Audit the details of [illegible]asures taken to augment the availability of milk for the Sc[illegible] An appreciation of the measures intimated by the Man[illegible]ent is made below :—

Description of the measures	*Impact*
1. Government is considering the legal and administrative measures to prevent diversion of milk from the milk shed area of the Scheme to the product factories.	The measures are still (Nov., 1975) under consideration.
2. In accordance with the provision made under the World Food Programme Project No. 618(Operation Flood), the State Governments concerned with the Scheme's milk procurement area *viz.*, Rajasthan, Uttar Pradesh, Haryana and Punjab were requested to commence bulk supplies of milk to the Scheme.	This request was made during November, 1973 to January, 1974 by the Scheme, State agencies of Haryana, Rajasthan and Uttar Pradesh supplied 0.09 lakh quintals, 0.13 lakh quintals and 0.16 lakh quintals of milk respectively during 1974-75.
3. (*a*) The milk procurement policy was rationalised and liberalised to encourage increased supplies of milk to the Scheme. (*b*) Increase in the average annual purchase prices of milk by 25 per cent to 30 per cent in 1974-75.	The rationalisation and liberalisation relate to the fixation of procurement prices after taking into account not only market rates but also prices of feed, fodder, etc., increase in the commission payable to the contractors and cooperatives, reduction in security deposits of the contractors, introduction of slab system of penalty as against the uniform rate and refund of penalty in case shortfall was made good. The impact of these measures could not be assessed in audit for want of data relating to default in supplies, etc. made by contractors/cooperatives in 1974-75.

Description of the measures	*Impact*
4. Special incentives and concessions to encourage formation of more cooperatives in the Scheme's milk shed area.	These refer to payment of higher rate of commission to the cooperatives, fixation of the percentage of supplies in lean season at a rate lower than that applicable to contractors, non-deposit of security, etc. In the absence to data relating to milk supplied by the cooperatives in 1974-75, the effectiveness of this measure could not be assessed.
5. Formulation of a special scheme for cattle development and dairy extension in the milk shed area of Scheme to be financed from the funds generated under World Food Programme Projects 233 and 348.	This refers to the utilisation of funds aggregating Rs. 53.97 lakhs payable by the Scheme to Government for the supply of skimmed milk powder under projects 233 and 348. The original scheme sanctioned in september, 1970 for the utilisation of these funds was not implemented and a revised scheme was drawn up in April, 1972. This was formally sanctioned by Government in January, 1975 and aims at additional procurement of 40,000 litres of milk per day. The scheme is yet (November, 1975) to be implemented.
6. Promulgation of the Delhi, Meerut and Bulandshahar Milk and Milk products Control Order 1974 with effect from Ist April, 1974.	In earlier years, the manufacture and export of milk and milk products out side the notified areas was prohibited from middle of May to middle of July. This period was extended under 1974 Order from 1st April to 31st July. Further, ban on export of milk out of the notified areas was extended to 31st December, 1974. It is not possible to quantify the increase in supplies as a result of implementation of 1974 Order alone.
7. Commencement of departmental procurement of milk, on a large scale, from the fresh areas.	The fresh areas of milk tapped during 1974-75 were Mathura (Uttar Pradesh) and Sonepat (Haryana). The total milk procured from these areas during 1974-75 was only 9166 quintals and 2662 quintals respectively.

4.1.5. *Milk collection and chilling centres.*—The Scheme has established since its inception 22 centres, each having a handling capacity of 150 quintals of milk per day, for collection and chilling of raw milk. Out of these, 7 centres (Bahadurgarh, Alipore, Najafgarh, Bawana, Sonepat, Kharkhoda and Sampla) were closed between January, 1965 and September, 1971 on account of uneconomic operation and non-availability of milk. While total capital expenditure incurred on the plant and machinery of these centres was Rs. 17.43 lakhs (depreciated value not available), the expenditure incurred on the land and buildings and other ancillary works was not known. The remaining 15 centres (*viz.,* Baghpat, Ballabgarh, Dadri, Dankaur, Gulaothi, Kama, Kithore, Massuri, Muradnagar, Niwari, Palwal, Pilana, Pilkhuwa, Sardhana and Sohna) were functioning on 30th November, 1974.

In this connection, the following aspects are relevant :—

(i) The Public Accounts Committee in paragraph 3.37 of its Twenty-Seventh Report (1967-68) had recommended that the Management should find alternative avenues of utilising the buildings and machinery of the closed centres. A Committee of officers was constituted on 14th September, 1974 by the Management to submit a Report regarding items of machinery and equipment already transferred from these centres and the items still lying in the centres together with the recommendations for their transfer or disposal. The committee submitted its Report on 21st September, 1974. The Report as well as the report on action taken thereon were called for in October, 1974 but are still (November, 1975) awaited.

(ii) Out of 15 running centres, Sohna worked to capacity during 1971-72 to 1973-74, Palwal in 1971-72 and 1972-73 and Muradnagar in 1971-72. The capacity of other centres remained under-utilised between 3.19 per cent and 92.57 per cent in 1971-72, between 17.69 per cent and 92.30 per cent in 1972-73 and between 44.17 per cent and 98.16 per cent in 1973-74.

Even on the basis of utilisation of capacity in the flush season, it was observed that six centres (Sohna, Palwal, Pilana, Dadri, Muradnagar and Dankaur) in 1971-72, three centres (Sohna, Palwal and Muradnagar) in 1972-73 and only one centre (Sohna) in 1973-74 worked to capacity. The capacity of other centres remained under-utilised between 26.1 per cent and 92.2 per cent in 1971-72, between 25.8 per cent and 86.3 per cent in 1972-73 and between 42.1 per cent and 94.9 per cent in 1973-74.

(iii) The average quantity of milk handled per man per day at all the centres taken together declined from 11.92 quintals in 1969-70 to 3.78 quintals in 1973-74. Taking into account the data for the flush season only, the quantity handled per man per day came to 14.70 quintals in 1969-70 and 5.79 quintals in 1973-74. The Management stated (November, 1974) that the deployment of staff at centres was being arranged on the basis of norms fixed in September, 1974. The details of redeployment of staff actually carried out in accordance with these norms are, however, awaited (November, 1975).

4.1.6 *Sourage of milk*.—The table below indicates the procurement of milk and sourage of milk during the last four years :—

(Quantity in lakhs of litres)

Year	Total procurement of milk	Sour milk	Percentage of sour milk to total procurement of milk
1971-72	632.19	26.98	4.3
1972-73	580.17	29.29	5.05
1973-74	284.77	28.38	9.9
1974-75	546.73	54.33	9.9

The sourage of milk was higher in the winter season as compared to the lean season during 1971-72, 1972-73 and 1974-75.

The Management stated (November, 1974) that sourage was due to prolonged interruptions in power supply at milk collection and chilling centres and breakdown of vehicles, etc.

4.1.7. *Working of Bikaner Centre.*—The table below indicates the procurement of cow's milk from Bikaner Centre, the average procurement per day, loss of fat and milk in transit and the handling cost on collection and transportation of milk to the Central Dairy, for the years 1971-72 to 1973-74 :—

	1971-72	1972-73	1973-74	1974-75
Total procurement during the year (in lakhs of Kgs.) .	50.32	35.38	12.71	47.82
Average procurement per day (in lakhs of Kgs.) . .	0.138	0.096	0.034	0.131
Average loss of fat in transit (percentage) . . .	4.00	4.47	2.69*	N.A.
Average loss of milk in transit (percentage) . . .	2.76	2.12	N.A.	N.A.
Average handling cost per kg. (in paise)	14.5	19.9	45.00	N.A.

*Up to October 1973 only.

The following observations are made on the working of the Bikaner centre :—

(a) In reply to paragraph 3.85 of the Public Accounts Committee's Twenty-Seventh Report (1967-68), the Ministry had stated (November, 1968) that lean procurement of nearly one lakh litres of cow milk per day could be built up in this area and action for setting up a balancing station (mainly for chilling and storage) within two years to handle this quantum was in hand. These anticipations have not, however, materialised so far (November, 1975).

(b) Due to constant downward trend in procurement of milk from Bikaner, the handling cost per Kg. of the milk procured rose steeply up to 1973-74, thereby adversely affecting the economical working of the centre.

(c) The losses of fat and milk in transit from Bikaner centre to the Central Dairy were much higher than those sustained in other centres, as per details given below :—

Year	Average loss of fat in transit		Average loss of milk in transit	
	Bikaner centre	Other centres	Bikaner centre	Other centres
1971-72 . . .	4%	0.73%	2.76%	0.08%
1972-73 . . .	4.47%	0.79%	2.12%	0.14%

The Management stated (November, 1974) that a Committee of officers had been appointed to go into the question of handling and transit losses for Bikaner milk. The report of the Committee is awaited (November, 1975).

(d) In January, 1968 the Management Committee of the Scheme decided to sell milk to Rajasthan Go Seva Sangh, Bikaner on the basis of procurement price plus 21.5 paise per litre to cover the handling charges (excluding overheads) for distribution in Bikaner city on no profit no loss basis. As the cost of handling the milk at Bikaner (excluding overheads) was higher than the rate of 21.5 paise per litre, the Scheme suffered a loss of Rs. 0.91 lakh on the sale of milk to Sangh during the period from April, 1969 to December, 1973.

4.2. **Processing**

4.2.1. *Process for the production of pasteurised milk.*—The Scheme in the past supplied liquid pasteurised milk of various grades *viz.*, standard milk with 5 per cent fat content (4.5 per cent from 10th October, 1971), cow milk with fat content ranging from 3.6 to 5 per cent, toned milk with 3 per cent fat content and double toned milk with 1.5 per cent fat content. With effect from 5th November, 1973, however, only special toned milk with 3.5 per cent fat content and double toned milk with 1.5 per cent fat content is being supplied. The solids-not-fat content of special toned milk is 8.5 per cent and that of double toned milk 9 per cent.

Raw milk has an average fat content of 6.5 per cent and solids-not-fat content of 9 per cent. Raw milk received at the Central Dairy is pumped into raw milk storage tanks. Depending upon the quantum of raw milk available and the commitment to supply different grades of pasteurised milk, decision is taken to add skimmed milk powder to make good the solids-not-fat content and butter oil/white butter to make up the fat content. For this purpose, re-constituted skimmed milk is prepared with skimmed milk powder and water, and white butter/butter oil is added thereto to make it re-combined milk. The re-constituted skimmed milk or re-combined milk is then added to the raw milk to prepare the required grade of liquid milk. Raw milk, re-constituted skimmed milk and re-combined milk are pasteurised in the pasteurisers before being pumped to the blending tanks. Milk in the blending tanks is tested as to fat and solids-not-fat content and then pumped to the bottling line for bottling. Bottled milk is sent to the cold storage for distribution.

4.2.2. *Product-mix and utilisation of capacity.*—The Scheme's main product is bottled milk. The Scheme is also equipped to produce ghee, table butter, roller dried milk powder, casein, ice-cream and sterilised flavoured milk. The output of these items during the last five years is given below :—

(Figures in lakhs)

Milk Products	1970-71	1971-72	1972-73	1973-74	1974-75
Milk (in litres) .	1,003.21	1,058.34	1,098.34	1,086.73	1133.18
Ghee (in Kgs.) .	3.07	3.59	6.74	0.18	5.66
Table butter (in Kgs.) . .	1.16	0.90	0.41	0.07	0.51
White butter (in Kgs.) . .	6.72	8.86	13.35	3.50	10.37
Butter milk powder (in Kgs.) . .	2.63	3.19	2.51	1.68	1.60
Sterilised milk (Number of bottles) . . .	0.82	0.86	1.47	2.08	6.46
Casein (in Kgs.) .	Nil	Nil	0.04	0.04	0.07
Ice-cream (number of cups and bars) .	0.69	0.74	0.77	1.07	0.80

In this connection, the following observations are made :—

(a) Out of the total turnover of Rs. 12.29 crores in 1972-73 and Rs. 11.85 crores in 1973-74, the sale value of liquid milk was Rs. 11.11 crores (approx.), and Rs. 11.58 crores (approx.) respectively. The sale of ghee, butter and other products thus constituted about 9.6 per cent and 2.3 per cent during 1972-73 and 1973-74 respectively.

(b) The Scheme does not work out the cost of and contribution by different products in formulating its product pattern.

