

PUBLIC ACCOUNTS COMMITTEE (1968-69)

(FOURTH LOK SABHA)

SEVENTY-FIFTH REPORT

[Action taken by Government on the recommendations of the Public Accounts Committee contained in their 59th Report (Third Lok Sabha) relating to Ministries of Education, Food, Agriculture, Community Development and Co-operation, Industry and Department of Social Welfare (Formerly Department of Social Security)]



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1969/Vaisakha, 1891 (Saka)

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PUBLIC ACCOUNTS COMMITTEE

(1968-69)

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SECRETARIAT

Shri Avtar Singh Rikhy—*Joint Secretary*

Shri K. Seshadri—*Under Secretary.*

INTRODUCTION

1. The Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf the 75th Report on the Action Taken by Government on the recommendations of the Public Accounts Committee contained in their 59th Report (Third Lok Sabha) relating to the Ministries of Education, Food, Agriculture, Community Development and Co-operation, Industry and Deptt. of Social Welfare (Formerly Deptt. of Social Security).

2. On 12th June, 1968, an "Action Taken" Sub-Committee was appointed to scrutinise the replies received from Government in pursuance of the recommendations made by the Committee in their earlier Reports. The Sub-Committee was constituted with following Members :

1. Shri D. K. Kunte—*Convener.*
2. Shri C. K. Bhattacharyya
3. Shri K. K. Nayar
4. Shri Narendra Kumar Salve
5. Shrimati Tarkeshwari Sinha
6. Shri N. R. M. Swamy.

3. The draft Report was considered and adopted by the Sub-Committee at their sitting held on 22-4-68 and finally adopted by the Public Accounts Committee on 28-4-68.

4. For facility of reference the main conclusions/recommendations of the Committee have been printed in thick type in the body of the Report. A statement showing the summary of the main recommendations/observations of the Committee is appended to the Report (Appendix).

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

NEW DELHI;
April 28, 1969.
Vaisak. 8, 1891 (S).

M. R. MASANI,
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

1.1. This Report deals with Action Taken by Government on the recommendations contained in the 59th Report of the Public Accounts Committee (Third Lok Sabha) on the Appropriation Accounts (Civil), 1964-65 and Audit Report (Civil), 1966, relating to the Ministries of Education, Food, Agriculture, Community Development and Cooperation, Industry and Department of Social Welfare, which was presented to the House on the 9th November, 1966.

1.2. The Action Taken notes/statements on the recommendations of the Committee contained in this Report have been categorised under the following heads :—

- (i) *Recommendations/Observations that have been accepted by Government :*

S. Nos. 3 (para 1.44), 11, 15, 17, 19, 21, 25, 27 (paras 2.16, 2.17, 2.18 and 2.19), 28, 31, 34, 35, 36, 37, 38, 39, 48, 49 (paras 3.24 to 3.26), 50 (paras 4.10 and 4.12), 52, 53, 54, 56, 59, 61 (paras 4.64 to 4.66), 70, 73, 74 (paras 5.47 and 5.48), 75, 78, 79, 80, 81, 82 and 84.

- (ii) *Recommendations/observations which the Committee do not desire to pursue in view of the replies of Government :*

S. Nos. 2 (para 1.33), 3 (para 1.43), 4 (para 1.53) 5, 7, 10, 29, 30, 33, 42, 46, 50 (para 4.11), 51, 55, 60, 61 (para 4.67), 62, 63, 64, 66, 71 and 72.

- (iii) *Recommendations/observations replies to which have not been accepted by the Committee and which require reiteration :*

S. Nos. 9, 12, 13, 14, 16 and 83.

- (iv) *Recommendations/observations in respect of which Government have furnished interim replies :*

S. Nos. 1, 2 (paras 1.31 and 1.32), 3 (para 1.42), 4 (paras 1.52 and 1.54), 6, 8, 27 (para 2.15), 32, 40, 41, 43, 44, 45, 47, 49 (para 3.34), 57, 58, 65, 67, 68, 69, 74 (paras 5.49 and 5.50), 75, 76 and 77.

1.3. The Committee desire that replies to the recommendations/observations contained in their 59th Report (Third Lok Sabha) in respect of which no replies have so far been furnished by Government (as indicated in the Appendix), as also final replies to recommendations/observations in respect of which Government have furnished interim replies, should be furnished expeditiously.

1.4. The Committee will now deal with the action taken by Government on some of the recommendations/observations.

Processes for commercial exploitation—Paragraph 1.104, S. No. 9.

1.5. The Council of Scientific and Industrial Research developed 494 scientific and industrial processes upto 1964-65 for commercial exploitation. While 128 out of these processes were licensed on payment of lump sum premium and recurring royalty, 189 of the processes were released free of charge to industry for want of response from trade on payment. As no system of costing had been introduced by the Council, the amount of money spent on the development of the processes could not be calculated. Commenting on this aspect of the matter, the Public Accounts Committee, in paragraph 1.104 of their 59th Report (Third Lok Sabha), had made the following observations :—

“1.104. The Committee regret to note that the C.S.I.R. which has been in existence for over two decades did not think of introducing a system of costing for the processes developed by them. The Committee feel that this should have been done much earlier. The Committee note that the work relating to the costing of scientific and industrial processes developed for commercial exploitation has been introduced from last year in 7 or 8 of the laboratories only by the Council. They desire that as a result of this experiment the system of costing should be further extended to all other laboratories. With the introduction of a system of costing of processes, the Committee hope that the Council would be able to have an idea of the total expenditure incurred by it on the development of various processes.”

1.6. In their reply to paragraph 1.104, the Ministry of Education (Council of Scientific and Industrial Research) have stated :

“The question of planning of research and cost analysis was one of the items considered at the 16th Directors' Conference of the Heads of National Laboratories and Research associations held on July 4-5, 1966 at Bangalore. The conference reiterated the view that detailed cost analysis should be carried out only in respect of large pilot projects since costing is neither practicable nor economical in the case of small projects.

It was ultimately decided that costing pattern may be evolved in some of the laboratories on an experimental basis and results studied to evolve a general pattern for being introduced in all the Laboratories.”

The Council of Scientific and Industrial Research in a subsequent note stated :

“At present, costing of projects/processes is done by some of the National Laboratories by different methods which are tabulated below :

Name of the Laboratory/Institute	Method of cost analysis of processes
1. Central Salt and Marine Chemicals Research Institute, Bhavnagar.	Costing is carried out by charging pay and allowances of personnel, material and other costs included in the laboratory overheads usually <i>pro rata</i> in relation to number of scientific workers. Depreciation charges are also included in the case of equipment used.
2. National Chemical Laboratory, Poona.	Costing analysis includes details regarding the economics, market, cost picture of the product/process and the proposed terms for its release. The latter are arrived at after considering the profitability of the process and the research inputs.

Name of the Laboratory/Institute	Method of cost analysis of processes
3. National Aeronautical Laboratory, Bangalore.	Costing is done after taking into account very detailed study of the overheads of various Divisions, cost of materials, cost of labour etc. and any other development charges that may be incidental.
4. National Physical Laboratory, New Delhi.	All the basic requirements for controlling cost—Record of Material control, Labour control and overheads are properly maintained and different items of cost are systematically and scientifically analysed to control cost and reduce wastages.
5. Indian Institute of Petroleum, Dehra Dun.	The total man-hours, both officers and assistants for each project are computed from the time a project is started to the time it is ready for commercial exploitation. The Scientific staff is required to fill in weekly time cards showing the disposition of their time during each week on the different projects on which they are engaged. From the total man-hours spent on the project, the cost of the project is computed. In making computation, rates have been derived @Rs. 12 per officer-hour and Rs. 9 per assistant-hour. These rates are inclusive of the overheads that have to be charged to the project, such as cost of Library, Workshop, Stationery, tours etc. To the figures so arrived, a certain amount is added as premium for determining the royalty to be paid to the Institute by any party wanting to exploit the know-how developed.
6. Central Electronics Engineering Research Institute, Pilani.	Pilot plant products and Institutes products fabricated in Batch production and prototype models which are sold to institutions, private parties and individuals for study and development purposes are subjected to costing based on the "principles of Direct costing system."

In view of the divergent methods being followed by the National Laboratories/Institutes, it is desirable that the matter may be discussed at a Conference of the Heads of all the National Laboratories/Institutes so that a consensus may be evolved and broad guidelines laid down."

1.7. In order to have an idea of the expenditure incurred on processes meant for commercial exploitation, the Committee feel that it is ~~necessary~~ to introduce the system of cost analysis for processes in all the laboratories. This would provide a rational basis for ~~determining~~ the charges and royalty to be recovered in respect of the processes which are ultimately turned out to ~~market~~. The Committee would, therefore, like to ~~recommend~~ that a general pattern of cost analysis should be expeditiously evolved for introduction in all laboratories on the basis of the results of the system of costing already in operation in some of the laboratories on an ~~experimental~~ basis. There is a cost accounts Branch in the Ministry of Finance whose advice, if ~~possible~~, may be sought on this point. The Committee would like to be ~~guided~~ by the ~~advice~~ in this direction.

Paragraph 1.113—Serial No. 12

1.8. From a statement furnished by Government, it came to the notice of Public Accounts Committee that during 1964-65, eighteen schemes involving foreign collaboration were approved by Government against the technical advice of the C.S.I.R. Commenting on the matter, the Public Accounts Committee, in paragraph 1.113 of their 59th Report (Third Lok Sabha) had observed :

"1.113. From this statement the Committee find that as many as eighteen schemes involving foreign collaboration were approved during 1964-65, against the advice of the C.S.I.R. The Committee would like to know the justification for ignoring the advice of C.S.I.R. in these cases."

1.9. In their reply to paragraph 1.113, the Ministry of Education (Council of Scientific and Industrial Research) stated :

"A statement giving reasons for foreign collaboration against the advice of CSIR in respect of 18 cases as furnished by the Ministries of Industrial Development & Company Affairs, Petroleum and Chemicals and Steel, Mines & Metals is enclosed (Appendix-I). The advice given by the CSIR in respect of each of these cases has also been incorporated in the above Statement as desired by A.G.C.R. vide D.O. letter No. RR5-2/67-68/460 dated 23-8-1967."

1.10. The Committee are not convinced by the reasons given by Government for allowing foreign collaboration in disregard of the advice of the C.S.I.R. Part of the justification given in many cases for allowing foreign collaboration was that they would save foreign exchange through reduced imports or earn foreign exchange through exports, but facts and figures have been not furnished to the Committee by Government to substantiate this point. The Committee regret that Government did not make any independent verification of the claims of the interested parties that their proposals for foreign collaboration would mean earning of foreign exchange through exports of their products. In the view of the Committee it would be necessary to evolve a procedure to verify such claims.

1.11. The Committee observe that in some cases, foreign collaboration was approved even though production of similar products had already been established in the country. In the view of the Committee, there is little justification for allowing foreign collaboration in the manufacture of products for which indigenous production has already been established in the country. This would clearly be detrimental to the growth and development of indigenous know-how besides leading to an avoidable drain on scarce foreign exchange.

Paragraphs 1.117 and 1.118—Serial No. 13

1.12. From April, 1945 to October, 1965, 156 processes were patented in various foreign countries on payment of initial patent fees amounting to Rs. 1.81 lakhs. None of these processes could, however, be actually released to industry in the foreign countries. Out of 156 patents, 70 lapsed upto October, 1965. Commenting on the matter, the Public Accounts Committee, in paragraphs 1.117 and 1.118 of their 59th Report (Third Lok Sabha), observed as follows :

"1.117. The Committee regret to note that none of the 156 processes patented in foreign countries between April, 1945 to October, 1965 could be released to industry in foreign countries. They feel that the reasons for which there was no demand for the processes in foreign countries should be looked into. The N.R.D.C. should also investigate why the agents appointed by them to sell these patents in foreign countries had failed to do their job."

"1.118. The Committee hope that efforts would be made to ensure the commercial exploitation of the processes patented abroad."

1.13. In their reply to paragraphs 1.117 and 1.118, the Ministry of Education (Council of Scientific and Industrial Research) stated as under :

"N.R.D.C. has been carefully looking into possible reasons because of which processes developed in India could not be licensed in foreign countries. The organisations with whom the NRDC have got reciprocal arrangements for the commercial exploitation of the Indian Patents in their respective countries, are well reputed organisations and there is absolute no doubt about their integrity and bonafide. The N.R.D.C. has been in correspondence with its counterparts in foreign countries for arranging commercial utilisation of processes in those countries. The technology in foreign countries is at a higher level than technology in this country and the reasons generally given by these bodies for non-licensing of Indian know-how is that there is no scope for exploitation of the particular processes in their countries. Under the circumstances the question of investigation of non-implementation of Indian processes by foreign entrepreneurs does not arise."

1.14. In a subsequent note, the Ministry of Education stated that "the position regarding the progress made by National Research Development Corporation for arranging commercial exploitation of processes patented abroad almost remains the same."

1.15. The Committee are unable to appreciate the reply given by the Ministry that "the technology in foreign countries is at a higher level than technology in this country and the reason generally given by these bodies for non-licensing of Indian know-how is that there is no scope for exploitation of the particular processes in their countries."

The Committee would urge that before taking any steps to get ~~processes~~ patented in foreign countries, a careful and thorough ~~investigation~~ should first be made of the prospects for the commercial exploitation of these processes in those countries.

Paragraphs 1.124 and 1.125—S. No. 14

1.16. A process for the manufacture of "Bacterial Diastase by Submerged Culture for Desizing", developed at the National Chemical Laboratory, Poona was released through the National Research Development Corporation for commercial exploitation to a firm at Bombay on an all-exclusive basis for production in the whole of India. Although, under the agreement the firm was required to start production from October,

1961, the production had not commenced till January, 1966. The firm obtained import licences for Rs. 3.25 lakhs between 1961 and 1963 for import of explosion proof motors and other production equipment which were stated to be necessary to establish commercial exploitation of the process. Commenting on this case, the Public Accounts Committee in paragraphs 1.124 and 1.125 of their 59th Report (Third Lok Sabha), had observed as follows :

"1.124. The Committee are unhappy at the inordinate delay in the commencement of production on the part of the firm concerned with resultant loss of royalty to the Council. They are surprised that the Council entered into the agreement with the firm on the basis of a fixed percentage as royalty on production, while it had no control over production. It was stated in evidence that the firm hoped to go into production in a few months' time. The Committee would like to be informed of the latest position."

"1.125. The Committee suggest that the various processes developed by the Council should be taken back from the parties in case they fail to develop the same in one or two years. In such cases, the processes should be given to other parties who could develop the same quickly. Release of processes on an all exclusive basis should be avoided, as far as possible. The Committee also desire that a review of all the processes so far developed should be conducted keeping in view the above observations."

1.17. In their reply to paragraphs 1.124 and 1.125, the Ministry of Education (Council of Scientific and Industrial Research) had stated as under :

"M/s. Chemaux Private Limited, Bombay have already got the plant erected and necessary equipment has been installed. The firm in their letter dated 8-3-1967 have stated that they have already gone into production but the stock of raw materials held by them are not adequate for their purpose and if not replenished, would lead to the closure of plant for want of imported chemicals.

The present policy of the Corporation is to issue non-exclusive licences. Where, however, sufficient development work is needed by the party and the demand of the product is very small, exclusive licences are considered. Even in such cases, a clause has been incorporated in the licence agreement that if the party does not go into production within a stipulated period *i.e.* 1 to 2 years, the licence is automatically converted into non-exclusive. In many cases, the Corporation has converted exclusive licences into non-exclusive under the said clause and has thus been able to give the process to other suitable parties also. The Committee's observations are being implemented and followed while granting licences for commercial exploitation of the processes.

