

**SEVENTY-SEVENTH REPORT
PUBLIC ACCOUNTS COMMITTEE
(1981-82)**

(SEVENTH LOK SABHA)

**CASH ASSISTANCE FOR EXPORT OF
DEOILED RICE BRAN
[MINISTRY OF COMMERCE]**

[Action taken on 39th Report (Seventh Lok Sabha)]



*Presented in Lok Sabha on
Laid in Rajya Sabha on*

**LOK SABHA SECRETARIAT
NEW DELHI**

*March 1982/Phalguna 1903(S)
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(1981-82)

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INTRODUCTION

1. I, the Chairman of Public Accounts Committee as authorised by the Committee, do present on their behalf this 77th Report of action taken by Government on the recommendations of the Public Accounts Committee contained in their 39th Report (7th Lok Sabha) regarding cash assistance for export of deoiled rice bran.

2. In this action taken report, the Committee have expressed the view that since profitability of the exports of a commodity can only be determined by carrying out cost study, it is desirable to carry out a proper cost study by the Cost Accounts Branch of the Ministry of Finance before sanctioning or renewing the cash assistance on any commodity and particularly in cases of those commodities where substantial amount is paid every year as cash assistance and which have been enjoying this facility for a number of years. The Committee have also asked the Government to appoint a team of Officers without any further delay to go into the circumstances in which the non-issue of timely instructions by the Ministry of Commerce to the joint Chief Controller of Imports and Exports, Bombay for stoppage of payment of cash assistance for export of deoiled rice bran resulted in disbursement of Rs. 57.79 lakhs to Solvent Extractors Association of India.

3. The Report was considered and adopted by the Public Accounts Committee at their sitting held on 5 March, 1982.

4. For facility of reference and convenience, the recommendations and observations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in the Appendix to the Report.

5. The Committee place on record their appreciation of the assistance rendered to them in this matter by the Office of the Comptroller & Auditor General of India.

SATISH AGARWAL

*Chairman
Public Accounts Committee.*

NEW DELHI :

March 8, 1982.

Phalguna 17, 1903(S)

CHAPTER I

REPORT

1.1. This Report of the Committee deals with the action taken by Government on the Committee's conclusions and recommendations contained in their 39th Report (Seventh Lok Sabha) on cash assistance for export of deoiled rice bran.

1.2. Replies to all the conclusions and recommendations contained in the Report have been received from Government.

1.3. The Action Taken Notes on the conclusions and recommendations of the Committee contained in the Report have been categorised under the following heads :

- (i) Conclusions and Recommendations that have been accepted by Government :
Sl. Nos. 1—4, 7-8, 15-16, 18, 21—25 and 27.
- (ii) Conclusions and Recommendations which the Committee do not like to pursue in view of the replies of Government :
Sl. Nos. 5-6, 9-10, 13, 17, 26 and 28.
- (iii) Conclusions and Recommendations replies to which have not been accepted by the Committee and which require reiteration :
Sl. Nos. 11, 12, 14, 19 and 20.
- (iv) Conclusions and Recommendations in respect of which Government have given interim replies :
Sl. No. Nil.

Criteria for grant of Cash assistance (Paragraph 1.116—Sl. No. 11)

1.4. While emphasising that a detailed examination of cost structure is relevant even after the issue of revised criteria laid down by the Bose-Mullick Committee and those laid down later by the Alexander Committee, the Committee had, in the paragraph mentioned above, recommended as under :

“When asked during evidence as to why cash assistance was recommended for 1976-77 even before completion of cost study, the Secretary, Ministry of Commerce referred to the revised criteria laid down by the Bose-Mullick Committee and observed: “Those are the seven items which are mentioned. Cost study was eliminated. It was decided that cost study would not be the criteria to decide whether support

should be given or not". The Committee are surprised that such interpretation was given to the revised criteria. The criteria referred to by the Bose-Mullick Committee were in the nature of general assessments and were not capable of objective analysis on the basis of quantification. Further, it was nowhere stated that cost study should not be done. The Committee are of the view that the concept that cash assistance is intended to span the gap between the cost of production of an export product and the f.o.b. realisation accruing from its export as also a detailed examination of the cost structure are relevant even after the issue of revised criteria laid down by the Bose-Mullick Committee and those laid down later by the Alexander Committee. As cash assistance is given on a wide range of commodities the Committee would like the Government to examine the matter and clarify the policy in this regard."

1.5. In their reply dated 15 December, 1981 the Ministry of Commerce have stated :

"The criteria evolved by Bose-Mullick Committee did not envisage that cash assistance was intended to span the gap between the cost of production and the f.o.b. realisation. In fact the Committee specifically observed that recommendations of cash assistance should not be based on mechanical application of the rigid formula like the difference between the f.o.b. price realisation and the so called marginal cost of production (*vide* detailed reply already given and reproduced in paragraph 1.63 of the 39th Report of the Committee). The rates of assistance were to be determined by a balanced judgement of the said criteria which, as pointed out by the Committee, were in the nature of general assessments not susceptible of precise quantification. However, with the introduction of the revised guidelines with effect from the 1 April, 1979, based on the recommendations of Alexander Committee, the criteria for determination of cash assistance have acquired relatively greater clarity. Under these criteria, the emphasis is not so much on bridging the gap between cost of production and export realisation but on neutralising certain inherent handicaps and disadvantages suffered by the Indian exporters such as unrebated indirect taxes, etc. Proformae for collection of information have been standardised and it has been provided that the data should be certified by a Chartered Accountant and routed through the Export Promotion Councils or other similarly approved organisations. Although data on f.o.b. cost and f.o.b. realisation are also obtained, these are used more to have an overall idea of the general level of profitability of the exports in question than for working out the rates of cash assistance as such. As already stated, the rates are fixed at a level required to neutralise certain specific disadvantages which is often much less than the gap between f.o.b. cost and f.o.b. realisation. Thus the cost data are relevant only to a limited

extent in terms of the present policy. It may, however, be mentioned that a cost study is resorted to in certain cases where the Cash Assistance Review Committee desire to have a more precise estimate of the profitability of exports before determining the rates of assistance."

1.6. The Committee in their original recommendation had observed that the concept that cash assistance is intended to span the gap between the cost of production and the f.o.b. realisation accruing from its export as also a detailed examination of the cost structure are relevant even after the issue of revised criteria laid down by the Bose-Mullick Committee and those laid down later by the Alexander Committee and the Government was asked to examine the matter and clarify the policy in this regard. The Ministry of Commerce, in their reply, have stated that with the introduction of revised guidelines w.e.f. 1 April 1979, based on the recommendations of Alexander Committee, the criteria for determination of cash assistance has acquired relatively greater clarity. Under these criteria, emphasis is not so much on bridging the gap between cost of production and export realisation but on neutralising certain inherent handicaps and disadvantages suffered by the Indian exporters such as unrebated indirect taxes etc. Proforma for collection of information have been standardised and it has been provided that the data should be certified by a Chartered Accountant and routed through the Export Promotion Councils or other similarly approved organisations. The Ministry of Commerce have further stated that although data on f.o.b. cost and f.o.b. realisation are also obtained, these are used more to have an overall idea of the general level of profitability of the exports in question than for working out the rates of cash assistance as such. Thus, the cost data are relevant only to a limited extent in terms of the present policy.

The Committee fail to understand as to how the grant of cash assistance on the export of a commodity could be justified if the export of that commodity results in substantial profit even without cash assistance. Since the profitability of the exports of a commodity can only be determined by carrying out cost study, the Committee are of the view that it is desirable to carry out a proper cost study by the Cost Accounts Branch of the Ministry of Finance before sanctioning or renewing the cash assistance on any commodity and particularly in cases of those commodities where substantial amount is paid every year as cash assistance and which have been enjoying this facility for a number of years.