(c) While quantum of milk processed in 1973-74 was marginally lower than that of 1972-73, the production of ghee, butter and butter milk powder in 1973-74 showed a steep decline owing to inadequate supplies of raw milk. The production of milk, ghee and butter, however, picked up in 1974-75.

(d) As mentioned in paragraph 3, the processing capacity of the Central Dairy was to increase from 3 lakh litres per day to 3.75 lakh litres per day on completion of second phase expansion.

Although all the essential equipment to handle 3.75 lakh litres of milk per day have been installed by 1974-75, the existing capacity is reckoned by the Management at 3 lakh litres per day only. The actual processing during 1970-71 to 1974-75 was 2.75 lakh litres, 2.90 lakh litres, 3.01 lakh litres, 2.97 lakh litres and 3.10 lakh litres per day respectively.

(e) The capacity of bye-product plants was grossly underutilised, as per details given below :—

Name of Plant	Rated capacity per day	Percentage of capacity utilised				
		1970-71	1971-72	1972-73	1973-74	1974-75
Butter Manufacturing Plant . .	4000 kgs. per day	52.1	68.6	94.2	24.5	74.54
Ghee Manufacturing Plant . .	8000 kgs. per day	10.5	12.3	23.0	0.63	19.40
Casein Plant	750 kgs. per day	Nil	Nil	1.6	1.6	2.44
Ice-cream Plant	57,60,000 cups and bars per year	1.20	1.30	1 34	1.86	1.41

(f) It was noticed that, on account of low procurement, generally the quantum of fat in the raw milk was less than the quantity of fat required for preparing the pasteurised milk, on an overall basis. This shortfall is made good by use of butter oil. In spite of this phenomenon, it was noticed that in 1972-73 and 1974-75 there was large scale diversion of fat in the raw milk for the manufacture of ghee and in its place butter oil was used for producing the pasteurised milk. Comparative economics (including foreign exchange implications) of the substitution of fat in raw milk by butter oil in the production of pasteurised milk and use of fat in the raw milk for production of ghee had not been worked out by the Management.

It was explained (July, 1975) by the Management that the main reason for this diversion was sufficient quantity of butter oil, which had to be consumed on priority basis to avoid spoilage. It may be mentioned, in this connection, that the Scheme had not installed the air conditioning unit for butter oil storage provided in the second phase expansion at an estimated cost of Rs. 8 lakhs (refer paragraph 3). Had this been done, the problem of spoilage, if any, might not have arisen.

4.2.3. *Processing efficiency*

(i) **Loss of fat in processing at the Central Dairy.**—Non-fixation of process/transit losses was commented upon in paragraph 80 of Central Government Audit Report (Civil), 1970. In June, 1970, the Management fixed a norm of 1 per cent for loss of fat (from the stage of receipt of raw milk at the Central Dairy to the stage of loading of milk bottles and cans in the milk vans as well as transfer of bye-products to the distribution branch) during the period from April to September and 2.5 per cent from October to March, subject to an overall limit of 2 per cent for the whole year.

In July, 1971, Government decided that accounts be maintained separately at the Central Dairy of milk handled for fluid consumption and of fat utilised for milk and milk products. Subject to this, the norm for handling losses was fixed at 1 per cent for milk handled, and for fat at 2 per cent of fat utilised with effect from 1st August, 1971.

It will be seen from the data given below that actual fat loss was in excess of the above norms during 1970-71 to 1972-73;—

Year		Norms in terms of percentage fixed by the Scheme/Government	Actual percentage of fat loss	Quantity and value of fat loss in excess of norms (Quantity in Kgs./value in lakhs of rupees)	
				Quantity	Value
1970-71	April to September	1	3.8	64,250	13.01
	October to March	2.5	4.6	54,104	
1971-72		2	4.5	1,26,586	14.03
1972-73		2	4.8	1,50,336	16.94

NOTE:—Value shown in the last column is based on the estimated pooled cost of fat per kg.

The Management attributed (November, 1974) the increase in fat losses to the following factors :—

(a) Increased use of butter oil for reconstitution of milk on account of decline in availability of raw milk.

(b) Progressive decline in the condition and performance of milk handling machinery and equipment due to continuous use.

(c) Leakage of butter oil from tins during transportation.

(d) Sticking of butter oil to the side of the tins, while pouring out in the hoppers.

The Management have, however, stated (November, 1974) that a more efficient system for handling of butter oil was being arranged which would reduce losses to some extent.

The maintenance of fat utilisation account has been dispensed with from December, 1973 onwards on account of paucity of staff according to Management. An exercise was made in Audit to find out the overall fat available in raw milk and butter oil and its utilisation in 1973-74 and 1974-75. On this basis, the fat which remained to be accounted for, represented 6.5 per cent approximately of the total fat available in 1973-74 and 7.8 per cent in 1974-75, as per details given below :—

	1973-74	1974-75
	(In lakh Kgs.)	
Fat available in raw milk, butter oil, etc.	42.22	50.04
Fat utilised in the production of pasteurised milk and milk products	39.47	46.10
Fat remaining unaccounted for	2.75	3.94

NOTE :— Fat in raw milk has been computed on the basis of average fat content of 6.5 per cent in buffalo milk and 4 per cent in cow milk.

(ii) **Loss of milk in processing at the Central Dairy.**—As against the norm of 1 per cent fixed by Government in July, 1971 and effective from 1st August, 1971, the overall actual handling loss of all grades of milk was stated to be about 1.5 per cent in 1970-71 and 1971-72, 2.07 per cent in 1972-73 and

3.05 per cent in 1973-74. The increasing percentage of loss was attributed by the Management to the decline in the condition and performance of the plant and equipment.

(iii) **Ineffective control over losees of fat and milk in process.**—The following observations are made on norms and determination of loss of fat and milk in process :—

(a) Norms have not been fixed stage-wise (*e.g.* separately up to the bottling stage and from bottling to handling/loading in vans in respect of milk) nor separately for milk and milk products in respect of fat, with the result that areas of excessive loss were not identifiable to take suitable remedial action.

(b) In the absence of determination of stagewise losses both in regard to milk and fat, the loss of fat exhibited represented only the difference between the total quantity of fat available and the quantity utilised in the manufacture of milk products and pasteurised milk taken together. Similarly, losses of milk represented the difference between the calculated production based on the intake of various types of milk and ingredients such as, skimmed milk powder and butter oil and the quantities released for distribution.

(c) The accountal of inputs for processed milk suffered from the following shortcomings :—

(1) Water for reconstitution was taken through flow meters which were subject to considerable variations.

(2) As the storage tanks were not calibrated and the flow rate was not constantly maintained, the quantity of raw milk drawn for processing into pasteurised milk was shown according to the rated capacity of the plants, which was likely to vary from the actual intake.

As the theoretical inputs formed the basis for computing the output in terms of the standard formulae, the authenticity of the figures of output could not be verified.

(d) Production of milk products commences after intake of cream from the milk-processing unit. Although the accounts indicated the intake of cream and the yields obtained, there was no weighment of cream before it was handed over to the Product Section and the intake was calculated on the basis of the rated capacity of the plant for separation of cream. The Management could not, therefore, ascertain the actual yield of fat from cream and the extent to which it varied from the standard yields with a view to taking proper remedial action.

(iv) **Loss of fat in the milk received back from the Milk Depots, All Day Milk Stalls, etc.**—It will be seen from the data given below that the fat losses in the milk received back from depots, etc. had been on the increase during the period from 1970-71 to 1973-74 (up to October, 1973) :—

Year	Total quantity of fat returned (Kgs.)	Quantity of fat lost (Kgs.)	Percentage of fat lost
1970-71	68,496 .	5,083	7.4
1971-72	59,486	5,024	8.4
1972-73	32,683	3,612	11.05
1973-74	9,499	1,120	11.9

The Management stated in July, 1974 that retrieval of fat from returned milk was affected by aging of milk in bottles and that the percentage loss of fat was high partly on account of handling of smaller quantities of returned milk and partly on account of malpractices by the drivers, mates, etc. who sometimes tampered with the quality of the milk returned.

(v) **Omission to convert sour skimmed milk into butter-milk powder with a view to fetch higher unit realisation.**—Although the quantity of sour skimmed milk available with the Scheme had been much less than the capacity (18,000 litres per day) of the Milk Drying Plant, yet large quantities of sour skimmed milk were disposed of by the Scheme as such and not converted into butter-milk powder.

As the sale of butter-milk powder fetches a higher unit realisation, the Scheme suffered a loss of revenue of Rs. 2.62 lakhs on 6,69,154 kgs. of sour skimmed milk sold as such during the period from July, 1972 to March, 1974. The data for the earlier period were not available.

The Management gave (November, 1974) the following reasons for selling sour skimmed milk in liquid form :—

(a) Receipt of sour milk in excess of the available capacity of the Drying Plant on some occasions.

(b) Break-down or failure of the Milk Drying Plant.

(c) Non-availability of steam due to coal shortage or failure of boiler plants.

No data were seem to be available with the Management in support of the above contention.

(vi) **Breakage of bottles.**—Against the norm of 1 per cent for breakage of bottles, the actual breakage of bottles during the period from 1969-70 to 1974-75 had been constantly in excess of the norm and showed a rising trend from 1970-71 onwards, as detailed below :—

Period	Actual breakage of bottles (Figures in lakhs)	Percentage of breakage in excess of the norm of 1 per cent	Value of excess breakage (Rs. in lakhs)
1969-70	29.44	0.62	5.63
1970-71	20.50	0.08	0.74
1971-72	24.97	0.26	2.51
1972-73	29.50	0.42	4.37
1973-74	31.93	0.56	5.67
1974-75	33.80	0.65	7.94
			26.86

The Management stated (July, 1974) that the excess breakages were due to the progressive decline in the condition and performance of bottling plant and equipment, un-satisfactory condition of flooring and careless handling by the workers, malpractices, pilferages, etc. The Management further stated in November, 1974 that remedial measures as well as action to replace the bottling line had been initiated. It was stated in

May, 1975 that revision of norm from 1 per cent to 1.5 per cent had been taken up with Government.

(vii) **Consumption of utilities.**—No norms have been fixed by the Management for exercising control over the consumption of the following items of utilities. An analysis of the consumption of these items indicated that the consumption thereof varied considerably, *vide* details given below :—

	1969-70	1970-71	1971-72	1972-73	1973-74
Average consumption of steam coal at milk collection and chilling centres per 1 lakh litres of milk chilled . .	2.4 tonnes	2.2 tonnes	1.2 tonnes	1.4 tonnes	3.1 tonnes
Average consumption of chlorine per 1 lakh bottles handled in the Central Dairy .	4.2 Kgs.	5.8 Kgs.	8.4 Kgs.	5.9 Kgs.	4.6 Kgs.
Average consumption of caustic soda per 1 lakh bottles washed	47.9 Kgs.	52.4 Kgs.	62.8 Kgs.	64.1 Kgs.	63.1 Kgs.

4.3. Distribution and sales

4.3.1. *Arrangement for distribution.*—Milk is distributed through a chain of depots located in the various parts of the metropolitan area. These depots are usually manned by students who are appointed as Senior Depot Agents and Depot Agents on part-time basis; the remuneration of a Senior Depot Agent is Rs. 2.25 per day and that of a Depot Agent Rs. 1.15 per day.

For despatch of milk from the Central Dairy to the Depots, the entire complex is divided into a number of routes which are served by a fleet of vans. The maximum load capacity of a van is 300 crates or 6,000 bottles.

The table below indicates the data relating to the number of milk depots, quantity of milk distributed, number of routes operated and the fleet strength of vans during the years 1970-71 to 1974-75 :—

Year	Number of Depots at the end of the year			Quantity of milk distributed per day (in lakh litres)		Total number of routes		Total	Total number of vans as at the end of the year
	Morning	Evening	Total			Morning	Evening		
1	2	3	4	5		6	7	8	9
1970-71 .	516	443	959	2.64	(Inclusive of bulk supplies for which separate figures were not available)	73	45	118	113
1971-72 .	570	451	1021	2.76	—Do—	73	45	118	121
1972-73 .	600	453	1053	2.89	—Do—	77	46	123	123
1973-74 .	625	460	1085	2.89	—Do—	77	46	123	148
1974-75 .	638	465	1103	2.93	—Do—	78	46	124	158

NOTE :—For sale of milk products, the Scheme had 18 All Day Milk Stalls and 1 Milk Bar as on 31-3-1975.