As regards conducting a review of all the processes so far developed keeping in view the recommendation of the P.A.C., it may be stated that the parties always keep the N.R.D.C. informed about the progress they are making in regard to utilisation of the processes. According to the agreement, if the bottlenecks are beyond the control of the Licensees, N.R.D.C. cannot terminate the license and

when N.R.D.C. is convinced that the licensee is intentionally not making progress, it cancels their licence and offers it to others."

1.18. In a subsequent note, the Ministry of Education, however, stated :

"M/s. Chemaux Private Limited, Bombay have decided to go in for foreign collaboration as they contend that they are facing difficulty in working the process developed at National Chemical Laboratory and licensed to them.

However to avoid the controversy on the issue of NCL know-how being not workable the Board decided as under to which the firm has agreed.

1. Refund of premium of Rs. 75,000 paid by the firm.
2. Reduction of Royalty from 6½% to 3%.
3. Other terms of the agreement remain unaltered."

1.19. The Committee observe that the process was released in this case for commercial exploitation on the understanding that production would start from October, 1961. It is regrettable that even after the lapse of over eight years production has still not started. The C.S.I.R. has in the meanwhile agreed to refund the premium amount originally paid by the firm for release of this process and to reduce the royalty on the process from 6½ per cent to 3 per cent on the ground that the firm is "facing difficulty in working the process."

1.20. The Committee had suggested in para 1.125 of their 59th Report that where processes farmed out to parties are not developed within a reasonable time, they should be resumed by Government and given to other parties. The Committee note that this suggestion is "being ~~considered~~ and followed while granting licenses for ~~commercial~~ exploitation of the processes." The Committee hope that this would help to avoid recurrence of the type of cases ~~mentioned~~ above.

Presentation of Audit Reports regarding Central Universities to Parliament—Paragraphs 1.137 and 1.138—S. No. 16.

1.21. The four Central Universities of Banaras, Aligarh, Delhi and Viswa Bharati are given maintenance and development grants by the Central Government through the agency of the University Grants Commission. The Audit Reports on the accounts of these Central Universities are not, however, presented to Parliament. Commenting on this matter, the Public Accounts Committee, in paragraphs, 1.137 and 1.138 of their 59th Report (Third Lok Sabha), had made the following observations :

"1.137. The Committee feel that the financial accountability does not in any way clash with the academic freedom of the Central Universities. Further, Audit Reports of the Central Universities are placed in the Library of Parliament and as such are already available to the Members of Parliament. The Public Accounts Committee has been laying emphasis on the presentation to Parliament of the Audit Reports of the Central Universities from the year 1952-53 onwards. The Committee, therefore, would like to reiterate their observations contained in para 2.7 of their 52nd Report (1965-66) and suggest

that the Audit Reports of the Central Universities should be presented to Parliament in future."

"1.138. It was also deposed before the Committee by the witness that it was decided to wait for the Report of the Education Commission before taking a final decision in this matter. He further added that the report of the Education Commission had been received and was under consideration of the Government, and that he would place the whole matter before the Education Minister for a final decision. The Committee suggest that if necessary, the matter may even be placed before the Cabinet. In this connection the Committee would like to draw the attention of the Ministry of Education to para 2.52 of their 52nd Report (1965-66) wherein the Committee have observed that if there is any difficulty in implementing the recommendation reiterated by the Committee, the matter should be submitted to the Cabinet and its decision communicated to the Committee."

1.22. The Ministry of Education, in reply to paragraphs 1.137 and 1.138. have stated as follows :

"As desired by the Public Accounts Committee, the matter was submitted to the Cabinet for decision. The Cabinet has decided that the present practice of not placing the Audit Reports on the accounts of the Central Universities before Parliament should be continued.

In so far as the Committee's observation that Audit Reports are available in Parliament Library is concerned, the position is that Annual Reports of Central Universities containing *inter-alia* an account of revenue and expenditure are supplied to Parliament Library."

1.23. The reply of Government was discussed by the Action Taken Sub-Committee of the Public Accounts Committee with the representatives of the University Grants Commission, Ministry of Education and Comptroller and Auditor General on 22nd August, 1968. During the discussion the Government representatives expressed the view that in view of the provisions of the University Grants Commission Act 1956, there should be no difficulty in Comptroller and Auditor General's reporting to Parliament matters of substantial importance relating to Central Universities, arising out of audit of the accounts of the University Grants Commission. The Comptroller and Auditor General's representative pointed out that this view of the Government was apparently somewhat in conflict with the earlier opinion of the Ministry of Law about the Comptroller and Auditor General's competence to report to Parliament matters relating to Central Universities. The Committee, thereupon desired that the matter may be further examined by C. & A. G. in consultation with Ministries of Law and Education.

The Committee understand from Audit that the matter was referred by them to the Ministry of Education who have reported that the Ministry of Law had desired to obtain the comments of the Ministry of Finance before giving their advice.

1.24. The Committee are anxious that a decision on the question of laying the Accounts of Central Universities on the Table of Parliament should

be reached at an early date. They would, therefore, like the matter to be speedily processed by Government.

Omission to recover rent and other charges in respect of residents in occupation of officials—Paragraph 6.38—S. No. 83.

1.25. The Directorate of Social Welfare, Delhi, has 75 residential units under its control which are allotted to the officials working in the Homes and other institutions. No decision regarding the officials to whom rent free accommodation is to be allotted in the public interest had been taken (January, 1966). The appeals of 30 allottees who had not been given rent free accommodation, were pending decision before the Chief Commissioner while the cases of the remaining 45 allottees for giving sanction for rent free accommodation were under reference to the Ministry of Finance for their concurrence. There were also stated to be four cases of unauthorised occupation. Commenting on this case, the Public Accounts Committee, in paragraph 6.38 of their 59th Report (Third Lok Sabha), had made the following observations :

"6.38. The Committee regret to note the delay in finalising the decision regarding the pending cases of rent free accommodation. As the realisation of a substantial amount as rent, water and electricity charges etc. is pending, the Committee desire that the action in this case should be expedited. They would like to be informed of the results of the action taken in this case. They would also like to be informed of the action taken in four cases of unauthorised occupation."

1.26. In their reply to paragraph 6.38, the Department of Social Welfare stated as follows :

"Out of 4 cases of alleged unauthorised occupation, two cases relating to a Head Clerk and a case worker were, on further examination, found to be not actually cases of unauthorised occupation. Rent is being recovered from both of them at 10% of emoluments under F.R. 45-A. In one case, relating to the former Superintendent of Children's Home, the Directorate has decided to recover rent at 10% of the emoluments as the occupation in this case was also held to be not unauthorised. The 4th case of the former Principal, Government Lady Noyce School has been rejected by the Administration. The then Principal, Government Lady Noyce School, Delhi has been asked on 23-10-1968 for the payment of a sum of Rs. 13,283.85 p. due from him as arrears of house rent."

1.27. The reply received from Government in this case does not indicate whether the pending cases of rent-free accommodation have been finalised so far. The Committee desire that all these cases should be finalised expeditiously and recovery of all arrears of rent, water and electricity charges be made without any further delay. The Committee would like to be informed of the progress made in this direction. The Committee would also like to be informed whether the sum of Rs. 13,283.85 paise due from the then Principal, Government Lady Noyce School, Delhi has been recovered.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

The Committee also feel that apart from lack of proper supervision and non-observance of rules and orders, there was inadequate arrangement to keep a proper watch over the maintenance of accounts of centenary celebrations. In this connection, they would like the Ministry of Finance to issue suitable instructions to all Ministries/Departments of Government of India to make adequate arrangements for proper maintenance of accounts in cases where public funds are sanctioned/spent on special occasions.

[S. No. 3 Appendix XXIX, Para 1.44 of 59th Report (Third Lok Sabha)]

Action taken

The Public Accounts Committee's comments had been brought to the Archaeological Survey of India's notice, and to ensure that financial procedures were duly followed and proper accounts maintained, a senior officer of the Indian Audit and Accounts Department had been posted in charge of the Department's administration.

The Ministry of Finance have also issued necessary instructions to all Ministries/Departments of the Government of India, in their O.M. No. 12 (47)-E(Co-ord)/68, dated the 17th October, 1968.

[Ministry of Education O.M. No. F. 16/1/66-CAI(1), dated the 22nd November, 1968].

As desired by the Committee suitable instructions have been issued to all Ministries/Departments vide O.M. No. F. 12(47)-E(Co-ord)/66, dated 17th October, 1968.

[Min. of Fin. O.M. No. F. 12(47)-E(Co-ord)/66, dated 17-10-68].

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(DEPARTMENT OF EXPENDITURE)

New Delhi, the 17th October, 1968

OFFICE MEMORANDUM

SUBJECT :—59th Report of the P.A.C. (3rd Lok Sabha)—Recommendation No. 3—Expenditure on special occasions.

In their 59th Report (3rd Lok Sabha) the P.A.C. dealt with a case in which the expenditure in connection with a special occasion (*viz.* centenary celebrations) exceeded the allotment specifically sanctioned by Government for the purpose. This happened because no separate account was maintained for the expenditure on the special occasion and it was mixed up with the normal contingent expenditure of the Department concerned, with the result that a proper watch of the expenditure on the special occasion against the sanctioned amount could not be kept. The Committee recommended in para 1.44 of the above Report as follows:—

“The Committee also feel that apart from lack of proper supervision and non-observance of rules and orders, there was inadequate arrangement to keep a proper watch over the maintenance of account of centenary celebrations. In this connection, they would like the Ministry of Finance to issue suitable instructions to all Ministries/Departments of Government of India to make adequate arrangements for proper maintenance of accounts in cases where public funds are sanctioned/spent on special occasions”.

2. It is obvious that when a specific allotment is sanctioned by Government for special occasions, steps should be taken to keep the expenditure within that limit. This can be ensured only if a separate account is maintained for the purpose. It may not however be necessary to open a separate head of account under a particular demand in all cases, irrespective of the size of the allotment. Where the allotment is substantial a separate head of account should be opened in consultation with Economic Affairs Department (Budget Division) and in other cases a suitable Register should be maintained by the Department concerned for keeping a proper record of accounts of the expenditure incurred against the amount sanctioned for the special occasion. The progress of expenditure should, thereafter, be watched against the sanctioned amount in accordance with the procedures and instructions issued from time to time in regard to control over expenditure, *vide* Part VII of Chapter 5 of G.F.Rs.

3. All Ministries/Departments are requested to take action accordingly.

N. N. K. NAIR,

Deputy Secretary to the Govt. of India.

To

All Ministries/Departments of the Government of India.

No. F. 12(47)-E(Co-ord.)/66

Copy forwarded for information to :—

(i) Department of Economic Affairs (Budget Division).

- (ii) All Expenditure Branches including Defence Division.
- (iii) E. II(A) Branch.

N. N. K. NAIR,
Deputy Secretary to the Govt. of India.

Recommendation

It appears that the amount of Rs. 2.65 lakhs was sanctioned *ad hoc* without drawing any detailed estimate or without proper planning. The Department should have obtained expert advice in the matter. The Committee feel that the Department should have anticipated that the exhibition would be extended and it should have been planned accordingly.

[S. No. 3, Appendix XXIX, Para 1.44 of 59th Report (Third Lok Sabha)].

Action taken

The amount of Rs. 2.65 lakhs was not sanctioned on *ad hoc* basis. The amount was sanctioned by Government against the Department's estimates of over Rs. 6 lakhs. While according sanction the amount on each item was specified as follows :—

	Rs.
1. Conference on Asian Archaeology ..	1,00,000
2. Exhibition ..	1,54,000
3. Uday Shankar's show "Samanya Khati" ..	4,000
4. Tea, coffee and lunch to be served to the delegates to the International Conference of Asian Archaeology ..	7,307.50
Total ..	2,65,307.50

[Ministry of Education O.M. No. F. 16/1/66-CAI(1), dated the 22nd November, 1968].

Recommendation

The Committee are disappointed to note that out of 494 scientific and industrial processes developed for commercial exploitation by the Council up to 1964-65, only 39 are in actual production at present. This clearly indicates that these processes were either not commercially viable or better substitutes were already available in the market. The Committee would, therefore, urge that more care should be taken in future in the selection of processes for development. There should also be a liaison with the industry. This is imperative not only from the point of view of avoiding infructuous expenditure, but also from the point of view of proper utilisation of indigenous talent.

[SL. No. 11 of the PAC's 59th Report (Third Lok Sabha)].

Action taken

Selection of processes for development is done by the Laboratories/Institutes concerned after taking into consideration the various factors and after obtaining the approval of their Executive Councils. However, the observations made by the Committee have been brought to the notice of the Directors/Heads of the National Laboratories/Institutes with a view to ensuring that more care is taken in future in the selection of processes for

development vide letter No. 3/10/66-PU, dated 15-6-67, copy enclosed (Annexure III).

(Annexure III)

COUNCIL OF SCIENTIFIC AND INDUSTRIAL RESEARCH

Rafi Marg,

New Delhi, 15th June, 1967.

No. 3/10/66-PU

From

The Secretary,
Council of Scientific and Industrial Research.

To

The Directors/Heads of the
National Laboratories/Institutes.

SUBJECT :—*Selection of processes—59th Report of the Public Accounts Committee (Third Lok Sabha).*

Sir,

The Public Accounts Committee in its 59th Report while considering the scientific and industrial process developed by the National Laboratories/Institutes for commercial exploitation up to 1964-65 has observed that most of the processes were either not commercially viable or better substitutes were already available in the market. The Committee has, therefore, urged that more care should be taken in future in the selection of processes for development. There should be a liaison with the industry. This is imperative not only from the point of view of avoiding infructuous expenditure, but also from the point of view of proper utilisation of indigenous talent.

The observation of the Committee are brought to the notice of all concerned with a view to ensuring that more care is taken in future in the selection of processes for development.

Yours faithfully,
Sd/- L. RAMANATHAN
Under Secretary

Copy to : The Scientist-in-charge, Directorate of Research Coordination & Industrial Liaison, CSIR Building, New Delhi.

2. Committee Section.

Sd/- L. RAMANATHAN
Under Secretary

Recommendation

The Committee regret to note that while there is a dearth of technical and engineering education in the country, the funds allotted for technical and engineering education have been diverted for other purposes. In evidence the Secretary, University Grants Commission stated that in view of the delay in getting the plans approved by the All India Council of Technical Education, certain funds were diverted and utilised for strengthening science education which is considered the base of technical educa-

tion. The Committee believe that in that case also the prior approval of the Ministry for diversion of funds should have been obtained as required under the rules. They hope that such cases would not recur.

[Sl. No. 15 of Appendix XXIX to 59th Report (Third Lok Sabha)].

Action taken

The observation was communicated to the University Grants Commission which has noted the same for compliance. It has been added by the Commission that the approval of the Government of India will be duly obtained in future if such a necessity arises.

Recommendation

The Committee observe from the note furnished by the Ministry that there has been no appreciable increase in enrolment in most of the courses offered by the University and in some courses there has actually been a decline. The *per capita* expenditure has, however, shown a steep rise from Rs. 1,961 in 1962-63 to Rs. 2,367 in 1964-65. The Committee desire that reasons for this state of affairs should be ascertained and suitable remedial measures adopted to arrest both decline in enrolment in some courses and rise in *per capita* expenditure.

[Sl. No. 17 of Appendix XXIX to 59th Report (Third Lok Sabha)].

Action taken

A note is enclosed (Appendix I).

ANNEXURE I

A NOTE ON ENROLMENT OF STUDENTS AND PER CAPITA EXPENDITURE ON STUDENTS AT VISVA-BHARATI

[Prepared with reference to Serial No. 17, Para No. 1.141 of the Fifty-ninth Report (Third Lok Sabha) of Public Accounts Committee, 1966-67].

From the enclosed statement showing enrolment of students during the four academic sessions, 1962-63 to 1965-66, it will be evident that there has been an appreciable increase in the overall enrolment of students. The total number of students at Visva-Bharati was 1,608 in 1962-63. As a result of steady increase from year to year, the figure of total enrolment has gone up to 1,930 in 1965-66.