*Extension of Cash Assistance at Increased Rate for the year 1976-77
(Paragraph 1.117—Sl. No. 12)*

1.7. In para 1.117 of their 39th Report, the Committee had observed that as per figures published by DCCIS, the average f.o.b. realisation from export of deoiled rice bran was Rs. 374 per tonne in 1974-75 and Rs. 457 per tonne in 1975-76. The profitability of the exports was not examined by the Ministry of Commerce before extending cash assistance for 1976-77. The Committee had expressed the view that grant of cash assistance at the increased rate of 17.5% in 1976-77 as against the rate of 15% for 1975-76 by the Inter-Ministerial Committee in March 1976 was not justified.

1.8. In their reply, the Ministry of Commerce have stated as follows :

“The profitability of export of deoiled rice bran was not specifically examined before extending cash assistance on this item in 1976-77. During the period 1972-73 to 1974-75 the export did not show any growth and if at all there was a marginal decline. With the reintroduction of cash assistance from 1975-76 the exports started picking up again. The fact that the exports rose to 4.07 lakh tonnes in 1976-77 would show that the Committee was justified in giving cash assistance on this item. If exports of this item had been highly profitable even without CCS there should have been a steady growth even prior to 1975-76, which was not the case.”

1.9. The Committee are not convinced with the reply of the Government. They would like to point out that basic objective of grant of cash assistance is to compensate the exporters for any losses being suffered by them in the export of a commodity. In view of the fact that the average f.o.b. realisation from export of deoiled rice bran had shown an increase of Rs. 83 per tonne in 1975-76 as compared to 1974-75, the Committee fail to understand why the aspect of profitability was not examined by the Ministry of Commerce before extending the scheme of cash assistance at an increased rate. The Committee, therefore, reiterate their earlier observation that the grant of cash assistance at the increased rate of 17.5% in 1976-77 as against the rate of 15% for 1975-76 was not justified.

Payment of Cash assistance for the year 1975-76
(Paragraph 1.119—Sl. No. 14)

1.10. While taking a serious view over the non-issue of instructions by the Ministry of Commerce to JCCIE for stoppage of payment of cash assistance resulting in the disbursement of Rs. 57.79 lakhs to SEAI, the Committee had, in the paragraph mentioned above, had recommended as under :

“In a meeting held by the Commerce Secretary on 26th October, 1976, it was decided that the cost study for 1975 should be considered both by the Commodity Division of the Ministry of Commerce and the Ministry of Finance. Subsequently on 2nd November, 1976 the Financial Adviser of the Ministry of Commerce had suggested: “If cash assistance for the whole year is now paid, it will be very difficult to make recoveries in case cost study reveals that cash assistance is not justified. On the contrary, if payments are kept pending and cost study is completed quickly, amounts can be released provided cost study justifies the cash assistance”. The next note recorded on the file on 12th November, 1976 was by the Jt. Secretary of the Ministry of Commerce dealing with Agriculture which read: “I called the Chairman, Solvent Extractors Association and have clearly told him that

cash assistance for 1975-76 would not be made available at all until they fully cooperate and have the cost study for 1975-76 completed. FA may kindly ask his staff to get in touch with him for further action. As, according to the Ministry of Commerce, in this case the letters regarding payments to be made to SEAI by the Jt. Chief Controller of Imports and Exports, Bombay were to be issued by the Agriculture Division of the Ministry of Commerce, no information seems to have been communicated to JCCIE, Bombay suggesting stoppage of the payment till the cost study was completed. When asked why no such communication was sent to JCCIE, the Additional Secretary of the Ministry of Commerce stated during evidence "I am unable to say anything from the file as to why administrative side could not send instructions". In this context, the Secretary, Ministry of Commerce Stated :

"The Financial Adviser gave his advice in a note. If one is to go by what is on record, then the note of (Jt. Secretary) does not indicate that he had authorised the issue of instructions stopping payment. It is silent on that point. In the absence of any instructions from the Ministry of Commerce for stopping payment, the JCCIE, Bombay disbursed cash assistance amounting to Rs. 52 lakhs in December, 1976 and Rs. 4.22 lakhs in March, 1977 on the basis of the claims sent by the SEAI on exports made during 1975-76. Balance of Rs. 1.57 lakhs was paid in May 1979. The Committee take a serious view over the non-issue of instructions by the Ministry of Commerce to JCCIE for stoppage of payment of cash assistance resulting in the disbursement of Rs. 57.79 lakhs to SEAI. They would, therefore, like the matter to be investigated by a team of senior officers outside the Ministry of Commerce with a view to fixing responsibility and identifying the lacuna in procedure so that such costly lapses do not recur. The report of the Team should be furnished to the Committee within six months."

1.11. In their reply dated 15 December, 1981 the Ministry of commerce have stated :

"In deference to the suggestion made by the Committee it is proposed to appoint a team of officers, not connected with the Department of Commerce, to go into the matter and submit their findings. The composition of the team will be separately communicated to the Committee."

1.12. In 39th Report, the Committee had observed that in the absence of any instructions from the Ministry of Commerce for stopping payment the JCCIE, Bombay disbursed the cash assistance amounting to Rs. 52 lakhs in December 1976 and Rs. 4.22 lakhs in March 1977 on the basis of the

claims sent by the SEAI on export made during 1975-76. Balance of Rs. 1.57 lakhs was paid in May 1979. Taking a serious view over the non-issue of timely instructions by the Ministry of Commerce to JCCIE for stoppage of payment of cash assistance resulting in disbursement of Rs. 57.79 lakhs to SEAI, the Committee had desired the matter to be investigated by a team of senior officers outside the Ministry of Commerce with a view to fixing responsibility and identifying the lacuna in procedure. Although the Report of the Committee was presented in April, 1981, the Committee are surprised to note that no concrete action in the matter has been taken and even in December, 1981, the Ministry of Commerce were still proposing to appoint a team of officers to go into the matter. The Committee are unhappy at this lackadaisical manner in which specific recommendations are being dealt with by the Ministry. The Committee would like Government to appoint the Team of Officers to go into the matter without any further delay. They would also like to be apprised of the findings of this Team and the action taken thereon as early as possible.

*Justification for grant of cash assistance
(Para 1.124 and 1.125—Sl. Nos. 19-20)*

1.13. In paras 1.124 and 1.125 of their Report the Committee had pointed out that while the Ministry of Finance had on several occasions asserted that there was no loss on the export of deoiled rice bran and in any case it was necessary to have a cost study done on the basis of authentic data, it is clear that the Ministry of Commerce did not seriously consider the objection raised by the Ministry of Finance from time to time and for no plausible reasons the completion of cost study was delayed. The Committee found that the cash assistance on export of this commodity was sanctioned in 1970-71 and then reintroduced in 1975-76 and continued upto 31st March, 1981 without any cost study which established any loss on exports. The Committee had, therefore, concluded that the entire payment of Rs. 13.79 crores made on this account upto December 1980 was not justified.

1.14. In their reply the Ministry of Commerce have stated :

“Judged by the result achieved in the matter of increased processing of rice bran, production of rice bran oil and export of deoiled rice bran, payment of cash assistance on this item had served the purpose for which it was introduced and continued. It would not be correct to conclude that the entire payment on account of cash assistance for export of deoiled rice bran was unjustified. It will not be appropriate to conclude either that the observations of Ministry of Finance/Finance Division of the Commerce Ministry were not taken seriously or that the Ministry of Finance/Finance Division itself had acquiesced in the proposals without being fully convinced of their justification. Although the representative of the Ministry of Finance might have, at some stages, expressed reservations, Cash Assistance Review Committee had taken a collective decision after considering all points of view. The basic idea was to boost

the exports and the final decision of the Committee having been taken with this end in view had the approval of all interests represented at the meeting.”

