

HUNDRED AND SEVENTH REPORT

PUBLIC ACCOUNTS COMMITTEE (1987-88)

(EIGHTH LOK SABHA)

TEA BOARD

MINISTRY OF COMMERCE



Presented in Lok Sabha on 17-3-88

Laid in Rajya Sabha on 17-3-88

**LOK SABHA SECRETARIAT
NEW DELHI**

March, 1988/Phalgun, 1907 }Saka}

Price : Rs. 13 00

CORRIGENDA TO 107TH REPORT OF
PUBLIC ACCOUNTS COMMITTEE (8TH LOK SABHA)

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13-8-1987
8-9-1987
9-9-1987
4-9-1987
7-3-1987

*Not printed. One cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library.

PUBLIC ACCOUNTS COMMITTEE

(1987-88)

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2. Shri B. D. Duggal—*Chief Financial Committee Officer.*
3. Shri S. M. Mehta—*Senior Financial Committee Officer.*
4. Shri R. K. Chatterjee—*Officer on Special Duty.*

INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee do present on their behalf this Hundred and Seventh Report on Paragraph 3 of the Report of the Comptroller and Auditor General of India for the year 1984-85—Union Government (Civil) Vol. III relating to Tea Board.

2. The Report of the Comptroller and Auditor General of India for the year 1984-85, Union Government (Civil) was laid on the table of the House on 7 May, 1986.

3. In this Report, the Committee have pointed out that the Tea Board, which was established under the Tea Act, 1953 for promotion and development of tea industry and trade has not been able to attain this objective. The Committee have also observed that Government have not been able to implement most of the recommendations of earlier PAC (1969-70) or for that matter even seriously taken up for their implementation even though they were accepted long ago. The Committee found that Tea Board did not even monitor the implementation of the improvements required to be undertaken by the beneficiaries of different planting finance schemes or replantation and rejuvenation subsidy scheme and as such its contribution in these respect could not be ascertained. They have, therefore, recommended for continuous monitoring of the schemes. The Committee have also recommended that Tea Board should make a realistic assessment of actual requirement of funds for plantation of tea in the plains and hills which were not being done hitherto and sanction loans accordingly. Coming to the question of fixing targets for replantation, the Committee recommended that it should be fixed after taking into account availability of finance and planting material of better quality.

4. The Committee have taken a strong view of the fact that foreign offices of Tea Board with its lopsided functioning have failed to check the shift in import of tea from India to other countries. They have recommended that a thorough scrutiny of the effectiveness of tea promotion offices abroad be made and those not found effective in increasing sale of Indian tea substantially within their respective area of operation be wound up and the work handed over to the Embassy/High Commission. Even those foreign offices which are to be retained, be manned with personnel experienced in tea and marketing. The Committee are of the considered view that tea promotion in its present form has benefited multinational companies in selling Indian Tea to consumers in those countries where Tea Board's export promotion operated. They have recommended discontinuance of export promotion in its present form. They have also recommended promotion of export of tea in value added form and product diversification.

5. The Public Accounts Committee examined the Audit Paragraph at their sittings held on 11 February, 13 August and 8, 9 and 11 September, 1987.

6. The Committee considered and finalised this Report at their sitting held on 7 March, 1988. The minutes of the sittings form Part II^a of the Report.

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

8. The Committee express their thanks to the officers of the Ministry of Commerce, Tea Board and C.S.I.R. for cooperation extended by them.

9. The Committee also place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

NEW DELHI:

AMAL DATTA,
Chairman,
Public Accounts Committee

March 9, 1988

Phaiguna 19, 1909 (Saka)

*Not printed (One cyclostyled copy laid on the Table of the House and Five copies placed in Parliament Library).

REPORT

CHAPTER I

INTRODUCTORY

Certain aspects of the working of the Tea Board, established under the Tea Act, 1953 for promotion and development of tea industry and trade, were examined by the Public Accounts Committee (1969-70) and their Report (115th of 4th Lok Sabha) contained a number of findings regarding the deficiencies in the working of the Tea Board and the recommendations to overcome such deficiencies. Stressing the need for encouraging the production of quality tea which was much in demand abroad and for extending the area under tea cultivation, the Committee had observed, *inter-alia*, that the rate of growth of tea industry in India was very low, that many tea growers' operations were un-economic and generally the increase in production of tea was inadequate to supply to the demand of domestic and export markets. On the export side, the Committee felt that the total volume of export had declined and there was too much dependence on London auction market dominated by 4 large buyers and, therefore, the Committee had recommended that efforts should be made to develop alternative markets and explore and expand into emerging markets of developing countries.

2. The Committee recommended/observed, *inter alia*, that market survey by competent personnel in association with the trade should be undertaken for export promotion, that trade should be involved in export promotion campaign, that quality tea production especially Darjeeling tea should be encouraged, that there should be a substantial effort at product diversification into tea packs, instant tea, tea mixes and export of packed and value added tea should be encouraged. The Committee further recommended the review of functioning of Tea Centres abroad, shifting of some centres from established markets to emerging markets and various other measures for promotion of tea export. It made certain recommendations also for increasing production of tea. These recommendations were substantially accepted by the Government (15th Report of PAC, 1971-72).

3. The present enquiry of the Committee was started on the basis of paragraph¹ 3 of the Report of the C&AG., 1984-85 Civil Volume III on the working of the Tea Board. The enquiry has brought to light that Government have not been able to implement most of the recommendations made by the earlier P.A.C. or for that matter, even seriously taken up for implementation although they were accepted long ago. In subsequent paragraphs the findings of the Committee in this regard are set out.

¹Refer Appendix A

Tea Production—A Background

4. The figures of production² of tea from 1975 to 1985 show that there has been a very small though steady increase in production of tea in India. The average yield of tea³ has gone up from about 1350 kgs per hectare approximately to about 1650 kgs per hectare approximately between 1974-75 and 1984-85, an annual increase of 2.2% per annum. The increase in area covered has been even lower i.e. from 3,60,000 hectares approximately in 1973 to 399,929 hectares in 1984-85 at the rate of approximately 1% per annum.

5. Total production of tea has increased from 487 million kgs in 1974-75 to 657 million kgs in 1984-85 (against the target of 705 million kgs. fixed for the last year of the Sixth Plan period 1980-85). In the following chapters, the Committee examine to what extent Tea Board has been able to fulfil the stated objectives of increasing production and productivity of tea through the various measure adopted by it for attaining these objectives.

6. An appraisal of what has been achieved is possible only when in is compared with what is achievable. According to the Chairman, Tea Research Association⁴, their aim is to create tea plants that will be drought resistant, disease resistant, will need minimum of fertiliser and are capable of producing 7000 to 10000 kgs per hectare. He has also stated that the yield in a replanted area in the North in four years after planting is 2000 kgs per hectare (against 1650 kgs. average production in India per hectare).

7. According to the Chairman of the Consultative Committee of Plantation Association,⁵ there are gardens which already have a yield as high as 3200 kgs per hectare and in the case of many gardens the average yield of 2800 to 2900 kgs is obtained. According to him, it is the small companies who have a much lower yield. He, however, thought that a situation of 5000 to 6000 kgs per hectare yield is very distant at present. When the Ministry was asked to give its views regarding the possibility of increase in yield by resorting to new methods, the Committee found that the Ministry has not formed any definite view on the achievable yield and the Committee was merely informed that the Tea Board was moving towards genetic culture and research and that a Research Committee has been constituted to identify areas in which basic research thrust should be made in the next 10 to 15 years and the departments and laboratories where these can be carried⁶ out.

² Refer Appendix B

³ Refer Appendix C

⁴ Refer address to Seminar Appendix 'D'.

⁵ Refer relevant portion of evidence in Appendix 'D'.

⁶ Refer relevant portion of evidence in Appendix 'D'.

8. Against this background of what has been achieved and what is achievable, the Committee will examine in the next chapter the effectiveness in increasing production and productivity of tea by the measures adopted by the Tea Board. The Tea Board does not have an extension wing either to bring the fruits of research to the industry by disseminating the technology or to create an awareness of the existence and possible contribution of the new technological achievements. It has, however, taken certain measures to improve the quality which have also resulted in improvement in yield of tea. Thus, when granting loans under different planting finance schemes or replantation and rejuvenation subsidy schemes, the Board requires the borrowers to give a guarantee that they will use plantation material approved by the Board, which are actually recommended by the Tea Research Association (United Planters Association of South India) or UPASI. The borrowers/beneficiaries are also required to adopt rehabilitation measures of the soil where plants have been uprooted in the manner prescribed by the Tea Research Association. Certain other requirements of the Board regard to borrowers/beneficiaries regarding drainage of planted/replanted areas, percentage of vacancy etc. are also intended to result in both qualitative and quantitative improvement in the yield of tea. Qualitative improvement is also brought about by improved manufacturing process incorporated in new machinery which can be obtained through the Board's hire-purchase scheme.

9. The Committee find that the Tea Board does not monitor the implementation of the improvements required to be undertaken by the beneficiaries as per loan stipulations. As such, its contribution in these respects cannot be ascertained. The Committee recommend that the Tea Board should set up continuous monitoring mechanism as long as it continues with such schemes.

Research

10. Undertaking scientific, technological and economic research on various aspects of tea in addition to assisting in such research, is one of the functions of the Board. Besides rendering financial assistance to the Tea Research Association and the United Planters Association of South India (UPASI) to enable them to continue research and advisory work on various aspects of tea, the Board has been financing universities and technical institutions for carrying out certain ad-hoc schemes of research. The Board has also been undertaking research on its own at Tea Research Centre for Darjeeling tea at Kurseong and the Instant Tea Project at Toklai (Assam). An expenditure of Rs. 377.21 lakhs was incurred by the Board on research during 1974-75 to 1984-85.

11. The Committee learnt that for improving productivity, genetic culture and research were being undertaken. The Commerce Secretary stated that a Research Committee comprising representatives of the CSIR,

the plantation associations and the ICAR has been constituted to identify areas in which the basic research thrust should be made in the next 10—15 years and specify the Departments/laboratories where such research could be undertaken. To acquaint themselves with the progress and prospect of Tea research the Committee heard the Director, Toklai Experiment Station, Jorhat. The latter opined⁷ that theoretically it was possible to attain the yield of 70—100 quintals per hectare. With the existing planting materials certain gardens had already attained the yield of 40—50 quintals per hectare. He claimed⁸ that Toklai Research Station was having information on plant nutrition, drainage, pruning, plucking and the dynamic management which could turn the table. After systematic analysis of the available data and obtaining the results of their application in the field of higher yields, the Station would give its conclusive recommendations for improvement in agronomic practices. Information containing these data were incorporated in the various publications brought out by the Station from time to time and area-wise scientific conferences were held periodically where the planters and the scientists participated to exchange their views on various issues. Tea Board was being involved in the transfer of technology *vis-a-vis* planting materials.