The Management have no compiled data with them relating to total route-kilometres involved, route-kilometres required to be performed per van, the number of depots to be served per van and the actual deployment of vans. In the absence of this information, it could not be examined in Audit whether the fleet strength was appropriate and whether the vans were being utilised effectively.

4.3.2. *Effectiveness of the system of distribution.*—(a) Actual supplies of milk to consumers are made against cash payments on the basis of metal tokens issued by the Scheme, which indicate the number of depot as well as the number of bottles authorised to be drawn. For this purpose, the Scheme maintains a register indicating the tokens issued and the quantity authorised thereon depot-wise. The record so maintained is not, however, up-dated to take into account cancellation, inter-depot transfers, etc. of tokens. As on a particular date, it is not, therefore, possible to ascertain the total number of tokens in circulation with view to gauge the extent of demand represented by these tokens. Again, no exercise was made up to October, 1973 to assess the number of tokens presented for drawal of milk so as to determine the requirement of milk for each depot and ensure, as far as possible, equitable supply of milk to each depot in the context of overall supply.

According to information furnished by the Scheme in March, 1975, the total number of tokens issued by the Scheme was 4,49,860 up to 31st March, 1972, 4,59,201 up to 31st March, 1973 and 4,63,944 up to 31st March, 1974. The surveys conducted by the Scheme in August/September, 1973 and October, 1974, however, placed the number of tokens in circulation at 2,92,778 and 2,70,052 respectively. There was thus wide disparity between the two sets of figures which indicates that assessment of demand for milk as a whole for all the depots as well as for each individual depot was made only on *ad hoc* basis.

The Management have stated (March, 1975) that they were earlier following the practice of determining the requirement of milk of each depot on the basis of indents sent by the Senior Depot Agents which were periodically cross checked by Field Officers. It has further been stated that a system of maintaining depot-wise register indicating the changes in the quota of supply on account of issue of new tokens and cancellation and transfer of existing tokens has been introduced with effect from December, 1974.

(b) There was no regular system of carrying out a check of the unauthorised tokens presented to the depots for drawal of milk. In this connection, the Management have stated (March, 1975) as follows :—

(i) In the past, checking of milk tokens with reference to the ration cards was got conducted through the Assistant Milk Distribution Officers only in case of such depots where complaints about short supply/ mal-distribution of milk were persistent.

(ii) In order to eliminate unauthorised and bogus tokens, an intensive drive was undertaken in the course of last year and a half and, as a result of completion of such checking at 876 depots, 17, 335 unauthorised and bogus tokens had been seized and cancelled. This drive is still continuing.

(c) In order to avoid mal-distribution of milk at depots, the Senior Depot Agents are required to maintain ticklers showing the tokens presented, the quantities authorised and issued. The intention is to eliminate double drawal, irregular drawal on original/duplicate/triplicate tokens. Instructions also exist not to make any sale to non-token holders and to ensure that no token holder is denied milk altogether. The effectiveness of these instructions and the extent to which genuine demand was fulfilled could not be examined in Audit in the absence of relative records required to be maintained in the depots; documents, if any, bearing evidence of inspection of such records were also awaited at the time of finalisation of this Report (November, 1975).

(d) The number of complaints regarding the functioning of milk depots, as furnished by the Scheme, showed that these had gone up by more than 100 per cent in four or five years, as per data given below :—

Year	No. of complaints
1969-70	843
1970-71	986
1971-72	1164
1972-73	1604
1973-74	1705
1974-75	1876

The complaints related broadly to non-supply of milk to the token holders, unauthorised supply of milk to non-token holders, short supply, late opening and early closing of depots, rude behaviour, black marketing, backdoor supply, change of seals between different grades of milk bottles, non-returning of balance money, etc. It was stated that the complaints were investigated by the field officers of the Scheme and necessary action taken.

4.3.3. *Demand satisfaction.*—(a) The requirement of milk in Delhi was estimated by the National Dairy Development Board at 6 lakh litres per day on the basis of 1971 population projection (43.76 lakhs) and 7 lakh litres per day on the basis of 1976 population projection (55.27 lakhs). In 1970-71, the Scheme supplied 2.64 lakh litres of milk per day, which represented about 44 per cent of the demand assessed by the Board in 1970-71.

(b) 1,11,782 applications for issue of new milk tokens were pending with the Scheme as on 31st March, 1975. The age-wise break-up of the applications and the quantum of milk asked for by the applicants has not been compiled by the Scheme. The Scheme has its own system of categorising the applicants for determining the priority for issue of tokens, subject to availability of milk.

4.4. Sale price *versus* cost of production

In paragraph 3.29 of its 27th Report (1967-68—April 1968), the Public Accounts Committee had recommended that Government should evolve a more businesslike procedure for reviewing the sale price of milk *vis-a-vis* the purchase price and overhead charges so that the former could be suitably adjusted to ensure that the Scheme runs on a no-profit no-loss basis, as far as possible.

As actual cost and contribution by each product are not worked out, these do not play any role in determining the product pattern. The table below indicates the sale price as well as estimated cost of the various grades of milk and milk products marketed by the Scheme from 1968-69 onwards, *i.e.* after the recommendation made by the Public Accounts Committee in April, 1968 :—

Grade of milk	Sale price			Estimated cost of production (including cost of procurement)					
	22-2-69	10-10-71	5-11-73	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75
1	2	3	4	5	6	7	8	9	10
			(figures in paise per litre)						
MILK									
Standardised									
5 per cent fat	116	discontinued from 10-10-71	—	not available	113.01	119.20 (up to 9-10-71)	—	—	
4.5 per cent fat (Introduced from 10-10-1971)		116	Supply discontinued from 5-11-1973 and special toned milk introduced	Do.	—	113.71 (From 10-10-71)	114.84	—	
Cow's milk	116	116	Do.	Do.		Not available			
Toned—3 per cent fat	84	84	Do.	Do.	84.47	98.44	99.66	—	
Double toned—1.5 per cent fat	60	60	70	Do.	65.83	84.76	86.02	109.29	128.96
Special toned—3.5 per cent fat	—	—	130	Do.	—	—	—	130.06	153.49

	1970-71	1971-72	1972-73	1973-74	1974-75	1970-71	1971-72	1972-73	1973-74	1974-75
Milk products										
Ghee (Per 1 kg. tin in rupees)	14	14.50 (w.e.f. 24-9-71)	14.50	21 (w.e.f. 5-11-73)	25 (w.e.f. 24-12-74)	11	12.75	13.36	16.58	19.56
Butter (per 100 grammes packet in rupees)	1.30	1.30	1.30	1.90 (w.e.f. 5-11-73)	2.30 (w.e.f. 24-12-74)	0.91	N.A.	1.19	1.43	1.66

In this connection, following observations are made :—

(i) The estimated cost of production of special toned milk, toned and double toned milk was higher than the sale price in all the years. Further, the estimated cost of special toned and double toned milk rose sharply in 1974-75. The data relating to estimated cost of production of cow milk had not been furnished. The Management have stated (November, 1974) that the selling prices of various types of milk and milk products fixed in February, 1969 had not been revised by Government in the interest of the consumers till 5th November, 1973, except for a marginal reduction of 0.5 per cent in the fat content of standardised milk and an increase of the selling price of ghee from Rs. 14 to Rs. 14.50 effected in 1971-72. It may be mentioned, in this connection, that sale prices fixed in November, 1973 were further revised upwards from December, 1974 in respect of ghee and butter.

(ii) Although the Scheme has a Cost Accounts Branch, preparation of cost sheets was discontinued from 1969-70. Instead, estimated cost was being compiled since 1969-70 after taking into account *ad hoc* increases over the cost for 1968-69.

In the absence of compilation of actual cost for each grade of milk and milk products, the authenticity of the estimated cost adopted as the basis for fixation of sale price could not be verified in Audit. It was also noticed that the estimated cost compiled by the Management was under estimated on account of the following factors :—

(a) No periodical review of the estimated cost was made in the light of procurement prices of raw milk which showed continuously an upward trend.

(b) Fat and solid-not-fat content in milk as passed by the Quality Control were higher by an extra margin of 0.1 per cent. This was not taken into account, while working out the estimated cost.

(c) The fat loss in process was taken at 1 per cent, whereas the norm fixed was 2 per cent and the actual loss was still higher.

(d) The estimated solid-not-fat loss in process taken at 1 per cent was much lower than the actual loss.

The Management stated (November, 1974) that proposals sent to Government in 1972 for strengthening the Cost Accounts Section were yet to be sanctioned by the latter and that the work was being managed with the available staff which was inadequate.

4.5. **Idle plant and machinery**

(a) Plant and machinery (details given below) were lying idle as on 30th June, 1975 from the date of acquisition :—

Sl. No.	Description	Year of acquisition	Cost (Rs. in lakhs)	Remarks
1	2	3	4	5
1.	Machinery and equipment for balancing station at Bikaner.	1964	18.36	As mentioned in paragraph 4.1.7, the balancing station at Bikaner is yet (November, 75) to be set up. In addition to the cost of the equipment, an expenditure of Rs. 2.60 lakhs was icurred on acquisition of land and its development.
2.	Automatic recrating and decrating machines.	1965	7.43	These items were also reported in paragraph 80(7) of Central Government Audit Report (Civil), 1970 and commented upon in paragraphs 7.15 to 7.17 of the Sixth Report of the Public Accounts Committee (1971-72). The Management informed Audit in November, 1974 that recrating and decrating
3.	Milk evaporating plant	1963	1.68	
4.	Cheese plant	1965	3.80	

1	2	3	4	5
				machines had been partly damaged by fire in 1971 and that technical experts of the National Dairy Development Board had inspected the machines with a view to utilise/dispose of various parts of the machines. The report of the National Dairy Development Board is awaited (November, 1975).
5.	Rail milk tankers	1970-71 and 1971-72	10.27	Regarding acquisition of tankers refer sub-paragraph (b) below.
	Total		41.54	

(b) *Rail milk tankers*.—In paragraph 4.33 of its Sixth Report (1971-72—July, 1971), the Public Accounts Committee had recommended that, in view of the dwindling procurement of cow milk from Bikaner and the proposal to instal a cheese plant there, Government should make sure of the economies of procuring tankers of 21,000 litres capacity for transport of milk from Bikaner.

In reply to the above recommendation, the Ministry *inter alia* stated [Chapter III, page 46 of Fifty-Seventh Report of the Public Accounts Committee (Fifth Lok-Sabha 1972-73)] that there was adequate justification for procuring 5 rail milk tankers, each of 21,000 litres capacity, for transport of milk either from Bikaner or from Jodhpur or from Mehsana, where adequate milk was available but could not be transported to Delhi for want of rail milk tankers.

The five tankers procured by the Scheme at a cost of Rs. 5.30 lakhs through the Director General, Supplies and Disposals were received between January, 1971 and July, 1971. Owing to the failure of the contractor to fabricate the under frames required for these tankers, the work of fabrication was entrusted in September, 1971 to the Railways at a cost of Rs. 4.97 lakhs as against the contractor's accepted quotation of Rs. 2.31 lakhs.

While the under-frames were under-fabrication, the Scheme informed the Railways in August, 1973 that these would no longer be required as the railway siding at Patel Nagar had not been provided. The Railways did not, however, agree to suspend the fabrication at that late stage. The fabrication of under-frames is yet (November, 1975) to be completed.

In view of the fact that the setting up of a balancing station to step up procurement of milk from Bikaner has not materialised so far (November, 1975) and supplies from Mehsana have stopped with effect from December, 1973, the tankers are unlikely to be utilised.

4.6. **Workshop and Transport equipment**

The Scheme is maintaining two workshops, one for repair and maintenance of vehicies and the other for repair and maintenance of the plant and equipment in the Central Dairy. The staff strength of the Transport and Central Dairy Workshops, as on 31st March, 1974, was 134 and 155 respectively.

The total expenditure incurred on maintenance of dairy plant and equipment and transport vehicles for the years 1969-70 to 1973-74 was as follows :—

(Rupees in lakhs)

	1969-70	1970-71	1971-72	1972-73	1973-74
(*i*) Maintenance of dairy plant and equipment	3.49	4.89	5.07	6.98	9.80
(*ii*) Maintenance of transport vehicles	Expenditure was not booked separately		11.88	9.08	13.60

In this connection, the following observations are made :—

(a) As on 31st March, 1974, the Scheme had a fleet of 21 road milk tankers and 148 vans for transportation of milk from milk collection and chilling centres to the Central Dairy and from Central Dairy to the milk depots. The data relating to the date of acquisition, mileage run, consumption of petrol/diesel, expenditure on maintenance and repairs, date of condemnation, etc. of each tanker and van were not maintained by the Scheme. As a result, no control could be exercised by the Management on the expenditure on repairs and maintenance, premature condemnation, etc.