1.15. The Committee are not convinced with the reply of the Government. They are of the view that in the absence of a cost study there is nothing to indicate that the export of de-oiled rice bran would have suffered perceptibly if no cash assistance had been granted. The Committee, therefore, reiterate their earlier observation that the entire payment of Rs. 13.79 crores made on account of cash compensatory support for the export of de-oiled rice bran was not justified. The Committee expect that Ministry of Commerce and Ministry of Finance will take due care before embarking upon any such scheme in future.

CHAPTER II

CONCLUSIONS AND RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

Cash assistance on the export of deoiled rice bran was recommended for the first time in 1969 by the Board of Trade Sub-Committee on oil seeds, oils and oil cakes at the rate of 15 per cent of f.o.b. value. According to the Ministry of Commerce, the considerations which weighed with the sub-Committee while recommending cash assistance on export of deoiled rice bran were (a) that exports hitherto of this item were confined only to U.K. and new outlets were needed for the promotion of this export; (b) with the closure of Suez Canal, freight rates had increased and that had neutralised the advantages of devaluation of Indian rupee; (c) cost of processing was more in the case rice bran extraction as compared to other extractions like cotton seed extractions; and (d) it would facilitate greater production of rice bran oil in the country. The cost data furnished by the exporters of deoiled rice bran in 1969 was forwarded to D.G.T.D. who held in January, 1970 that it was difficult for him to check the cost data as the price of rice bran which varied from State to State was dependent on the quality of bran. At the same time he observed that there was a case for cash assistance as there was an element of loss in exports and that the cost of rice bran and processing charges assumed by the exporters were quite reasonable. In May 1970, the Ministry of Finance agreed to the proposal of cash assistance at the rate of 15 per cent of f.o.b. value for exports above 70,000 tonnes with a view to encouraging production of rice bran extractions and oil. Accordingly, cash assistance was sanctioned for the year 1970-71.

[S. No. 1 Appendix-III Para 1.106 of Thirty-Ninth Report of PAC
(1980-81) (Seventh Lok Sabha)]

Action taken

Observations of the Committee are noted.

[Ministry of Commerce O.M. No. 6/15/81-EP Agri. II dated
21 November 1981]

Recommendation

The Ministry of Commerce made out a case in August 1971 for the extension of cash assistance for the year 1971-72 on the plea that it would encourage the availability of rice bran oil and increase the exports of deoiled rice bran thereby earning more foreign exchange therefrom. However, no cash assistance was allowed during the year 1971-72 to 1974-75 as in the cost data furnished by the Solvent Extractors' Association of India

(SEAI) the Ministry of Finance found no loss and they were of the opinion that cash assistance should be given only if there was loss in undertaking exports.

[S. No. 2 Appendix III Para 1.107 of the Thirty-ninth Report of PAC (1980-81) (Seventh Lok Sabha)]

Action taken

Observations of the Committee are noted.

[Ministry of Commerce O.M. No. 6/15/81-EP Agri. II dated 21 November 1981]

Recommendation

In December 1974, the SEAI, submitted a statement showing the cost of rice bran processing and realisation on the sale of oil and extractions in justification for its claim for cash assistance. According to this statement, the f.o.b. realisation was Rs. 282 per tonne on an average. The Ministry of Commerce have stated that this cost data for the period January—June 1974 revealed that the poorer economics of rice bran processing was due to higher cost of processing greater problem in exporting deoiled rice bran as compared to ground nut extractions.

[S. No. 3 Appendix III para 1.108 of the 39th Report of PAC (1980-81) (Seventh Lok Sabha)]

Action taken

Observations of the Committee are noted.

[Ministry of Commerce O.M. No. 6/15/81-EP Agri. II dated 21 November 1981]

Recommendation

The SEAI also furnished figures indicating that exports of deoiled rice bran during the years 1971-72, 1972-73, 1973-74 and 1974-75 amounted to 1.47, 1.18, 1.06 and 1.02 lakh tonnes respectively. The Ministry of Commerce have stated that the decline in exports with reference to the figures of 1971-72 indicated that withdrawal of cash assistance had an adverse effect. The Ministry accordingly recommended cash assistance of Rs. 60 per tonne of exports above 80,000 tonnes and 10 per cent of f.o.b. value as market development assistance.

[S. No. 4, Appendix III Para 1.109 of the 39th Report of PAC (1980-81) (Seventh Lok Sabha)]

Action taken

Observations of the Committee are noted.

[Ministry of Commerce O.M. No. 6/15/81-EP Agri. II dated 21 November 1981]

Recommendation

In their proposal, the Ministry of Commerce had maintained (February 1975) that exports of deoiled rice bran were falling after 1970-71 due to withdrawal of cash assistance. The recommendation of the Ministry of Commerce for grant of cash assistance was not accepted by the Ministry of Finance who reiterated that it was not advisable to reintroduce cash assistance without a proper detailed cost study by the Cost Accounts Branch of the Ministry of Finance. However, in March 1975 the Main Marketing Development Fund Committee (which includes representatives of the Ministry of Finance) considered the matter and decided to grant cash assistance at 15 per cent of the f.o.b. value of exports in excess of the first one lakh tonnes. The MMDF Committee also directed that detailed cost study be completed in any case before 30 September 1975 on the basis of which cash assistance could be reviewed or revised for prospective application. In pursuance of this decision sanction for grant of cash assistance for the period 1-4-1975 to 31-3-1976 was issued on 19-4-1975. It was stipulated therein that Government reserved the right to reduce or withdraw cash assistance even before 31-3-1976 and that the change would have no retrospective effect, but would be made applicable prospectively.

[S. No. 7 Appendix III Para 1.112 of the 39th Report of PAC (1980-81) (Seventh Lok Sabha)]

Action taken

Observations of the Committee are noted.

[Ministry of Commerce O.M. No. 6/15/81-EP Agri. II dated 21 November 1981]

Recommendation

In pursuance of the decision of the MMDF Committee, the SEAI was asked in April 1975 to furnish the names of five rice bran processing units which might be willing for the cost study by Government Cost Accountants. In January 1976, the SEAI furnished names of three representative units for cost study. Cost data of these firms was furnished only in January 1977. The reports of cost study done by the Cost Accounts Branch in April-May 1977 indicated profit of 22.2 per cent and 9.5 per cent on f.o.b. cost in the case of two firms on the basis of figures of 1973-74 to 1975-76, when no cash assistance was allowed, and 50.1 per cent in the case of the third firm taking into account the data for 1976 only. The Cost Accounts Branch observed that these three units were representative of the industry as their exports during 1975-76 were about 30 per cent of the total exports and that there exist no case for any cash assistance on base for any cash assistance on the exports during 1975-76. The representative of the Ministry of Commerce also conceded during evidence saying that there was no loss on exports.

[S. No. 8 Appendix III Para 1.113 of the 39th Report of PAC (1980-81) (Seventh Lok Sabha)]

Action taken

Observations of the Committee are noted.