12. After hearing the Director, Toklai Research Station, Jorhat and having gone through the facts furnished by the Tea Board indicating variation in productivity of tea from garden to garden in the same area and possible reasons therefor, the Committee are inclined to believe that a lot more has to be done towards research on tea and dissemination of its results to the planters. They would like tea Board to take more initiative in dissemination of information on research to the field for practical application and attainment of better results.

⁷ Refer to relevant portion of evidence in Appendix 'D'.

⁸ Refer to relevant portion of evidence in Appendix 'D'.

CHAPTER II

DEVELOPMENT SCHEMES

13. The main schemes of the Board for increasing production of tea are the following :

- (i) Tea Plantation Finance Scheme.
- (ii) Tea machinery and irrigation equipment hire-purchase Scheme.
- (iii) Tea Re-plantation subsidy scheme including Tea area re-juvenation and consolidation subsidy scheme.

Tea Plantation Finance Scheme

14. This scheme introduced in 1962-63 with a view to granting long terms loans to tea estates for carrying out replanting, replacement and/or extension of tea growing areas, has a revolving fund of only Rs. 4.60 crores (including irrigation loan of Rs. 0.10 crore). The prevailing (1984-85) lending rate of interest is 13.25% per annum (10.5% in case of prompt repayment by due dates). The tea estates were granted loans by the Board during 1984-85 at the rate of Rs. 20,000/- per hectare for gardens in the plains, and at Rs. 25,000/- per hectare for gardens in the hills. According to the trade sources, the requirement for planting one hectare with tea is of the order of Rs. 70,000 in the plains and Rs. 1,02,000 in the hills. Only a small portion of the requirement for replanting can, therefore, come from Tea Board loan even for those who have approached the Board for long term finance. During the existence of the Scheme from 1962-63 upto 1984-85, i.e. for a period of more than 20 years, the total acreage planted under this scheme has been 10,951.74 hectares i.e. roughly at the rate of 500 hectares per annum. As per a note submitted by the Ministry to the Public Accounts Committee (1969-70), replantation should be carried out at the rate of 2% of the planted area per year. Taking the planted area at approximately 3,60,000 hectares, the minimum annual replantation requirement is definitely of the order of 7000 hectares per annum. Seen against this requirement, the contribution of the Tea Board has been very little. Tea Board has given some detailed justification for not being able to grant tea loans applied for or disburse the loan amounts sanctioned by it, but these are of no avail and need not be examined by this Committee as no realistic target appears to have even been set by the Tea Board itself and the Government has not cared to take any measures to implement its own target of 2% per annum replantation of the existing tea estates.

15. The Committee desire that Tea Board should make a realistic assessment of actual requirement of funds for plantation for tea in the plains and hills and sanction loans for plantation according to that requirement. They are constrained to note that Tea Board has failed to ensure replantation at the rate of 2% per annum of the total planted area as per the scheme intimated to the PAC (Fourth Lok Sabha) 1969-70. This is a failure of the Government which affected both the quantitative growth and qualitative improvement of the tea industry. It is high time that Govt. should review the requirement of quantitative growth and qualitative improvement of tea industry keeping in view the future requirement of export and domestic consumption of tea. Once the target for plantation is fixed on the basis of this assessment, all resources including technological know-how, should be mobilised to ensure achievement of that target. They would urge Tea Board to closely monitor the progress of plantation in coordination with planters, research bodies and plantation workers and render help/guidance wherever necessary.

The machinery and irrigation equipment hire-purchase scheme

16. The title of the scheme is self-explanatory. It was introduced in 1960. While initially it was only for tea processing and irrigation machinery, in 1980 the scheme was expanded to include tea packeting and tea bagging machinery.

17. The scheme started with a corpus of Rs. 2 crores (including Rs. 50 lakhs for irrigation equipment), the amount having been raised from time to time had stood at Rs. 35 crores since February 1980 (Rs. 30 crores for machinery, Rs. 4 crores for irrigation equipment and Rs. 1 crore for tea packeting and tea bagging machinery). Upto January, 1985, payments made by the Board to suppliers of machinery and irrigation equipment on account of machinery (Rs. 33.73 crores) and irrigation equipment (Rs. 3.28 crores) amounted to a total of Rs. 37.01 crores i.e. above the limit of Rs. 35 crores fixed by the Ministry by Rs. 2.01 crores, as pointed out by Audit. This has, however, been satisfactorily explained and need not be commented upon.

18. The Board does not appear to have any system of monitoring the benefit accruing out of the scheme. It is also unable to state to what extent the need for such machinery and equipment are being fulfilled by the finances provided by the Board and to what extent borrowers have to resort to other methods or institutions for financing.

19. The Committee recommend that a monitoring system should be introduced immediately to watch over the payments made for supply of machinery and irrigation equipment and benefits accruing out of the scheme. Such system would help the Tea Board in ascertaining its ability to meet borrowers' requirement of finances for such purposes and also getting in-

formation regarding other institutions from which borrowers have to take loans to meet their requirement which in turn would help the Tea Board in final assessment of the fund requirement for the scheme.

Replantation subsidy scheme

20. The objective of this scheme is to help the industry in achieving an annual replantation rate of 2% of the total area under tea cultivation in India with newly developed planting materials to give higher yields, better quality and other desirable characteristics. The Board received grant-in-aid of Rs. 6.66 crores and disbursed the same amount as subsidy in the 17 years from the inception of the scheme in 1968 upto 1984-85. Grants-in-aid received and subsidy disbursed during the 5 years 1980—85 amounted to Rs. 3.37 crores and Rs. 3.40 crores respectively. The subsidy disbursed under this scheme in the earlier 12 years (1968—79) was approximately Rs. 3.26 crores, a pitifully small amount.

21. Even though the amount of subsidy had considerably increased during the last 5 years (1980-84) of the period under examination, the target of replacement and extension under the 6th plan (4000 hectares under each head per annum total 40,000 hectares) was nowhere near being achieved. The total planted area under extension or replacement during the aforesaid 5 years amount to 19075 hectares as against 40,000 hectares⁹ targeted which is approximately 1% against a target of 2%.

22. A variety of reasons were advanced before the Committee to explain the failure to achieve the target figures. However, it is apparent that given the amount of finance made available to the Board by the Government, the target could never have been achieved and also the amount of subsidy given (revised in 1980 to Rs. 10,400 per hectare from Rs. 4000 per hectare for the plains and Rs. 15,000 per annum from Rs. 5000 per hectare in the hills) combined with the amount of finance available on loan under the Tea Plantation Finance Scheme, it was obviously not enough to motivate owners of tea plantations to go in for replantation. This again is directly related to the failure to extend the available technology so that the gestation period became unduly long thereby increasing the requirement of finance by the owners of gardens.

23. What is, however, astonishing is that no calculations appears to have been made by the Board while setting the target in terms of quantity achievable on the basis of the limited finance which was made available to it. The Committee recommend that targets for replanting should be fixed after taking into account availability of finance and planting material of better quality and desired characteristics. In addition, amount of subsidy payable for replantation should be adequate to induce the owners to undertake replantation. The Committee are, however of the opinion that the

⁹ Refer Appendix 'E'

very fact that subsidy is still thought to be necessary for inducing new plantations or replantation in an industry which is profitable enough in the domestic market so as to effect growth of export, does not speak highly of entrepreneurial ability of teaplanters. The Committee desire the Government to go into the whole question of the need for subsidy vis-a-vis further growth of the industry.

Expenditure on loan administration

24. The Board has been spending a considerable amount every year on salaries & allowances of officers/staff engaged for administering the loans on account of these schemes. On a query, the Commerce Secretary apprised the Committee that handing over implementation of these schemes to financial institutions like NABARD, which was disbursing loans to all sectors of agriculture/industry, would not be of much use as the Tea Board, the tea industry and the planters would have to be associated for operation of the scheme for various reasons.

25. The Committee, however, were of the view that with a view to effecting economy and efficiency, administration and implementation of these schemes could be transferred to NABARD and the Board could function as an expert body which could be consulted by NABARD or other banks processing loan applications as well as for monitoring utilisation of loans and results obtained therefrom.

CHAPTER III

TEA PROMOTION

26. Production of tea in India has increased from 285 million kgs. in 1951 to 489 million kgs. in 1974 and to 657 million kg. in 1985. Consumption in the domestic market has also increased from 79 million kgs. in 1951 to 258 million kgs. in 1974 and to 415 million kgs. in 1985. The quantity exported during this period has been more or less constant : 206 million kgs. in 1951, 211 million kgs. in 1974 and 222 million kgs. in 1985. On the basis of the above figures a contention was sought to be made by the Ministry that for export to increase tea production has to be increased as otherwise there is not enough exportable surplus after meeting the domestic needs. In fact what appeared on examination of the Ministry is that the profit available in the domestic market is higher than that in the export market generally. Only in specific type of quality tea the profit in the export market is more attractive than in domestic market. In such circumstances it is only natural that traders who are also exporters or exporters who are also traders would prefer to sell in the domestic market rather than face the competition in the export market. The comparative economics of the domestic as well as the export markets, therefore, deserves thorough examination.

27. Regarding the domestic market, apart from the fact that a large quantity of tea is sold through auctions, an institution inherited by us from the British days, but now held in larger number of places, there is no other check or regulation on the marketing of tea particularly the regulation of prices in the domestic market. The Commerce Ministry has rightly contended that any regulations or control of tea prices domestically could be done only by the Ministry of Supplies but it has not shown any initiative to move that Ministry in this regard. The Tea Board has not done any internal promotion of tea because of the strong demand present in the domestic market. This decision has subsequently been endorsed by a Three-Man Committee appointed by the Government in March 1979, which submitted its report in August 1979, concluding that there was no need for continuing tea promotion within the country. However, the Tea Board continues to maintain some promotional activities through tea counters—3 in Delhi and one in Bombay. The total expenditure incurred on these Centres from 1979-80 to 1985-86 amounted to Rs. 82.84 lakhs. In the last three of the aforesaid 6 years the expenditure was on the average Rs. 15 lakhs each year. The expenditure has been entirely unfruitful and it is likely to go on increasing in future.

28. The Committee are constrained to note that although discontinuance of the expenditure on promotional activities such as running of tea counters in Delhi and Bombay with a view to promoting tea within the country was

recommended by the three-man Committee appointed in 1979, the Tea Board has spent the aforesaid amount of Rs. 82.84 lakhs in the last 6 years, while unsuccessfully looking for organisations to take over the so-called promotional activities of the Tea Board. The Committee recommend that this unfruitful expenditure should be discontinued immediately and resources made available thereby in terms of money, material and man be employed more profitably in other productive activities without further delay.