(b) The job orders/job cards maintained by the Management only indicated the estimated requirement of materials for carrying out repairs/maintenance/overhauling of transport vehicles and plant and equipment. Estimates for the requirement of labour were not given in the job orders/job cards. Again, actual cost of each job indicating the cost of materials, labour and other items is not being worked out.

(c) The cards maintained for the purpose of watching utilisation of tyres did not indicate mileage covered by a particular tyre so as to find out whether or not mileage obtained was reasonable and replacement had not been made prematurely.

(d) No standards for consumption of petrol/diesel/engine oil had been laid down. An analysis of the overall consumption of petrol, diesel and engine oil indicated that average consumption per 1000 kilometres was constantly on the increase over the data for 1971-72, as per details given below :—

	1971-72	1972-73 (in litres)	1973-74
Average consumption of pertrol per 1000 Kms.	128.9	164.2	187.6
Average consumption of diesel per 1000 Kms.	296.4	311.3	331.0
Average consumption of engine oil per 1000 Kms.	9.5	11.4	16.2

4.7 Stores

The following table indicates the inventory holdings of the Scheme for the years 1969-70 to 1972-73 :—

(Rupees in lakhs)

	1969-70	1970-71	1971-72	1972-73	1973-74
Closing balance of stores/spares .	15.16	45.82	57.04	70.93	64.20
Consumption during the year :					
(*i*) Butter oil .	—	38.02	88.65	137.84	203.29
(*ii*) Skimmed milk powder . .	53.26	128.15	196.24	258.85	487.61
(*iii*) Other stores and spares . .	96.43	59.28	66.65	77.46	77.51
	149.69	225.45	351.54	474.15	768.41
Closing balance in terms of months' consumption .	1.2	2.4	1.9	1.6	1.0

(a) According to the special stores verification undertaken at the instance of Government in October, 1970, a difference of Rs. 35.49 lakhs was found between the figures of closing stock as per general ledger and the ground balance as physically verified. The difference was not adjusted after investigation/ reconciliation but was shown under the head 'Stores Adjustment Account' on the liability side of the Balance Sheet as on 31st March, 1971. A further amount of Rs. 8.79 lakhs and Rs. 0.49 lakh was credited to the above head in 1971-72 and 1972-73 respectively.

The report of special stores verification team was stated (July, 1975) by the Management to be available with the Ministry of Agriculture and Irrigation. The Ministry, however, informed Audit in October, 1975 that the Report may be had from the Scheme to whom a copy had been given as back as in 1970. The Report is still awaited (November, 1975). The details of further additions to Stores Adjustment Account in 1971-72 and 1972-73 are also awaited (November, 1975). As a result, the correctness of the adjustments made could not be verified in Audit. The huge credit balance in the 'Stores Adjustment Account' is, however, indicative of lack of control with regard to accountal of receipt and issue of stores.

The Ministry stated (February, 1975), in this connection, as follows :—

> "Regarding addition of further amount of Rs. 8,78,527.87 to the Stores Adjustment Account for the year 1971-72, it may be stated that this amount is again the result of differences between the figures as arrived at in the Stores Control Account of General Ledger with Quantity Ledgers of various stores carried out up to 31-3-1972. It is only when relevant C.R. Vrs/C.I. Vrs/ Missing R. Vrs/I. Vrs. are finally approved and finalised that the details of working out the amount in question would be made available to Audit. Instructions in this regard have been simultaneously issued to the Controller of Stores to expedite finalisation of the required documents after due investigation of the shortages and excesses."

(b) According to the Manual of Accounting procedure, physical verification of all articles is required to be conducted twice a year. No physical verification of stock of coal was, however, conducted since inception to March, 1970. The physical verification conducted in March, 1970 and further scrutiny conducted in September, 1971 revealed a shortage of 1,777.735 tonnes valued at Rs. 1.33 lakhs. Although the Ministry of Agriculture had asked the Management in May, 1970 to investigate the shortages and fix responsibility, final action in this regard had not been taken, so far (November, 1975).

(c) A test check of stores ledgers of transport and dairy engineering stores indicated that 584 items (details given below) valued at Rs. 3.60 lakhs had been lying unutilised for over three years as on 30th June, 1975 :—

(Rupees in lakhs)

Particulars	Total number of items	Value
Motor transport stores	153	0.63
Dairy engineering stores	431	2.97
TOTAL	584	3.60

Survey of these items with a view to taking action for their disposal/utilisation has not been conducted by the Management so far (November, 1975).

5. WORKING RESULTS AND AN OVERALL PERFORMANCE

5.1. Working results

The working results of the Scheme for the five years ending March, 1974 are given below :—

(Rupees in lakhs)

	1969-70	1970-71	1971-72	1972-73	1973-74
Government capital at the close of the year . . .	327.12	305.17	350.24	315.11	313.28
Block assets (Gross).	429.79	481.84	489.04	523.36	560.54
Turnover	1114.71	1091.00	1146.19	1228.94	1185.12
Profit(+)/Loss(—)after charging interest on Government capital	(+)73.34	(+)11.23	(—)66.92	(—)83.89	(—)221.50
Interest on Government capital	44.25	12.25	15.72	11.77	18.07

NOTES : (i) Simplified *pro forma* accounts for 1972-73 are given in Appendix IX. *Pro forma* Accounts for 1973-74 were received in July, 1975 from the Management and are under audit (December, 1975). The figures for 1973-74 are, therefore, provisional.

(ii) In para 80 of the Central Government Audit Report (Civil) 1970, it was mentioned that the figures of sales, shown in the *pro forma* accounts, were worked out by analysing remittances and were not based on the daily sales statements. In para 11.5 of its Sixth Report (1971-72), the Public Accounts Committee recommended the evolving of a suitable procedure for ensuring correctness of the figures of sales shown in the *pro forma* accounts. With effect from 1972-73, the Scheme has compiled the figures of sales on the basis of daily sales statements received from the Depots, realisations on account of casual supplies and sales on credit, etc. No consolidated quantitative accounts of product-wise sales have, however, been compiled with a view to ensure correctness of the figures of sales computed in the above manner.

Except for the years 1969-70 and 1970-71, the Scheme had been incurring losses since inception to 31st March, 1974. The cumulative loss up to 31st March, 1974, after adjusting the profits earned in 1969-70 and 1970-71, amounted to Rs. 705.42 lakhs. The trend towards profitability achieved in 1969-70 and 1970-71, was mainly due to the cost of production being lower than the sale price of milk fixed in February, 1969. This trend could not be continued subsequently.

According to the Management, the main reasons for incurring losses in 1971-72 and 1972-73 were increase in the price of raw milk and milk ingredients and other stores articles, increase in wages and cost of services without corresponding increase in the selling prices of its products, which had remained static since February 1969 but for marginal increase in the price of ghee and reduction in fat content of standard milk from 5 per cent to 4.5 per cent from 10th October, 1971.

The Scheme incurred a loss of Rs. 83.89 lakhs in 1972-73. While the incidence of increase in the price of raw milk and skimmed milk powder in 1972-73 over 1971-72, as worked out by the Management, amounted to Rs. 30.83 lakhs, the incremental impact of higher incidence of wages and services had not been quantified. Against the extra expenditure of Rs. 30.83 lakhs on the purchase of raw milk and skimmed milk powder, the extent of savings made in 1972-73 on account of reduction in the fat content and increase in the price of ghee in October, 1971 worked out to Rs. 41.50 lakhs and Rs. 3.20 lakhs respectively. Further, the losses were also contributed by the following factors :—

(a) Uneconomical working of the Bikaner Centre and higher percentage of loss of fat and milk in transit at this centre.

(b) High percentage of loss of fat and milk in process at the Central Dairy.

(c) Loss of fat in the milk received back from milk depots and stalls.

(d) Excessive breakage of bottles.

(e) Higher incidence of cost of collection on account of under-utilisation of the capacity of a number of milk collection and chilling centres.

(f) Rising trend of consumption of petrol, diesel, engine oil, steam coal, chlorine and caustic soda.

(g) Idle plant and equipment.

According to the *Pro forma* Accounts submitted for audit, the loss for the year 1973-74 works out to Rs. 221.50 lakhs indicating further deterioration in the results of working of the Scheme. This represents about 19 per cent of the total turnover. According to the Scheme, the main factors responsible for the loss in 1973-74 were;

(a) increase in the price of commercially imported skimmed milk powder from Rs. 5400 per tonne in 1972-73 to Rs. 8300 per tonne in 1973-74, involving an additional expenditure of Rs. 103.73 lakhs ;

(b) increase in the procurement price of milk in 1973-74 over 1972-73 resulting in extra expenditure of Rs. 68.05 lakhs ; and

(c) steep increase in the prices of diesel, petrol, oil and lubricants (amount not quantified).

It may be mentioned, in this connection, that, as against the extra expenditure referred to above, the Scheme had discontinued the supply of standard milk @ Rs. 1.16 per litre with 4.5 per cent fat content with effect from 5-11-1973 and introduced special toned milk @ Rs. 1.30 per litre with 3.5 per cent fat content. The savings on this account have not been quantified by the Management.

In the background of above data, the following highlights of the working of the Scheme deserve mention :—

(i) Capital invested in Delhi Milk Scheme at the end of 1973-74 was Rs. 5.95 crores. During the last three years ending 1973-74, the annual turnover of the Scheme ranged between Rs. 11.5 crores and Rs. 12.3 crores. The Scheme, for the first time, earned a profit of Rs. 73 lakhs in 1969-70 followed by a profit of Rs. 11 lakhs in 1970-71, mainly on account of increase of sale-price from 104 paise per litre of standard milk with 5 per cent fat content to 116 paise per litre of standard milk effective from February, 1969. Thereafter, it incurred losses of Rs. 67 lakhs in 1971-72, Rs. 84 lakhs in 1972-73 and Rs. 2.2 crores in 1973-74. As there was no change in the sale-price of special toned milk (introduced from 5th November, 1973) during 1974-75 and the procurement price of raw milk rose sharply in 1974-75, the loss in 1974-75 is likely to be more assuming the same level of production, efficiency and prices of other inputs.

(ii) Procurement of raw milk ranged between 53 and 66 per cent of handling capacity of 3 lakh litres per day during 1969-70 to 1972-73 and 26 per cent in 1973-74. In 1974-75, procurement worked out to 41 per cent of the expanded capacity of 3.75 lakh litres per day despite substantial increase in procurement price of milk referred to in item (v) below. Against this, average distribution of pasteurised milk ranged between 88 and 96 per cent of the capacity during 1969-70 to 1973-74 and 78 per cent of the capacity in 1974-75.

In view of raw milk procurement falling below the level of capacity, the Scheme had to consume increasing quantities of skimmed milk powder and butter oil (except in 1974-75) to meet its commitment for the supply of pasteurised milk. During the three years 1972-73 to 1974-75, the Scheme used each year 1400 to 2100 tonnes of butter oil and 2500 to 4200 tonnes of skimmed milk powder supplied under the World Food Programme. In addition, in each of those three years, the Scheme purchased directly 2800 to 3600 tonnes of skimmed milk powder imported through the Indian Dairy Corporation (a Government Company). Thus, supply of milk by the Scheme has been entailing an annual outgo of free foreign exchange to the extent of Rs. 2.4 crores on an overage in recent years. Besides, the purchase price of commercial skimmed milk powder was raised from Rs. 5400 per tonne in 1972-73 to Rs. 8300 per tonne in 1973-74, leading to increased cost of production of pasteurised milk with consequent increase in loss, despite the fact that sale-price of special toned milk in 1973-74 was increased by about 60 per cent over that of 1970-71 (on fat basis).

(iii) The turnover of milk in value constituted between 91 per cent and 98 per cent of the total turnover and the milk products accouned for the balance. Again, the standard/special toned milk constituted about 67 per cent of the turnover of milk.