[Ministry of Commerce O.M. No. 6/15/81-EP Agri. II dated
21 November 1981]

Recommendation

While the cost study for 1975-76 was still being conducted by the Cost Accounts Branch of the Ministry of Finance, the Ministry of Commerce proposed (February, 1977) the grant of cash assistance for three years from 1977-78 to 1979-80 at the rate of 20 per cent of the f.o.b. value over the exports above one lakh tonnes subject to a minimum ceiling of 3 lakh tonnes. In February, 1977, the Cash Assistance Review Committee agreed to grant cash assistance at the rate of 12.5 per cent of f.o.b. value for 1977-80 on the condition that exports should not be less than 3 lakh tonnes. Sanction for cash assistance was issued in April 1977 for the year 1977-78 only. Floor level of one lakh tonnes on which cash assistance was not available earlier was, however, abandoned.

[S. No. 15 Annexure III Para 1.120 of the 39th Report of the PAC
(1980-81) (Seventh Lok Sabha)]

Action taken

Observations of the Committee are noted.

[Ministry of Commerce O.M. No. 6/15/81-EP Agri. II dated
21 November 1981]

Recommendation

The proposal for grant of cash assistance for exports during 1978-79 was not submitted to the Cash Assistance Review Committee as it had, while agreeing to the cash assistance for 1977-78, agreed in principle to extend the cash assistance till 1979-80. However, the Ministry of Finance observed (March 1978) on the proposal that the cost study undertaken for 1975-76 had not established any loss in exports, that the exports were already lucrative, and that the need for cash assistance required fresh review by the CARC. The Ministry of Commerce then decided that a "quick cost review" bringing out justification for cash assistance would be taken up before 30-6-1978. Instead of waiting till the results of this review, the Ministry of Commerce in the meantime issued on 3-4-1978 sanction for cash assistance for 1978-79 which contemplated a review to be completed before 30-6-1978 on the basis of "detailed study".

[S. No. 16 Annexure III Para 1.121 of the 39th Report of the PAC
(1980-81) (Seventh Lok Sabha)]

Action taken

Observations of the Committee are noted.

[Ministry of Commerce O.M. No. 6/15/81-EP Agri. II dated
21 November 1981]

Recommendation

The information furnished by the SEAI in May 1978 indicated that the exports were made at losses ranging from Rs. 71 to Rs. 204 per tonne during 1975-76, from Rs. 31 to Rs. 159 during 1976-77 and from Rs. 109 to 231 per tonne during 1977-78. The Ministry of Commerce themselves analysed the data and recommended in May 1978 extension of cash assistance for the whole year 1978-79. According to the Ministry, the figures supplied by SEAI had been certified by independent cost accountants and chartered accountants and that the cost data revealed shortfall in *f.o.b.* realisation. The Ministry have added that the figures supplied by SEAI were not verified by the Cost Accounts Branch of the Ministry of Finance as it would have been a "time-consuming process" and according to the revised criteria laid down by the Bose-Mullick Committee such a study was not an essential prerequisite for recommending grant of cash assistance.

[S. No. 18 Annexure III Para 1.123 of the 39th Report of the PAC (1980-81) (Seventh Lok Sabha)]

Action taken

Observations of the Committee are noted.

[Ministry of Commerce O.M. No. 6/15/81-EP Agri. II dated 21 November 1981]

Recommendation

The question of cash assistance was further examined by the Alexander Committee which recommended in its report dated 31-1-1978 that cash assistance should be based on (a) compensation for those indirect taxes in the production cost which are not refunded through the duty draw back system; (b) compensation for freight and other cost differentials; and (c) for providing initial promotional expenditure for new products and in developing new markets. The Alexander Committee recognised that the cash assistance should be available only for a limited period during which the relevant disadvantages could be eliminated by conscious efforts. In any case, the cash assistance should not continue indefinitely.

[S. No. 21 Annexure III Para 1.126 of the 39th Report of the PAC (1980-81) (Seventh Lok Sabha)]

Action taken

Observations of the Committee are noted.

[Ministry of Commerce O.M. No. 6/15/81-EP Agri. II dated 21 November 1981]

Recommendation

The question of grant of cash assistance for deoiled rice bran for the year 1979-80 and onwards was examined by the Ministry of Commerce. On the basis of the recommendations of the Ministry for grant of cash

assistance at 15 per cent of *f.o.b.* value for 1979—82, the Cash Assistance Review Committee decided to grant cash assistance at 12.5 per cent of *f.o.b.* value for a period of three years. The minimum ranges subject to which cash assistance was to be admissible was, however, increased from 3 lakh tonnes to 3.5 lakh tonnes. Government have recently decided that cash assistance on deoiled rice bran which was valid upto 31-3-1982 would now be available upto 31-3-1981. Cash assistance on this commodity thus stands withdrawn with effect from 1-4-1981.

[S. No. 22 Annexure-III Para 1.127 of the 39th Report of the PAC (1980-81) (Seventh Lok Sabha)]

Action taken

Observations of the Committee are noted.

[Ministry of Commerce O.M. No. 6/15/81-EP Agri. II dated 21 November 1981]

Recommendation

Besides cash assistance which amounted to Rs. 9.71 crores during the years 1970-71 and 1975-76 to 1978-79 Government had also provided incentive like total exemption of excise duty (Rs. 4.55 crores from 1970-71 to 1978—89) for production of rice bran oil, excise rebate (Rs. 2.94 crores from 1971-72 to 1977-78) to soap and vanaspati industry for use of rice bran oil, and interest subsidy for encouraging production of rice bran and promoting export of rice bran extractions.

[S. No. 23 Annexure-III Para 1.128 of the 39th Report of the PAC (1980-81) (Seventh Lok Sabha)]

Action taken

Observations of the Committee are noted.

[Ministry of Commerce O.M. No. 6/15/81-EP Agri. II dated 21 November 1981]

Recommendation

As per latest information furnished by the Ministry of Commerce, the cost to the exchequer on account of excise rebate on the use of rice bran oil in soap making during the years 1977-78, 1978-79 and 1979-80 amounted to Rs. 148.42 lakhs, Rs. 193.50 lakhs and Rs. 133.29 lakhs respectively. Further, the revenue foregone due to total exemption of excise duty on the production of rice bran oil during the calendar years 1977, 1978 and 1979 amounted to Rs. 53 lakhs, Rs. 94 lakhs and Rs. 152 lakhs respectively.

[S. No. 24 Annexure-III Para 1.129 of the 39th Report of the PAC (1980-81) (Seventh Lok Sabha)]

Action taken

Observations of the Committee are noted.

[Ministry of Commerce O.M. No. 6/15/81-EP Agri. II dated 21 November 1981]

Recommendation

The Committee hope that with the various incentives already available for the production of rice bran oil and its use in soap and vanaspati industry interest subsidy for export of rice bran extractions, loans to rice mills at favourable rates of interest, etc. it would be possible for the exporters of deoiled rice bran to sustain their export performance and compete in the international market without having to depend on cash assistance.

[S. No. 25 Annexure-III Para 1.130 of the 39th Report of the PAC (1980-81) (Seventh Lok Sabha)]

Action taken

Cash assistance on this item has been discontinued with effect from 1st April, 1981. Any proposal for its revival will be examined on merits and decision taken on the strength of the justification, if any, made out for revival.

[Ministry of Commerce O.M. No. 6/15/81-EP Agri. II dated 15th December 1981]

Recommendation

The Committee find that ever since 1970 when cash assistance was sanctioned on the export of deoiled rice bran, it has been drawn by the Solvent Extractors' Association of India through a single consolidated claim and disbursed to the individual exporters. The Ministry of Commerce have stated that even though the consolidated bill was submitted by the Association, it was always supported by the necessary documents of individual exporters. The Secretary of the Ministry of Commerce stated that "it was a new procedure designed to meet a certain situation when exports above a certain quantity alone were to qualify for cash compensatory support. The decision makers at that time took the view that perhaps routing it through such an organisation would be more administratively convenient." The Committee have been informed that there had practically been no delay on the part of SEAI in disbursing the amounts to individual exporters. In a later reply furnished to the Committee on 31-1-81 the Ministry of Commerce have informed that "the matter has, however, been considered in the light of the evidence before the PAC on 27-12-1980 and a decision has since been taken to disburse cash assistance admissible on this item for exports in 1980-81 directly to the exporters and not through the Association of exporters as in the past."