Export Promotion

29. While India continues to be the leading exporter of tea, its share in the world market in quantitative tonnes has declined from 45% in 1951 to 29% in 1975 and further to 23% in 1985.¹⁰ While export from India have been more or less constant for long periods with some fluctuations, the export to the traditional markets have declined steadily and came down to about 38 million kgs. in 1985-86 when compared to the export figure of 166 million kg. in 1951-52.¹¹

30. The direction of India's tea export have changed considerably. In 1985 countries of bilateral trade agreement bagged 53.27% of the total tea exported. Out of these countries USSR has emerged as the largest buyer of India tea: 84.54 million kgs. in 1984-85 and 100.45 million kgs. in 1985-86.¹²

31. While considering export promotion measures by Tea Board, however, the countries other than those under bilateral trade agreement only are usually taken into account possibly justifiable so as there seems to be little scope for carrying on any promotional activity in the bilateral trade countries. At the same time sight must not be lost of the changed situation that the export to the countries including those in which the tea promotional work is carried on have become quite low and have been steadily falling. In other words, the expenditure on promotional activities of the Board ranging from Rs. 2.45 to Rs. 3.21 crores per annum during the last 5 years has not been able to prevent the sharp decline in export of Indian tea to the countries where traditionally Indian tea was being exported even upto the sixties.

32. Of the many reasons advanced by the Ministry to explain this decline these worthy of consideration are : (a) increasing use of CTC teas which gave larger cuppage compared to orthodox teas and, therefore, less tea is required, (b) increasing popularity of tea bags in developed countries which also reduces the quantity of tea used per cup and (c) production of tea in new countries particularly East African countries where cost of

¹⁰ Refer Appendix 'G'

¹¹ Refer Appendix —p.1

¹² Refer Appendix —F2

production is lower. The first two reasons, however, do not explain why the percentage of export made by India out of the total world export has fallen. Such fall in percentage of export necessarily indicates that there is a shift from India to other exporting countries by the importers. It appears that the Tea Board has not made any effort to get at the cause for such shift. It may even be said that the Tea Board or the Ministry has not consciously appreciated that there has been such a shift as otherwise they would not have advanced the first two reasons as causes for decline in export of tea by India to the traditional importing countries.

33. The Public Accounts Committee (1969-70) had recommended that the overseas offices of the Tea Board be closed down and the work of tea promotion handed over to the Commercial Attaches of various High Commissions and Embassies in the countries where such promotion is to be carried on. In reply to the aforesaid recommendation of the PAC (1969-70) the Government had said that it was unable to accept the recommendation and advanced two major grounds for retaining the tea promotion offices abroad, namely, that it required personnel experienced in tea as well as having experience in marketing to man the top posts of such offices. Though ostensibly these offices and posts have been retained on the ground of appointment of personnel with marketing skill and experience in tea, in fact quite often persons with practically no acquaintance with tea or sales promotion in any form have been appointed to these posts which appeared to have served as cushy posts to be given to favoured IAS/IPS or other officers. This Committee sought for and obtained the bio-data of the officers appointed as Directors of Tea Promotion in the 6 overseas offices. The Committee also scrutinised the monthly reports and activities sent by the Tea Promotion offices abroad and it concluded that no imagination whatsoever has been shown in the type of activity being carried on by the Directors of Tea Promotion abroad in the name of promotional activity.

34. Long discourses have been given in the written notes furnished by the Ministry and also in answer to oral question regarding generic promotion of tea and uninational promotion of Indian tea whereby the audiences are exhorted to buy Indian tea. But when the Secretary of the Commerce Ministry was asked to explain how a housewife impressed with such advertisements or demonstrations of the quality of Indian tea (by tasting the free tea given in the various exhibitions, fairs and fetes by the Tea Board in London and other places) is convinced of its superiority and desires to buy such tea for her household in that event how is she going to be able to do so within the system of purchase of consumer goods through chain grocery stores in UK, USA and other such countries, the Secretary was unable to give any reply. It shows that very little thought has been given to the type of advertisements and marketing arrangements which can have favourable effect on the sale of Indian tea in foreign markets.

35. The Committee found that shift in import of tea from India to other countries by the importing countries has caused decline in export percentage of Indian tea. The Tea Board together with the lop sided functionaries of its foreign offices have failed to check this trend. The Committee would like the Tea Board to take lesson from this situation and post in its foreign offices, where it is considered necessary to retain foreign office with personnel experienced in tea and marketing who could handle the situation with skill. The Committee further recommend that a thorough scrutiny of the effectiveness of the tea promotion offices abroad be made and those not found effective in increasing sale of Indian tea substantially within their respective area of operation be wound up and the work handed over to the Embassy/High Commission.

Tea Campaign

36. The type of campaigns carried on by the Tea Board in various countries of Europe, America, Africa, West Asia and Australia, whether generic campaign (exhorting people to drink more tea) or uni-national campaign (trying to persuade people to drink Indian tea) can only be advantageous to those selling tea of any kind or Indian tea to their consumers in any form. In the countries, having heavy tea drinking population like UK and some of the other English speaking countries, the market is dominated by one multi-national, namely Uniliver whose subsidiaries in India are the two giant tea companies (giants in the Indian context at least), namely, Lipton and Brooke Bond. The efforts of the Tea Board in tea promotion, therefore, necessarily benefit this multi-national in selling tea to consumers in the countries in which it has such operations and Tea Board's export promotion also operates. The Committee put this proposition to the Ministry during oral examination. The Ministry could not react to the proposition at all satisfactorily.

37. The Committee are not going to take a merely negative attitude towards export promotion. On the contrary the Committee are of the opinion that Tea Board has to be actively involved in the export effort for tea but in a way which is different to what is being done today. The evidence given by the Tea Exporters' Associations have brought home to the Committee very clearly that what is needed is promotion of various brand names under which packaged tea (whether orthodox or CTC or tea bags) might be exported. The Tea Board may provide infrastructure for the exporters of the various brands to operate and advertise their respective brands in the foreign countries of their choice if the Tea Board operates in such countries. According to the representatives of these associations the types of assistance needed by them from the Tea Board are providing lists of importers and distributors of packaged tea, arranging for promotions with them, making out programme of their visits in which they can fruitfully dis-

cuss and negotiate for the sale of their tea etc. If that assistance is given by Tea Board, the exporters will be happy. Tea Board's expenses also can be cut down to the minimum as it can work with a much smaller staff. As a matter of fact this function may also be taken over by the Commercial Attaches of the Indian Embassies and High Commissions abroad which is what was suggested by the earlier P.A.C.

38. The Committee desire Tea Board to take up export promotion work through exporters Associations with their proven experience and expertise. In turn the Board may render such assistance to the exporters as may be sought by them from time to time to facilitate their export promotion work. This step, besides promoting tea export, would help Tea Board in reduction of its expenditure to the minimum on its export promotion offices/establishments abroad.

39. The Committee would also like Government to explore the possibility of handing over of residual functions of export promotion, such as coordination with private/Govt. export organisations etc. to the Commercial Attaches of the Indian Embassies/High Commissions abroad, as earlier suggested by the Public Accounts Committee in their 115th Report (Fourth Lok Sabha).

40. The Committee are of the considered view that tea promotion in its present form has benefited multinational companies in selling Indian tea to consumers in those countries where Tea Board's export promotion operates. They conclude that this is the strongest reason for putting an end to the export promotion by the Tea Board at least in the present form.

41. Even if it can be said that the Ministry did not consciously or deliberately encourage the Tea Board to go in for export promotion and spend huge amount of money¹¹ of Tea Board on operations abroad which came to the ultimate benefit of the multi-nationals, then the Committee is constrained to conclude that the Ministry has been guilty of utmost callousness in not properly considering who will be the beneficiary of expenses incurred on export promotion by the Tea Board.

Sharing of Promotional Expenses

42. The cess on tea has been raised from 8 paise to 25 paise per kg. effective from 15th August, 1986. The Government decided that this higher tea cess collection which would bring an additional fund of Rs. 3 crores approx. per annum from 1987-88, should be given to the Tea Board for boosting the promotion activities for Indian tea. Coming to the question of sharing the burden of additional promotional expenses proposed to be borne by Tea Board out of additional cess collection, the Commerce Secre-

¹¹ Refer Appendix—H.

tary submitted that the Board might consider undertaking participatory promotion at the time of specific brand promotion the scheme of which was in the offing. Presently, the Board of its own had been promoting only "Indian Tea" and there was a consequent fall out of benefit to certain brands.

43. The promotional activities of the Tea Board include two main strategies—(i) increase the overall consumption of tea in the world, and (ii) to increase the popularity and marketing of Indian tea in foreign countries. The first aspect was taken care of by generic promotion programmes through the Tea Councils in U.K., Ireland, West Germany, USA, Canada and Australia. Although the Board made substantial contribution towards the expenditure of these tea councils, Indian tea export to these countries had been fast declining. Considering this dismal record of Indian tea exports to U.K. and USA, the PAC in their 115th Report (4 LS) observed that "Government should conduct an appraisal of the utility of the 'generic' campaigns to see whether these are not over-emphasised to the detriment of uni-national campaigns." They commented that 'generic' campaigns might have succeeded in creating a market for tea which India's competitors had been able to capture. The purpose of generic campaigns could possibly be served by directing 'uni-national' campaigns towards trade, apart from consumers packers, distributors etc.

44. Government felt that increased fund provision would help Tea Board in its promotional activities which were languishing for shortage of adequate funds. The Committee were given to understand that increased fund provision would also help the Board in removing one of its major constraints i.e. conducting intensive advertising in a sustained manner. Some of the major programmes which were proposed to be launched and conducted during the years 1986-87 and 1987-88 would include, *inter alia*, Tea Campaign in Saudi Arabia, Indian Tea Campaign in Egypt, Darjeeling Logo Campaign in U.K., Promotion Programme in West Europe, joint promotion programme in Iraq and promotion programme in Australia.

45. The Committee would like the Board to share its promotional expenses with the trade wherever possible which would reduce the burden of Tea Board and make more funds available for export promotion.

46. The Committee desire that Government should review the expenditure on fruitless generic promotion of tea keeping in view the observation of the earlier PAC vis-a-vis the result obtained from the generic promotion of tea till now. This is necessary to prevent wasteful expenditure and to lay stress in the right direction of the campaigns.

47. The Committee would like to be apprised of the manner in which the intensive advertising programmes for tea promotion are proposed to be or are being carried out. In their view unless a sizeable amount of quality tea was made available for export by producing more of such tea at competitive price, mere spending on campaigns abroad would be of little avail.

India's Traditional Market

48. One reason given by the Ministry as contributing to decline in export of tea to traditional tea markets are the advantages which the East African countries have over Indian tea, in that—(a) that these are grown at higher altitudes, and (b) the tea in those countries grows throughout the year. On the other hand Indian tea grown in the North grows during the season March to October/November while in the South where much less tea is produced, the tea grows for the whole year. According to the Ministry this accounts for the fact that although yield of Indian tea is the highest in the world, yet additional costs are incurred because of the idle period making the Indian tea un-competitive compared to East African tea.