The increase is not confined to any particular sector but is spread over both the University and Collegiate level as also over the school level as will be seen from statements 1 and 2. The first one deals with students in the University and Collegiate level and the second statement covers students of school level at Visva-Bharati.

That the increase in enrolment has not been more marked and has not yet been able to bring about any noticeable decline in the *per capita* expenditure is due to various reasons. In a residential University like Visva-Bharati, the most important reason is that the rate of extra enrolment of students is absolutely limited by the availability of residential accommodation.

The increase, so far recorded, has only been possible on account of the fact that during the period under review Visva-Bharati was able to set up

at least 3 hostels for boys and girls out of funds provided by U.G.C. and private donors. At present 2 more hostels have been taken up and there is a proposal for setting up 2 more 100 students' Hostels during the 4th Plan period. With the completion of these hostels and consequent rise in the number of students and with a careful watch on expenditure on staff (academic and non-academic), the *per capita* expenditure is expected to register a remarkable decline.

As for the decrease in enrolment in certain courses, an analysis of the enclosed statement will show that there are decreases in (i) B.A. (Hons.), (ii) Diploma in Music & Dance, (iii) Diploma in Woodwork and (iv) Diploma in Weaving. While the fall in enrolment in Music & Dance courses has been checked by opening Degree and Certificate courses in addition to the existing Diploma course, the downward trend noticed in the present Diploma in Woodwork and Weaving is perhaps due to the fact that although the courses are job-oriented, the employment prospects therein are not as bright in the present economic set-up as for persons trained in modern workshop practice. Any way, the scope of the courses has been widened and improved so as to attract larger number of students.

Since the Visva-Bharati does not provide for Pass course at the Degree level which caters for the majority of ordinary students, only a limited number of fairly good students apply for admission to the Honours Course in Arts.

STATEMENT-I

VISVA BHARATI

University Level (Post-Matriculation/Post-Higher Secondary Courses)

Course & Year	Enrolment in		(As on March 31)	
	1962-63	1963-64	1964-65	1965-66
(1)	(2)	(3)	(4)	(5)
Ph.D	18	19	25	24
M.A.				
1st Year	57	58	70	69
2nd Year	46	49	56	68
M.Sc.				
1st Year	..	19	17	21
2nd Year	..	..	21	17
B.A. Hons.				
1st Year	50	39	39	37
2nd Year	39	43	21	30
3rd Year	38	42	40	21
B.Sc. Hons.				
1st Year	9	37	47	62
2nd Year	7	14	40	40
3rd Year	3	3	3	21
Language Course	10	15	24	28
B.Ed.	74	82	81	78
M.Ed.	..	10	7	6
Dip. in Music & Dance				
1st Year	10	11	14	12
2nd Year	11	8	10	7
3rd Year	11	9	4	8
4th Year	4	9	9	5
Casual & Post. Dip. Exten. in Music & Dance	5	1	..	1

(1)		(2)	(3)	(4)	(5)
Dip. Fine Art & Crafts	1st Year	22	25	25	23
	2nd Year	17	20	22	22
	3rd Year	18	17	20	20
	4th Year	16	18	17	24
Casual & Post Dip. Exten. in Fine Art & Craft		..	3	3	4
Diploma Woodwork		27	24	22	14
Diploma Weaving		9	6	3	3
B.Sc. (Social)	1st Year	..	15	18	29
(Started in 1963-64)	2nd Year	..	..	14	17
	3rd Year	..	..	..	14
B.Sc. (Ag.)	1st Year	..	23	24	28
(Started in 1963-64)	2nd Year	..	..	17	16
	3rd Year	..	..	..	16
	4th Year	..	..	..	..
Diploma Rural Services	2nd Year	..	20	..	..
	3rd Year	..	23	20 (no longer in vogue)	..
Cert. Agr. Science	2nd Year	..	6	..	Do.
TOTAL		501	670	733	785

STATEMENT II

School Sections and Other Courses where Admission Requirement is not Matriculation

		1962-63	1963-64	1964-65	1965-66
Path-Bhavana		505	518	566	573
Siksha-Satra		304	328	333	348
M.A. Pathsala		60	43	52	57
Cert. in Artistic Handicraft	1st Year	12	9	18	13
	2nd Year	20	10	8	15
Post- Cert. Exten. in Artistic Handicraft		..	..	1	..
Other Cert. Courses of C.I.T.		206	210	164	139
TOTAL		1,107	1,118	1,142	1,148

Recommendation

The Committee regret to note that the failure on the part of the Executive Council to observe the rules and the irregular decisions taken by them in these cases resulted in an infructuous expenditure of Rs. 2.62 lakhs. They desire that action in such cases should be initiated strictly according to the letter and spirit of rules and after weighing all the *pros and cons* of the situation. They further hope that such costly mistakes shall be avoided in future.

[Sl. No. 19 of Appendix XXIX to 59th Report (Third Lok Sabha)].

Action taken

The Executive Council of the Banaras Hindu University has noted the recommendation of the Public Accounts Committee.

Recommendation

The Committee fail to understand why stocks of books and other publications were allowed to be built up over a period of 40 years, when the sales were not at all encouraging. They also regret to note that no physical verification has ever been done in order to assess the correct position in regard to the balance in stock. From the note furnished, the Committee find no basis for the statement made in evidence by the witness that most of the books were recommended to be sold as waste paper by Audit. The Committee regret that this incorrect information was given by the witness to the Committee. They desire that witnesses appearing before them on behalf of the University should be sure of the facts before deposing before them. They would also like to be informed of the present position in regard to the disposal of stock.

[Sl. No. 21 of Appendix XXIX to 59th Report (Third Lok Sabha)].

Action taken

The Banaras Hindu University replied to say that physical verification of stock of University Publications has since been done. Some of the books have also been disposed of. For disposal of the remaining books, action is in hand.

Recommendation

The Committee desire that vigorous efforts should be made to boost the sale of books and publications. Any tendency to accumulate books etc. for which there is no reasonable demand must be curbed.

[Sl. No. 25 of Appendix XXIX to 59th Report (Third Lok Sabha)].

Action taken

The Aligarh Muslim University replied to say that wide publicity and advertisement of the University publications is not possible within the limited budget allotments available for the purpose. Publications, nevertheless, are advertised once or twice a year through the leading newspapers of the country. Academic departments of the University are being advised not to undertake printing of the books etc. for which there is no reasonable demand.

Recommendation

It is surprising that no security deposit was taken from the Cashier in spite of the fact that such security is required to be taken under the rules. In this case normally security of Rs. 2,000 should have been received from the Cashier. The Committee take a serious view of this omission also.

[Sl. No. 27 Para No. 2.16 of 59th Report (Third Lok Sabha)].

Action taken

Omission for not taking the security from the Cashier in the past was incorporated in the charge sheet issued to the then Drawing and Disbursing Officer for which he has been censured. Security of Rs. 2,000 in the form of fidelity policy has been taken from the present cashier of the Animal Husbandry Department.

Recommendation

The Committee has already commented adversely on the unsatisfactory state of account of the Delhi Administration in para 3.58 of their 42nd Report (1965-66). This case of embezzlement in the Department of Animal Husbandry has confirmed their apprehension that the unsatisfactory condition of accounts in the Delhi Administration had already assumed serious proportions. The Committee feel that immediate remedial measures are necessary in order to avoid recurrence of such cases.

[S. No. 27 Para No. 2.17 of 59th Report (Third Lok Sabha)].

Action taken

Detailed instructions have been issued to all the Deptts. of the Delhi Administration for strict observance of the Financial Rules *vide* Officer on Special Duty (Accounts)'s D.O. letter No. OSD/Accounts/66 dated 27-8-1966 (copy enclosed)—Annexure III.

Recommendation

The Committee are glad to note that as a result of their recommendation in para 3.58 of their 42nd Report the Delhi Admn. has appointed a senior officer from the office of Comptroller & Auditor General of India. The Committee hope that with the help of the officer, the Delhi Administration will be able to (a) assess the arrears/state of accounts in the different Departments, and (b) take suitable remedial measures.

[S. No. 27 Para 2.18 of 59th Report (Third Lok Sabha)].

Action taken

Scrutiny of accounting procedures of various departments by the Officer on Special Duty (Accounts) is in progress.

Recommendation

The Committee also desire that learning from the experience of this case the Delhi Administration would issue suitable instructions to all the Drawing & Disbursing Officers, regarding maintenance of Cash Books and taking of security from the Cashiers. Negligence in observance of prescribed rules regarding maintenance of Cash Books etc., by the Drawing & Disbursing Officers should be viewed seriously.

[S. No. 27 Para 2.19 of 59th Report (Third Lok Sabha)].

Action taken

In addition to the general instructions issued by the Officer on Special Duty (Accounts) *vide* his D.O. letter dated 27-8-1966 security deposits to be obtained from all cashiers/store-keepers working in the Delhi Administration have also been fixed. The need to maintain the cash books properly, to follow the financial rules strictly, and the fact of Heads of Departments being personally responsible for the implementation of these instructions have been again reiterated by the Chief Secretary *vide* D.O. No. OSD/Accounts/4-66/67/355 dated the 27th March, 1967 (copy enclosed) Annexure IV. In order to ensure that instructions are being properly implemented, surprise inspections by the Examiner, Local Fund Accounts, have also been provided.

ANNEXURE III

Copy of Shri J. D. Sud, Officer on Special Duty (Accts.), Delhi Admn., Delhi's D.O. letter No. OSD/Accounts/66 dated 27-8-1966.

Please refer to this office letter No. OSD(A/cs)/4-66/dated -8-66, wherein, the amount of security deposit to be recovered from Cashiers and the Store-keepers in Delhi Administration has been fixed.

2. As you know, mere fixing the security deposit to be obtained from those who handle cash is not enough. In order to safeguard the interest of the Government, it is essential that the cash balances handled by the cashiers are kept to the minimum. There are two sources from which the money is generally received in an office—either it is tendered by the general public as revenue of the department for the services rendered by it or it is received from the Treasury for payment of monthly pay and allowances to the officers. Definite instructions exist in the Central Treasury Rules to deal with both types of transactions with a view to ensure that the money handled by the Cashier is not allowed to be far in excess of the immediate needs of the department. In this connection, attention is invited to rules 7, 290 and 283(2) of the Central Treasury Rules. According to the provisions of these rules, all moneys received or tendered to a Government Officer on account of the revenue of the Government shall without undue delay be paid in full into the Treasury or into the Bank; (ii) no money shall be drawn from the Treasury, unless it is required for immediate disbursement; and (iii) if for some reason payment of the pay and allowances cannot be made during the course of the month, the amount drawn shall be refunded by short drawal in the next month. Central Treasury Rules also contain a provision to safeguard against the possibility of leaving the handling of entire cash to the cashier. Rule 109(1), *ibid* provides that the Government money should be kept by the Drawing and Disbursing officers in strong chest secured by two locks—one key being in the custody of the Cashier and the other with the Disbursing Officer.

Further safeguards for the cash handled by the Government servants have also been provided under the Central Treasury Rules. The instructions to be observed by Government officers who are required to receive and handle cash are contained in Rule 77.

I would, therefore, request that the above provisions of the Central Treasury Rules may be brought to the notice of all Heads of the Offices. They may be directed to adhere to these rules strictly; keep the cash balances as low as possible by daily remittances into the treasury or into the bank; and conduct a surprise physical verification of the cash balances with the cashiers in addition to the monthly verification as provided in Rule 77 *ibid*.

3. As an added safeguard, it will also be necessary that due attention is paid to the selection of persons who are required to handle cash. Normally those officials who are borne on the permanent strength of the department and have put in considerable length of service should be appointed to serve as Cashiers or Store-keepers. The Chief Secretary has desired me to request you to screen the existing incumbents to ensure that these requirements are followed in all cases.

4. I shall be grateful if you please acknowledge the receipt of this letter and also ensure that the instructions contained herein are followed by all heads of the offices working under your control.

ANNEXURE IV

Copy of Shri K. Kishore, Chief Secretary, Delhi Admn., Delhi's d.o. letter No. OSD/Accts/4-66/67-355 dated 27-3-67 addressed to Shri Iqbal Singh, Development Commissioner, Delhi Admn., Delhi.

Kindly refer to the correspondence resting with Sud's D.O. No. OSD/Accts/66/27 dated 29-8-1966 (Copy enclosed for ready reference) wherein your attention was drawn to various provisions of the C.T.R. regarding handling of govt. money by the cashiers & the Drawing and Disbursing Officers. I presume that necessary instructions in this connection have been issued by you to all heads of offices under your control and the needful is being done.

2. Last time the P.A.C. were very critical of the fact that non-observance of these rules was not noted by a head of department during his inspection of a subordinate office in an embezzlement case. I would like to reiterate the imperative need of your keeping a strict watch on the working of the persons handling cash and to ensure that all financial rules are strictly followed by all concerned. Apart from the continued scrutiny to be exercised by the heads of depts. it has been decided that the Examiner, Local Fund Accounts would pay surprise visits to the offices of the Drawing & Disbursing Officers he would report to me direct the cases where financial rules and regulations are not being followed, cash books not being properly maintained, surprise and monthly inspections not being regularly carried out and proper arrangements for safe custody of cash not made. I shall be grateful if you can kindly ensure that he gets proper assistance during his surprise inspections and that all records are made available to him for scrutiny.

3. I would also like to stress that while the Examiner has been asked to carry out this scrutiny for the satisfaction of the Administration, the Heads of Offices are not absolved of their primary and direct responsibility of ensuring scrupulous implementation of financial rules and regulations in offices under their control.

Please acknowledge receipt of this letter.

Recommendation

The Committee are surprised to note that the Department of Agriculture is unable to give the financial position of the poultry farm prior to 1960-61. From the table furnished by the Department of Agriculture giving the receipts and expenditure in respect of the poultry farm and the development scheme from the year 1960-61 to 1965-66 the Committee note with regret that the Scheme has been incurring loss year after year. In evidence it was stated that the commercial side of the Poultry Farm had not yet been developed. The Committee desire that early steps should be taken to run the commercial side of the Poultry Farm on commercial lines or on business principles so that losses are minimised and that eventually the scheme runs on a no loss-no profit basis.

[S. No. 28 Para No. 2.28 of the 59th Report (Third Lok Sabha)].

Action taken

The Farm has now been separated from the extension part of the Poultry Development Scheme. It is now being run on commercial lines and its separate accounts are being maintained with effect from 1-10-1966. Steps have also been taken to cut down the expenditure to the barest minimum and to raise the income of the farm.

Recommendation

The Committee are surprised to find that the E.T.O. could utilise only 24,600 rft of pipes till the end of November, 1965 against a total quantity of 1,21,500 rft valued at Rs. 12.49 lakhs purchased during December 1963 to December 1964. They regret to find that the quantity utilised was even much less than the quantity purchased (50,000 rft) against the first order placed in December 1963. From the evidence the Committee also find that the delay in the utilisation of pipes was due to many factors namely the State Govt. to whom these pipes were to be supplied were not consulted about the types of pipes which they would, require, no programme was chalked out beforehand about the drilling of tubewells and the pipes received under the U.S. foreign aid were utilised first in preference to these pipes.

They trust that in future such huge amounts of Govt. money would not be blocked unnecessarily and that the purchases would be made consistent with requirements after taking into account all relevant factors.

[S. No. 31, paras 2.52 and 2.53].

Action taken

Noted : Instructions have been issued on 9th January 1967 to all concerned to see that the estimates are properly framed, the procurement correctly phased and no orders for procurement of stores placed in excess of the normal requirements of the works in hand as also anticipated works which have received the approval of the competent authority.

Recommendation

An Evaluation Committee to evaluate the work done by the C.C.G. from 1952-53 to 1965-66 has been set up *vide* Resolution No. 7-21/66-L.D. III., dated 28th January, 1967. (copy enclosed). The evaluation Committee has been asked to give the report within six months which will be submitted to P.A.C. when received.