[S. No. 27 Annexure-III Para 1.132 of the 39th Report of the PAC (1980-81) (Seventh Lok Sabha)]

Action taken

Observations of the Committee are noted.

[Ministry of Commerce O.M. No. 6/15/81-EP Agri. II dated 21 November 1981]

CHAPTER III

CONCLUSIONS AND RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM GOVERNMENT

Recommendation

The Committee observe that according to the statistics published by the Directorate General of Commercial Intelligence and Statistics, Calcutta the average f.o.b. realisation on sale of exports of deoiled rice bran during the relevant period in 1974 was Rs. 369 per tonne as against the average of Rs. 282 per tonne indicated by the data furnished by SEAI. Further, according to DGCI&S figures, exports during the years 1970-71, 1971-72, 1972-73, 1973-74 and 1974-75 were 1.25, 1.69, 1.23, 1.24 and 1.19 lakh tonnes respectively which meant that the exports after 1970-71 were either more or about the same as in 1970-71 when no cash assistance was allowed on these exports. The Committee consider that it was unwise on the part of the Ministry of Commerce to have recommended grant of cash assistance only on the basis of the figures furnished by a private organisation. Before considering the question of grant of cash assistance the proper course was to have verified the data furnished by SEAI with the figures furnished by the DGCI&S, Calcutta which is the primary Government agency for compilation of such information. (Para 1.110)

In this context, the Secretary, Ministry of Commerce stated during evidence that the DGCI&S figures become available after a gap of two months or so and that there were practical difficulties in expediting the same. The Committee would like to emphasise that cash assistance is a direct outgo from the Consolidated Fund of India and is given on several commodities. It is therefore necessary that decisions on grant of cash assistance should be based on verified data. The Committee therefore desire that the causes of delays in compiling the data by DGCI&S which is also under the administrative control of the Ministry should be gone into and improvements effected to expedite the same. The arguments of the Ministry of Commerce that they had to depend upon the data furnished by the SEAI is not wholly tenable because although the latest figures of 1974-75 might have not been available with them at the time of recommending extension of the cash assistance, the figures of 1971-72, 1972-73 and 1973-74 (which clearly showed larger exports than which has been shown by SEAI) were entirely available with them from the DGCI&S. (Para 1.111)

[S. Nos. 5&6 Appendix-III Paras 1.110 & 1.111 of the 39th Report of PAC (1980-81) (Seventh Lok Sabha)]

Action taken

DGI&S's statistics on export for the year 1974-75 were published on 30th July, 1975 and, therefore, were not available at the time of formulation of the proposal for re-introduction of cash assistance on deoiled rice bran. MDF Committee had considered the proposal at the meeting held on 10th March, 1975 i.e. even before the financial year 1974-75 had run out. Even, according to the DGCI&S's statistics there had been sharp decline in the export of deoiled rice bran after 1971-72. Even though there was no cash assistance for 1971-72, the comparatively higher export performance in that year could be attributed to the fact that the industry was expecting continuance of assistance for which a dialogue had been going on. It is also to be observed that when finally CCS was re-introduced from 1975-76, there was a significant increase in exports.

2. As a general practice it is not always possible to verify the export data in regard to the items for which cash assistance is disbursed with reference to the official statistics published by DGCI&S. The observations of the Committee regarding delay in compilation of export statistics by DGCI&S and the need to effect improvement for expediting the same are noted.

[Ministry of Commerce O.M. No. 6/15/81-EP Agri. II dated
15 December 1981]

Recommendations

In January 1976, new guidelines for sanctioning of cash assistance from 1-4-1976 were issued on the basis of the recommendations of the Bose-Mullick Committee. In the revised guidelines, it was provided that the rates of cash assistance were to be determined by a balanced judgement of the following criteria ; (a) export potential and domestic availability as well as supply elasticity of the products ; (b) import content and domestic value added ; (c) approximate implicit subsidy, if available under the import replenishment scheme; (d) compensation for irrecoverable taxes and levies ; (e) difference between the domestic cost and international price of indigenous inputs and raw materials ; (f) cost of entry into new markets ; and (g) a cut off point upto which subsidy is to be allowed. The issue of the revised guidelines necessitated review of the existing cash assistance rates. A meeting of the inter-ministerial committee on cash assistance was held in March 1976 under the chairmanship of Commerce Secretary where Additional Secretary of the Department of Economic Affairs and Expenditure and Ministry of Industrial Development were also present. This Committee decided to grant cash assistance at the rate of 17.5 per cent of the f.o.b. value provided exports during 1976-77 were not less than 1.5 lakh tonnes and also subject to the condition that exports of the first one lakh tonnes did not qualify for cash assistance. While submitting the proposal for the continuance of cash assistance for the year 1976-77 to the inter-ministerial Committee in March, 1976 the condition that the cash assistance on deoiled rice bran for 1975-76 was subject to detailed cost study to be completed before 30-9-1975 was not mentioned in the agenda papers. Thus, by not

indicating the condition of cost study, full facts of the case were not brought before the inter-ministerial Committee. (Para 1.114)

The Committee deplore the fact that in spite of the decision taken by the Main Marketing Development Fund Committee in March 1975 that the cost study should be completed in any case before September 1975 on the basis of which cash assistance could be reviewed or revised, the Ministry of Commerce recommended in March 1976 grant of cash assistance for the year 1976-77 although cost study had not been completed by that time. What is more distressing is the fact that in the agenda papers placed before the inter-ministerial Committee, the fact that cash assistance on deoiled rice bran for 1975-76 was subject to detailed cost study was not mentioned. The Committee consider this as a serious omission. (Para 1.115)

[S. Nos. 9 & 10 Appendix-III Paras 1.114 & 1.115 of the 39th Report of PAC (1980-81) (Seventh Lok Sabha)]

Action taken

The condition regarding cost study stipulated by the MDF Committee, while agreeing to grant of cash assistance on deoiled rice bran for the year 1975-76 was not mentioned in the paper prepared for the purpose of continuance of cash assistance on this item during 1976-77, because of the change in the criteria for determining cash compensatory support which had taken place in the meantime. According to the revised criteria, cost study was not an essential prerequisite for determining the rate of cash compensatory support. It may also be mentioned that though the cost study for 1975-76 had not been completed by then, the rate for 1976-77 had to be decided and announced before the commencement of the year. Hence it would not have been possible or desirable to defer the decision till the completion of the cost study as delay in announcement of the decision would have adversely affected the export which had shown significant growth since reintroduction of cash assistance in 1975-76.

[Ministry of Commerce O.M. No. 6/15/81-EP Agri. II dated 15th December, 1981]

Recommendation

In March, 1976, the Ministry of Commerce proposed to make the provisional sanction for 1975-76 valid as final sanction and not to pursue the cost study. The Ministry of Finance did not agree as the pre-condition of cost study was not waived by the MMDF Committee.