49. It is difficult to see logic of this argument of the Ministry in as much as what is vital in the context of cost is the productivity and not whether production is continuous throughout the year. The only difference that production throughout the year causes in relation to production only during certain part of the year is that in case of latter the stock has to be held for a part of the produce for longer period which might add marginally to the cost.

50. The Ministry also sought to explain the decline in tea export to the traditional tea market areas in terms of change in India from the orthodox variety to CTC (Crush, Tear and Curl) method of tea production which gives a larger cuppage from one Kg. of tea and is favoured in India while in most of the traditional markets the orthodox variety is preferred. The Ministry, however, did concede that not only India exported 70 to 80 million kgs. of CTC teas during the recent years, but that there was distinct possibility of increasing export of CTC tea further. The Committee is unable to find anything worth consideration in this explanation.

51. The PAC (1969-70) had recommended substantial product diversification for export and had specifically recommended export of blended and packaged tea. On being questioned as to the steps taken, it appeared that no substantial achievement has been made in increasing the export of value added (blended, packaged and bagged) tea. Various projects for diversification have been initiated by the Tea Board from time to time, namely the development of instant tea technology, introduction of flavours like lemon, ginger, bergamot and mint into tea at the Central Food Technology Research Institute, Mysore and various other similar projects none of which appear to have come to fruition and as such have not been taken up by the trade.

52. In respect of tea bags also since the export is negligible and that in spite of import of considerable machinery for manufacture of tea bags, the Committee was curious to know the reason for exports not being commensurate with the capacity for manufacture of tea bags created in the country.

The explanation offered by the Ministry is that it is more economic to take tea in bulk to the country where it is to be consumed and bag it there than to bag it in India. However, from the concessions recently introduced¹² to boost export of value added tea, it appears that until recently there were several constraints in export of tea bags in the form of customs duty on filter papers used in the manufacture of tea bags which has been abolished only recently, very low rate of CCS on tea bags, instant tea and packed tea, excise duty on tea bags which prevented tea bags being popular internally on account of their high costs and thus prevented manufacturers from undertaking large scale manufacture and achieving the economy of large scale production. The Ministry, however, admitted that they are still to see the impact of increase in CCS (Cash Compensatory Subsidy) from 13% to 20% with effect from 1-7-1986 on the export of tea bags.

53. The Committee conclude that the Ministry has not been able to really locate the reason for Indian tea losing out in competition with East African tea in its traditional market and has clutched at whatever distinct differences they could find to explain the reasons. In their view smooth supply of tea to these markets at competitive price could be maintained by creating a buffer stock which at the most might add to the cost marginally. The Committee recommend that Government should make an indepth study to find out the reasons why Indian tea is losing out in competition and what steps are necessary to recapture the competitive markets.

54. The Committee are constrained to conclude that no systematic attempt was made for promoting tea in value added form in spite of the recommendation to that effect made by the earlier PAC (1969-70) and which recommendation was also accepted by the Government. As a result whatever increase in export of tea in value added form has taken place (raised to 27.38 M.kg. valued at Rs. 111.89 crores in 1985-86 from 11.51 M.kg. valued at Rs. 32.96 crores in 1982-83), has occurred due to the higher demand in the consuming countries to which the contribution of the Government through its policies or by the Tea Board by its field activities had been minimum.

55. The Committee would like to know the details of steps taken towards product diversification in the context of development of instant tea technology, introduction of flavours like lemon, ginger, bergamot and mint into tea, etc. The Committee may also be apprised of the impact of various concessions now given to boost export of value added tea.

NEW DELHI;
 March 9, 1988
 Phalgun 19, 1909 (Saka)

AMAL DATTA
 Chairman,
 Public Accounts Committee

¹² See list in Appendix I.

APPENDIX 'A'

(Vide para 3 of Report)

*Text of Para 3 of the Report of C&AG of India, 1984-85 (Civil)
Vol. III regarding Tea Board*

3. Tea Board

3.1 Introductory.—The Tea Board, Calcutta (hereafter Board) was established under the Tea Act, 1953 as a corporate body to promote the development of tea industry and trade through measures such as regulation of production and extent of cultivation of tea, improvement of quality of tea, assisting or encouraging scientific, technological and economic research, promoting the consumption of tea in India and abroad, improving the marketing of tea in India and elsewhere, securing better working conditions, improvement of amenities and incentive for tea industry's workers and various other steps for the increase in production and enlargement of export with a view to earning larger amount of foreign exchange for the country.

3.2 Organisational set up.—The Board consists of a Chairman and thirty other members who in the opinion of the Central Government are capable of representing various categories mentioned below :—

- (i) Three members of Parliament.
- (ii) Eight members representing owners of tea estates/gardens and growers of tea.
- (iii) Six members representing the Governments of the principal tea growing States, viz. Assam, West Bengal, Tripura, Tamil Nadu, Kerala and Himachal Pradesh.
- (iv) Five members representing persons employed in tea estates and gardens.
- (v) Two members representing dealers including both exporting and internal traders of tea.
- (vi) Two members representing the manufacturers of tea.
- (vii) Two members representing the consumers of tea.
- (viii) Two members representing other interests.

In addition to the Chairman, the Board also elects from amongst its members a person to be the Vice Chairman of the Board.

The Board, with its head office at Calcutta, has 15 regional and sub-regional offices throughout India. Besides, the Board has six over-seas offices in U.K., Belgium, U.S.A., Arab Republic of Egypt, Australia and Kuwait. It has also two Tea Centres at Bombay and Cairo.

3.3 *Finance, accounts and audit.*—The Board is mainly financed by a cess on all teas produced in India levied at 8 paise per Kilogram (Kg.) under section 25(1) of the Tea Act, 1953. The cess is collected by the Central Excise Department and credited to the Consolidated Fund of India after deducting the expenses of collection. The Board prepares its budget proposals on the basis of anticipated receipts of cess on the estimated production of tea plus the opening balance in the cess fund at the beginning of the financial year. Funds are released by the Central Government in favour of the Board from time to time on the basis of the sanctioned budget after due appropriation by Parliament. These funds constitute the Tea fund.

The Act does not contemplate payments to the Board by the Central Government of sums in excess of cess collected. The amount so received by the Board alongwith other income such as dividend, fees levied and collected by the Board, etc. is to be applied for meeting the expenses of the Board for carrying out its objectives. The following table indicates the total cess collected by the Government of India, payments made to the Board and expenditure incurred by the Board during 1980-81 to 1984-85 :—

Year	Total cess collections	Payments made by the Government of India to the Board	Payments made in excess of cess collections	Net total of the Board expenditure	Payments made in excess expenditure
(In lakhs of rupees)					
1980-81	453.00	495.52	42.52	473.21	22.31
1981-82	445.00	521.97	76.97	517.82	4.15
1982-83	454.00	432.57	(—)21.43	521.59	(—)89.02
1983-84	464.00	574.69*	110.49	511.20	63.29
1984-85	452.00	620.56	168.56	566.82	53.74
Total	2268.00	2645.11	377.11	2590.64	54.47

*This includes Rs. 84.93 lakhs released by the Central Government in 1982-83, but received in 1983-84.

It would be seen from the above that the Central Government paid Rs. 377.11 lakhs in excess of the cess collections during 1980-81 to 1984-

85. The surplus funds (Rs. 54.47 lakhs) left with the Board after meeting the expenditure upto 31st March 1985 were kept in a bank in current account.

In addition to the Tea fund, under section 26A of the Tea Act, 1953, the Central Government may after due appropriation made by Parliament by law in this behalf pay to the Board by way of grants or loans such sums of money as the Central Government may consider necessary. The financial assistance schemes of the Board, viz. Tea Plantation Finance Scheme, Replantation Subsidy Scheme including Tea Area Rejuvenation and Consolidation Scheme, Tea Machinery and Irrigation Equipment Hire Purchase Scheme, etc. are financed out of grants or loans thus provided by the Central Government from the Consolidated Fund of India and are shown separately in the Receipt and Payment Accounts of the Board.

The audit of the accounts of the Board has been entrusted to the Comptroller and Auditor General of India under section 20(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 and the audited accounts together with reports thereon are laid before both the Houses of Parliament. The accounts upto 1983-84 have been audited and reports thereon submitted to Parliament and the accounts for 1984-85 have been audited and the report sent (November 1985) to the Government for submission to Parliament.

The Public Accounts Committee in its 115th Report 1969-70 (4th Lok Sabha) had made some observations on the Audit Reports on the Accounts of the Board for the years 1964-65, 1965-66 and 1967-68.

A review on the working of the Board also appeared in the Audit Reports for 1977-78 (paragraph 56) and for 1981-82 (paragraph 64). However, various deficiencies, as narrated in the succeeding paragraphs, have been noticed in audit.

A summary of the receipts and payments in respect of the Tea fund of the Board for the five years from 1980-81 to 1984-85 is given below :—

	1980-81	1981-82	1982-83	1983-84	1984-85
I. Receipts					
(i) Opening balance	105.94	145.74	175.43	123.32	219.88
(ii) Cess collection	495.52	521.97	432.57	574.49	620.56
(iii) Other receipts	17.49	25.55	36.91	33.28	20.97
Total	618.95	693.26	644.91	731.09	861.41

	1980-81	1981-82	1982-83	1983-84	1984-85
II. Payments					
(i) Administration	104.77	112.08	129.70	150.60	175.40
(ii) Tea Promotion					
(a) In India	9.17	9.55	10.04	14.28	15.67
(b) Outside India	282.50	321.48	317.56	245.47	281.63
(iii) Research grants	47.47	42.36	32.17	33.90	34.31
(iv) Other items	29.30	32.35	32.12	66.95	59.81
(v) Closing balance	145.74	175.44	123.32	219.89	294.59
Total	618.95	693.26	644.91	731.09	861.41

The percentage increase (+)/decrease(—) in expenditure on administration, tea promotion in India, tea promotion outside India and research over that of previous years is indicated as under :

	1981-82	1982-83	1983-84	1984-85
1. Administration	(+)6.98	(+)15.72	(+)16.11	(+)16.47
2. Tea promotion in India	(+)4.14	(+)5.13	(+)42.23	(+)9.73
3. Tea promotion outside India	(+)13.79	(—)1.22	(—)22.70	(—)14.73
4. Research	(—)10.76	(—)24.05	(+)5.38	(+)1.21

3.4 *Tea production.*—For carrying out research and development (R&D) activities, the Board incurred expenditure as follows :—

Year	Expenditure on		Total
	Research/Development		
	(Rupees in lakhs)		
1974-75	21.32	0.18	21.50
1975-76	25.03	0.28	25.31
1976-77	22.54	0.33	22.87
1977-78	27.23	0.08	27.31
1978-79	45.42	0.40	45.82
1979-80	45.46	3.85	49.31
1980-81	47.47	7.99	55.46
1981-82	42.36	11.27	53.63
1982-83	32.17	6.36	38.53
1983-84	33.90	23.96	57.86
1984-85	34.31	22.59	56.90
Total	377.21	77.29	454.50

In spite of spending Rs. 377.21 lakhs for research and Rs. 77.29 lakhs for development during eleven years (1974-75 to 1984-85), there has been no tangible increase in the average yield of tea per hectare as would be seen from the table given below :

Year	Tea area in hectare	Produc- tion in thousand Kg.	Average per hectare in Kg.
1980	381,891	569,550	1,491
1981	384,242	559,583	1,458
1982	394,999	560,732	1,420
1983	396,096	581,484	1,468
1984	NA	645,115	NA

NA : Not available

(Source : Table 28(III) and 3(X) of Tea Statistics 1983-84).