The Committee suggest that all efforts should be made to find out ways and means to run gosadans on no loss basis so as to make them selfsupporting.

[S. No. 34 of Appendix No. XXIX to 59th Report (Third Lok Sabha)].

Action taken

Noted.

Recommendation

The Committee trust that with the cut in the expenses of journals the C.C.G. would be able to minimise or eliminate the losses suffered by them on this account. They desire that all efforts should be made by them in

this direction. They also feel that the actual usefulness of this journals must be periodically assessed and the grants should be given only if they are found to serve a useful public cause.

[S. No. 35 of Appendix No. XXIX to 59th Report (Third Lok Sabha)].

Action taken

Noted.

Recommendation

The Committee are surprised to learn that out of 10,000 copies of free publications printed during 1961 to 1963 by the Council, the number of copies actually distributed till June, 1965, was only 1,918 which constituted 19% of the total number of copies of publications printed. They however note that the Council has been able to distribute further 75% of the copies of publication within a period of one year after the Audit Report keeping 6% of copies of such publication to meet their future demand.

They desire that in future care should be taken to print only the requisite number of copies of such publications as would be required by them in the near future.

[S. No. 36 of Appendix No. XXIX to 59th Report (Third Lok Sabha)].

Action taken

Noted.

Recommendation

The Committee regret to find that three horticultural research schemes under-taken by the Uttar Pradesh State Horticultural Research Institute, Saharanpur, with financial assistance from the Indian Council of Agricultural Research were abandoned after a period of 2 to 5 years after incurring an expenditure of Rs. 1.95 lakhs. The reasons given for abandonment of these schemes are also contradictory and unconvincing.

From the audit para, the Committee find that in one case the State Government felt that the research connected therewith was neither well defined nor was such as could reasonably be dealt with in a short period at a State Institute to yield results of practical value. In the second case, the Council felt that the officer-in-charge of the scheme did not possess the necessary technical knowledge and experience nor had the requisite guidance from the Director of the Institute who was also not a specialist in the line. During evidence, the explanation of the Ministry in the first case was that the transfer of the Head of the Horticultural Research Institute Saharanpur, and a senior officer of the Institute, who was an expert on mites and spiders, completely changed the situation as the experts were no more available. The Ministry did not agree with the opinion of state Government that the scheme was ill conceived and not well defined.

The Committee are, however, glad, to be assured during the course of evidence that in future the pattern of financing the research schemes would be such that there would be more stress on co-ordinated research. The Committee hope that this would improve the position.

[S. No. 37, paras 2.89, 2.90 and 2.91)].

Action taken

In accordance with the assurance given to the Committee, the pattern of financing the Research Schemes of the Council has since been revised with effect from 1-4-1966. Accordingly, more stress is now being given on Co-ordinated Research on different crops. A number of Coordinated Research Projects on different crops have since been formulated for implementation in the Fourth Plan. A scheme for Coordinated Research Project on eight important fruits has also been formulated. This has been approved by the Planning Commission for inclusion in the Fourth Plan and is awaiting approval of the E.F.C. Under this scheme, research on various aspects will be carried out on eight important fruits, viz., Mango, Banana, Citrus, Grapes, Apple, Pine-apple, Papaya and Guava.

The Council has also formulated an All India Coordinated Research Project on Floriculture, for implementation during the Fourth Plan period.

Recommendation

The Committee are not fully convinced with the arguments advanced during the course of evidence that the expenditure on administration could not be reduced as some additional functions were entrusted to the Sugarcane Committee by the Government. The Committee would like Govt. to ensure that whenever any Schemes are transferred to State Govts., there should be a corresponding reduction in staff handling those Schemes at the Central level.

[Para 2.95 (Sl. No. 38 of Appendix XXIX) to 59th Report (Third Lok Sabha)].

Action taken

The recommendation of the Committee has been noted for future guidance.

Recommendation

The Committee regret that the Sugarcane Committee failed to obtain the progress reports of the schemes financed by them from a number of States. It is obvious that in the absence of progress reports the Sugarcane Committee could not possibly have exercised any control with a view to ensure that schemes were being implemented satisfactorily or that the money was not misutilised or blocked. The Committee would like the Ministry to ensure that such a situation is not allowed to rise in future.

[Para 2.100 (Sl. No. 39 of Appendix XXIX) to 59th Report (Third Lok Sabha)].

Action taken

The Indian Central Sugarcane Committee has been abolished with effect from the afternoon of 30th September, 1965. The recommendation of the Committee has, however, been noted for future guidance.

Recommendation

From the above, the Committee find that the funds were released in favour of the Corporation for specific purposes mentioned above. Although

there was no specific mention in the sanction letters releasing grants that the balances left over should be refunded to the Govt. the Committee feel that the Corporation should have obtained a specific sanction from the Government to retain the funds released in excess with them rather than utilising the same for other purposes. The Committee, therefore, would like the Government to examine this aspect of the case in consultation with the National Cooperative Development Corporation as to whether the unutilised portion of grants and subsidies released in favour of the Corporation for specific purposes should not be refunded by the later.

[S. No. 48 Appendix XXIX of the 59th Report (Third Lok Sabha)].

Action taken

(a) During the years 1963-64 and 1964-65, the grants received and utilised were as under :—

Year	Receipts	Utilised
1963-64	316.75	324.08
1964-65	332.56*	335.39
	649.31	659.47

It will be noted that as against the grants of Rs. 649.31 lakhs, the actual utilisation was Rs. 659.47 lakhs and, therefore, the question of refunding unutilised balance does not arise for these years.

(b) During the year 1965-66, there was an unutilised balance of Rs. 7.103 lakhs with the Corporation. This amount was refunded to Central Government on 19-5-1966.

The recommendation has been accepted and a condition is now included in all sanctions that any amounts remaining unutilised will be refunded to Government.

Recommendation

From the evidence, the Committee find that the NCDC Bill as passed by Parliament, stipulated that Govt. should pay to the Corporation by way of grant each year, such sum of money as is required by the Corporation for giving subsidies to State Govts. and for meeting its administrative expenses; and some loans on such terms and conditions as the Central Government may determine (*). From the note furnished by the Department, the Committee find that the Ministry of Finance had advised the Ministry of Community Development and Cooperation prior to the passing of the Bill that *...In actual practice, no interest will be charged on the amount given to the Board for the purpose of giving loans to State Governments. This would not be provided for in the law but would be implemented by administrative instructions. In actual practice, therefore, Government will give loans to the Board on such terms and conditions as are fixed from time to time.

*Excludes a sum of Rs. 63.94 lakhs received towards (i) reimbursement of interest paid to Central Government (Rs. 40.00 lakhs), (ii) administrative expenses (Rs. 7.50 lakhs) and (iii) Rs. 16.44 lakhs which was converted as a loan.

If interest is charged, Government would subsidise the Board by grants to the requisite extent.*

The Department of Community Development and Cooperation acting on this advice started giving grants to N.C.D.C. to neutralise the interest that the Corporation were paying to the Govt. If the intention of the Govt. in giving these grants was to augment the funds of the Corporation, they could have done so in regular annual allotments to them instead of in a round about manner.

The Committee suggest that Government should reconsider the question of refunding the amounts of interest payments to the NCDC in the light of their above observations.

[S. No. 49 paras No. 3.24, 3.25 and 3.26 of 59th Report
(Third Lok Sabha)].

Action taken

Hereafter grants to the NCDC refunding the amounts of interest payments will be discontinued.

Recommendation

The Committee note that as against an amount of Rs. 33.94 crores spent on subsidising supply of foodgrains in 1964-65 the amount of estimated supply in 1966-67 would be Rs. 106.84 crores. Based on the estimated quantities supplied in 1966-67, the amount of subsidy in the year 1967-68 would be Rs. 191.89 crores. The fact that the amount of subsidy is expected to increase to Rs. 191.89 crores in 1967-68 as against Rs. 33.94 crores in 1964-65 is significant. Part of this rise might be due to increase in the import of foodgrains but most of it due to devaluation. In view of the fact that huge amounts of subsidies are likely to be given on the supply of imported foodgrains, the Committee can hardly over-emphasize the necessity of devising ways and means to increase indigenous production of foodgrains and cutting down the imports.

[S. No. 50 of Appendix XXIX (Para 10 of Chapter 4) of 59th Report
(Third Lok Sabha)].

Action taken

The Department of Agriculture has undertaken a comprehensive programme through a series of measures for increase in the production of indigenous foodgrains during the Fourth Five Year Plan. In this connection a note on 'Comprehensive Plan to increase foodgrains production' prepared by the Department of Agriculture is enclosed. It will be observed therefrom that the agricultural development programme for the Fourth Plan period has been drawn up with a view to cover all aspects of agriculture and is fully backed by scientific and technological considerations. With the implementation of the Fourth Plan for agricultural development it is expected that indigenous foodgrains production would greatly increase thereby enabling cutting down of imports to the maximum possible extent.

Comprehensive Plan to increase Foodgrains Production

The foremost objective under the Fourth Five Year Plan is that by 1970-71 our country must produce adequate food for its requirement so

that self-reliance is achieved. For this purpose, the measures for agricultural development and use of agricultural inputs are proposed to be substantially stepped up as compared to the Third Plan. More particularly extension of irrigation, adoption of soil conservation measures, use of fertilisers, manures, improved seeds and adoption of plant protection measures will occupy an important place. The following table briefly indicates a comparative picture of achievements against these programmes during the Third Plan period and the targets envisaged under the Fourth Plan.

Programme	Unit	Third Plan (1961-66) Achievement	Fourth Plan Target
<i>Irrigation</i>			
(a) Major	Million acres	5.50	9.00
(b) Minor	Million acres	13.10*	17.00†
<i>Soil Conservation</i>	Million acres	9.80	20.00
<i>Chemical Fertilisers</i>			
(a) Nitrogenous (N)	Million tonnes	0.60	2.00
(b) Phosphatic (P_2O_5)	Million tonnes	0.15	1.00
(c) Potassic (K_2O)	Million tonnes	0.09	0.35
<i>Organic Manures and green manuring</i>			
(a) Urban Compost	Million tonnes	3.0	5.40
(b) Green Manuring	Million acres	21.50	64.00
<i>Area under improved seeds</i>			
(a) High yielding varieties	Million acres	-	32.50
(b) Other improved seeds	Million acres	120.00	241.50
<i>Plant Protection</i>	Million acres	41.00	137.00

Production Target

Under the Fourth Plan, the foodgrains production is proposed to be increased from the base level of 90 million tonnes for 1965-66 to 120 million tonnes in 1970-71, a rise of 33.3 per cent. This involves a large step up in efforts because the increase in foodgrains production achieved during the 15 years up to 1965-66, is estimated at 28 million tonnes.

Strategy and Approach

Greater applications of science and technology for increasing productivity in agriculture and allied fields is the key-note of approach to development in the coming years. The principal elements in this strategy are given in the succeeding paras.

(i) *High yielding varieties programme.*—This programme is being introduced in selected areas with assured irrigation or rainfall and is expected to be taken up on 32.5 million acres by 1970-71. The experience of

*Includes 9.16 million acres newly irrigated areas, besides area under drainage, flood control, etc.

†Includes 12.0 million acres newly irrigated area, besides area under drainage, flood control, etc.

IADP and intensive Areas Programmes under the Third Plan in selected areas revealed that by coordinated use of inputs like fertilizers, pesticides, improved seeds, irrigation and technical expertise in optimum doses, better results could be achieved than through a thin dispersal of inputs. On this basis a package programme approach is proposed to be adopted for the production of newly identified and evolved high yielding strains of paddy, wheat, jowar, bajra and maize which are responsive to high doses of fertilizers. The exotic varieties of paddy which can yield as high as 5,000 to 6,000 Kgs. per hectare are Taichung Native 1, Taichung 65 and Tainan 3. The new dwarf varieties of Mexican wheat (Sonora 64 and Lerma Rojo) have also been tried during the last two years and the yields have been as much as about 5,000 kgs. per hectare which also is a remarkable improvement on the present yields.

(ii) *New Concepts for Irrigation.*—The old concept of irrigation as a means of protection against drought is being replaced with the concept of irrigation for optimum production. It is envisaged that command areas for irrigation projects should be fixed so as to cope with the requirements of intensive cropping on irrigated lands. Even in the command of major irrigation projects, supplementary minor irrigation through tubewells, etc. should be developed to provide water for irrigation during periods of lean supplies in the canals.

(iii) *Double/Multiple Cropping.*—Side by side with the development of irrigation for intensive cropping efforts are proposed to be made to introduce short and medium duration varieties of crops in place of the traditional long duration varieties of crops in place of the traditional long duration varieties. It is envisaged that systematic efforts might be made to introduce additional crops on 30 million acres of irrigated lands outside the H.V.P. areas. Fertilizer and other inputs will be used in these areas, though in a smaller quantity as compared to H.V.P. areas. Green manuring practices will also be extended for the improvement of soil fertility.

(iv) *Ayacut Development.*—In order to avoid situation in which investment on major irrigation remains infructuous in the earlier stages of the construction of canals for want of related measures for land development, a new programme of ayacut development is being undertaken. The object is that in the areas newly coming under the command of major irrigation projects, measures for land levelling and development, construction of field channels, etc., evolution of irrigation cropping patterns, setting up of demonstration farms, arrangements for credit, fertilisers, seeds and other supplies should also be made so as to enable the farmers to take advantage of irrigation facilities. In the selection of blocks for ayacut development, priority is being given to 8 projects, namely Kosi, Nagarjunasagar, Chambal Valley, Rajasthan canal, Tungbhadra, Ghataprabha, Sone Valley and Bhakra-Nangal.

(v) *Organisation of Supplies.*—It is proposed that full requirements of the High yielding varieties Programme in respect of foundation seeds, fertilizers, pesticides, plant protection equipment etc. should be met. In addition to this, supplies of much requisites for areas not covered by H.V.P. should also be consistently stepped up. For the production and supply of hybrid seeds, responsibility has been entrusted to the National Seeds Corporation. Measures are also being taken to organise on a sound footing the production of foundation seed in the States, its quality control and supply to farmers or fertilisers also the supervision on the allocation, despatch and

deliveries is much closer than in the past. Fertilizers godowns are being constructed at various levels for assuring timely supplies to the cultivators. Cooperatives, Departmental depots and wherever necessary private agents appointed by Agriculture Departments are being appointed for fertilizers supplies.

(vi) *Emphasis on Production of Inputs.*—A close liaison is being kept between the Ministry of Food & Agriculture and the Ministries of Petroleum & Chemicals. In the Power Sector, the need for rural electrification specially to meet the requirements of life irrigation programmes have been given a high priority. To create assured base for fertilisers supplies it is proposed to raise the internal production of nitrogenous fertilisers to the level of about 2 million tonnes of nitrogen by 1970-71. The requirements for tractors of various horse power, bull-dozers and other agricultural machinery have also been assessed and attempts are being made to organise their manufacture in the country on a priority basis.

(vii) *Supply of Production Credit.*—A crop loan scheme has been taken up to start with in the H.V.P. areas. The supply of agriculture credit is being linked not to the borrowers assets but to his production needs. Assessment of such needs is made in advance and special credits are sanctioned in advance so that credit can be available to farmers when they need it. Steps will be taken to link up recoveries with marketing. The crop loan system is proposed to be gradually extended to all parts of the country.

(viii) *Supporting Economic & Institutional Policies.*—Minimum and support prices will be fixed for all important agricultural commodities. The Agricultural Prices Commission established since 1965, is expected to ensure that the prices for various agricultural commodities provide adequate incentive for agricultural investment and increased production. Cooperative marketing structure will be strengthened and Foodgrains Corporation of India will give support to price policies through provision of marketing facilities.