[S. No. 13 Annexure-III Para 1.118 of the 39th Report of the PAC (1980-81) (Seventh Lok Sabha)]

Action taken

The sanction for 1975-76 provided that any change in the rate of cash assistance is a result of cost study was to be effective in respect of exports

made after the date of issue of relevant orders. The sanction thus had the seal of finality in so far as exports made till the issue of fresh orders were concerned. No orders were issued till 31st March, 1976 reducing the rate of cash assistance. It is submitted that the earlier sanction was not a provisional one subject to confirmation or modification (in respect of exports already made) in the light of the findings of cost study. Ministry of Law had also advised that it was not legally permissible to deny cash assistance for exports made during 1975-76.

[Ministry of O.M. No. 6/15/81-EP Agri II dated 15 December, 1981]

Recommendation

The Committee feel that viewed from the fact that the orders issued on 3-4-1978 contained a condition that cash assistance was subject to a review before 30-6-1978, it would have been clear to the Ministry of Commerce that such a review was to be conducted on the basis of "detailed study". No such detailed review was done. What is more surprising is the fact that even Cash Assistance Review Committee did not press for a proper cost study and decided in its meeting held in September, 1978 to extend the cash assistance upto 31-3-1979 despite the reservations expressed by the representative of the Ministry of Finance that since the oil prices had gone up, it was profitable to export the by-products and that the cost study undertaken earlier had not justified the grant of cash assistance.

[S. No. 17 Annexure-III Para 1.122 of the 39th Report of the PAC (1980-81) (Seventh Lok Sabha)]

Action taken

Cash Assistance Review Committee which is an inter-ministerial Committee and includes representatives of the Ministry of Finance was satisfied on the basis of the review presented to it that cash assistance at the rate approved for the period upto 31st March, 1979 was to be continued. Even if some reservations are initially expressed by any member of the Committee, various aspects are discussed at the meeting of the Committee and decisions are taken with the consent of all the members.

[Ministry of Commerce O.M. No. 6/15/81-EP Agri. II dated 15th December, 1981]

Recommendation

The Committee are informed by the Ministry of Agriculture that poultry and dairy development programmes require larger quantity of cattle feed and that deoiled rice bran is an important ingredient in the cattle feed. The Ministry has observed that they had been constantly suggesting to the Ministry of Commerce for imposition of quota restrictions on the export of deoiled rice bran. The representative of the Ministry of Agriculture also stated before the Committee during evidence : "So far

as cash assistance is concerned, for the last three years and atleast ever since 1977 we have been consistently suggesting that the cash assistance should not be there. In the cash Assistance Review Committee also we have specifically mentioned that we do not want to encourage exports of this commodity and also we are not in favour of any cash assistance." In this context, the Secretary, Ministry of Commerce stated : "The Commerce Ministry with the tools and instruments available with it is charged with the responsibility of increasing the exports at 7 per cent per year. We have now increased it to 10 per cent. We have also the responsibility to try and persuade all sectors of Indian economy to make their respective contributions in the export efforts." It is evident that there has been divergence of views between the Ministries of Agriculture and Commerce in this matter. As apprehended by the Ministry of Agriculture, unrestricted export of deoiled rice bran could result in price escalation and shortage of this commodity within the country. The Committee therefore expect that there would be closer coordination and a balance struck so that exports of this commodity are restricted and not encouraged by grant of cash assistance but regulated in such a way that the total production of rice bran oil and rice bran extraction is not affected and escalation in domestic prices affecting poultry and dairy development in the country is not experienced.

[S. No. 26 Annexure-III Para 1.131 of the 39th Report of the PAC (1980-81) (Seventh Lok Sabha)]

Action taken

Under existing policy export of deoiled rice bran is subject to quota restriction. The item was brought under ceiling for the first time in July, 1980. An initial ceiling of 2 lakh tonnes was released with approval of the High Powered Committee on Imports and Exports of Agricultural Commodities, chaired by the Secretary, Ministry of Agriculture. The second instalment of 3 lakh tonnes was later released in October, 1980 with the approval of the same Committee. An additional quantity of 25,000 tonnes was allowed for export towards the end of the financial year 1980-81 for taking care of the normal variation permitted under export contracts. According to the provisional figures available, the export during the year 1980-81 was 5.13 lakh tonnes.

2. For the year, 1981-82, Ministry of Agriculture, originally recommended a quota of 5 lakh tonnes which was released. The Committee of Economic Secretaries as well as the Cabinet Committee on Exports decided to fix an export target of 5.82 lakh tonnes of deoiled rice bran for the year 1981-82. In terms of this decision, an additional 82,000 tonnes of deoiled rice bran has also been released for export in the year 1981-82. It would thus be seen that export quota for this item is settled in close co-ordination with the Ministry of Agriculture.

3. In regard to the local availability of deoiled rice bran it may be pointed out that the domestic sale of this item had increased from 1.25 lakh tonnes in 1979-80 to 2.63 lakh tonnes in 1980-81. The price of deoiled rice

bran in the domestic market depends on several factors and it may not be appropriate to attribute increase in domestic prices solely to export.

[Ministry of Commerce O.M. No. 6/15/81-EP Agri. II dated
15th December, 1981]

Recommendation

While the Committee take note of the above decision, they would like to be informed whether there are other commodities also where cash assistance is distributed by Government through the associations of exporters. The desirability or otherwise of continuing payments of cash assistance in such manner may also be reviewed and the result thereof intimated to the Committee.

[S. No. 28 Annexure-III Para 1.133 of the 39th Report of the PAC
(1980-81) (Seventh Lok Sabha)]

Action taken

Cash assistance on cotton seed extractions and mango kernel extractions was also being disbursed through the respective Associations of exporters. A decision has been taken to disburse cash assistance on these items for the year 1981-82 to the exporters directly by the JCCI&E, Bombay. For quicker finalisation of the claims, consolidation of the applications by the Association has however been allowed to continue. Apart from this, there are certain cotton textile items on which cash assistance is disbursed through ICMF. The question as to whether the procedure in this case also should be changed is under examination. There are no other items on which payment of cash assistance is made to exporters through Associations of exporters.

[Ministry of Commerce O.M. No. 6/15/81-EP Agri. II dated
15th December, 1981]

CHAPTER IV

CONCLUSIONS AND RECOMMENDATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation

When asked during evidence as to why cash assistance was recommended for 1976-77 even before completion of cost study, the Secretary, Ministry of Commerce referred to the revised criteria laid down by the Bose-Mullick Committee and observed : "Those are the seven items which are mentioned. Cost study was eliminated. It was decided that cost study would not be the criteria to decide whether support should be given or not". The Committee are surprised that such interpretation was given to the revised criteria. The criteria referred to by the Bose-Mullick Committee were in the nature of general assessments and were not capable of objective analysis on the basis of quantification. Further, it was nowhere, stated that cost study should not be done. The Committee are of the view that the concept that cash assistance is intended to span the gap between the cost of production of an export product and the f.o.b. realisation accruing from its export as also a detailed examination of the cost structure are relevant even after the issue of revised criteria laid down by the Bose-Mullick Committee and those laid down later by the Alexander Committee. As cash assistance is given on a wide range of commodities the Committee would like the Government to examine the matter and clarify the policy in this regard.