The Ministry stated (February 1986) that tea had a long gestation period of between 5 and 9 years (5 and 7 years according to the Board) and that 2/3 of crop increase in last 30 years had come through increase in Productivity only and 1/3 from increase in area.

Even after taking gestation period as seven years, there has hardly been any perceptible increase in the average yield per hectare as shown in the table below :

Production (In Kg.)	Area under cultivation (In hectare)	Average yield per hectare (In Kg.)
569550	360108	1582
(1980)	(1973)	
559583	361663	1547
(1981)	(1974)	
560732	363303	1543
(1982)	(1975)	
581484	364275	1596
(1983)	(1976)	

Source : Tea Statistics : 1983-84.

Apart from the expenditure on R&D every year, the Board provides financial assistance to tea industry for the development of tea plantations, extension of tea cultivation in non-traditional areas, etc. under its various financial assistance schemes. The expenditure incurred by the Board on these schemes during 1980-81 to 1984-85 is given below :

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85
	(Rupees in lakhs)									
Tea plantation Finance Scheme	14.52	30.80	40.25	51.42	55.85	65.73	46.93	53.58	54.33	19.15
Tea Machinery and Irrigation Equip- ment Hire Purchase Scheme	85.95	118.64	212.74	273.48	437.90	473.64	331.88	233.04	336.70	337.17
Tea Replantation Subsidy Scheme	28.90	34.19	29.26	43.50	58.48	67.68	57.75	54.20	70.51	89.40
New Tea Unit Financing Scheme . . . . .	..	..	..	..	..	..	..	..	20.80	0.59

In spite of substantial expenditure incurred by the Board for the production and development of tea, the targets fixed for production of tea during the Sixth Plan period (1980-81) to 1984-85 could not be achieved as indicated below :

Year	Target	Achievement (In millions Kgs.)
1980-81	585	571
1981-82	610	561
1982-83	640	565
1983-84	670	585
1984-85	705	NA

3.5 Tea development.—The Board provides financial assistance to tea industry for the development of tea plantations, modernisation of the factories and creation of irrigation and transport facilities under the following three major continuing schemes.

- (1) Tea Plantation Finance Scheme.
- (2) Tea Machinery and Irrigation Equipment Hire Purchase Scheme.
- (3) Tea Replantation Subsidy Scheme including Tea Area Rejuvenation and Consolidation Subsidy Scheme.

3.5.1 Tea Plantation Finance Scheme.—This scheme was introduced in 1962-63 with a view to granting long term loans to tea estates for carrying out replanting, replacement and/or extension of tea growing areas. The scheme has a revolving fund of Rs. 4.60 crores including irrigation loan of Rs. 0.10 crore. Payment into this fund is funded by loans from the Government on demand by the Board at interest, the rate of which varies from time to time. The prevailing (1984-85) rate of interest is 13.25 per cent per annum (reduced to 10.5 per cent for prompt payment by due dates). Up to the end of 1984-85 the Board received Rs. 717.88 lakhs from the Government for financing the scheme and refunded Rs. 401.20 lakh. The Tea estates were granted loans by the Board during 1984-85 at Rs. 20,000 per hectare for gardens in the plains and at Rs. 25,000 per hectare for gardens in the hills. Disbursement of loan under the scheme is required to be completed not later than seven years from the date of drawal of the first instalment and recovery has to start from the seventh year of disbursement of first instalment and is to be completed in eight years. An abstract of the progress of the scheme upto 31st March 1985 is given below:—

	Amount
	(Rs. in lakhs)
Applications received	4412
Applications sanctioned	1902
Applications rejected withdrawn	2270
Applications pending	240
Total disbursement of loans	954
Repayments by loanees	566
Default in the payment of principal and interest by the loanees	10
Interest on loan paid to Government	372

Upto 31st March 1985, loans of Rs. 953.77 lakhs were advanced to 277 tea estates against which 149 tea estates refunded the loan in full. Plantation of tea in 10,951.74 hectares had been carried out under the scheme. The following table indicates the loans sanctioned, disbursed, targets, achievements and shortfall during the last five years.

Year	Loans sanctioned (In lakhs of rupees)	Loans disbursed (In lakhs of rupees)	Target (Hectares)	Achievement (Hectares)	Percentage of achievement	Percentage of shortfall
1980-81	154.58	65.73	319.19	834.37	261.40	.
1981-82	73.00	46.93	432.31	227.92	52.72	47.28
1982-83	133.18	53.58	467.70	310.07	66.29	33.71
1983-84	130.45	54.33	750.67	34.77	4.63	95.37
1984-85	46.94	19.15	597.11	347.69	58.23	41.77

Shortfall in achievement of targets was attributed by the Board (July 1985) to :

- (i) The targets for plantation were based on programmes in phases while the achievement figures were based on inspection reports received upto reporting time from Board's Regional/Sub-Regional Offices.
- (ii) Delay in completing necessary formalities for availing of loan as well as withdrawal of loan applications by some tea estates.
- (iii) Completion reports of planting or otherwise for the sanctioned areas were not received in time.
- (iv) Completion of mortgage formalities for the second instalment of loan involved considerable time and as a result, recording of completion of planting based on disbursement of second instalment of loan was delayed.

The following table indicates that the loans obtained by the Board from the Government were in excess of their requirements, particularly in the years 1979-80, 1980-81 and 1984-85.

Year	Opening balance	Loan received from Government during the year	Other receipts	Total amount available	Disbursement of loans to tea estates	Other disburse- ments	Closing balance
(Rupees in lakhs)							
1980-81	69.72	40.00	64.39	174.11	65.73	86.62	21.76
1981-82	21.76	60.00	50.18	131.94	46.93	77.71	7.30
1982-83	7.30	80.00	44.04	131.34	53.58	73.87	3.89
1983-84	3.89	75.00	49.97	128.86	54.33	67.70	6.83
1984-85	6.83	45.00	57.97	109.80	19.15	68.25	22.40

This entailed avoidable liability towards interest on excess loans taken.

3.5.2 Tea Machinery and Irrigation Equipment Hire Purchase Scheme.—This scheme was introduced in April 1960, for providing the tea estates and factories with facilities to acquire machinery and equipment for modernisation of the factories on hire purchase basis, the cost of which including interest was to be paid in not more than 10 equal annual instalments. The maximum value of machinery/equipment that could be supplied to an individual estate was Rs. 10.00 lakhs and interest at 14.5 per cent per annum (with a rebate of 3 per cent for prompt payment) was payable.

The scheme was liberalised with effect from 22nd May, 1980 to provide facilities for acquiring tea packeting and tea bagging units. The total value of such machinery was not to exceed Rs. 15 lakhs in an individual case and interest at 9-3/4 per cent per annum (with rebate of 1/2 per cent for prompt payment) was chargeable.

Initially, the scheme had a corpus of Rs. 2 crores (including Rs. 50 lakhs for irrigation equipment). Subsequently, it was raised by the Government from time to time and since 19th February, 1980 the corpus stood at Rs. 35 crores, of which, Rs. 30 crores were for machinery, Rs. 4 crores for irrigation equipment and Rs. 1 crore for tea packeting and tea bagging machinery. The payment made upto January, 1985 to suppliers for machinery and irrigation equipment was Rs. 33.73 crores and Rs. 3.28 crores respectively (total Rs. 37.01 crores). Thus, payment to the suppliers was made in excess of the corpus fixed by the Ministry by Rs. 2.01 crores.

According to the Balance Sheet as on 31st March, 1985 of the Hire Purchase Fund Account the amount of principal and interest recoverable from the hirer tea estates was Rs. 1639.79 lakhs and Rs. 65.03 lakhs respectively. Yearwise break up of the amount could not be provided by the Board. As on 31st August, 1985, there were 74 cases of defaults involving Rs. 136.53 lakhs (principal); this did not include 19 cases under litigation involving Rs. 11.20 lakhs (principal).

3.5.3 Tea Replantation Subsidy Scheme (including Tea Area Rejuvenation and Consolidation Subsidy Scheme).—In order to enhance the productive efficiency and competitive ability of the Indian tea industry and to achieve the production and export targets under Five Year Plan Programmes, the Board introduced Tea Replantation Subsidy Scheme in October, 1968.

The objective of the scheme was to help the industry in achieving an annual replantation rate of 2 per cent of total area under tea cultivation in India with newly developed planting materials to give higher yields, better quality and other desirable characteristics for which the Board received grant-in-aid of Rs. 666 lakhs and disbursed this amount as subsidy from

the inception to end of 1984-85. Grant-in-aid received and subsidy paid during the 5 years upto 1984-85 were as follows :—

Year	Grant in -aid		Subsidy paid (In lakhs of rupees)	
	Target	Achievement	Target	Achievement
1980-81	55.00		67.68	
1981-82	60.00		57.75	
1982-83	60.00		54.20	
1983-84	60.00		70.51	
1984-85	102.00		89.40	
Total	337.00		339.54	

The Board spent Rs. 339.54 lakhs during last 5 years against Rs. 337.00 lakhs released by the Government, out of the Sixth Plan allocation of Rs. 447.00 lakhs.

It was envisaged that during the Sixth Plan period, 4,000 hectares would be added to the existing area each year through extension planting and another 4,000 hectares from replanting/replacement planting keeping in view the growth in the internal consumption and export potential on the one hand and the availability of land for extension and the scope for improvement in yield per hectare from the existing area under tea by applying scientific knowledge and the result of research on the other hand. The Board could not achieve the aforesaid targets as it evident from the table given below :—

Year	Extention		Replacement/Replant ation	
	Target	Achievement	Target	Achievement
1980	4000	3075.33	4000	1492.57
1981	4000	1986.50	4000	1764.73
1982	4000	1984.92	4000	1536.83
1983	4000	1943.89	4000	1467.81
1984	4000	NA	4000	NA

The Ministry stated (February, 1986) that in the earlier part of the 6th Plan period, continued depression in tea prices and adverse weather conditions prevented the industry from making adequate investments in their gardeners. It further stated that Government was also considering the feasibility of involving the banks to a greater extent in loaning for such schemes, with the Board's role being confined to subsidy disbursement.