Short term loans for the purchase of pesticides are provided to the cultivators. Plant protection equipment is being supplied to farmers on subsidized basis. Efforts are being made to increase the supply of pesticides and to meet the growing demand for low volume power sprayers mainly through imports.

From the foregoing it would be evident that the agricultural development programmes under the Fourth Five Year Plan have been drawn up on a very comprehensive basis and are based broadly on scientific and technological considerations. The Central and State Governments are working in close collaboration to ensure effective implementation of various programmes. It is, therefore, expected that the targetted level of foodgrains production i.e. 120 million tonnes by 1970-71 would be achieved. If, unlike 1965-66 and 1966-67, larger area of the country are not afflicted by severe drought or such natural calamities, the foodgrains production would mark an upward trend and it would be possible to reduce foodgrains imports and to produce full requirements of the country by 1970-71.

Recommendation

The Committee note that in 1964-65, Government reviewed their policy in regard to subsidy, and decided in the context of the food situation then

prevailing that the subsidy should be gradually abolished. In the context of devaluation, the prices of foodgrains have increased considerably, but government decided to maintain the prices at the level they existed immediately before the devaluation. The position, therefore, is that Government would have to subsidise foodgrains to a very considerable extent, for a considerable period of time.

[S. No. 50 Appendix XXIX (Para No. 4.12) of 59th Report (3rd Lok Sabha)]

Action Taken

Noted.

[Department of Food U.O. No. 23/66-67/BFC-1/59th Report, dated 3-3-1967.]

Recommendation

The Committee are glad to note that as a result of the energetic steps taken by the Ministry, the position of clearance of foodgrains at the ports has improved considerably and during 1963-64 to 1965-66 the total amount of despatch money earned (Rs. 112.99 lakhs) was more than the demurrage paid (Rs. 76.55 lakh).

[S. No. 52 of Appendix XXIX (Para No. 4.18) of 59th Report, (Third Lok Sabha)]

Action Taken

Noted.

[Department of Food U.O. No. 23/66-67/BFC-1/59th Report, dated the 16th January 1967.]

Recommendation

The Committee would, however, like to stress that not only the progress should be maintained but also efforts should be made to reduce the demurrage charges further.

[S. No. 52 of Appendix XXIX (Para No. 4.19) of 59th Report, (Third Lok Sabha)]

Action Taken

Noted.

[Department of Food U.O. No. 23/66-67/BFC-1/59th Report, dated the 16th January 1967.]

Recommendation

The Committee regret to note that even though the Ministries of Food & Health exercise supervision and check against adulteration yet nine out of fourteen samples drawn from the Delhi Flour Mills were found not conforming to the specifications laid down as the mills did not clean the dirt

which was there in the wheat. The Committee were informed in evidence that prior to 1st July, 1966, "Supervision and check" exercised was not of the same degree. The Committee are glad to be assured that from 1st July, 1966, a very strict check is being maintained on the products marketed by the Mills.

[S. No. 53 of Appendix XXIX (Para No. 4.22) of 59th Report, (Third Lok Sabha)]

Action Taken

The recommendation of the Committee has been noted. It may, however, be pointed out that out of the 14 samples drawn from the Flour Mills by the Delhi Municipal Corporation, the number of samples not conforming to specifications was only four and not nine as mentioned in the news item.

[Department of Food U.O. No. 23/66-67/BFC-I/59th Report, dated 28-2-1967.]

Recommendation

The Committee suggest that the Ministries of Food & Health should carefully check up and if necessary tighten their procedure further with a view to ensuring that adulteration is eliminated and that the products supplied to the public at large are genuine and pure. The Committee would also like to know the action taken against the flour mills whose samples were found defective in this case.

[S. No. 53 of Appendix XXIX (Para No. 4.23) of 59th Report, (Third Lok Sabha)]

Action Taken

Cases of adulteration in articles of food are dealt with under the prevention of Food Adulteration Act, 1954, which is administered by the Ministry of Health. That Ministry has been pursuing with the State Governments and local bodies the question of more vigorous and effective implementation of the provisions of the Act from time to time. It may also be added that the Planning Commission have agreed to provide in the Fourth Five Year Plan a sum of Rs. 4.1 crores for better enforcement of the provisions of the Act and for equipping the laboratories. The scheme under consideration envisages :—

1. Establishment of headquarters unit in the Dte. C.H.S. to guide, supervise and assist the State Governments and local bodies for the better implementation of the Act;
2. Creation of Zonal Offices with inspectorate staff;
3. Setting up of Zonal laboratories; and
4. Assistance to State for strengthening their enforcement machinery and laboratory facilities.

2. The Department of Food has also been taking steps to ensure that foodgrains and wheat products released for human consumption are of sound quality and fit for human consumption. In regard to the wheat products, action has been taken to tighten the quality control at the stage of milling.

The Roller Flour Mills have been required to set up laboratories equipped to analyse the milled products according to the standards laid down under the P.F.A. Rules, 1955. They are also required to analyse the samples at least twice a week. The Inspecting Officers of this Department have been instructed to examine the analyses results of the Mills and to collect samples of wheat products during the course of periodical inspections of the mills and send the same to the Central Grain Analysis Laboratory of the Department for analysis. This has made it possible for the Department to keep a close watch over the quality of wheat products for different mills.

3. As regards the action taken against the flour mills whose samples were found defective in the case referred to, prosecutions have been launched against the defaulters in the course and the results are awaited.

[*Department of Food U.O. No. 23/66-67 BFC-I/59th Report, dated 28-2-1967.*]

Further Information

The Ministry of Health, Family Planning and Urban Development (Department of Health) which is responsible for the administration of the prevention of Food Adulteration Act, 1954 has informed that out of the four cases mentioned in this Ministry's Note No. 23/66-67/BFC-I/59th Report dated 28-2-67, a fine of Re. 1 - each was imposed by the court in three cases and that in the fourth case a fine of Re. 1 - as well as imprisonment till the rising of the court was ordered.

Recommendation

The Committee would also like to be informed of the number of adulteration cases which were dealt with by both the Ministries during the last one year and out of them how many cases were brought to the notice of the Ministry concerned by the public and the nature of the action taken against the respective dealers.

[S. No. 53 of Appendix XVII (Para No. 424) of 59th Report. (Third Lok Sabha)]

Action taken

The prevention of Food Adulteration Act, 1954, is being administered by the Ministry of Health through the State Governments/Local bodies. The number of samples drawn and found adulterated during the year 1965 is given in the enclosed statement. In regard to the number of cases brought to the notice of State Governments or local bodies by the public and the nature of action taken against the respective dealers, the Ministry of Health have indicated that the information is not readily available and will have to be collected from State Governments/Local bodies. They are being requested to furnish this information direct to the Committee in due course.

[*Department of Food U.O. No. 23/66-67 BFC-I/59th Report, dated 28-2-1967.*]

Information regarding the working of the P. F. A. act 1954 in various states for the year 1965

State/Administration	No. of food samples Examined	No. of Adulterated	Percentage of Adulteration	No. of Prosecutions launched	No. of Convictions	No. of Acquittals	No. pending in courts upto 31-12-1965	No. of imprisoned	Amount of fines Realised	Remarks
	1	2	3	4	5	6	7	8	9	10
1. Andhra Pradesh										11
2. Assam	6,470	2,312	35.7	1,809	1,044	149		624	83	2,66,176
3. Bihar	1,077	348	32.1	31	11			20	7	780
4. Delhi	3,954	696	17.6	617	234	31		703	20	27,781
5. Gujarat	2,875	621	21.6	611	838	449		919	157*	3,26,288
6. Himachal Pradesh	12,628	3,362	26.62	2,903	1,936	433		882	67	1,21,621
7. Kerala	1,055	363	34.00	352	177	19		156		4,803
8. Madhya Pradesh	10,919	1,848	16.9	1,594	1,538	93			77	1,71,758
9. Madras	7,271	3,728	51.27	4,093	2,923	618		4,272	105	2,97,471
10. Manipur	25,653	7,440	29.00	4,216	2,489	45		1,598	84	1,90,924
11. Mharashtra	6	5	83.33	5	1	Nil		6	Nil	300
12. Mysore	17,788	7,930	45.5	6,675	5,798	15		2,061	140	4,17,442.50
13. Orissa	3,343	960	28.7	827	584	49		194	56	56,957
14. Punjab	1,776	645	36.3	1,414	912	40		448	4	47,507
15. Rajasthan	14,563	3,270	22.0	3,884	2,603	317		4,360	205	2,77,919
16. Tripura	11,066	4,952	44.4	5,641	1,381	228		1,356	28	2,84,655
17. Uttar Pradesh	293	123	42.0	15	2			13		150
18. West Bengal	8,802	2,089	23.7	1,781	1,151	76		1,084	56	1,68,529
19. Andamans	20	16	80.0							

*Fines and imprisonment -154
No. of imprisonment 3

Action taken

In continuation of the brief furnished by the Ministry of Food, Agriculture, Community Development and Cooperation (Department of Food) to the Lok Sabha Sectt. *vide* their u.o. No. 23/66-67/BFC-I/59th Report dated the 28th February, 1967 (copy enclosed), a statement giving the information regarding the number of cases brought to the notice of the State Governments or local bodies by the public and the nature of action taken against the respective dealers, is enclosed.

[Ministry of Health, F.P. & U.D. U.O. No. F. 14-93/66-PH, Dated 2nd May, 1968.]

STATEMENT

Sr. No.	Name of State or Union Territory	Govt.	No. of cases brought to the notice of State Government or local bodies by the public during 1965.	Nature of action taken against respective dealers.
(1)	(2)		(3)	(4)
1.	Maharashtra		6	5 cases fined with imprisonment. In one case Municipal Committee did not accord sanction for prosecution as the Food Inspector was not notified. Pending in Court.
2.	Mysore		1	
3.	West Bengal		4 (only one found adulterated).	Prosecution launched. Case sub-judice
4.	Kerala		8 (5 cases found adulterated).	3 cases convicted. 2 acquitted.
5.	Gujarat		1	Fined & imprisoned.
6.	Orissa		5 (1 found adulterated.)	Pending in Court.
7.	Rajasthan		} No record maintained	
8.	Punjab			
9.	Madras			
10.	Delhi			
11.	Madhya Pradesh			
12.	Uttar Pradesh			
13.	Assam			
14.	Nagaland			
15.	Bihar			
16.	Andhra Pradesh			
17.	Dadra & Nagar Haveli		} Prevention of Food Adulteration Act not yet enforced.	
18.	Himachal Pradesh			
19.	Tripura			
20.	Goa, Daman & Diu			
21.	Manipur.			
22.	Laccadive, Minicoy & Amin-divi Islands			
23.	Andaman & Nicobar Islands			
24.	Pondicherry		} P.F.A. Act not yet extended to the State.	
25.	NEFA			
26.	Jammu & Kashmir			

Recommendation

The Committee would like to be informed of the action taken and the results achieved in this matter.

[S. No. 53 of Appendix XXIX (Para No. 4.26) of 59th Report, (Third Lok Sabha)]

Action taken

Foul smell is associated with parboiled rice only, especially when it is prepared in the traditional method of steeping in cold and often unclean water for a long period and drying in a yard. The new techniques of parboiling of paddy developed by the C.F.T.R.I., Mysore and Jadavpur University, Calcutta, which consist in steeping of paddy in hot water and steaming coupled with the mechanical drying are capable of producing parboiled rice without having any disagreeable colour.

The equipments required for these new techniques are simple and could be manufactured in the country. In fact a few progressive millers in West Bengal, Orissa, Madhya Pradesh and Madras States have got these modern parboiling units installed in their mills of their own initiative and are producing parboiled rice having no offensive smell. The seven modern mills which have been set up in the country have these modern parboiling units procured from different fabricators within the country. The designs may be obtained by any fabricator from the C.F.T.R.I. The production of these units will be accelerated only when a demand for the same is established. The Regional Staff of the Department of Food are popularising the improved techniques among the rice millers.

The use of improved parboiling techniques is also a part of the modernisation programme sponsored by the Government.

[Department of Food U.O. No. 23/66-67 BFC-I 59th Report, dated 2nd February, 1967]

Recommendation

"The Committee hope that the Ministry would continue to make energetic efforts to reduce storage losses as also in regularisation of the losses where they have taken place."

[So No. 56 of Appendix XXIX (Para No. 4.32) of 59th Report (3rd Lok Sabha)]

Action taken

All possible measures are being adopted to avoid minimise losses in storage. Steps taken in this direction were communicated to the Lok Sabha Secretariat *vide* this Ministry's U.O. No. 23/65-66/BFC.I 41st Report dated 9-3-1966 in pursuance of the recommendation made by the Public Accounts Committee in para 6.9 of their 41st Report. The instructions already issued to the Regional Directors (Food) have been reiterated *vide* this Ministry's letter No. 6(4)/66-BFC-IV, dated 16-12-1966, copy enclosed.

A time schedule has also been prescribed as recommended by the Public Accounts Committee in para 4.38 of their 59th Report and a copy of the instructions issued in this connection vide this Ministry's letter No. 6/5/66-BFC-IV, dated 15-12-1966 is also enclosed.

[Ministry of Food and Agriculture (Department of Food) U.O. No. 23/66-67/BFC-I 59th Report dated 20-1-67]

MINISTRY OF FOOD, AGRICULTURE, COMMUNITY DEVELOPMENT AND COOPERATION

(DEPARTMENT OF FOOD)

No. 6(4)/66-BFC IV

New Delhi, dated 16-12-1966.

To

- (1) The Regional Director (Food),
Calcutta Bombay Madras.
- (2) The Joint Director (Food),
Residuary Cell,
Northern Region, New Delhi.

Subject :—*Storage/Transit Losses-avoidance of.*

Sir,

Instructions have been issued from time to time emphasising the need for the adoption of such measures as would prevent minimise the storage/transit losses of foodgrains. Some of these measures were reiterated in this Ministry's letter No. 21/81/65-BFC IV date 1-1-1966.

The Public Accounts Committee while examining the Audit Report (Civil) 1966 pertaining to the Food Department have again observed (in para 4.32 of their 59th Report) that energetic efforts should continue to be made to reduce the storage losses. It is, therefore, once again emphasised that steps should be taken to ensure that the instructions already issued by the Ministry in this regard including those contained in the Ministry's letters No. 13-3/63-SGT dated 1-2-1966 and 10-3-1966 are strictly followed and such other effective steps taken as would reduce the losses to the minimum. The losses which take place inspite of the best efforts should be investigated and regularised as quickly as possible and in accordance with the time schedule prescribed for this purpose.

These instructions may be brought to the notice of all concerned.

Please acknowledge receipt of this letter and advise action taken.

Yours faithfully,

Sd - J. A. DAVE.

Director General of Food.

No. 6/6/66-BFC IV

GOVERNMENT OF INDIA

MINISTRY OF FOOD, AGRICULTURE AND COMMUNITY DEVELOPMENT AND CO-OPERATION

(DEPARTMENT OF FOOD)

New Delhi, dated 15th December '66.

To

- (1) The Regional Directors (Food),
Calcutta/Bombay/Madras.
- (2) The Joint Director (Food),
Residuary Cell,
Northern Region, New Delhi.