[S. No. 11 Annexure-III Para 1.116 of the 39th Report of the PAC
(1980-81) (Seventh Lok Sabha)]

Action taken

The criteria evolved by Bose-Mullick Committee did not envisage that cash assistance was intended to span the gap between the cost of production and the f.o.b. realisation. In fact the Committee specifically observed that recommendations of cash assistance should not be based on mechanical application of the rigid formula like the difference between the f.o.b. price realisation and the so-called marginal cost of production (*vide* detailed reply already given and reproduced in Paragraph 1.63 of the 39th Report of the Committee). The rates of assistance were to be determined by a balanced judgement of the said criteria which, as pointed out by the Committee, were in the nature of general assessments not susceptible of precise quantification. However, with the introduction of the revised guidelines with effect from the 1st April, 1979, based on the recommendations of Alexander Committee, the criteria for determination

of cash assistance have acquired relatively greater clarity. Under these criteria, the emphasis is not so much on bridging the gap between cost of production and export realisation but on neutralising certain inherent handicaps and disadvantages suffered by the Indian exporters such as unrebated indirect taxes, etc. Proforma for collection of information have been standardised and it has been provided that the data should be certified by a Chartered Accountant and routed through the Export Promotion Councils or other similarly approved organisations. Although data on f.o.b. cost and f.o.b. realisation are also obtained, these are used more to have an overall idea of the general level of profitability of the exports in question than for working out the rates of cash assistance as such. As already stated, the rates are fixed at a level required to neutralise certain specific disadvantages which is often much less than the gap between f.o.b. cost and f.o.b. realisation. Thus, the cost data are relevant only to a limited extent in terms of the present policy. It may, however, be mentioned that a cost study is resorted to in certain cases where the Cash Assistance Review Committee desires to have a more precise estimate of the profitability of exports before determining the rates of assistance.

[Ministry of Commerce O.M. No. 6/15/81-EP Agri. II dated 15th December, 1981]

Recommendation

Further, the Committee observe that as per figures published by DGCIS, the average f.o.b. realisation from export of deoiled rice bran was Rs. 374 per tonne in 1974-75 and Rs. 457 per tonne in 1975-76. The profitability of the exports was not, however, examined by the Ministry of Commerce before extending cash assistance for 1976-77. Considering also the fact that in January 1976, the Ministry of Commerce had clearly indicated to the SEAI that if the industry was making high profits, there would be no case for development subsidy also, the submission of proposal by the Ministry of commerce for 1976-77 and the grant of cash assistance at the increased rate of 17.5 per cent for 1976-77 as against the rate of 15 per cent for 1975-76 by the inter-ministerial Committee in March 1976 was, in the view of the Committee, not justified.

[S. No. 12 Annexure-III Para 1.117 of the 39th Report of PAC (1980-81) (Seventh Lok Sabha)]

Action taken

The profitability of export of deoiled rice bran was not specifically examined before extending cash assistance on this item in 1976-77. During the period 1972-73 to 1974-75 the export did not show any growth and if at all there was a marginal decline. With the reintroduction of cash assistance from 1975-76 the exports started picking up again. The fact that the exports rose to 4.07 lakh tonnes in 1976-77 would show that the Committee was justified in giving cash assistance on this item.

If exports of this item had been highly profitable even without CCS there should have been a steady growth even prior to 1975-76, which was not the case.

[Ministry of Commerce O.M. No. 6/15/81-EP Agri. II dated 15th December, 1981]

Recommendation

In a meeting held by the Commerce Secretary on 26 October, 1976, it was decided that the cost study for 1975 should be considered both by the Commodity Division of the Ministry of Commerce and the Ministry of Finance. Subsequently on 2 November, 1976 the Financial Adviser of the Ministry of Commerce had suggested: "If cash assistance for the whole year is now paid, it will be very difficult to make recoveries in case cost study reveals that cash assistance is not justified. On the contrary, if payments are kept pending and cost study is completed quickly, amounts can be released provided cost study justifies the cash assistance." The next note recorded on the file on 12 November, 1976 was by the Jt. Secretary of the Ministry of Commerce dealing with Agriculture which read: "I called the Chairman, Solvent Extractors' Association and have clearly told him that cash assistance for 1975-76 would not be made available at all until they fully cooperate and have the cost study for 1975-76 completed. FA may kindly ask his staff to get in touch with him for further action". As, according to the Ministry of Commerce, in this case the letters regarding payments to be made to SEAI by the Jt. Chief Controller of Imports and Exports, Bombay were to be issued by the Agriculture Division of the Ministry of Commerce, no information seems to have been communicated to JCCIE, Bombay suggesting stoppage of the payment till the cost study was completed. When asked why no such communication was sent to JCCIE, the Additional Secretary of the Ministry of Commerce stated during evidence "I am unable to say anything from the file as to why administrative side could not send instructions." In this context, the Secretary, Ministry of Commerce stated: "The Financial Adviser gave his advice in a note. If one is to go by what is on record, then the note of (Jt. Secretary) does not indicate that he had authorised the issue of instructions stopping payment. It is silent on that point." In the absence of any instructions from the Ministry of Commerce for stopping payment, the JCCIE, Bombay disbursed cash assistance amounting to Rs. 52 lakhs in December, 1976 and Rs. 4.22 lakhs in March, 1977 on the basis of the claims sent by the SEAI on exports made during 1975-76. Balance of Rs. 1.57 lakhs was paid in May 1979. The Committee take a serious view over the non-issue of instructions by the Ministry of Commerce to JCCIE for stoppage of payment of cash assistance resulting in the disbursement of Rs. 57.79 lakhs to SEAI. They would, therefore, like the matter to be investigated by a team of senior officers outside the Ministry of Commerce with a view to fixing responsibility and identifying the lacuna in procedure so that such costly lapses do not recur. The report of the Team should be furnished to the Committee within six months.

[S. No. 14 Annexure III Para 1.119 of the 39th Report of the PAC (1980-81) (Seventh Lok Sabha)]

Action taken

An deference to the suggestion made by the Committee it is proposed to appoint a team of officers, not connected with the Department of Commerce, to go into the matter and submit their findings. The composition of the team will be separately communicated to the Committee.

[Ministry of Commerce O.M. No. 6/15/81-EP Agri. II dated 15th December, 1981]

Recommendation

The Committee have already commented upon in their earlier reports on various cash assistance schemes regarding the undesirability of placing total reliance on unverified data. Here they would like to point out that there was no justification for the Ministry of Commerce to have by-passed the requirement of verification of data furnished by SEAI on the ground that it would have been a time consuming process or that cost study was not necessary under the revised criteria. The Committee must express their displeasure over the fact that the decisions had been taken by the Ministry of Commerce and approval given by the Main Marketing Development Fund Committee, Inter-Ministerial Committee and the Cash Assistance Review Committee for grant of cash assistance on deoiled rice bran for the year 1975-76 onwards in spite of the reservations expressed repeatedly by the Ministry of Finance. The Ministry of Finance had on several occasions asserted that there was no loss on the exports of deoiled rice bran and in any case it was necessary to have cost study done on the basis of authentic data. On the basis of the information placed before the Committee, it is clear that the Ministry of Commerce did not seriously consider the objections raised by the Ministry of Finance from time to time and for no plausible reasons the completion of cost studies was delayed. (Para 1.124)

The Committee also do not appreciated why the Ministry of Finance in spite of their reluctance in the initial stages had ultimately agreed to the grant of cash assistance knowing fully that their main objection of non-compliance of cost study had not been met before the case for further extension of cash assistance was mooted by the Ministry of Commerce. The Committee find that the cash assistance on export of this commodity was sanctioned in 1970-71 and then reintroduced in 1975-76 and continued up to 31 March, 1981 without any cost study which established any loss on exports. Thus the entire payment of Rs. 13.79 crores made on this account upto December 1980 was not justified. (Para 1.125)

[S. Nos. 19 & 20 Annexure III Paras 1.124 & 1.125 of the 39th Report of the PAC (1980-81) (Seventh Lok Sabha)]

Action taken

Judged by the result achieved in the matter of increased processing of rice bran, production of rice bran oil and export of deoiled rice bran, payment of cash assistance on this item had served the purpose for which

it was introduced and continued. It would not be correct to conclude that the entire payment on account of cash assistance for export of deoiled rice bran was unjustified. It will not be appropriate to conclude either that the observations of Ministry of Finance, Finance Division of the Commerce Ministry were not taken seriously or that the Ministry of Finance/Finance Division itself had acquiesced in the proposals without being fully convinced of their justification. Although the representative of the Ministry of Finance might have, at some stages, expressed reservations, Cash Assistance Review Committee had taken a collective decision after considering all points of view. The basic idea was to boost the exports and the final decision of the Committee having been taken with this end in view had the approval of all interests represented at the meeting.