(iv) Despite the procurement of raw milk being lower than capacity, the Scheme produced 6.74 lakh kgs. and 5.66 lakh kgs. of ghee in 1972-73 and 1974-75 respectively. This was made possible by diversion of fat in the raw milk towards preparation of ghee and use of butter oil in lieu thereof in the preparation of liquid milk. The sale price of ghee during the period from September, 1971 to October, 1973 was Rs. 14.50 per kg. This was raised to Rs. 21 per kg. with effect from 5th November, 1973 and to Rs. 25 from 24th December, 1974. It appears that up to November, 1973 the sale price of Delhi Milk Scheme ghee was lower than the market price. After the price was raised to Rs. 25. per kg. the Scheme had been experiencing difficulty in the sale of ghee. The stock of ghee as on 30th September, 1974 and 30th September, 1975 was of the order of 1,334 kgs. and 69,622 kgs. respectively.

(v) The procurement price of raw milk paid by the Scheme has been on the increase ; the price paid in 1974-75 being 25 to 30 per cent higher than that paid in 1973-74. According to the Management, the milk product factories situated in the vicinity of Delhi were paying prices ranging from Rs. 15 to 20 per quintal over that paid by the Scheme. It is understood from Management that 6 such factories were located within a radius of 160 kilometres from Delhi.

(vi) While the Scheme is not in a position to procure raw milk at the rates offered by it, a Mother Dairy with an ultimate capacity of 4 lakh litres per day has been set up by the Indian Dairy Corporation (a Government Company) at Patpar Ganj, Delhi with the assistance available under the World Food Programme Project No. 618 (Operation Flood). This dairy is reported to be under trial production and is at present (September, 1975) handling 25,000 litres of pasteurised milk per day. The requirement of raw milk for this dairy is being met by the Uttar Pradesh Pradeshik Cooperative Dairy Federation Limited, Meerut. The price paid for raw milk is Rs. 2 approximately per litre with 6 to 7 per cent fat content as against the price range of Rs. 1.46 to Rs. 1.60 per litre (6.5 per cent fat content) paid by the Scheme. The sale price fixed by the Mother Dairy is Rs. 2.20 per litre (5 per cent fat) as against Rs. 1.30 per litre with 3.5 per cent fat charged by the Scheme.

(vii) Apart from the inadequacy of the margin between the procurement price of milk (including other ingredients) and the selling price of milk to absorb other elements of cost of production and distribution cost, other factors contributing to the loss were processing inefficiencies like loss of fat and milk in process, excessive breakage of bottles, etc. and high cost of collection and chilling on account of low volume of procurement.

6. INTERNAL AUDIT

No manual laying down the scope and functions of internal audit and the procedure for dealing with the submission of internal audit reports has been laid down, so far (November, 1975). The details of work actually performed by the internal audit together with the internal audit reports were not available.

In the absence of the above data, the effectiveness of the system of internal audit could not be assessed.

CHAPTER VIII

OUTSTANDING AUDIT OBSERVATIONS AND INSPECTION REPORTS

49. *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 obser-vations made up to March 1975 but outstand-ing on 31st August 1975	Total amount (lakhs of rupees)	Number of obser-vations made prior to April 1972	Amount (lakhs of rupees)
1	2	3	4	5
		A. *CIVIL DEPARTMENTS*		
Agriculture and Irrigation	8,157	4,72.80	1,426	36.72
Commerce	1,555	53.31	574	32.13
Education and Social Welfare	6,118	2,32.74	1,410	36.97
Energy	3,283	15,34.92	600	74.04
External Affairs	7,223	2,04.55	4,592	1,05.60

1	2	3	4	5
Finance	21,234	2,62.82	5,021	35.72
Health and Family Planning	3,291	2,55.14	1,285	1,65.58
Home Affairs	21,816	24,90.27	7,118	7,02.53
Information and Broadcasting	4,006	1,10.73	584	7.59
Industry and Civil Supplies	1,762	24.66	393	6.47
Labour	1,950	92.60	691	57.99
Law, Justice and Company Affairs	1,095	23.42	139	0.59
Planning	1,248	11.87	172	0.95
Shipping and Transport	1,695	3,77.63	482	60.88
Supply and Rehabilitation	11,579	3,65.93	4,694	1,67.20
Steel and Mines	8,527	1,47.66	2,299	65.32
Tourism and Civil Aviation	7,431	3,95.25	1,905	1,87.76
Works and Housing	24,345	40,30.20	8,015	7,47.37
Electronics	538	12.27	..	..
Science and Technology	2,564	72.87	455	14.24
B. *DEPARTMENTALLY MANAGED COMMERCIAL AND QUASI-COMMERCIAL UNDERTAKINGS*				
Information and Broadcasting .	171	2.76	24	0.13

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

Nature of observations	Number of items	Amount (lakhs of rupees)
1	2	3
A. *CIVIL DEPARTMENTS*		
(*a*) Sanctions for establishment not received	2,624	1,95.07
(*b*) Sanctions not received for contingent and miscellaneous expenditure . . .	3,540	3,66.88
(*c*) Sanctions to estimates not received	4,734	17,43.72

1	2	3
(*d*) Detailed bills for lump-sum drawals not received	19,199	10,24.06
(*e*) Vouchers not received	4,019	4,39.45
(*f*) Payees' receipts not received	44,291	33,55.09
(*g*) Advances paid to Government servants not recovered	39,676	3,64.39
(*h*) Agreements with contractors/suppliers not received.	1,262	17,78.07
(*i*) Payment to contractors/suppliers not in conformity with contracts and agreements	22	34.65
(*j*) Overpayments or amounts disallowed in audit not recovered	1,579	92.49
(*k*) Breach of financial propriety	156	14.84
(*l*) Sanction for reserve stock limit/excess over reserve stock not received	4	57.94
(*m*) Expenditure incurred on deposit work without deposit/in excess of deposit	4	46.47
(*n*) Other reasons	18,307	16,58.53
B. *DEPARTMENTALLY MANAGED COMMERCIAL AND QUASI-COMMERCIAL UNDERTAKINGS*		
(*a*) Sanctions for establishment not received	49	2.25
(*b*) Other reasons	122	0.51

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.

50. *Outstanding Inspection Reports.*—The audit done in central office is supplemented by local inspection. All important financial irregularities and defects in initial accounts noticed during local audit and inspections are included in inspection reports and sent to departmental officers for necessary action. Besides, copies of the inspection reports, where necessary, and half-yearly statements of outstanding inspection reports are also forwarded to the administrative Ministries.

(i) The Ministries with comparatively la
shown below :—

Ministries/Departments	Year of issue of the earliest out-standing reports		
1	2		
A. *CIVIL DEPARTMENTS*			
Agriculture and Irrigation	1952-53		4,808
Commerce	1959-60		939
Education and Social Welfare	1952-53	1,	3,402
Energy	1953-54	4.	5,316
External Affairs	1954-55	28.	1,111
Finance	1956-57	1,011	2,828
Health and Family Planning	1957-58	256	886
Home Affairs	1956-57	1,378	5,692
Industry and Civil Supplies	1960-61	187	642
Information and Broadcasting	1960-61	114	434
Labour	1962-63	259	781
Law, Justice and Company Affairs	1958-59	111	246
Shipping and Transport	1954-55	235	735
Supply and Rehabilitation	1956-57	873	4,459
Steel and Mines	1963-64	160	628
Tourism and Civil Aviation	1956-57	283	1,145
Works and Housing	1953-54	1,058	12,497
Science and Technology	1962-63	133	462
B. *DEPARTMENTALLY MANAGED COMMERCIAL AND QUASI-COMMERCIAL UNDERTAKINGS*			
Agriculture and Irrigation	1966-67	23	133
Education and Social Welfare	1968-69	39	202
Energy	1957-58	15	89
Finance	1966-67	23	102
Health and Family Planning	1964-65	28	74
Information and Broadcasting	1966-67	79	228
Labour	1965-66	15	94
Works and Housing	1966-67	22	71

(ii) T... ypes of irregularities noticed during inspe... are briefly summarised below :—

	Number of offices in which irregularities were noticed
A. *CIVIL DEPARTMENTS*	
1. Public W... s—	
Number o... inspected during 1974-75	496
(*i*) W... and infructuous expenditure due to defective Pl... designs, and abandonment of works	33
(*ii*) E... cost to Government due to rejection of lowest t...ders or delay in accepting tenders	14
(*iii*) Excess payments due to non-observance of the conditions of contracts or non-provision of necessary safeguards in contracts	26
(*iv*) Splitting up of purchase orders	15
(*v*) Unauthorised financial aids to contractors	30
(*vi*) Delay in effecting recovery of security deposits from contractors and payment of contractors' bills	42
(*vii*) Arrears in maintenance and/or non-maintenance of initial accounts of road metal, material-at-site accounts, etc.	32
(*viii*) Other irregularities	316
2. Treasuries and other Civil Offices—	
Number of offices inspected during 1974-75	2,016
(*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.	583
(*ii*) Securities from persons handling cash and stores not obtained, or if obtained not for the prescribed amount	166
(*iii*) Stores accounts not maintained properly and periodical verification not done	492
(*iv*) Defective maintenance and/or non-maintenance of log books of staff cars etc.	141

	Number of offices in which irregularities were noticed
(*v*) Local purchase of stationery in excess of authorised limits and expenditure incurred without proper sanction	118
(*vi*) Delay and/or non-recovery of receipts, advances and other charges, etc.	559
(*vii*) General Provident Fund accounts of Class IV staff not maintained properly	174
(*viii*) Payment of grant in excess of actual requirements	66
(*ix*) Sanctions to write off of loans, losses etc., not received	30
(*x*) Overpayment of amounts disallowed in audit not recovered	24
(*xi*) Other types of irregularities	2,790

B. *DEPARTMENTALLY MANAGED COMMERCIAL AND QUASI-COMMERCIAL UNDERTAKINGS*

Number of offices inspected during 1974-75	164
(*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.	16
(*ii*) Store accounts not maintained properly and periodical verification not done	10
(*iii*) Irregularities in calculation of depreciation charges	17
(*iv*) Non-adjustment of transactions etc., in accounts	33
(*v*) Irregularities in calculation of interest on capital, sundry debtors, sundry creditors, liabilities, advances and purchases, etc.	19
(*vi*) Non-observance of rules relating to reconciliation of departmental remittances and withdrawals with the Audit offices	13
(*vii*) Other types of irregularities	182

CHAPTER IX

OTHER TOPICS OF INTEREST

Ministry of Works and Housing

(Delhi Development Authority)

51. *Payment of bonus to employees.*—The Delhi Development Authority was constituted under the Delhi Development Act 1957 to promote and secure development of Delhi according to plan. Its fund is credited with all moneys received from the Central Government by way of grants, loans etc., all moneys borrowed rom sources other than the Central Government, all fees and charges received by the Authority, all moneys realised by disposal of lands, buildings etc., and all moneys received as rents and profits etc.

The Payment of Bonus Act 1965 is applicable to every factory and every other establishment in which twenty or more persons are employed, save as otherwise provided in the Act. According to section 32 thereof, the Act does not apply to employees employed by an establishment engaged in any industry carried on by or under the authority of any department of the Central Government or a State Government or a local authority, universities and other educational institutions and institutions (including hospitals, chambers of commerce and social welfare institutions) established not for purposes of profit etc. The expression 'local authority' is not defined in the Act.

In 1966, the Authority decided, in consultation with the Ministry of Law, that it was an establishment covered by the Payment of Bonus Act 1965 and that it did not attract the provisions of section 32(iv) of that Act which precludes, *inter alia*, employees of a 'local authority' from the benefits of the Payment of Bonus Act 1965. Bonus is being paid to the employees of the Authority from 1964-65 onwards. Payment of bonus to its employees by the Authority was objected to by Audit in 1968 mainly on the grounds that (i) the basic object of the Authority is to promote and secure development of Delhi according to plan—this object is more public service than earning of profits,

(ii) the main sources of income of the Authority (apart from the income accruing from the sale of land/properties, etc.) are fees, fines, penalties and interest on investment of surplus loan amounts, which by their very nature are not profits.

The Ministry of Law, however, held (July 1969) that the contention of Audit, that the Delhi Development Authority was an institution established not for the purposes of profit was not correct, as the statutory activities of the Delhi Development Authority "included some activities at least which could possibly earn profit".

Under section 10(20) of the Income-tax Act 1961, income of a 'local authority' from interest on securities, house property, capital gains, trade or business etc., is exempt for income-tax. In January 1968, the Authority represented to the Income-tax Department that the basic purpose of its activities is development of Delhi according to plan which is more a public service rather than activities to earn profits and sought exemption from payment of income-tax on its surplus of income over expenditure. The Central Board of Direct Taxes/ decided in February 1969 that the Delhi Development Authority can be regarded as a 'local authority' for the purposes of exemption from payment of income-tax.