Subject :—*Fixation of time limit for disposal of storage loss cases—
instructions-regarding.*

Sir,

I am directed to invite a reference to this Ministry's letter No. 37(11)/58-BFC VIII, dated 22-2-1960 wherein instructions were issued that the storage losses should be reported to the Ministry for regularization within a period of 3 months from the date on which these came to notice. So, far, however, no time limit had been laid down for disposal of such cases in the Sub-Regional and Regional Offices. The Public Accounts Committee have in their 59th Report on the Audit Report 1966 *inter-alia* desired that the desirability of laying down a time limit for disposal of such cases may also be examined. In the light of these recommendations, it has been decided that the following time schedule should be followed with immediate effect for reporting and disposal of cases of storage losses at the various levels :—

- (i) The Depot Officers should after proper investigation submit the loss statement in the prescribed form to the Sub-Regional Offices within one month of the storage loss coming to notice. The losses will be examined and those within his powers of write off will be regularized by the Sub-Regional Officer concerned within one month from the date of receipt in his office.
- (ii) The Sub-Regional Officer will, in turn, after due examination report the losses, which are beyond his powers, to the Regional Director (Food) within one month of receipt for regularization. The Regional Director will investigate and regularise the losses which fall within his financial powers within one month of receipt of the same in his office.
- (iii) The losses which are beyond the powers of the Regional Director (Food) to regularize should after thorough examination be reported by him to the Ministry within a period of 3 months from the date the losses came to notice as already prescribed *vide* Ministry's letter dated 22-2-1960 referred to above. These will be examined and regularized in the Ministry, as early as possible.

2. It is requested that the above instructions may be brought to the notice of all concerned for immediate compliance.

3. The receipt of this letter may kindly be acknowledged and the Ministry may be informed of the action taken.

Yours faithfully,
Sd/- HARBANS SINGH MAC
For Director General of Food.

Copy to :—

1. The Pay and Accounts Officer,
Ministry of Food and Agriculture,
New Delhi/Calcutta/Madras/Bombay.
2. The Chief Pay and Accounts Officer,
Ministry of Food and Agriculture,
New Delhi.
3. O & M Branch.
4. Storage Technical Branch.
5. All Sections of the BFC Dt.
6. Guard file.

Sd/- HARBANS SINGH MAC
For Director General of Food.

Recommendation

The Committee regret to note that with no tangible control on Private firms the Government continued to supply damaged foodgrains unfit for human consumption to the Private firms for being used as cattle or poultry feed. The Committee cannot help feeling that the system was defective in as much as the possibility of the misuse of such foodgrains could not be ruled out. They are, however, glad to note that the procedure has since been changed and such foodgrains are now to be supplied only to State Government Agencies. In this connection, the Committee hardly need emphasising the paramount need to exercise utmost care in the disposal of such foodgrains and to adopt such foodproof methods and introduce such stringent measures to ensure that these foodgrains are not utilised for being mixed with grains meant for human consumption.

[S. No. 59 of Appendix XXIX (Para No. 4.46) of 59th Report (3rd Lok Sabha)]

Action taken

As stated in para 45 of the above report, running contracts have been entered into with the Governments of West Bengal, Maharashtra and Bihar for the disposal of damaged foodgrains categorised as unfit for human consumption but fit for cattle/poultry feed available in Govt. depots in these States. A similar contract is also being entered into with Kaira District Cooperative Milk Producers Union, Anand with the consent of the Government of Gujarat for the disposal of such stocks available at certain ports/depots in Gujarat State. Stocks fit for cattle/poultry feed, not covered by

the running contracts, are also offered initially to the State Governments, Municipal Farms, at the prescribed rates. In brief, the entire stocks declared fit for cattle/poultry feed in Government depots are in the first instance offered to the State Governments either under the running contracts or otherwise. Such stocks, which the State Governments do not lift, are disposed of by inviting tenders from parties registered with the Department.

2. Stocks fit for industrial use are, however, not offered to the State Governments, but are sold by inviting tenders from Starch manufacturers registered with the Department as the question of offering such stocks to the State Governments does not arise.

3. In order to ensure that the stocks sold to registered parties are not misused, the following precautions are taken :—

- (a) Registration is restricted only to the following categories of parties, whose *bonafides* are certified by the State District authorities :
 - (i) Manufacturers of cattle/poultry feed/manure.
 - (ii) Direct consumers of cattle/poultry feed/manure.
 - (iii) Starch/manure manufacturers.
 - (iv) *Bonafide* dealers in cattle/poultry feed/manure. It has since further been decided that only such dealers will be registered, who are *bonafied* dealers in cattle/poultry feed/manure and possess necessary plants/machinery for processing of damaged stocks into cattle/poultry feed/manure. As a further precaution, it has also been decided that their premises/plants shall be inspected by technical staff of the Food Department, even though they may have submitted certificates from State District authorities. A similar check is also to be exercised in the case of parties who apply for registration as manufacturers.
- (b) Under the terms and conditions of sale, the buyer has to render full account to the Regional Director (Food) District Collector, if so required and the Government have also the right to inspect the premises or factory of the buyer where the foodgrains are stocked/processed.
- (c) In the case of damaged foodgrains fit for inedible starch, the manufacturing process has to be carried out under the supervision of a Government Officer.

[Department of Food U.O. No. 23/66-67 BFC-I/59th Report, dated 3-2-1967.]

Recommendation

Para 4.64.—The Committee regret to note that an infructuous expenditure of Rs. 9.51 lakhs was incurred for hiring a Godown which remained practically vacant for a period of one year and that during that period only 3 tonnes of foodgrain sweepings were stored there.

[So No. 61 of Appendix XXIX (Para No. 4.64) of 59th Report (3rd Lok Sabha)]

Action Taken

Noted.

Recommendation

From the statement (Appendix XXI) the Committee find that as on 31st March, 1966 Government were occupying 432 Godowns out of which 228 were owned by the Government and 204 were hired. The usable storage capacity of all the Godowns together was 17,42,232 metric tonnes and the vacant space was to the extent of 9,24,693 metric tonnes. The Committee also note from the facts mentioned in the Audit Report that during June, 1964 and December, 1964 (and subsequently in March, 1966) the percentage of vacant space in Calcutta region was also as high as 55 per cent. The order of February, 1964 to vacate the Godown at Chengail was withdrawn in June, 1964 under the assumption that the authorities would be able to persuade the Calcutta Port Commissioners to change their objection to organise movement in block rakes. The act of persuasion seemed to have taken a long period and by the time the Port Commissioners agreed to change their stand the utility of the Godown has ceased because of the decisions taken in April-May, 1964 that movement of Rice from Punjab and Madhya Pradesh to Calcutta would not take place and in June, 1965 to the effect that food stocks for Calcutta City were to be stored by the State Government. Despite the arguments advanced during the course of evidence regarding the practical difficulties in acquiring storage accommodation, the uncertainties involved in regard to production, import and offtake of foodgrains, and the view of the Ministry that Godowns in Port Towns should not be given up easily, the Committee are inclined to infer that the Government were conscious of the fact that a considerable space in the Godowns was not being used gainfully for quite some time and that they were inclined to surrender it. In fact the order of February, 1964 substantiates all these. Not only that, the Regional Director had reported in June, 1964 the availability of surplus storage capacity of one lakh tonnes in other Godowns. According to evidence the Department were also aware that the overall requirement of storage space in that area did not necessitate the use of the Godown. It was stated in evidence "whether it was Chengail or any other place it would not have been used for most of the year because of the fast turnover of imported grain stocks."

[S. No. 61 of Appendix XXIX (Para No. 4.66) of 59th Report (3rd Lok Sabha)]

Action Taken

Noted.

Recommendation

Had it been so, the Committee feel that the Ministry could have safely implemented their first order of February, 1964 without any risk because the storage space at the port town was in reality no problem at that time. The only redeeming feature in this case is that the Department had surrendered some small Godowns though subsequently with a view to retaining this big Godown at Chengail.

[S. No. 61 of Appendix XXIX (Para No. 4.65) of 59th Report (3rd Lok Sabha)]

Action Taken

Noted.

Recommendation

The Committee hope that I.S.I. would make every effort to ensure further improvement in different directions viz. reducing the duration for the preparation of Standards, and also raising the income and by the sale of standards either by increasing the rates of publications or by extending the coverage expenses or by making the rates of the membership fee even so as to reduce the dependence on Government Grant.

The Committee would also like to be informed of the action taken in this regard.

[S. No. 70 (Para 5.31) of Appendix XXIX of the 59th Report (3rd Lok Sabha)]

Action Taken

(a) Time taken in the preparation of Standards.

As a result of studies on time taken to prepare Indian Standards, the I.S.I. have taken the following steps to expedite the action at various stages :

- (i) Each department has fixed certain norms for time to be taken at each stage in the formulation of Standards.
- (ii) As far as possible preliminary drafts are being prepared in the I.S.I. Directorate General instead of depending on the committee members.
- (iii) Sub-Committees have been replaced by one man drafting panels, wherever possible, to expedite drafting; others have been converted into sectional committees to eliminate one step in the processing of standards.
- (iv) All actions to be taken by the I.S.I. Directorate General have been streamlined to avoid delays and the final stages of editing and adoption are being carried out simultaneously to gain time.

The improvement already effected by the above measures has brought down the processing time to 33 months. This processing time compares favourably with those obtained in some of the overseas countries. For example, U.K. and Australia take 37 months each for processing their standards, New Zealand takes 47 months and South Africa takes 52 months.

(b) Price of publications.

The suggestion of the P.A.C. that the I.S.I. should consider increasing the price of Indian Standards for increasing its income, was recently considered by the Finance and Executive Committee of the I.S.I., and a Committee was set up on the 2nd December, 1966 to work out details. The Executive Committee of the I.S.I. have since approved the recommendation made by the sub-committee for revision of rates of publications. The

enhanced rates which have been given effect to from the 1st April, 1967 would obviously affect the Institution income from non-Governmental sources.

(c) *Membership subscription :*

From the 1st January, 1966, two new classes of membership namely Patron and Donor, with the annual subscription of Rs. 25,000 and Rs. 10,000 respectively were introduced, and the existing rate of I.S.I. membership of the Sustaining, Associate and ordinary members were increased as under :—

Sustaining Members—from Rs. 350 to Rs. 500

Associate Members—from Rs. 150 to Rs. 200

Ordinary Members—from Rs. 25 to 50.

On account of above, the income of the Institution is likely to exceed Rs. 1.5 million in 1966-67 against Rs. 1.032 million in 1965-66 and Rs. 0.898 million in 1964-65.

Recommendation

The Committee find that I.S.I. do not pay anything to the presses for storage of the paper in their godowns and as a matter of goodwill the presses have agreed to make good any loss of paper while it was stocked in their godowns. As there is no other consideration except goodwill, there is no legal contract with the presses in this regard. I.S.I. will not get any help in the event of loss of paper, unless there is a legal contract between the presses and I.S.I. The Committee, therefore, suggest that the paper to be kept with the presses should be insured against other types of losses in addition to that by fire and theft.

[S. No. 73 (Para 5.43) of Appendix XXIX of the 59th Report (3rd Lok Sabha)]

Action Taken

The Institution have insured their stock of paper against other type of losses such as riots, strikes, damages and earthquakes in addition to that by fire and theft.

Recommendation

The Committee also hope that the accuracy in arriving at the annual requirements of papers will be improved so as to avoid the necessity of carrying over excess stock of papers.

[S. No. 73 (Para 5.44) of Appendix XXIX of 59th Report (3rd Lok Sabha)]

Action Taken

The I.S.I. has set up a committee in August, 1965 to ensure better estimation of the requirements of paper and the P.A.C. will be informed of the outcome in due course.

Further Information

As stated in the earlier Note, the Indian Standards Institution set up a Committee in August, 1965 to ensure better estimation of the requirements of paper. The Committee also made the following important recommendations :

(a) A statement of paper stock in hand may be sent to the members of the Paper Committee with the agenda papers for study before a meeting is called.

(b) An order for the supply of a particular variety of paper may be placed only when 75 per cent of the existing stock had already been consumed and a balance of 25 per cent was left in hand. This 25 per cent was to be taken as safety stock of paper with ISI, considering the rate of consumption.

(c) The requirement of a particular variety of paper may be estimated for the whole year but the order for actual purchase may be split into two parts so that half the supply was received in the first six months and the remaining half in the latter part of the year.

(d) A watch may be kept on the rate of consumption of paper by various presses on panel so that the paper stock with a particular press is not unduly high.

The Committee has also been meeting periodically to ensure among other things that its recommendations are implemented.

There has been a considerable improvement in streamlining the annual requirements of paper as will be seen from the following data :—

Year	Consumption during the year Rs. (in lakhs)	Stock in hand at the end of the year (Rs. in lakhs)
1964-65	2.41	3.34
1965-66	2.68	2.04
1966-67	2.80	1.66
1967-68	2.83	1.56

Due to increasing requirements of paper, it is necessary for the Indian Standards Institution to keep in stock always some quantity to overcome shortage of the requisite quality and size of paper in the market and to meet any emergency that may be caused by strikes etc. Further, the Institution's requirements are for paper in international size which is not always readily available in the market, and orders have to be placed with the manufacturers who require about three months for making deliveries. The balance of paper worth Rs. 1.25 lakhs expected to be in hand at the close of the current year is not considered to be too high, in view of the facts explained above.

Recommendation

From the note the Committee find that the I.S.I. had issued a tender for quotation from private presses for their printing work only in 1959 and

no tender appears to have been issued subsequently. The work is being assigned to private presses on the basis of quotations furnished in 1959.

[S. No. 74 (Para 5.47) of Appendix XXIX of the 59th Report (3rd Lok Sabha)]

The Committee are not happy with the procedure. In the absence of any fresh tender inquiry since 1959, the argument of Government regarding dearth of good quality printers in the country does not sound very convincing. The Committee, therefore, desire that the Ministry must try to test the market from time to time instead of continuing with the same parties indefinitely.

[S. No. 74 (Para 5.48) of Appendix XXIX of the 59th Report (3rd Lok Sabha)]

Action taken

In August, 1966, quotations were invited by the ISI from four new printing presses from among fifty-four firms recommended by the Chief Controller of Printing & Stationery. Quotations of three of these presses were higher than the rates now being paid to presses in Delhi. The quotations of the fourth press was accepted, but on going into details of ISI requirements regarding quality the press offered to take only a small quantity of work, without any assurance of accepting more work in future. Even as regards the small volume of work taken up by it, the performance of the press has not been satisfactory. In July-November, 1967, quotations were invited by I.S.I. from fortyseven presses all over India and seven new presses with favourable quotations have been added to ISI's list of approved printers.

Recommendations

The Committee desire that the recovery of the outstanding dues should be expedited without further loss of time.

[S. No. 75 (Para 5.53) of Appendix XXIX of the 59th Report (3rd Lok Sabha)]

Action taken

Recovery of outstanding dues is being pursued vigorously by the Indian Standards Institution. The outstanding amount has been reduced to Rs. 0.24 lakhs in November, 1967 from Rs. 0.53 lakhs in March, 1967. The P.A.C. will be kept informed of further progress made in this connection.

Recommendation

It is really surprising to the Committee that the Administration was imparting training in printing work, but was not issuing any certificates to these trainees, which would be a proof of their having completed the training successfully. It need hardly to be pointed out that in the absence of any such proof of their training, it would be difficult for these persons to get suitable employment and properly utilise their training. The Committee, therefore, suggest that after completion of training, suitable certificates should invariably be issued to these trainees.

[Sl. No. 78 Appendix XXIX to the 59th Report of PAC—Third Lok Sabha]

Action taken

It has since been decided that suitable certificates would, in future, be issued to those who complete the training programme prescribed by the Administration.

Recommendation

The Committee observe from this note that during the period July, 1958 to March, 1966, 148 women were rehabilitated which figure includes 20 trained as teachers, 13 as craft-teachers and 33 as mid-wives. In 8 years period this number of 148 is not very impressive to make the Committee happy.

[Sl. No. 79 of Appendix XXIV to the 59th Report—Third Lok Sabha.]