3.6 Research

Undertaking scientific, technological and economic research in various aspects of tea in addition to assisting in such research, is one of the functions of the Board. Accordingly, the Board has been rendering financial assistance to research associations, viz. the Tea Research Association and the United Planters Association of South India (UPASI) to enable them to continue research and advisory work on various aspects of tea. Besides, the Board has also been financing universities and technical institutions for carrying out certain ad-hoc schemes of research on various aspects of tea not included in the programmes of research of the above mentioned associations. The Board has also been undertaking research on its own, at Tea Research centre for Darjeeling tea at Kurseong and the Instant Tea Project at Toklai (Assam).

The expenditure incurred by the Board on research during the last five years is given below :—

Year	Expenditure
	(In lakhs of rupees)
1960-81	47.47
1961-82	42.36
1982-83	32.17
1983-84	33.90
1984-85	34.31

Some of the research activities of the Board are mentioned below :—

- (a) The Board purchased (August, 1969) 90 acres of land in the Government Cinchona Plantation, Anamallais (Tamil Nadu) for setting up a centre for research on "Tea Taxonomy" at a cost of Rs. 61,238. The question of utilising the land was under the consideration of the Board for a long time. On a reference from the Board, the UPASI indicated its desire to use the land for research and submitted their proposal indicating the programme of work and the estimates of non-recurring and recurring expenditure. The project involved a capital expenditure of Rs. 15.77 lakhs and recurring expenditure of Rs. 21.06 lakhs spread over a period of 9 years starting from the financial year 1981-82. The proposal envisaged that the entire capital expenditure of Rs. 15.77 lakhs would be met by the Board and the recurring expenditure of Rs. 21.06 lakhs would be borne by the UPASI. In February, 1981, the Board approached the Ministry of Commerce for acceptance of the scheme. In September, 1981, the Ministry of Commerce conveyed approval to the incurring of an expen-

diture of Rs. 15.77 lakhs spread over a period of 5 years as below :—

	(Rupees in lakhs)
1981-82	2.77
1982-83	2.85
1983-84	3.10
1984-85	3.37
1985-86	3.68
Total	15.77

Although the land was taken over by the Board as far back as in 1969 and the Government sanction to the incurring of expenditure was accorded in September, 1981, the work on the scheme had not yet been started (February, 1986). The Ministry stated (February, 1986) that the project could not be started as necessary permission for felling of the trees standing on the 90 acre land had not been received from the State Government of Tamil Nadu.

- (b) The Board's scheme of research on utilisation of tea sweepings has been in operation at the Department of Applied Chemistry, University of Calcutta from September, 1971 and has been extended from time to time till 31st March, 1982. The scheme was suspended from 1st April, 1982 as bench scale plant which was to be set up within the campus of Calcutta University could not be established owing to non-receipt of the Calcutta Corporation's permission for construction of a suitable shed for the purpose within the campus although the equipment and machinery required for the proposed bench scale studies were acquired by the university during the period March, 1974 to February, 1982 on the basis of the financial sanction accorded by the Board. The delay in the execution of the scheme had not only frustrated the purpose for which it was undertaken, but the expenditure of Rs. 8.40 lakhs incurred by the Board till March, 1982 had also remained unproductive (September, 1985).

The Ministry stated (February, 1986) that permission for construction of a shed within the university campus for installation of bench scale plant for further experiment had since been obtained and that the Board at its meeting held on 15th October, 1985 had approved of the revival of the scheme with a financial outlay of Rs. 1.31 lakhs to be completed by March 1987.

3.7 Tea Promotion

The statement showing production, domestic retention and export of Indian tea during the 10 years upto 1983-84 given below would indicate that whereas internal consumption of Indian tea gradually increased, export of Indian tea remained almost static or declined.

Year	Production	Export	Retention for domestic consumption
(Million Kg.)			
1974-75	489.50	225.10	250.00
1975-76	487.10	211.40	261.00
1976-77	511.80	242.40	272.00
1977-78	556.30	219.90	307.00
1978-79	591.30	177.30	330.00
1979-80	537.00	208.00	337.00
1980-81	571.00	232.00	336.00
1981-82	561.00	224.00	331.00
1982-83	565.00	192.00	372.00
1983-84	585.00	205.00	382.00

(Authority : Draft Sixth and Seventh Five Year Plans)

(a) In India :—

In view of the existence of a strong domestic demand for tea, the Government of India appointed a three member committee in March 1979 to examine whether there was need to continue tea promotion in India. In its report submitted in August 1979, the committee came to the conclusion that there was little need for continuing tea promotion for generic purposes within the country. However, the Board was still continuing (February 1986) tea promotion in India for generic purposes. It spent Rs. 52.09 lakhs during 1979-80 to 1983-84 as detailed below which could have been fruitfully utilised for development and production of tea :—

	Amount (Rs. in lakhs)
1979-80	9.04
1980-81	9.17
1981-82	9.55
1982-83	10.05
1983-84	14.28
	52.09

(b) *Outside India* : In order to promote exports of Indian tea, the Board spent about or over 50 per cent of its total expenditure out of Tea fund during the last five years. *Inter alia*, the Board participates in the international exhibitions and fairs held in India and foreign countries and also invites representatives of importing firms/packers from various foreign

countries to visit India as guests of the Board. In spite of the substantial annual expenditure incurred by the Board ranging from Rs. 245.47 lakhs to Rs. 321.48 lakhs during the last five years, the quantum of exports to some major countries had sharply declined as would be evident from the following table :—

Countries	1951-52	1961-62	1971-72	1981-82	1982-83	1983-84
(in thousand Kg.)						
U.K.	1,30,655	1,21,255	71,214	43,413	51,703	38,811
Ireland	10,909	5,735	5,173	4,396	3,425	2,929
U.S.A.	12,098	10,964	8,511	3,169	3,034	2,371
Canada	8,699	6,421	3,688	1,873	1,854	1,403
Australia	2,947	2,526	2,772	1,643	2,441	1,513
New Zealand	591	505	667	153	59	100

(Source : Tea statistics 1983-84)

The Ministry stated (February 1986) that major constraints in the export of Indian tea had been (i) rapidly increasing domestic consumption which limited export availability, (ii) increasing usage of CTC teas which gave longer cuppage in preference to orthodox teas, (iii) increasing popularity of tea bags in developed countries which reduced the quantity of tea used per cup and (iv) advent of tea production in newer producing countries, mainly East African at lower cost of production.

However, the fact remains that our tea exports are fast declining despite the promotional efforts of the Board. Quantitative targets for export of tea during Sixth Five Year Plan were not achieved during 1982-83 and 1983-84 as under :—

Year	Targets	Achievements
		(In million Kg.)
1980-81	220	232
1981-82	230	224
1982-83	240	192
1983-84	250	205
1984-85	260	NA

(Source ; Board's Seventh Five Year Plan)

The Ministry of Commerce asked the Board in February 1983 to make a quick review on the need and usefulness of the Board's overseas offices and also to introduce economy in expenditure through retrenchment of surplus staff and closure of unnecessary offices. In response, it was stated by the Board that any change in the status and infrastructure of the Board's

overseas offices either by way of amalgamation with other Government of India offices or by closure would adversely affect the interest of Indian tea and that it would not be possible for the Board to consider any retrenchment of staff.

The expenditure on overheads and promotion in overseas offices during the last 5 years is given in Annexure I. It will be seen therefrom that the percentage of administrative expenditure during 1984-85 ranged from 39 per cent to 77 per cent.

3.8 *India Tea and Restaurants Ltd.*—

For promotion of Indian tea in foreign countries, the Board established Tea Centres in Cairo (1961), London (1963) and Sydney (1964). All these Tea Centres specially those at London and Sydney were not doing well for quite sometime and the Board had to substantially subsidise their running cost. The actual quantum of loss incurred by the individual Tea Centres annually, however, was not ascertainable as their accounts were not drawn up separately.

In view of the mounting losses of the Tea Centres, the Board decided to have joint management of the Tea Centres abroad by the Board and the Hotel Corporation of India Ltd. (a wholly owned subsidiary of Air India). The reason for involving the Corporation for the management of the Tea Centres was that it had the expertise in running hotels and restaurants on international standards and it could induct enough professionalism into the management of the Tea Centres, make them real tea promotion centres, popularise Indian cuisine and function as profit earning units. As a result, India Tea and Restaurants Ltd. (ITR) was set up in June 1981 as a joint venture unit of the Board and the Hotel Corporation. The Board holds 51 per cent (Rs. 25.50 lakhs) of the share capital of the company, while the Hotel Corporation holds the balance of 49 per cent.

The Balance Sheets and the Profit and Loss Accounts of the ITR show that the company suffered a net loss of Rs. 0.78 lakh in 1981-82, Rs. 18.33 lakhs in 1982-83 and Rs. 7.24 lakhs in 1983-84. The accounts for 1984-85 have not yet been received by the Board (January 1986).

The Ministry stated (February 1986) that a decision had been taken to reduce the share holding and involvement of the Board in ITR and to increase that of Hotel Corporation of India in a phased manner.

3.9 *Outstanding Inspection Reports/Paras.*—At the end of February 1986, 18 inspection Reports involving 250 paragraphs pertaining to the period 1968-69 to 1982-83 were outstanding for want of reply from the Board. The year-wise break up of these outstanding Reports and Paragraphs is given in Annexure II.

Summing up— *Following are the main points that emerged :—*

- The amounts released by the Government of India to the Board from out of cess collection during 1980-81 to 1984-85 exceeded the amount of cess collected during this period. The surplus funds left with the Board (Rs. 54.47 lakhs) after meeting the expenditure as on 31st March 1985 were kept in the current account with a bank.
- In spite of various schemes implemented by the Board, there was no tangible increase in the average yield of tea per hectare as compared with that of 1980.
 - Under the "Tea Plantation Finance Scheme", there was accumulation of funds due to non-disbursement of loans to the planters amounting to Rs. 22.40 lakhs as on 31st March 1985.
 - The corpus of the Tea Machinery and Irrigation Equipment Hire purchase Scheme was fixed at Rs. 35 crores, whereas the payments made to the suppliers upto January 1985 were to the extent of Rs. 37.01 crores. Under Hire purchase Scheme, principal and interest amounting to Rs. 1639.79 lakhs and 65.03 lakhs respectively were recoverable from the hirer tea estates.
 - Under Replantation Subsidy Scheme, the targets for extension of plantation area and replacement/replantation were not fulfilled.
 - Despite heavy expenditure on maintenance of overseas offices, there has been a sharp decline in the exports of Indian tea.
 - India Tea and Restaurants Ltd., a joint venture of the Board and Hotel Corporation of India, set up in June 1981 to promote Indian tea abroad has been running at a net loss since the inception (Rs. 0.78 lakh in 1981-82, Rs. 18.33 lakhs in 1982-83 and Rs. 7.24 lakhs in 1983-84).
 - Eighteen Inspection Reports involving 250 paragraphs pertaining to the period 1968-69 to 1982-83 were outstanding for want of reply from the Board at the end of February 1986.