The Minimum Wages Act 1948 is applicable to the employees of a 'local authority'. The Delhi Administration decided in June 1972, in consultation with its Law Department, that the Delhi Development Authority was a 'local authority' and the minimum wages fixed by it under that Act were payable to the workers employed by the Authority.

The Ministry of Works, Housing and Urban Development, on reconsideration, felt that the Delhi Development Authority came within the purview of the expression 'local authority' and referred the case again to the Ministry of Law (June 1974). The Ministry of Law revised its earlier decision and advised in July 1974 that the Delhi Development Authority is a 'local authority'.

Rupees 99.08 lakhs were paid (up to July 1975) by the Delhi Development Authority to its employees as bonus for the years 1964-65 to 1973-74. For the years 1964-65 to 1966-67, bonus was worked out on the basis of the profits/allocable surplus available in the General Development Account of the Authority which incorporates transactions relating to properties acquired by the Authority. Bonus for these years ranged between 4 and 11 *per cent* of salary. In addition to the properties acquired by the Authority, it also manages since 1957, as agent of Government, those properties which were being managed by the erstwhile Delhi Improvement Trust. Surplus of income over expenditure on these properties belongs to Government. For 1967-68 onwards, however, surplus of income over expenditure for properties which are managed by the Authority, on behalf of Government, was also taken into account for the purpose of computing bonus. This raised the quantum of bonus for the years 1967-68 to 1973-74 to 8 *per cent* to 20 *per cent* of salary.

The Ministry stated (November 1975) that "the case is presently being examined by the Ministry of Law *de novo* for their final opinion in the matter".

MINISTRY OF EXTERNAL AFFAIRS

52. *Delay in submission of monthly cash accounts of Indian Missions/Posts abroad.*—Out of 117 Indian Missions/Posts abroad under the Ministry of External Affairs 86 render their monthly cash accounts to the Accountant General, Central Revenues, New Delhi and Director of Audit, Indian Accounts, London, for incorporation in the accounts of the Union Government. The work of compilation of cash accounts of the remaining 31 Missions/Posts abroad is centralised in the Ministry of External Affairs. That Ministry renders these cash accounts to the Accountant General, Central Revenues, or Director of Audit, Indian Accounts, London, as the case may be. The Director of Audit, Indian Accounts, London adjusts the cash accounts in his books and sends classified abstracts for all Missions/Posts in Europe to the Accountant General, Central Revenues, for incorporation in the accounts of the Union Government.

The cash accounts are required to be received in the offices of the Accountant General, Central Revenues and the Director of Audit, London, by the 15th of the month following the month to which they relate. The cash accounts received after 25th of the month following the month of account are not incorporated in the accounts of the month to which they relate. The number of such accounts excluded from the regular monthly accounts during 1974-75 was 1,049 out of total of 1,404. The extent of delay was between 15 days to over six months as indicated below :—

No. of cash accounts received late by	Between 15 and 30 days	Between 31 and 60 days	Between 61 and 90 days	Between 91 and 120 days	Between 121 and 150 days	Between 151 and 180 days	More than 180 days
(a) Accountant General, Central Revenues							
(i) From Missions/Posts abroad	228	90	31	9	5	5	9
(ii) Through Ministry of External Affairs	10	69	52	46	23	23	19
(b) Director of Audit, London							
(i) From Missions/Posts abroad	100	27	7	..	..	..	..
(ii) Through Ministry of External Affairs	3	27	32	26	11	6	3

Out of the 372 accounts for the year which were required to be received through the Ministry of External Affairs as many as 350 were received late. The delay ranged between 15 days to over 6 months.

Delay in receipt of accounts disrupts accounting schedule, results in belated adjustments of recoveries on account of general provident fund, motor car advances, house-building advances and delays account adjustments between various Missions, with other account circles and between various Accounts Officers. Due to late adjustment of accounts, monthly reconciliation of figures of expenditure as per departmental records with those in the Accounts Office is also adversely affected.

Government stated (December 1975) that the delay in submission of cash accounts was due to administrative difficulties, frequent changes in currency rates, late receipt of bank statements etc.

(G. B. SINGH)
Accountant General, Central Revenues.

NEW DELHI:
The 5 MAR 1976

Countersigned.

(A. BAKSI)
Comptroller and Auditor General of India.

NEW DELHI:
The 6 MAR 1976

APPENDIX I

(*Vide* Paragraph 7)

MAIN INVESTMENTS AND DIVIDEND

Name of Undertaking/Concern		Investment			Dividend credited to Government	
		During 1973-74	During 1974-75	Upto 1974-75	During 1973-74	During 1974-75
1	2	3	4	5	6	7
					(Lakhs of rupees)	
I. Statutory Corporations—						
	Air India Corporation .	500	1000	6182	..	..
	Indian Airlines Corporation .	350	..	5278	..	..
	Oil and Natural Gas Commission	..	..	13515	..	..
	Life Insurance Corporation .	..	..	500	..	*
	Central Warehousing Corporation	116	..	1562	39	64
II. (a) Government Companies—						
	Indian Oil Corporation . .	..	..	7108	..	853
	Neyve'i Lignite Corporation .	..	4442	12442	..	..
	Heavy Electricals . . .	..	..	5000	..	..
	Hindustan Steel	..	..	61085	..	..
	Heavy Engineering Corporation	74	50	16129	..	
	Hindustan Antibiotics . .	..	65	312	25	..
	Hindustan Cables . . .	101	50	1052	..	27
	National Newsprint and Paper Mills	..	..	255	..	..

1	2	3	4	5	6	7
	State Trading Corporation .	600	..	1000	696	120
	Minerals and Metals Trading Corporation	..	300	900	54	72
	National Coal Development Corporation	303	..	14332	..	..
	Fertilizer Corporation . .	9800	12539	42646	..	..
	Hindustan Machine Tools .	237	253	2668	..	..
	Hindustan Shipyard . .	160	197	1401	..	..
	Indian Telephone Industries .	..	..	412	..	47
	Mogul Lines	..	18	313	..	..
	National Instruments . .	15	..	398	..	..
	Hindustan Insecticides . .	..	..	125	10	10
	Bokaro Steel	..	..	60000	..	..
	National Mineral Development Corporation . . .	..	..	7604	..	..
	Shipping Corporation of India	..	..	2795	168	..
(b) *Other Companies*—						
	Indian Explosives . . .	..	..	274	21	41
	Singareni Collieries . .	..	..	272	..	..
	Oil India . . .	—120	—140	1762	172	..
	British India Corporation. .	..	..	106	7	..
	Fertilizers and Chemicals, Travancore	1068	845	6566	..	..
III. International Finance Corporation		..	..	211	..	..
IV. Others		16051	32186	143748	1320	*1482
	TOTAL	29255	51805	417953	2512	2716

*Rupees 6.00 crores were credited during 1974-75 towards share of surplus on biennial actuarial valuations.

APPENDIX II

(*Vide* Paragraph 18)

ARREARS IN RECOVERY OF LOANS AND ADVANCES GIVEN TO GOVERNMENT COMPANIES, NON-GOVERNMENT INSTITUTIONS, LOCAL FUNDS, CULTIVATORS ETC.

To whom loan was paid	Amount outstanding on 31st March 1975		Ear ies period to which the arrears relate
	Principal	Interest	
	(Lakhs of rupees)		
Ministry of Agriculture and Irrigation			
(Department of Agriculture)			
Central Fisheries Corporation Ltd. .	36.33	10.70	1972-73
Central Rice Research Institute, Cuttack	0.01 (Rs. 800 towards Principal since recovered)	..	1969-70
Central Council of Gosamvardhan .	2.13 (Rs. 1.36 lakhs towards principal since recovered)	..	1969-70
Departmental Canteen . . .	0.01	..	1973-74
	38.48	10.70	
Ministry of Commerce			
Tea Board, Calcutta . . .	18.20	23.32	1971-72
Cardmom Board, Ernakulam, Kerala	..	0.33	1974-75
Handicrafts Emporium, Madras .	2.66	0.71	1970-71
Shilpi Kendra, Bombay . .	0.10	0.04	1971-72
All India Handloom Fabrics Marketing Co-operative Society Ltd., Bombay	31.82	..	1968-69
	52.78	24.40	
Ministry of Communications			
Telepost Co-operative House Construction Society Ltd., Madras .	..	2.79	1964-65
	..	2.79	

To whom loan was paid	Amount outstanding on 31st March 1975 Principal	Interest	Earliest period to which the arrears relate
	(Lakhs of rupees)		
Ministry of Defence			
Loans to Individuals . . .	28.97	2.30	1970-71
Consumer's Co-operative Stores, Dum Dum	0.17	0.01	1974-75
Consumer's Co-operative Stores, Bhandara	..	0.01	1974-75
	29.14	2.32	
Delhi Administration			
Municipal Corporation of Delhi .	19.72	36.23	1973-74
New Delhi Municipal Committee .	67.17	31.67	1965-66
	86.89	67.90	
Ministry of Education and Social Welfare			
Various Educational Institutions and Engineering Colleges . . .	146.10 (Rs. 1.35 lakhs and Rs. 0.16 lakh towards principal and interest respectively since recovered)	39.60	1959-60
Vidya Bhawan Society, Udaipur .	0.53	1.65	1966-67
Peoples Education Society, Bombay	0.75	..	1972-73
National Sports Club of India, New Delhi	1.47 (Rs. 1.08 lakhs and Rs.0.37 lakh towards principal and interest respectively since recovered)	0.45	1971-72
Co-operative crafts schools in Delhi/ New Delhi	2.43	2.14	1963-64
Sangeet Bharati, New Delhi . .	0.18	0.21	1961-62
Institute of Tele-communications, New Delhi	0.87	..	1973-74
Council of Scientific and Industrial Research, New Delhi . . .	0.06	..	1972-73
	152.39	44.05	

To whom loan was paid	Amount outstanding on 31st March 1975		Earliest period to which the arrears relate
	Principal	Interest	
	(Lakhs of rupees)		

Ministry of Industry and Civil Supplies

(Department of Heavy Industry)

Hindustan Machine Tools Ltd., Bangalore	150.95	2.20	1973-74
Richardson and Cruddas Ltd., Bombay	10.00	19.89	1972-73
Scooters India Ltd. . . .	..	35.01	1973-74
Machine Tools Corporation of India Ltd., Ajmer	43.00	59.07	1973-74
Bharat Heavy Electricals Ltd., New Delhi	10.00	644.17	1972-73
Heavy Electricals India Ltd., Bhopal	32.25	378.76	1971-72
Tungbhadra Steel Products Ltd., Karnataka	11.37	5.27	1973-74
Bharat Heavy Plates and Vessels Ltd., Visakhapatnam . . .	160.62	57.85	1973-74
Heavy Engineering Corporation Ltd., Ranchi	639.37	646.46	1973-74
Mining and Allied Machinery Corporation Ltd., Durgapur . .	179.49	454.21	1969-70
	1237.05	2302.89	

Ministry of Industry and Civil Supplies

(Department of Industrial Development)

Tannery and Footwear Corporation of India Ltd., Kanpur . .	33.00 (Rs. 8 lakhs towards principal since recovered)	20.28	1973-74
Instrumentation Ltd., Kota . .	1.69	3.64	1973-74
Salt Commissioner, Jaipur . .	0.52	0.27	1970-71
Bharat Opthalmic Glass Manufacturing Company Ltd., Calcutta .	0.83	22.76	1973-74
Cement Corporation of India Ltd., New Delhi	5.77	4.71	1974-75
Indian Standards Institution . .	1.60	..	1974-75

To whom loan was paid	Amount outstanding on 31st March 1975 Principal	Interest	Earliest period to which the arrears relate
	(Lakhs of rupees)		
National Small Industries Corporation, New Delhi . . .	0.80	29.63	1974-75
Hindustan Cables Ltd., West Bengal	..	20.42	1973-74
Loans to Salt Licensees . . .	0.36	0.07	1972-73
Universal Trade Emporium . .	0.05	0.01	1970-71
Dogra Steel Industries Ltd., Faridabad	0.86	0.75	1972-73
Faridabad Industrial and Quarrying Company Ltd. . . .	0.41	0.03	1969-70
Khadi and Village Industries Commission	..	4.87	1972-73
Coir Board, Cochin . . .	0.88	0.19	1974-75
Central Cottage Industries Association, Janpath, New Delhi . .	1.63	0.20	1973-74
India United Mills, Bombay . .	175.00	63.28	1971-72
	223.40	171.11	