Action taken

The rehabilitation of women, coming to the institutions is a difficult and time-consuming task. However, the progress in the initial stage was rather slow due to obvious reasons. The training programme and rehabilitation procedures have since been re-organised. Strict watch is being maintained on the rehabilitation process, with the result that there has been an increase in the achievement in the past two years, viz.,

Year	No. of rehabilitated	No. of women under different training
1966-67	39	22
1967-68	18	24

The number of women rehabilitated so far during the current financial year is 23. The number of women who are receiving training are 44 as per details given below :—

1. Nursing (continued from previous years)	.. .. .	17
2. Teachers	.. .. .	2
3. Nursing (fresh)	.. .. .	5
4. Social Education Training	.. .. .	4
5. Stenography	.. .. .	5
6. Telephone Operator	.. .. .	4
7. Sewing and cutting	.. .. .	3
8. Mid-wife	.. .. .	4
		<hr/> 44 <hr/>

Recommendation

The Committee trust that suitable instructions would be issued without delay to avoid such shortfalls in future. The Committee regret to note that such an obvious thing was not done till now and the training programme was allowed to suffer. They hope that now at least a suitable system would be evolved without any further delay.

They also hope that the services of the craft-instructors would be utilised fully in future.

[Sl. No. 80 of Appendix XXIX to the 59th Report—Third Lok Sabha].

Action taken

Suitable instructions have been issued to avoid shortages of training equipment and to supply raw material in time. Detailed procedure to assess raw material requirements in advance and secure them in due time after approval etc. has been laid down. A copy of the instructions issued is attached. At the beginning of each financial year the Directorate calls for the proposals for purchase of raw material.

Every Inspecting Officer visiting the institutions is scrutinizing the fact of the full utilisation of the services of Craft Instructors and availability of raw material in the institutions. A watch is also being kept on this through the Inspection Reports submitted by the Inspecting Officers to the Directorate.

DIRECTORATE OF SOCIAL WELFARE DELHI ADMINISTRATION, DELHI

OFFICE MEMORANDUM

SUBJECT :—Supply of raw material for training classes.

The following procedure will be observed for ensuring continuity and adequacy of raw material to training classes run by the institutions and services under the Directorate of Social Welfare :—

- (i) Annual requirements of raw materials for each training class will be assessed by the head of the institution/service, in consultation with the Craft Instructor/Teacher concerned while drawing up the budget estimates for the institutions/services for the year. In this way, the proposal for budget provisions of raw material for the training classes will be realistic and well documented.
- (ii) As soon as the budget allotments are communicated to all the heads of institutions/services, they, in consultation with the Craft Instructor/Teacher concerned, should review the annual requirements, prepared as in para (i) above in the light of the funds available and the actual training programme.
- (iii) Since the processing of cases for sanction for purchase of raw materials usually takes one to three months, each training class should maintain a stock of raw material, excluding perishable goods, sufficient to meet the requirements of three months.
- (iv) As soon as the stock of raw material for any training class becomes insufficient to meet the normal requirement for the ensuing three months, the Craft Instructor/Teacher or the Store-keeper, who is incharge of the stocks, will report to the head of the institution/service, who in turn, will make arrangements for the purchase of fresh supplies or send the proposals for sanction to the Directorate duly supported with full facts and figures and also report the action taken for disposal of the manufactured goods. Thus, the action for obtaining fresh supplies will be initiated at least three months before the stock is completely exhausted.

- (v) While soliciting sanction for purchase of fresh raw material, the head of the institution/service will *inter-alia* report the stock position and the time for which the existing stocks would suffice.
- (vi) The proposals for purchase of raw material for training classes will be dealt with at the Directorate level in the Budget and Accounts Section. This section will ensure that the sanction sought for by the heads of institutions/services are issued well in time. The S.A.S. Accountant and the A.O. will particularly be responsible for ensuring that the proposals for sanction for raw material are processed expeditiously and well in time.
- (vii) In any particular case, where the head of the institution/service apprehends break-down in supply of raw material for want of sanction for purchase, or otherwise, he will bring the matter to the notice of the Joint Director of Social Welfare through a demi-official communication.
- (viii) All possible economy should be observed in the purchase, storage and utilisation of raw materials for the training classes. Purchases of the same kind of raw material for different classes should be made at one time in bulk, where possible, provided it is likely to be cheaper.

2. The Inspectors and the Assistant Directors of Social Welfare, while inspecting the institutions/services, will scrutinize whether training classes have sufficient stock of raw material and whether the training programme is being implemented satisfactorily.

3. This procedure will come into force immediately. The requirements of raw material for each class for 1967-68 should be assessed by 15th August, 1967 as per para 1(ii) above and necessary provision for funds made in Revised Estimates 1967-68, if the same was not made previously.

Sd/- KRISHNA PRATAP,
Joint Director of Social Welfare

No. F.1/67/DSW/B&P/Misc.

Dated the July, 1968

1. Copies sent for information and compliance to all the heads of institutions and services. They should issue copies to craft teachers instructors and explain the procedure to them clearly. Spare copies are being sent for the purpose.

2. Copies sent for information and compliance :

- (i) Administrative Officer/S.A.S. Accountant.
- (ii) Assistant Director of Social Welfare.
- (iii) Budget and Accounts Section.

3. Copies also sent for information to all other Officers and sections of the Directorate.

Sd/- KRISHNA PRATAP,
Joint Director of Social Welfare

Recommendation

From the notes received in this connection (Appendix XXVII) it is clear that one of the items of ration (*viz.* Atta) for the inmates of these institutions, which is supposed to form the major part of their diet, had shown in the past great disparity. The Committee are, however, glad to learn that a uniform scale for diet has since been prescribed. The Committee trust that the revised uniform scale has been evolved after consulting a diet specialist. If not, this should be done.

[Sl. No. 81. Appendix XXIX to the 59th Report—Third Lok Sabha].

Action taken

A uniform scale of diet for the inmates of the institutions under the Directorate of Social Welfare has since been prescribed in consultation with a diet specialist.

Recommendation

The Committee suggest that the question of reconstituting the Advisory Committees periodically every two or three years, so as to bring in new and fresh ideas may be examined.

[Sl. No. 82, Appendix XXIX to the 59th Report—Third Lok Sabha.]

Action taken

The recommendation of the Committee has been accepted and Advisory Committees have been reconstituted. Copies of notifications reconstituting the Advisory Committees are enclosed.

DELHI ADMINISTRATION, DELHI

NOTIFICATION

Dated the 14 July, 1967

Asadha '89

No. F. 12(19)/67-Dev.—In supersession of this Administration Notification No. F.20(22)/57-Edn., dated 13-3-1958, the Lt. Governor, Delhi is pleased to reconstitute the Managing Committee consisting of the following members for the day to day management and working of the After Care Home for Boys. The Committee will function for a period of two years :—

- | | |
|---|-----------------|
| 1. Executive Councillor (in charge Social Welfare). | Chairman |
| 2. Shri Kishan Lal, Member, Metropolitan Council, 2790, Cheera Khana, Delhi. | Member |
| 3. Shri Ram Nath Viji, Member, Metropolitan Council, 243 Double Storey, New Rajendra Nagar, New Delhi. | Member |
| 4. Shri Kishan Sarup, Member, Metropolitan Council, XVI/4971, Gali No. 3, Shiv Nagar, Karol Bagh, New Delhi. | Member |
| 5. A representative of the Delhi School of Social Works to be nominated in consultation with the Principal of the School. | Member |

- | | |
|--|--------------------------|
| 6. Director, Employment & Training or his representative. | Member |
| 7. Director of Industries or his representative. | Member |
| 8. A representative of the All India Manufacturers Association (Delhi Branch) to be nominated in consultation with the President of the Association. | Member |
| 9. Joint Director, Social Welfare, Delhi. | Member |
| 10. Assistant Director, Social Welfare, Delhi. | Member-Secretary. |

Sd/- S. M. GOYAL,
Secretary (Development)
Delhi Administration, Delhi.

No. F.12(19)/67-Dev.

Dated the July, 1967.
Asadha '89.

Copy forwarded for information to the :—

1. Private Secretary to the Chief Executive Councillor, Delhi.
2. Private Secretary to the Executive Councillor (Civil Supplies), Delhi.
3. All members concerned.
4. Public Relation Department, Delhi Administration, Delhi (in duplicate) for publication in the Delhi Gazette.
5. Joint Director of Social Welfare, Delhi.
6. Secretary to the Government of India, Department of Social Welfare, New Delhi.

Sd/- S. M. GOYAL,
Secretary (Development)
Delhi Administration, Delhi.

DELHI ADMINISTRATION, DELHI

NOTIFICATION

Dated the 15th July, 1967.
24 Asadha, 1889.

No. F. 12(19)/67-Dev.—In supersession of this Administration Memo. No. 18/2/56/Edu., dated 13-8-1958, the Lt. Governor, Delhi is pleased to reconstitute the Managing Committee, for the day to day management and working of the After Care Home for Women as under :—

- | | |
|--|-----------------|
| 1. Executive Councillor (Civil Supplies). | Chairman |
| 2. Smt. B. Shivakamama (Member Metropolitan Council). | Member |
| 3. Smt. Pushpa Gupta (Member Metropolitan Council). | Member |
| 4. Smt. Urmila Sharma, Lal Darwaza, Chawri Bazar, Delhi. | Member |

- | | |
|---|-------------------|
| 5. A representative of the Delhi School of Social Works to be nominated in consultation with the Principal of the School. | Member |
| 6. Director of Employment and Training or his representative. | Member |
| 7. Director of Industries or his representative. | Member |
| 8. Chairman of the Delhi State Social Welfare Advisory Board. | Member |
| 9. Joint Director of Social Welfare, Delhi. | Member |
| 10. Assistant Director of Social Welfare, Delhi. | Member-Secretary. |

The Committee will function for a period of two years.

Sd/- S. M. GOYAL,
Secretary (Development)
Delhi Administration, Delhi.

No. F.12(19)/67-Dev.

Dated the 15th July, 1967.
24 Asadha '89

Copy forwarded for information to the :—

1. Private Secretary to the Chief Executive Councillor, Delhi.
2. Private Secretary to the Executive Councillor (Civil Supplies), Delhi.
3. All members concerned.
4. Public Relation Department, Delhi Administration, Delhi (in duplicate) for publication in the Delhi Gazette.
5. Joint Director of Social Welfare, Delhi.
6. Secretary to the Government of India, Department of Social Welfare, New Delhi.

Sd/- S. M. GOYAL,
Secretary (Development)
Delhi Administration, Delhi.

Recommendation

The Committee would like to be informed of the result of the enquiry now being held in this case.

The Committee regret that in the course of evidence on this para, some facts and figures given in the Audit para were controverted by the witnesses without giving any intimation to Audit beforehand. They would like to draw the attention of the Department of Social Welfare to the recommendation contained in Para 9 of the introduction to their 42nd Report (Second Lok Sabha) and would urge for its strict compliance in future.

[Sl. No. 84 of Appendix XXIX to the 59th Report—Third Lok Sabha].

Action taken

The result of the inquiry in all the three cases and the action taken on it is indicated below for the information of the Committee :—

(1) Shortages in Poor House

Findings of Anti-Corruption Branch of Delhi Administration are as under :—

The shortages have occurred owing to lack of supervision, negligence and mismanagement and not owing to any *mala fide* intention. It would be appropriate to recover the depreciated value of the articles shown in the list and for which the individual or joint responsibility has been fixed. The other shortages for which no individual responsibility could be fixed was due to the failure in responsibility and proper management of the institution by the then Superintendent of the Poor House and he could have been censured for this. But since he has resigned from the service with the Directorate, no action is recommended.

Action taken

The Upper Division Clerk who was responsible for the shortages of few items of furniture was charge-sheeted for these shortages under the CCS (CCA) Rules, 1965 and orders for the recovery of the depreciated value thereof have been issued on 25-9-1968 by the competent authority.

(2) Shortage in the After-Care Home for Boys

Findings of the Anti-Corruption Branch of the Delhi Administration are as under :—

The allegation has been proved against the Ex-Superintendent and the Store Keeper. L.D.C. has been found to be not guilty. The shortages are, however, more due to carelessness and negligence on the part of the Superintendent of the Home in the supervision of the working of the Home and due to faulty maintenance of record by the Store-keeper.

The Ex-Superintendent is no longer a Government employee. The matter may be referred to the Head of the Department of the Ex-Superintendent and Store Keeper for awarding a censure to each for their negligence detailed above.

Action taken

The Ex-Superintendent has been censured. Action under the CCS (CCA) Rule, 1965 has since been taken, against the Store-keeper. He has been punished and has been reverted to a lower rank from the post of U.D.C. to L.D.C.

(3) Shortage in Certified School for Girls

Findings of the Anti-Corruption Branch of the Delhi Administration are as under :—

The Superintendent and the 2 Matrons were responsible for the shortage of articles. It occurred owing to lack of supervision, negligence and mismanagement and not owing to any *mala fide* intention. It would meet the ends of justice if executive action is taken against them and proportionate costs of the short articles, whose life has not expired yet, may be recovered from them in equal shares.

Action taken

Action is to be taken under CCS (CCA) Rules, 1965 against all the three persons in consultation with the Vigilance Department of the Delhi Administration as a Gazetted Officer, Class II is involved in the case. The Vigilance Department of the Administration has desired that charge-sheets against all the three officials may be framed and forwarded to them for taking further action in the matter. The needful is being done.

The instructions in sub-para of the recommendations of the Committee have been noted for compliance in future.

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES BY GOVERNMENT

Recommendation

From the note (Appendix I) furnished by the Ministry, the Committee find that even out of normal contingent expenditure of Rs. 2.08 lakhs, an expenditure of Rs. 1.16* lakhs approximately was incurred on centenary celebrations. The Committee feel that without proper sanction of the Ministry, it was irregular for the Department of Archaeology to have spent this amount on centenary celebrations—an item of special sanction.

[S. No. 2 Appendix XXIX, Para 1.33 of 59th Report (Third Lok Sabha)]

Action taken

Prior sanction could not be obtained because of the pressure of work and because no special officer was appointed for doing the centenary work. The Department intended to approach the Government for a revised sanction after a full picture was available regarding the actual expenditure. The Ministry was informed by the Department of the total expenditure incurred, only on 21-11-1962. The concerned authorities in the Ministry were too busy at that time with budget and parliamentary work. When the rush was over, on 18-3-1963, the Archaeological Survey of India's proposals were duly examined, and they were asked to explain the reasons for the expenditure incurred over and above the amount sanctioned for the centenary celebrations. On 19-3-1963, the Special Police Establishment had seized the relevant records which were therefore not available to the Department for replying to Ministry's queries.

The Centenary Celebrations ended on the 31st January, 1962.

[Ministry of Education O.M. No. F. 16/1/66-CAI(1), dated the 22nd November, 1968]

Recommendation

It was stated in evidence that the matter was under the investigation of the Special Police Establishment since March, 1963. The Committee would like to be informed whether the Special Police Establishment has given its report and whether any follow up action has been taken as a result thereof. They would also like to be informed whether any departmental investigation has also been made to fix responsibility on supervisory staff for lack of proper supervision and control on their part.

[S. No. 3 Appendix XXIX, Para 1.43 of 59th Report (Third Lok Sabha)]

Action taken

The report of the Special Police Establishment was received in the last week of May, 1967. The investigations made by the Special Police Establishment showed that four officers of the Archaeological Survey of India were

*According to Audit the expenditure on centenary celebrations out of Rs. 2.08 lakhs works out to Rs. 1.28 lakhs.

responsible, directly or indirectly, for the alleged misappropriation of Government funds. The S.P.E., therefore, recommended criminal prosecution of these four officers. They also recommended that departmental action should be taken against the Head of the Department (Director-General of Archaeology) for his failure to maintain absolute integrity and devotion to duty and also his failure to take all possible steps to ensure the integrity and devotion to duty of the four officers, who were under his administrative control. The report of the S.P.E. was thoroughly examined departmentally in the Ministry and it was decided to accept the recommendations made in regard to the criminal prosecution of the four officers involved in the matter. Necessary sanction for prosecution was issued by Government and charge-sheet in the case was filed by the S.P.E. in the Court of Special Judge, Delhi on 26th June, 1968, against the four officers of the Archaeological Survey of India and proprietors of two firms. So far as the recommendation of the S.P.E. in regard to the departmental action against the Head of the Department i.e., Director-General of Archaeology is concerned, it was decided that no disciplinary action against him was called for in the absence of any direct responsibility of his in regard to the alleged misappropriation of Government funds but, taking into account the laxity of supervision and general administrative control on his part, which facilitated the alleged defalcation of Government funds, Government's serious displeasure was conveyed to him and he was cautioned that in future he should act with due care in such matters. He has since retired from service on attaining the age of superannuation.