ANNEXURE-I

Para 3.7 (b)

Statement showing the ratio of overhead expenditure and promotional expenditure in overseas offices of the Board.

Name of the overseas Offices and years	Overhead expenditure (A)	Promotional expenditure (B)	Ratio of (A) & B
(Rupees in lakhs)			
1. LONDON			
1980-81	13.44	31.57	30.70
1981-82	15.33	40.34	28.72
1982-83	13.26	78.19	14.86
1983-84	16.62	36.47	31.69
1984-85	16.84	25.98	39.61
2. BRUSSELS			
1980-81	22.49	20.18	53.47
1981-82	20.03	23.80	46.54
1982-83	20.78	27.77	43.57
1983-84	21.36	27.92	43.57
1984-85	21.31	27.08	44.56
3. CAIRO			
1980-81	5.93	7.86	43.57
1981-82	5.97	3.46	63.37
1982-83	6.90	5.89	54.46
1983-84	6.38	7.76	45.55
1984-85	6.65	5.08	57.43
4. NEW YORK			
1980-81	8.40	10.04	46.54
1981-82	9.26	11.84	44.56
1982-83	11.07	12.13	48.52
1983-84	13.27	8.19	62.38
1984-85	15.73	15.71	50.50
5. SYDNEY			
1980-81	7.69	15.38	33.67
1981-82	19.07	17.61	52.48
1982-83	17.60	19.48	47.53
1983-84	16.50	9.24	64.36
1984-85	10.75	3.18	77.23
6. KUWAIT			
1980-81	4.53	2.24	67.33
1981-82	6.08	6.38	49.51
1982-83	5.72	8.73	40.60
1983-84	7.26	7.54	49.51
1984-85	10.44	5.72	65.35

ANNEXURE-II

(Paragraph 3.9)

Statement showing the outstanding paragraphs of the outstanding inspection reports of the Board for the period 1968-69 to 1982-83

Sl. No.	Period of Audit	Outstanding Paragraphs	
		Section A	Section B
1.	1968-69 (2nd Spell)	2	1
2.	1971-72 (2nd Spell)	1	3
3.	1973-74 (2nd Spell)	x	3
4.	1974-75 (2nd spell)	x	2
5.	1975-76 (1st Spell)	2	8
6.	1975-76 2nd Spell)	2	3
7.	1976-77 (1st Spell)	2	17
8.	1976-77 (2nd Spell)	3	3
9.	1977-78 (1st Spell)	1	2
10.	1978-79 (1st Spell)	2	6
11.	1978-79 (2nd Spell)	1	1
12.	1979-80 (1st Spell)	2	4
13.	1979-80 (2nd Spell)	7	x
14.	1980-81 (1st Spell)	18	x
15.	1980-81 (2nd Spell)	15	6
16.	1981-82 (1st Spell)	14	37
17.	1981-82 (2nd Spell)	11	19
18.	1982-83	21	31
		104	146

Countries	1975	1976	1977
India	487	512	556
Bangladesh	29	34	38
Sri Lanka	214	197	209
Indonesia	71	74	80
China	211	233	252
Japan	105	100	102
Kenya	57	62	86
Malawi	26	28	32
Tanzania	14	14	17
Uganda	18	15	15
Zimbabwe	6	7	7
U.S.S.R. . . .	86	92	106
Argentina ¹	28	35	22
Others	176	185	206
Total	1,528	1,588	1,728
Share of India in World Tea production	32%	32%	32%

APPENDIX 'B'

(Vide Para 4-5 of Report)

World Production of Tea

(Qty. : M. Kgs.)

1978	1979	1980	1981	1982	1983	1984	1985
564	544	570	560	581	561	640	657
38	36	40	41	41	44	38	43
199	206	191	210	189	180	209	215
89	91	99	110	92	115	126	132
268	277	304	342	397	400	411	440
105	98	102	102	99	103	93	96
93	99	90	91	96	120	116	147
32	33	30	32	38	32	38	40
17	18	17	16	16	16	16	17
11	2	2	2	3	3	5	6
9	10	10	10	11	11	14	15
111	118	130	137	140	146	151	155
26	32	21	30	37	37	41	33
221	242	230	187	212	241	257	265
1,783	1,806	1,836	1,870	1,932	2,029	2,155	2,261
32%	30%	31%	30%	29%	29%	30%	29%

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APPENDIX 'C'

(Vide Para 4 of Report)

Table showing total area (in hectare) under cultivation of tea in India total area of extentions replanting and replacements and increase in production and productivity of tea during the period 1971 to 1983 :

Year	Total area under Tea cultivation (in hectare)	Total area of extensions	Total area replanting (in hectare)	Total area replacements	Average yield in Kg./hectares
1971	3,56,516	2355.35	1118.96	201.12	1,221
1972	3,56,675	1831.63	1322.21	194.66	1,271
1973	3,60,108	1632.98	1109.22	180.36	1,311
1974	3,61,663	1801.01	1090.35	322.48	1,353
1975	3,63,308	1762.29	1220.07	319.83	1,341
1976	3,64,275	1658.89	1177.83	362.22	1,405
1977	3,66,276	1769.69	1202.76	366.26	1,519
1978	3,69,184	2234.11	1225.25	267.14	1,527
1979	3,73,747	3464.51	1246.22	399.22	1,455
1980	3,84,891	3075.33	1023.79	468.78	1,491
1981	3,84,242	1986.50	1288.98	475.75	1,456
1982	3,94,999	1981.93	1355.55	188.83	1,419
1983	3,96,096	1945.83	1218.14	210.52	1,468
1984	3,98,453	2409.02	1230.14	184.40	1,606
1985	3,95,929	2355.76	1085.41	294.22	1,648

head it. This will have representatives of CSIR and the plantation associations and Indian Council of Agricultural Research to identify areas in which the basic research thrust should be made in the next 10-15 years and identify the Departments and the laboratories where this can be carried out. There is a coordinated approach needed for that purpose and to make a review of application of research. We expect these scientists will give us both their assessment of the research work and suggestions for new directions."

7. *Director, Tocklai Experimental Station submitted : (vide para 11 of the Report)*

"I do not think that it will be unrealistic to assume the yields of 70-100 quintals per hectare which have been given in the papers referred to by the Chairman. Even today, with the existing planting materials, we are producing 40-50 quintals per hectare in certain sections of some gardens even in areas like Cachar which is considered a poor area. What is required to be looked into is to find out what makes a section do better than the others in the same garden. A thorough search has to be conducted to find out the causes."

8. *Director, Tocklai Experimental Station submitted : (vide para 11 of the Report)*

"We have some information on plant nutrition, drainage, pruning, plucking, shade management etc. We have conducted a systematic study in respect of these. What is now required to analyse this information and find out as to in what way these things are done differently in the high-yielding sections as compared to the low-yielding sections and then to make recommendations for improvement in agronomic practices"....
 "The technology is being made available. The information is published and released to the planters through various publications. We also have seven advisory centres on key-locations in the tea-growing areas through which the technology is transferred. Somebody mentioned that it is due to lack of initiative that the technology is not implemented. I think the discussion generated from what I said earlier. A question was asked whether we can do anything. I have said 'yes'. We have some information generated from the past experiments. Based on its analysis, the decisions are to be made for implementation. Also more work is to be done in new areas like Biotechnology."

APPENDIX 'E'
(Vide Para 21 of the Report)

Sixth Plan Target for extension and Replacement/Replantation vis-a-vis achievement

(In hectares)

Year	Extension target	Achievement	Replacement/Replantation	
			Target	Achievement
1980	4000	3075.33	4000	1492.57
1981	4000	1986.50	4000	1764.73
1982	4000	1984.92	4000	1536.83
1983	4000	1943.89	4000	1467.81
1984	4000	2409.02	4000	1414.54
		11398.67		7676.48

Total : (11398.67 + 7676.48) = 19075.15

APPENDIX 'F.1'
(Vide Para 29 of the Report)

Statement showing trends of export to some major countries (tradition market)

Countries	1951-52	1961-62	1971-72	1981-82	1982-83	1983-84	1984-85	1985-86
	(In thousand Kg.)							
U.K.	1,30,655	1,21,255	71,214	43,413	51,703	38,811	37,319	29,977
Ireland	10,909	5,735	5,173	4,396	3,425	2,929	2,762	2,541
U.S.A.	12,098	10,964	8,511	3,169	3,034	2,371	2,660	2,509
Canada	8,699	6,421	3,688	1,873	1,854	1,403	1,879	1,637
Australia	2,947	2,526	2,772	1,643	2,441	1,513	1,307	1,078
New Zealand	591	505	667	153	59	100	86	23

APPENDIX 'F.2'
(Vide Para 30 of the Report)

Table showing trends of export to countries under bilateral trade agreement and other countries

	1981	1982	1983	1984	1985
	(In M./Kgs.)				
A. Countries under Bilateral Trade Agreement (USSR, Poland, Czechoslovakia, G.D.R., Romania and Iraq)	102 (42·15)	79 (41·58)	88 (42·31)	94 (43·32)	114 (53·27)
B. Countries other than Bilateral Group	140	111	120	123	100
Total	242	190	208	217	214

APPENDIX 'G'

(Vide Para 29 of the Report)

Exports of Tea from Major Tea producing countries

(Qty. M. Kgs.)