[Ministry of Commerce O.M. No. 6/15/81-EP Agri. II dated
15th December, 1981]

CHAPTER V
CONCLUSIONS AND RECOMMENDATIONS IN RESPECT OF WHICH
GOVERNMENT HAVE FURNISHED INTERIM REPLIES

—NIL

NEW DELHI;
March 8, 1982
Phalguna 17, 1903 (Saka)

SATISH AGARWAL
Chairman
Public Accounts Committee.

PART II

MINUTES OF THE SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (1981-82) HELD ON 5TH MARCH, 1982

The Committee sat from 1530 to 1830 hours.

PRESENT

Shri Satish Agarwal—*Chairman*

MEMBERS

Shri Mahavir Prasad

Shri M. V. Chandrashekara Murthy

Shri Hari Krishna Shastri

Shri Satish Prasad Singh

Shri K. P. Unnikrishnan

Shri Indradeep Sinha

Prof. Rasheeduddin Khan

REPRESENTATIVES OF THE OFFICE OF C&AG

Shri R.C. Suri—*ADAI (R)*

Shri S.R. Mukherji—*Director of Audit, Commerce Works and Misc.*

Shri R.S. Gupta—*Director of Receipt Audit*

Shri N. Sivasubramaniam—*Director of Receipt Audit*

Shri G.R. Sood—*Joint Director (Reports)*

Shri N.C. Roychoudhary—*Joint Director (C&CX)*

SECRETARIAT

Shri D.C. Pande—*Chief Financial Committee Officer*

Shri K.C. Rastogi—*Senior Financial Committee Officer*

Shri K.K. Sharma—*Senior Financial Committee Officer*

Shri Ram Kishore—*Senior Legislative Committee Officer*

The committee considered the following draft Reports and adopted the same with amendments/modifications as shown in Appendix I to V

1. 77th Report on action taken by Government on the recommendations contained in their 39th Report (7th Lok Sabha) on Cash Assistance for export of Deoiled rice bran.

* * * * *

The Committee also approved certain other modifications arising out of factual verifications by Audit in the aforesaid draft Reports

The Committee then adjourned

ANNEXURE I

Amendments/modifications made by the Committee in 77th Action Taken Report on cash assistance for export of deoiled rice bran at its sitting held on 5 March, 1982.

Page	Para	Line	Amendment/modification
12	1.15		<i>Add the following sentence at the end of paragraph. “The Committee expect that Ministry of Commerce and Ministry of Finance will take due care before embarking upon any such scheme in future”.</i>

APPENDIX

STATEMENT OF CONCLUSIONS AND RECOMMENDATIONS

Sl. No.	Para No.	Ministry Concerned.	Conclusions and Recommendations
(1)	(2)	(3)	(4)
1	1.6	Commerce.	<p>The Committee in their original recommendation had observed that the concept that cash assistance is intended to span the gap between the cost of production and the f.o.b. realisation accruing from its export as also a detailed examination of the cost structure are relevant even after the issue of revised criteria laid down by the Bose-Mullick Committee and those laid down later by the Alexander Committee and the Government was asked to examine the matter and clarify the policy in this regard. The Ministry of Commerce, in their reply, have stated that with the introduction of revised guidelines w.e.f. 1 April, 1979, based on the recommendations of Alexander Committee, the criteria for determination of cash assistance has acquired relatively greater clarity. Under these criteria, emphasis is not so much on bridging the gap between cost of production and export realisation but on neutralising certain inherent handicaps and disadvantages suffered by the Indian exporters such as unrebated indirect taxes etc. Proformae for collection of information have been standardised and it has been provided that the data should be certified by a Chartered Accountant and routed through the Export Promotion Councils or other similarly approved organisations. The Ministry of Commerce have further stated that although data on f.o.b. cost and f.o.b. realisation are also</p>

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obtained, these are used more to have an overall idea of the general level of profitability of the exports in question than for working out the rates of cash assistance as such. Thus, the cost data are relevant only to a limited extent in terms of the present policy.

The Committee fail to understand as to how the grant of cash assistance on the export of a commodity could be justified if the export of that commodity results in substantial profit even without cash assistance. Since the profitability of the exports of a commodity can only be determined by carrying out cost study, the Committee are of the view that it is desirable to carry out a proper cost study by the Cost Accounts Branch of the Ministry of Finance before sanctioning or renewing the cash assistance on any commodity and particularly in cases of those commodities where substantial amount is paid every year as cash assistance and which have been enjoying this facility for a number of years.

- 2 1.9 Commerce The Committee are not convinced with the reply of the Government. They would like to point out that basic objective of grant of cash assistance is to compensate the exporters for any losses being suffered by them in the export of a commodity. In view of the fact that the average f.o.b. realisation from export of deoiled rice bran had shown an increase of Rs. 83 per tonne in 1975-76 as compared to 1974-75 the Committee fail to understand why the aspect of profitability was not examined by the Ministry of Commerce before extending the scheme of cash assistance at an increased rate. The Committee, therefore, reiterate their earlier observation that the grant of cash assistance at the increased rate of 17.5% in 1976-77 as against the rate of 15% for 1975-76 was not justified.
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(1)	(2)	(3)	(4)
3.	1.12	Commerce.	<p>In 39th Report, the Committee had observed that in the absence of any instructions from the Ministry of Commerce for stopping payment the JCCIE, Bombay disbursed the cash assistance amounting to Rs. 52 lakhs in December 1976 and Rs. 4.22 lakhs in March 1977 on the basis of the claims sent by the SEAI on exports made during 1975-76. Balance of Rs. 1.57 lakhs was paid in May 1979. Taking a serious view over the non-issue of timely instructions by the Ministry of Commerce to JCCIE for stoppage of payment of cash assistance resulting in disbursement of Rs. 57.79 lakhs to SEAI, the Committee had desired the matter to be investigated by a team of senior officers outside the Ministry of Commerce with a view to fixing responsibility and identifying the lacuna in procedure. Although the Report of the Committee was presented in April, 1981, the Committee are surprised to note that no concrete action in the matter has been taken and even in December, 1981, the Ministry of Commerce were still proposing to appoint a team of officers to go into the matter. The Committee are unhappy at this lackadical manner in which specific recommendations are being dealt with by the Ministry. The Committee would like Government to appoint the Team of Officers to go into the matter without any further delay. They would also like to be apprised of the findings of this Team and the action taken thereon as early as possible.</p>
4.	1.15	<u>Commerce</u> <u>Finance</u> (Deptt. of Expenditure)	<p>The Committee are not convinced with the reply of the Government. They are of the view that in the absence of a cost study there is nothing to indicate that the export of de-oiled rice bran would have suffered perceptibly if no</p>

(1)	(2)	(3)	(4)
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cash assistance had been granted. The Committee, therefore, reiterate their earlier observation that the entire payment of Rs. 13.79 crores made on account of cash compensatory support for the export of de-oiled rice bran was not justified. The Committee expect that Ministry of Commerce and Ministry of Finance will take due care before embarking upon any such scheme in future.