Ministry of Industry and Civil Supplies

(Department of Science and Technology)

National Research Development Corporation, New Delhi . .	..	0.32	1972-73
	..	0.32	

Ministry of Information and Broadcasting

Film Finance Corporation . .	14.49	7.46	1973-74
Loan to Individual	0.15	..	1968-69
Samachar Bharati, New Delhi .	0.23	..	1972-73
	14.87	7.46	

Ministry of Labour, Employment and Rehabilitation

(Department of Labour and Employment)

Barbil Central Co-operative Stores Ltd., Barbil	1.11 (Rs. 0.19 lakhs towards principal since recovered)	0.93	1967-68
	1.11	0.93	

To whom loan was paid	Amount outstanding on 31st March 1975 Principal	Interest	Earliest period to which the arrears relate
	(Lakhs of rupees)		
Ministry of Labour, Employment and Rehabilitation			
(Department of Rehabilitation)			
United Council for Relief and Welfare, New Delhi	0.03	0.08	1955-56
Harijan Sewak Sangh, Ahmedabad	0.35	..	1973-74
Rehabilitation Industries Corporation Ltd., Calcutta	430.34	105.15	1970-71
	430.72	105.23	
Ministry of Petroleum and Chemicals			
Indian Drugs and Pharmaceuticals Ltd., New Delhi	80.00	758.22	1970-71
Pyrites, Phosphates and Chemicals Ltd.	67.75	2.70	1972-73
	147.75	760.92	
Ministry of Shipping and Transport			
Cochin Port Trust	9.87	6.05	1974-75
	(Rs. 8.37 lakhs and Rs. 6.05 lakhs towards principal and interest respectively since recovered)		
Central Inland Water Transport Corporation Ltd.	610.52	420.82	1964-65
Delhi Transport Corporation	1464.77	1101.16	1974-75
Paradip Port Trust	22.22	122.98	1974-75
Calcutta Port Commissioners	87.65	688.57	1973-74
	(Rs. 68.25 lakhs towards interest since recovered)		
Central Road Transport Corporation Ltd., Calcutta	18.37	8.98	1974-75
Hindustan Shipyard Ltd., Visakhapatnam	72.98	48.47	1974-75
Malabar Steamship Company Ltd., Bombay	5.34	10.65	1971-72
	(Rs. 5.34 lakhs and Rs. 2.09 lakhs towards principal and interest respectively since recovered)		
Delhi Educated Persons Co-operative Transport Society (under Liquidation)	1.05	0.27	1962-63
Madras Dock Labour Board, Madras	6.33	1.19	1971-72
Visakhapatnam Dock Labour Board	0.32	0.03	1973-74
Cochin Dock Labour Board, Cochin	0.27	0.02	1974-75
	2299.69	2409.19	

To whom loan was paid	Amount outstanding on 31st March 1975 Principal	Interest	Earliest period to which the arrears relate
		(Lakhs of rupees)	
Ministry of Steel and Mines			
(Department of Steel)			
National Mineral Development Corporation Ltd.	26.00	..	1974-75
Hindustan Steel Works Construction Company	62.50	..	1974-75
	88.50	..	
Ministry of Steel and Mines			
(Department of Mines)			
Hindustan Copper Ltd. . . .	14.36	440.03	1972-73
Hindustan Zinc Ltd., Udaipur .	23.71	35.50	1972-73
Bharat Gold Mines Ltd., Oorgaum	26.83	21.65	1973-74
Consumer Co-operative Society .	0.01	..	1974-75
Bharat Coking Coal Ltd., Dhanbad	142.00	28.09	1973-74
Sikkim Mining Corporation . .	12.53	4.03	1967-68
National Coal Development Corporation, New Delhi . .	236.23	132.28	1973-74
Indian Bureau of Mines Consumer Co-operative Stores Ltd., Nagpur	..	0.02	1967-68
	455.67	661.60	

To whom loan was paid	Amount outstanding on 31st March 1975 Principal	Interest	Earliest period to which the arrears relate
	(Lakhs of rupees)		
Ministry of Steel and Mines			
(Department of Steel)			
National Mineral Development Corporation Ltd.	26.00	..	1974-75
Hindustan Steel Works Construction Company	62.50	..	1974-75
	88.50	..	
Ministry of Steel and Mines			
(Department of Mines)			
Hindustan Copper Ltd. . .	14.36	440.03	1972-73
Hindustan Zinc Ltd., Udaipur .	23.71	35.50	1972-73
Bharat Gold Mines Ltd., Oorgaum	26.83	21.65	1973-74
Consumer Co-operative Society .	0.01	..	1974-75
Bharat Coking Coal Ltd., Dhanbad	142.00	28.09	1973-74
Sikkim Mining Corporation . .	12.53	4.03	1967-68
National Coal Development Corporation, New Delhi . .	236.23	132.28	1973-74
Indian Bureau of Mines Consumer Co-operative Stores Ltd., Nagpur	..	0.02	1967-68
	455.67	661.60	

To whom loan was paid	Amount outstanding on 31st March 1975		Earliest period to which the arrears relate
	Principal	Interest	
	(Lakhs of rupees)		
Ministry of Tourism and Civil Aviation			
Karan Enterprises Pvt. Ltd., Hyderabad	3.33	0.81	1973-74
Rutt Deen Pvt. Ltd., Calcutta	1.34	..	1973-74
Hotel Horizon Pvt. Ltd., Bombay	15.83	2.69	1973-74
Piem Hotel Pvt. Ltd., Bombay	18.34	15.83	1974-75
East West Hotels Ltd., Bangalore	..	1.20	1974-75
	38.84	20.53	
Ministry of Works, Housing and Supply			
Sen Raleigh and Company . .	0.57	0.39	1974-75
Jayashri Textiles, Rishra, Hooghly .	0.16	0.03	1973-74
Orissa Industries Ltd., Barang, Cuttack	0.51	0.13	1964-65
Orissa Cement Ltd., Rajgangpur .	..	0.10	1967-68
National Building Construction Corporation Ltd. . . .	13.57	7.44	1972-73
Delhi Transport Corporation (Housing Scheme)	4.51	1.48	1968-69
Hindustan Housing Factory . .	2.31	0.87	1974-75
C.P.W.D. Workcharged Staff Consumer's Co-operative Society .	0.34	0.54	1965-66
Water Supply Sewage Disposal Undertaking	344.97	375.63	1968-69
Municipal Corporation of Delhi .	135.64	76.77	1965-66
Modi Flour Mills	0.06	0.01	1973-74
Rabindra Nath Tagore Centenary Committee, New Delhi .	17.00	1.75	1965-66
	519.64	465.14	

APPENDIX III

(*Vide* paragraph 23)

EXTENT OF UTILISATION OF SUPPLEMENTARY GRANTS/APPROPRIATIONS

Sl. No.	Grant/appropriation	Amount of grant/ appropriation		Actual expenditure	Saving (Col. 3 + 4—5)
		Original	Supple-mentary		
1	2	3	4	5	6
	Cases where supplementary grants/appropriations proved unnecessary				
	Revenue—Voted				
					(Lakhs of rupees)
	Ministry of Education and Social Welfare				
1.	25—Education	10,737.11	171.74	10,712.93	195.92
	Ministry of Finance				
2.	29—Customs	1,765.39	41.20	1,643.09	163.50
	Ministry of Home Affairs				
3.	48—Police	16,014.33	325.53	15,954.80	385.06
	Ministry of Shipping and Transport				
4.	75—Roads	6,176.10	151.06	5,812.60	514.56
	Ministry of Tourism and Civil Aviation				
5.	84—Ministry of Tourism and Civil Aviation	32.75	1.27	32.04	1.98
	Ministry of Works and Housing				
6.	89—Public Works	5,087.24	368.24	4,894.03	561.45
	Department of Science and Technology				
7.	99—Department of Science and Technology	596.37	12.06	571.24	37.19

1	2	3	4	5	6
Parliament, Department of Parliamentary Affairs, Secretariats of the President and Vice-President and Union Public Service Commission.					
8.	104—Rajya Sabha	137.42	3.06	136.39	4.09
	Revenue—Charged				
	Ministry of Home Affairs				
9.	50—Other Expenditure of the Ministry of Home Affairs	*2,474.33*	*531.00*	*2,430.75*	*574.58*
	Capital—Voted				
	Ministry of Home Affairs				
10.	51—Delhi	3,396.72	25.80	3,146.84	275.68
11.	53—Andaman and Nicobar Islands	714.72	19.51	683.48	50.75
	Ministry of Tourism and Civil Aviation				
12.	86—Aviation	2,375.87	716.50	2,293.05	799.32
	Ministry of Works and Housing				
13.	91—Housing and Urban Development	982.45	61.00	963.39	80.06
	Department of Atomic Energy				
14.	94—Atomic Energy Research, Development and Industrial Projects	5,936.48	0.06	5,190.40	746.14

APPENDIX IV

(*Vide* paragraph 25)

SAVINGS UNDER VOTED GRANTS

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

Voted grants where the savings (more than 5 lakhs in each case) exceeded 20 per cent of the final grant are given below:—

Revenue

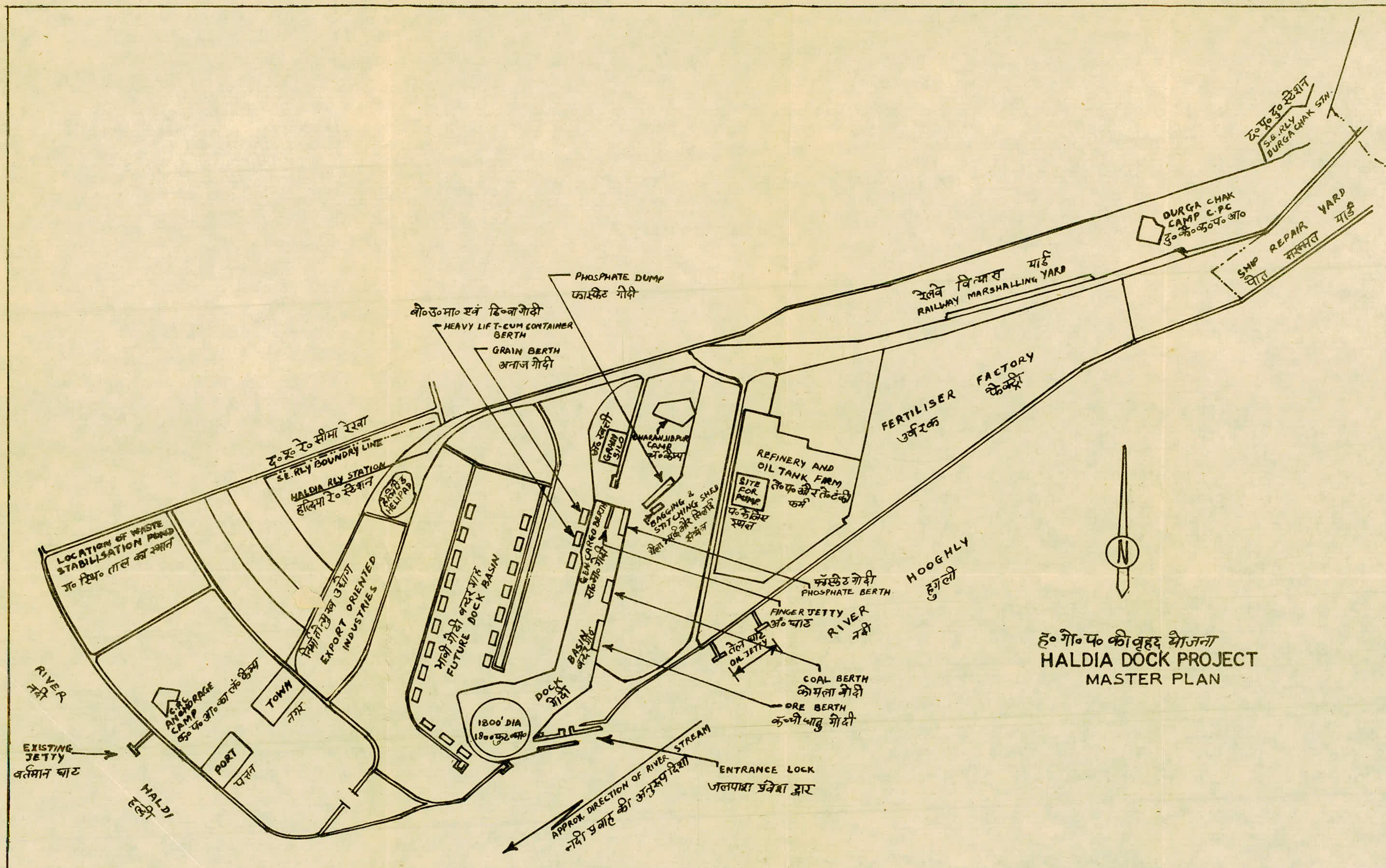
(Lakhs of rupees)