Countries	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
India	218	234	230	176	200	224	241	190	208	217	222
Bangladesh	24	31	26	31	32	31	29	34	30	23	30
Sri Lanka	212	200	186	193	187	185	183	181	158	204	198
Indonesia	46	47	51	56	60	68	71	64	69	86	90
China	61	61	82	87	107	108	92	106	125	128	140
Kenya	53	59	70	85	94	75	76	80	101	91	126
Malwa	24	30	30	31	31	31	32	37	36	37	39
Mazanabique	12	13	16	17	18	18	18	19	14	9	5
Tanzania	10	12	12	15	15	13	14	12	17	11	15
Uganda	17	12	15	9	1	1	1	1	1	3	4
Zimbabwe	5	4	4	8	8	6	6	7	8	10	12
Argentina	17	25	30	31	30	33	26	33	45	42	25
Others	52	60	64	65	68	66	64	56	61	66	64
Total	751	788	816	804	851	859	853	820	873	927	970
Share of India in World tea export	29%	30%	28%	22%	24%	26%	28%	23%	24%	23%	23%

APPENDIX 'H'
(Vide Para 41 of Report)

Table showing the details of expenditure on Tea Promotion during the period 1984-85 to 1986-87

Items of Expenditure	1984-85	1985-86	1986-87
1. Expenses of the offices abroad	2,02,41,500	1,87,57,300	2,43,97,700
2. Expenditure on Tea Councils .	37,41,000	56,92,300	71,76,300
3. Tea Publicity in Foreign countries	13,99,300	15,25,600	11,82,100
4. International Exhibitions and Trade Fairs etc.	5,04,900	1,72,600	4,61,600
5. Delegation/Deputation to and from abroad	12,95,500	5,64,900	6,67,200
6. Tea Board's investment to I.T. & R. Ltd.	10,20,000	—	—
7. Promotion of value added teas .	—	—	4,56,500
Total	2,82,02,200	2,67,12,700	3,43,41,400

APPENDIX I

(Vide para 52 of Report)

Measures taken to Boost up Export of Tea including Tea Bags, Tea Packet and Instant Tea

- (i) Excise duty rebate of 50 paise per kg. on all tea export;
- (ii) Excise duty rebate on tea going into packets as well as the duty on tea packets;
- (iii) Higher CCS for packet tea, tea bags and instant tea; (18% on packet tea; 20% on tea bags and 12% on instant tea w.e.f. 1-7-1986);
- (iv) Abolition of customs duty on filter paper used in the manufacture of tea bags;
- (v) Exemption of excise duty on tea bags (which are mainly for exports);
- (vi) Provision of upto 10% of f.o.b. realisation for advertisement and promotion by individual companies abroad;
- (vii) Assistance to exporters of packet tea under the Brand Promotion Fund Scheme and Warehousing Subsidy Scheme;
- (viii) Introduction of a scheme for providing loan to now packeteers for building up packeting capability in order to broaden the packet to a production base in the country;
- (ix) Bilateral arrangements with some countries for exports of tea;
- (x) Import replenishment for import of raw materials for re-export in value added form;
- (xi) Tea Board's promotional activities which includes :—
 - (a) Generic promotion programme through Tea Council India is presently a member in the Tea Councils in U.K., West Germany, USA, Canada and Australia,
 - (b) Uninational companies such as in Egypt and Saudi Arabia and other uninational programmes through Board's over-seas offices,
 - (c) Promotional support to Indian exporters, media publicity, delegations, sampling of Indian teas abroad through in-store demonstrations, mobile tea vans etc. participation in fairs and exhibitions etc.
 - (d) High lighting the quality of Indian through the introduction of Darjeeling Logo Campaign in the U.K. market.
- (xii) Provision of larger amounts to tea Board for promotional activities in foreign countries out of the higher collection of Cess on tea (as enhanced with effect from 15th August, 1986).

APPENDIX

Statement of conclusions and recommendations

S. No.	Para. No.	Ministry/ Deptt. concerned	Recommendation and conclusions
1	2	3	4
1	9	Ministry of Commerce	The Committee find that the Tea Board does not monitor the implementation of the improvements required to be undertaken by the beneficiaries as per loan stipulations. As such, its contribution in these respects cannot be ascertained. The Committee recommend that the Tea Board should set up continuous monitoring mechanism as long as it continues with such schemes.
2	12	Ministry of Commerce	After hearing the Director, Toklai Research Station, Jorhat and having gone through the facts furnished by the Tea Board indicating variation in productivity of tea from garden to garden in the same area and possible reasons therefor, the Committee are inclined to believe that a lot more has to be done towards research on tea and dissemination of its results to the planters. They would like Tea Board to take more initiative in dissemination of information on research to the field for practical application and attainment of better results.
3	15	Ministry of Commerce	The Committee desire that Tea Board should make a realistic assessment of actual requirement of funds for plantation of tea in the plains and hills and sanction loans for plantation according to that requirement. They are constrained to note that Tea Board has failed to ensure replantation at the rate of 2% per annum of the total planted area as per the scheme intimated to the PAC (Fourth Lok Sabha) 1969-70. This is a failure of the Government which affected both the quantitative growth and qualitative improvement of the tea industry. It is high time that Govt. should review the requirement of quantitative growth and qualitative improvement of tea industry keeping in view the future requirement of export and domestic consumption of tea. Once the target for plantation is fixed on the basis of this assessment, all resources

1	2	3	4
			<p>including technological know-how, should be mobilised to ensure achievement of that target. They would urge Tea Board to closely monitor the progress of plantation in coordination with planters, research bodies and plantation workers and render help/guidance wherever necessary.</p>
4	19	Ministry of Commerce	<p>The Committee recommend that a monitoring system should be introduced immediately to watch over the payments made for supply of machinery and irrigation equipment and benefits accruing out of the scheme. Such system would help the Tea Board in ascertaining its ability to meet borrowers' requirement of finances for such purposes and also getting information regarding other institutions from which borrowers have to take loans to meet their requirement, which in turn would help the Tea Board in final assessment of the fund requirement for the scheme.</p>
5	23	Ministry of Commerce	<p>What is, however, astonishing is that no calculations appears to have been made by the Board while setting the target in terms of quantity achievable on the basis of the limited finance which was made available to it. The Committee recommend that targets for replanting should be fixed after taking into account availability of finance and planting material of better quality and desired characteristics. In addition, amount of subsidy payable for replantation should be adequate to induce the owners to undertake replantation. The Committee are, however of the opinion that the very fact that subsidy is still thought to be necessary for inducing new plantations or replantation in an industry which is profitable enough in the domestic market so as to effect growth of export, does not speak highly of entrepreneurial ability of tea planters. The Committee desire the Government to go into the whole question of the need for subsidy <i>vis-a-vis</i> further growth of the industry.</p>
6	25	Ministry of Commerce	<p>The Committee, however, were of the view that with a view to effecting economy and efficiency, administration and implementation of these schemes could be transferred to NABARD and the Board could function as an expert body which could be consulted by NABARD or other banks processing loan applications as well as for monitoring utilisation of loans and results obtained therefrom.</p>

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7	28	Ministry of Commerce	The Committee are constrained to note that although discontinuance of the expenditure on promotional activities such as running of tea counters in Delhi and Bombay with a view to promoting tea within the country was recommended by the three man Committee, appointed in 1979, the Tea Board has spent the aforesaid amount of Rs. 82.84 lakhs in the last 6 years, while unsuccessfully looking for organisation to take over the so called promotional activities of the Tea Board. The Committee recommend that his unfruitful expenditure should be discontinued immediately and resources made available thereby in terms of money, material and man be employed more profitably in other productive activities without further delay.
8	35	Ministry of Commerce	The Committee found that shift in import of tea from India to other countries by the importing countries has caused decline in export percentage of Indian tea. The Tea Board together with the lop sided functionaries of its foreign offices have failed to check this trend. The Committee would like the Tea Board to take lesson from this situation and post in its foreign offices, where it is considered necessary to retain foreign office with personnel experienced in tea and marketing who could handle the situation with skill. The Committee further recommend that a thorough scrutiny of the effectiveness of the tea promotion offices abroad be made and those not found effective in increasing sale of Indian tea substantially within their respective area of operation be wound up and the work handed over to the Embassy/High Commission.
9	38	Ministry of Commerce	The Committee desire Tea Board to take up export promotion work through exporters Associations with their proven experience and expertise. In turn the Board may render such assistance to the exporters as may be sought by them from time to time to facilitate their export promotion work. This step, besides promoting tea export, would help Tea Board in reduction of its expenditure to the minimum on its export promotion offices/establishments abroad.
10	39	Ministry of Commerce	The Committee would also like Govt. to explore the possibility of handing over of residual functions of export promotion, such as, coordination with private/Govt. export organisations etc. to the Commercial Attaches of the Indian Embassies/

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			High Commissions abroad, as earlier suggested by the Public Accounts Committee in their 115th Report (Fourth Lok Sabha).
11	40	Ministry of Commerce	The Committee are of the considered view that tea promotion in its present form has benefitted multinational companies in selling Indian tea to consumers in those countries where Tea Board's export promotion operates. They conclude that this is the strongest reason for putting an end to the export promotion by the Tea Board at least in the present form.
12	41	Ministry of Commerce	Even if it can be said that the Ministry did consciously or deliberately encourage the Tea Board to go in for export promotion and spend huge amount of money of Tea Board on operations abroad which came to the ultimate benefit of the multi-nationals, then the Committee is constrained to conclude that the Ministry has been guilty of utmost callousness in not properly considering who will be the beneficiary of expenses incurred on export promotion by the Tea Board.
13	45	Ministry of Commerce	The Committee would like the Board to share its promotional expenses with the trade wherever possible which would reduce the burden of Tea Board and make more funds available for export promotion.
14	46	Ministry of Commerce	The Committee desire that Government should review the expenditure on fruitless generic promotion of tea keeping in view the observation of the earlier PAC <i>vis-a-vis</i> the result obtained from the generic promotion of tea till now. This is necessary to prevent wasteful expenditure and to lay stress in the right direction of the campaigns.
15	47	Ministry of Commerce	The Committee would like to be apprised of the manner in which the intensive advertising programmes for tea promotion are proposed to be or are being carried out. In their view unless a sizeable amount of quality tea was made available for export by producing more of such tea at competitive price, mere spending on campaigns abroad would be of little avail.

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16	53	Ministry of Commerce	The Committee conclude that the Ministry has not been able to really locate the reason for Indian tea losing out in competition with East African tea in its traditional market and has clutched at whatever distinct differences they could find to explain the reasons. In their view, smooth supply of tea to these markets at competitive price could be maintained by creating a buffer stock which at the most might add to the cost marginally. The Committee recommend that Government should make an indepth study to find out the reasons why Indian tea is losing out in competition and what steps are necessary to recapture the competitive markets.
17	54	Ministry of Commerce	The Committee are constrained to conclude that no systematic attempt was made for promoting tea in value added form in spite of the recommendation to that effect made by the earlier PAC (1969-70) and which recommendation was also accepted by the Government. As a result whatever increase in export of tea in value added form has taken place (raised to 27.38 M.kg. valued at Rs. 111.89 crores in 1985-86 from 11.51 M.Kg. valued at Rs. 32.96 crores in 1982-83), has occurred due to the higher demand in the consuming countries to which the contribution of the Government through its policies or by the Tea Board by its field activities had been minimum.
18	1855	Ministry of Commerce	The Committee would like to know the details of steps taken towards product diversification in the context of development of instant tea technology, introduction of flavours like lemon, ginger, bergmote and mint into tea, etc. The Committee may also be apprised of the impact of various concessions now given to boost export of value added tea.

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P.A.C. No. 1201

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PUBLISHED UNDER RULE 382 OF THE RULES OF PROCEDURE AND CONDUCT
OF BUSINESS IN LOK SABHA (SIXTH EDITION) AND PRINTED BY THE
MANAGER, GOVERNMENT OF INDIA PRESS,
FARIDABAD.