1.	38—Other Expenditure of the Ministry of Finance	19,122.38	3,231.04	15,891.34	83.1
2.	98—Department of Electronics	936.83	324.04	612.79	65.4
3.	90—Water Supply and Sewerage	76.10	39.37	36.73	48.3
4.	71—Ministry of Planning	11.52	6.22	5.30	46.0
5.	44—Heavy Industries	516.97	300.27	216.70	41.9
6.	6—Forest	898.80	551.47	347.33	38.6
7.	3—Agriculture	7,827.91	5,241.77	2,586.14	33.0
8.	69—Administration of Justice	22.85	15.51	7.34	32.1
9.	96—Department of Culture	675.38	498.30	177.08	26.2
10.	73—Planning Commission	315.48	236.83	78.65	24.9
11.	63—Ministry of Irrigation and Power	453.66	343.93	109.73	24.2
12.	9—Department of Community Development	2,958.19	2,343.11	615.08	20.8

1	3	4	5	6
Capital				
13. 37—Transf[illegible] to State and Un[illegible] Territory Governme[illegible]	11.00	0.05	10.95	99.5
14. 61—Info[illegible]ation and Publicity	207.50	30.17	177.33	85.5
15. 6—Forest	55.00	8.25	46.75	85.0
16. 4—Fisheries	127.80	31.91	95.89	75.0
17. 85—Meteorology	150.60	55.05	95.55	63.4
18. 8—Department of Food	1,319.80	498.40	821.40	62.2
19. 98—Department of Electronics	400.78	183.04	217.74	54.3
20. 27—Ministry of External Affairs	3,120.00	1,523.61	1,596.39	51.2
21. 99—Department of Science and Technology	132.48	65.23	67.25	50.8
22. 5—Animal Husbandry and Dairy Development	288.40	147.48	140.92	48.9
23. 39—Loans to Government Servants, etc.	5,691.87	3,104.64	2,587.23	45.5
24. 67—Labour and Employment	202.54	111.06	91.48	45.2
25. 64—Water and Power Development	184.52	106.72	77.80	42.2
26. 25—Education	65.92	42.49	23.43	35.5
27. 13—Ministry of Communications	275.00	185.00	90.00	32.7
28. 86—Aviation	3,092.37	2,293.05	799.32	25.9
29. 48—Police	275.00	204.17	70.83	25.8
30. 32—Stamps	71.74	53.21	18.53	25.8
31. 10—Department of Cooperation	2,111.24	1,572.87	538.37	25.5
32. 36—Opium and Alkaloid Factories	64.49	48.37	16.12	25.0
33. 62—Broadcasting	1,762.00	1,331.76	430.24	24.4

APPENDIX V

(*Vide Paragraph* 33)



APPENDIX VI

(*Vide* paragraph 34)

STATEMENT SHOWING LOSSES, IRRECOVERABLE REVENUE, DUTIES, ADVANCES ETC. WRITTEN OFF/WAIVED, *Ex-gratia* PAYMENTS MADE AND REMISSION OF REVENUE SANCTIONED DURING THE YEAR

In 2025 cases, Rs. 50.34 lakhs representing mainly losses due to theft, fire, etc. irrecoverable revenue, duties, advances, etc. were written off/waived and in 57 cases *ex-gratia* payments aggregating Rs. 37.68 lakhs were made during 1974-75 as detailed below :—

Name of Ministry/Department	Write 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.)
1	2	3	4	5	6	7	8	9
Agriculture and Irrigation	457	21,59,184	2	1,34,986	..	..	..	..
Atomic Energy	3	2,936	1	152	..	..	..	..
Education and Social Welfare	18	18,902	4	5,860	..	..	..	..
External Affairs	7	46,165	1	59	..	..	..	..
Energy	311	11,075	..	..	..	..	..	..

1	2	3	4	5	6	7	8	9
Election Commission	3	1,082	..	..	..	..	..	..
Finance	11	6,91,079	..	..	..	..	..	..
Home Affairs	65	1,41,417	3	2,583	..	..	13	35,36,059*
Health and Family Planning	19	1,071	..	..	..	..	..	..
Information and Broadcasting	16	32,997	1	288	..	..	..	..
Industry and Civil Supplies	38	86,902	3	154	..	..	..	..
Labour and Employment	6	6,594	..	..	..	..	..	..
Law and Justice	1	3,697	..	..	..	..	..	..
Science and Technology	1	48	..	..	..	..	..	..
Shipping and Transport	876	7,89,556	1	98	..	..	44	2,31,485
Supply and Rehabilitation	49	6,79,315	..	..	20	4,906	..	..
Steel and Mines	78	91,615	1	100	..	..	..	..
Tourism and Civil Aviation	12	88,788	..	..	1	2,080	..	..
Works and Housing	6	9,990	5	10,420	5	9,468	..	..
TOTAL	1,977	48,62,413	22	1,54,700	26	16,454	57	37,67,544

*Mainly represents payments to ex-rulers of princely States due to abolition of privy purses, etc.

APPENDIX VII

(*Vide* Paragraph 45)

GRANTS-IN-AID TO STATUTORY BODIES, NON-GOVERNMENT INSTITUTIONS OR BODIES AND INDIVIDUALS

Ministry/Department	Amount (Lakhs of rupees)
Agriculture and Irrigation	53,44.02
Culture	1,82.19
Commerce	2.34
Education and Social Welfare	36,71.12
Electronics	2,26.13
External Affairs	45.00
Finance	96.22
Health and Family Planning	12,37.57
Heavy Industries	95.13
Home Affairs	17,26.16
Industrial Development	15,72.93
Information and Broadcasting	55.69
Labour	1,32.76
Planning	2,22.58
Petroleum and Chemicals	0.24
Science and Technology	34,47.24
Shipping and Transport	3,88.72
Space	22,74.32
Steel and Mines	74.72
Supply and Rehabilitation	0.69
Tourism and Civil Aviation	90.09
TOTAL	2,08,85.86

S/8AGCR/75—21

APPENDIX VIII

(*Vide* paragraph 46)

Statement of award winning films

Film	Year of censor	Award
1. Jaldeep (Produced by Society's own unit).	1956	All India Certificate of Merit (1956). Adjudged as the best children's film at the International Film Festival at Venice (1957).
2. Idd Mubarak (Assigned to outside producer-director on contract basis).	1960	All India Certificate of Merit (1960).
3. Dilli Ki Kahani (Produced by Society's own unit).	1960	All India Certificate of Merit (1960).
4. Savitri (Produced by Society's own unit).	1961	All India Certificate of Merit (1961).
5. Raju Aur Gangaram (Produced by Society's own unit).	1962	All India Certificate of Merit (1962).
6. Panch Putliyan (Produced by Society's own unit).	1963	All India Certificate of Merit (1963).
7. The Adventures of Sugar Doll (Assigned to producer-director on contract basis).	1964	All India Certificate of Merit and cash prize of Rs. 10,000 (1965).
8. As You Like It (Produced by Society's own unit by engaging outside director).	1965	All India Certificate of Merit (1965).
9. Jaise Ko Taisa (Assigned to producer-director on contract basis).	1966	Prime Minister's gold medal and cash prize of Rs. 10,000 (1966).

Film	Year of censor	Award
10. Dak Ghar (Assigned to producer-director on contract basis).	1967	Gold Plaque—Second Teheran International Festival for Children and Young People (1967).
11. Nag Aur Kauwa (Assigned to producer-director on contract basis).	1968	Silver medal and cash prize of Rs. 5,000 (1968).
12. Heerer Prajapati (Assigned to producer-director on contract basis).	1968	Prime Minister's gold medal and cash prize of Rs. 7,500 (1968).

APPENDIX IX

[*Vide* Paragraph 48 (5)]

DELHI MILK SCHEME

Balance Sheet as on 31st March, 1973

Capital and Liabilities	1971-72 (Rs.)	1972-73 (Rs.)	Property and Assets	1971-72 (Rs.)	1972-73 (Rs.)
Government capital					
Opening balance	3,05,17,056.57	3,50,24,792	Fixed assets (Net)	2,57,56,168.05	2,69,62,364
Add: Net adjustments during the year	1,15,34,572.11	35,86,053	Stores, spare parts, POL, stationery, etc.	57,25,424.07	71,10,197
	4,20,51,628.68	3,86,10,845			
Less: Loss during the year	66,91,641.38	83,89,265	Stock-in-trade milk and milk products	38,36,152.91	38,55,834
	3,53,59,987.30	3,02,21,580			
Add/Less Prior period adjustments	(—)3,35,195.65	(+)12,89,418	Stores purchase	—	—
	3,50,24,791.65	3,15,10,998	Prepaid expenses	25,031.03	13,725
Deposits and advances	18,03,034.57	19,58,975	Sundry debtors	26,87,172.96	32,30,457
Outstanding liabilities	90,35,400.60	1,77,22,717	Loans and advances	1,59,15,171.11	1,97,95,243
Undischarged liability-audit fee	8,53,813.79	9,65,945	Cash balance	17,53,508.45	12,21,805

Provision for :		
(*a*) Depreciation on buildings	—	—
(*b*) Hire of tankers on loan	1,56,555.00	1,56,555
Liability for W.F.P. Projects :		
(*a*) Project—233	14,52,242.77	14,52,243
(*b*) Project—348	39,45,208.16	39,45,208
Stores adjustment account	44,27,582.04	44,76,984
Total	5,66,98,628.58	6,21,89,625

Total	5,66,98,628.58	6,21,89,625

DELHI MILK SCHEME

Production and Profit and Loss Account for the year ending 31*st March*, 1973

Dr. Cr.

Particulars	1971-72 (Rs.)	1972-73 (Rs.)	Particulars	1971-72 (Rs.)	1972-73 (Rs.)
To			By		
Opening stock of milk and milk products	29,51,915.35	38,36,153	Sales milk and milk products	11,46,18,884.25	12,28,94,352
Purchase of milk	7,38,91,057.05	7,64,52,366	Closing stock -do-	38,36,152.91	38,55,834
Laboratory expenses	1,78,027.86	86,347			
Electricity and Power charges	12,84,649.97	13,33,357			
Transportation charges	33,66,297.15	32,24,870			
Salary and wages	36,88,129.11	41,24,564			
Depreciation on factory buildings and plant and vehicles	25,43,393.98	26,10,739			
Consumption of stores SMP, water and ice	2,34,54,014.52	3,01,58,783			
Repair and maintenance	17,55,792.50	16,05,561			
Gross profit carried down	53,41,759.67	33,17,446			
Total	11,84,55,037.16	12,67,50,186	Total	11,84,55,037.16	12,67,50,186

Salaries and allowances	45,18,514.84	45,89,729	Gross profit brought down	53,41,759.67	33,17,446
Stationery, printing and postage, etc.	60,862.65	1,29,121	Misc. receipts	3,61,162.36	6,91,862
Audit charges	1,28,122.78	1,12,132	Profit on sale of assets	. .	32,239
Repair and Maintenance of buildings	49,189.66	80,159	Sale of scrap material	3,95,541.83	4,26,152
Depreciation	7,77,766.70	7,36,037	Write off of assets	0.42	. .
Commission on sale of milk products	. .	24,050	Net loss	66,91,641.38	83,89,265
Transportation expenses	23,20,068.73	24,18,129			
Rent and electricity of A.D.M.S. and Depots	7,940.94	9,658			
Misc. expenses and insurance	20,99,881.75	19,31,151			
Bottle breakage	12,55,908.89	16,49,478			
Interest on capital	15,71,848.72	11,77,320			
Total	1,27,90,105.66	1,28,56,964	Total	1,27,90,105.66	1,28,56,964

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