[Ministry of Education O.M. No. F. 16/1/66-CAI(1), dated the 22nd November, 1968]

Recommendation

The Committee note that instructions have been issued for strict observance of the prescribed financial rules and that wrong accounting procedures have since been corrected. They hope that with the appointment of a senior officer from the Indian Audit and Accounts Department in the Archaeological Survey of India, there would be proper check in observance of financial rules and cases of this type would not recur.

[S. No. 4 Appendix XXIX, Para 1.53 of 59th Report (Third Lok Sabha)]

Action taken

Noted. It may, however, be added that the selection grade IA&AS officer who was appointed as Director (Administration) in the Department in December, 1965, left the Department in February, 1967 on transfer to the Ministry of Defence and in his place a senior Under Secretary to the Government of India with considerable experience of administrative and financial rules and procedures has been appointed as Director (Administration) from March, 1967.

[Ministry of Education O.M. No. F. 16/1/68-CAI(1), dated the 22nd November, 1968]

Recommendations

The Committee are constrained to observe that while such an important job for the preparation of a standard dictionary was entrusted to the Hindustani Culture Society, Allahabad in September, 1953 on the understanding that the work was to be completed in two years, no serious effort

was made by the Ministry of Education to find out whether any progress had been made by the society till December, 1958, i.e. even after a lapse of more than 5 years. The Committee are of the view that the work of the society should have been periodically reviewed by the Ministry and further grant should have been stopped in the work of the society had not been found to be satisfactory. They are unhappy to note that there is difference of opinion as to the quality of the products, as it finally emerged and that the Government are not prepared to take the responsibility of publishing it under their own seal. The dictionary has not yet (July, 1966) been published even though it was to be completed by September, 1955. The committee cannot but come to the conclusion that the whole project was ill-conceived and the expenditure incurred thereon did not achieve or serve the purpose in view. In this connection, the committee would like to draw the attention of the Ministry to their earlier recommendation contained in para 4.256 of their 41st Report (1965-66).

The Committee feel that in this case, the society gave a deliberately low estimate in the beginning so that latter on pleading helplessness that the work could not be completed within the grant paid, it could induce the Government to increase the estimates and make further grants. The committee feel that the Ministry should be extra cautious to verify the credentials of societies and bodies etc. before making any grant in future.

The committee regret to note that the accounts of the society were not critically examined by the Ministry before the issue of the utilisation certificates and the certificates were issued to audit in a routine way. They desire that necessary action should be taken against the officer concerned to prevent recurrence of such lapses in future.

[S. No. 5 Appendix XXIX of 59th Report (Third Lok Sabha)]

Action taken

The PAC in its above Report had observed, *inter alia*, that the accounts of the Hindustani Culture Society, Allahabad were not critically examined by the Ministry of Education before the issue of the utilisation certificates and the certificates were issued to Audit in a routine way. The Committee desired that necessary action should be taken against the officer concerned to prevent recurrence of such lapses in future.

2. The facts are as follows :—

A sum of Rs. 1,00,000 was released to the Hindustani Culture Society, Allahabad for the preparation and publication of English Hindi Dictionary in the following six instalments :—

Grant/Amount Released		Date of Release
1.	15,000	20-9-1953
2.	15,000	10-3-1954
3.	15,000	23-11-1954
4.	15,000	6-8-1955
5.	20,000	5-3-1956
6.	20,000	7-3-1957

3. Two utilisation certificates in all—one for the first four instalments for the amount totalling Rs. 60,000 and the second for the remaining two instalments involving amount of Rs. 40,000 were issued on 24-12-1957 and 20-6-1958 respectively.

4. The first utilisation certificate issued on 24-12-1957 in respect of the four instalments for the amount of Rs. 60,000 was on the technical advice of the then Special Officer (Hindi) who had certified that the work done by the Sabha was satisfactory. The Sabha also furnished detailed accounts in respect of these grants duly certified by the Chartered Accountant which also indicated that the grants had been utilised for the purpose for which they were intended.

5. A Utilisation certificate was accordingly issued by the then Under Secretary in charge of this work. Since the Officer signing the utilisation certificate acted on the technical advice of the then Special Officer (Hindi) who is now dead and also on the basis of the audited accounts, no blame can be attached to him for issuing the Utilisation Certificate. The Technical Officer who certified that the quality of the work produced by the Society as satisfactory has since died.

6. The second utilisation certificate issued on 20-6-1958 in respect of the remaining two instalments of Rs. 40,000 was also issued on the advice of Special Officer (Hindi) who had stated that as the audited accounts of the Society showed that the grant had been utilised in full he saw no objection in issuing the utilisation certificate for that amount. The Special Officer (Hindi) has since retire from Government service and it will be now difficult to proceed against him. The Under Secretary concerned who signed the Utilisation Certificate on the advice of the Special Officer (Hindi) died on 12-6-1963.

7. It will thus be seen that in respect of the Under Secretary who signed the Utilisation Certificate for Rs. 60,000 no action is considered justified and in respect of the other Officer, two of whom are dead and one has retired, action is not feasible.

8. However, for future guidance necessary instructions have been issued to the effect that Officers who are experts and who are to give expert advice and officers on whom lies the responsibility of test and scrutiny should pay due head to the observations of the Public Accounts Committee made in their 41st and 59th Reports. A copy of the instructions issued is enclosed. (No. F. 6-18/66-Acc. II dated 27-11-1968).

9. So far as this Ministry is aware, the Society has not published the Dictionary so far.

[Ministry of Education No. F. 11. 9/65-H-1]

No. F. 6-18/66-Acc. II

GOVERNMENT OF INDIA

MINISTRY OF EDUCATION

(B. & A. DIVISION)

Accounts-II Section

New Delhi, the 27th November 1968

Agrahayana 6, 1890(S)

**SUBJECT :—Public Accounts Committee—59th Report (Third Lok Sabha)
—Action taken on Recommendations.**

'Audit Report (Civil) 1966 included a case of grant to the Hindustani Cultural Society, Allahabad, for preparation of a Standard English-Hindi

Dictionary. After examination of the case, the Public Accounts Committee have observed in their report under recommendation No. 5 as follows :—

“The Committee are constrained to observe that while such an important job for the preparation of a Standard Dictionary was entrusted to the Hindustani Culture Society, Allahabad in September, 1953 on the understanding that the work was to be completed in two years, no serious effort was made by the Ministry of Education to find out whether any progress had been made by the Society till December, 1958 i.e. even after a lapse of more than 5 years. The Committee are of the view that the work of the Society should have been periodically reviewed by the Ministry and further grant should have been stopped if the work of the Society had not been found to be satisfactory. They are unhappy to note that there is difference of opinion as to the quality of the products, as it finally emerged and that the Government are not prepared to take the responsibility of publishing it under their own seal. The Dictionary has not yet (July, 1966) been published even though it was to be completed by September, 1965. The Committee cannot but come to the conclusion that the whole project was ill-conceived and the expenditure incurred thereon did not achieve or serve the purpose in view. In this connection, the Committee would like to draw the attention of the Ministry to their earlier recommendation contained in para 4.256 of their 41st Report (1965-66).

The Committee feel that in this case, Society gave a deliberately low estimate in the beginning so that later on pleading helplessness that the work could not be completed within the grant paid, it would induce the Government to increase the estimates and make further grants. The Committee feel that the Ministry should be extra cautious to verify the credentials of Societies and Bodies etc. before making any grant in future.

The Committee regret to note the accounts of the Society were not critically examined by the Ministry before the issue of the Utilisation Certificates and the certificates were issued to Audit in a routine way. They desire that necessary action should be taken against the Officer concerned to prevent recurrence of such lapses in future.”

2. In the above recommendation the Committee, in particular, have desired that the Ministry should be extra cautious to verify the credentials of Societies and bodies etc. before making any grant in future. The Committee have further observed that the accounts submitted by the Society were not critically examined by the Ministry before the issue of the Utilisation certificates and that the Utilisation certificates were issued to Audit in a routine way.

3. All the officers in the Ministry, including those who have the duty of giving expert advice, are, therefore, requested to note the above observations of the Public Accounts Committee carefully, and to ensure that the types of irregularities and shortcomings observed in the case under mention do not recur in future.

4. These instructions may also be brought to the notice of all attached/subordinate offices by the Administrative Sections concerned.

Sd/- A. M. D'ROZARIO,
Joint Secretary (Administration).

All Officers

Copy to all Sections in the Ministry.

Sd/- U. S. RANA,
Deputy Secretary (B. & A.)

Recommendation

The Committee are surprised to note that the Director of the Central Food Technological Research Institute acted in disregard of the decision of the Executive Council of the Institute in this case and thus caused an infructuous expenditure of more than Rs. 7,000. The Committee feel that CSIR should take due note of this lapse and also take steps to avoid recurrence. They are also unable to understand why large-scale trials with the plant were continued over a long period when the results of the experiments were not found to be encouraging. The Committee feel that the losses incurred could have been avoided if the use of the plant had been discontinued as soon as it was realised that its efficiency was low and its working uneconomical.

(Sl. No. 7 of 59th Report—Third Lok Sabha)

Action taken

The observations of the PAC have been brought to the notice of the Heads of the National Laboratories/Institutes to avoid recurrence of this nature in future *vide* letter No. 5/1-67-CTE dated 30-5-67 (copy enclosed—Annexure I).

As regards working of the plant for a longer period, it is stated that Pilot Plant was received as a gift from a West German Firm in January, 1961. During the period from December, 1961 to April, 1964 the plant was working only on an experimental basis, when the accent was more on achieving success in the objectives of the experiment rather than on the economy of the processes involved. The oil recovery was not more than 80% and the capacity of the plant was far less than the capacity rated by the German Firm. The plant, after its installation, was modified considerably with an oil extraction efficiency of more than 90%. This improved efficiency was obtained by carrying out each unit operations individually one after another. The plant was running in small batches of 500 nuts at a time. At this stage it was decided to collect more essential data and yield that could be expected from a commercial plant. A number of large scale trials were carried out to see whether the same extraction efficiency of oil could be obtained in continuous operation also, and to find out the various stages at which heavy losses occurred. But as soon as continuous running was started it was found that the yield of oil recovery had fallen for the following reasons :—

1. The press supplied by the German Firm did not function properly and the estimated oil recovery in the milk could not be obtained; the residual oil in the fibre was also very high. A few modifications were effected to the expeller, including replacement of the screw, in spite of which the oil recovery could not be increased.
2. The centrifuge supplied by the Firm was not the ideal one for recovery of oil, as considerable oil losses occurred during desludging operation. A higher oil recovery would have been obtained, if the residue from the Krauss Maffei had been fed into an ordinary oil expeller. All efforts were therefore directed towards this

end, since the oil extracted through this process has a much better value than the oil expressed by an ordinary expeller. Since the oil recovery was not enough to sustain the cost of the plant, we investigated the possibility of utilization of the protein obtained during the process.

The protein was utilised for nutrition studies and also for making cheese like products. Since these are for experimental uses, the Institute have not fixed up any prices of the products. If the cost of these products is taken into account the loss as indicated would be greatly reduced.

Large scale trials have been stopped as the oil recovery was not enough to sustain the cost of the plant and only trials with smaller batches are being carried out at present. It will thus be seen that the plant was worked for large scale trials only for a short period and has been used mostly as an experimental plant. The question of loss should not, therefore, arise in this case.

Recommendation

From the note the Committee find that only 8 cases of patents filed were based on research sponsored by private industry.

(Sl. No. 10 of PAC's 59th Report—Third Lok Sabha)

Action taken

The above recommendation does not call for any action.

Recommendation

The Committee regret that the refrigeration plant which was to be installed in March, 1960 was installed by the firm only in November, 1963. They are sorry to observe that no damages could be recovered from the firm for the delay of more than 3½ years in installing the plant.

They desire that as advised by the Additional Secretary this case may be referred again to the Ministry of Law for their opinion to recover damages from the firm for failure to discharge its contractual obligations.

[Sl. No. 29 of Appendix XXIX Paras 2.31 and 2.32 of 59th Report—3rd Lok Sabha]

Action taken

The case was referred to the Ministry of Law by the Ministry of Works, Housing and Supply on 2-8-1967. The Ministry of Law have advised that it is not possible to claim liquidated damages from the contractor. (Copy of the Ministry of Law U.O. No. 34183/67-Adv. (WH&S) dated 21-9-1967 (enclosed)—Annexure V.

ANNEXURE V

MINISTRY OF LAW

DEPARTMENT OF LEGAL AFFAIRS

Advice (WH & R) Sec.

The matter concerns the recovery of liquidated Damages from the contractor for delay in the supply and installation of a refrigeration plant.

The P.A.C. recommended examination of the matter by the Ministry of Law in their 59th Report. Our Ministry examined this on 8-3-1967 (*See* opinion at pp. 2-3/n). The D.G.S. & D now desire a reconsideration of this matter at the appropriate level.

The President of India entered into a contract with M/s. Bonbay Amonia Refrigeration Co. (Pvt.) Ltd., on 13-11-1958 for the supply, installation and delivery of a refrigeration plant for a sum of Rs. 48,300. The plant was to be installed and delivered by 31-12-1958. The consignee was the Poultry Development Officer, Delhi Cantt. The D/P. was extended without L/D to 31-12-1959 (P. 128/c). There was a further extension to 15-3-1960 with a reservation for L/D. The contractor never agreed to this reservation. The contract was, however, performed finally on 13-11-1963 (p. 64/c). When the D/P was finally fixed as 13-11-1963, no reservation had been made for L/D. The D.G.S. & D referred this matter to us in March, 1967 for our opinion as to whether any Liquidated Damages could be recovered at that stage. Relying on the provisions of section 55 of the Indian Contract Act, 1872, we rightly pointed out that as no reservation had been made in favour of the Government for claiming Liquidated Damages in the letter of extension, nothing could be claimed at that stage. On a subsequent reference, this advice was reiterated and it was pointed out that the question whether any damages could be claimed was purely hypothetical. We meant that any discussion of the question was academical. Now, the matter has come once again and this time on the question whether on the and circumstances the contractor could be held responsible for delay in the installation of the plant.

3. There was a good deal of correspondence exchanged between the contractor on the one hand and the consignee on the other. It is necessary to refer to some of the more important letters. In January, 1960, the contractor wrote to the D.G.S. & D/consignee that he had completed most of the insulation work and that further progress had been arrested because (a) the foundation work had not been done by the consignee and (b) no electrical and water connections had been given (p. 135/c). In his reply (p. 136/c) the consignee stated that the C.P.W.D. had been approached for certain construction in the Cold Storage Building and for preparing estimates in respect of the foundation work for the machine. In this letter the consignee had warned that the completion of the foundation would take some time. Again on 23rd August, 1960, the contractor reported to the D.G.S. & D that the consignee had not provided electrical and water connections, adding that the installation of the plant had been completed but that the cold Storage Plant could not be put in working order on account of the slackness of the consignee. By his letter dated 8-9-1960 written to the D.G.S. & D, the consignee disputed the statement of the contractor, alleging that the contractor had never taken to his work 'seriously'. He complained that there was delay in performance of his part of the contract, such as fixing of the thermocole. The contractor, on the other hand, by his letter dated 16-12-1960 (159/c) catalogued a number of lapses on the part of the consignee. It appears that the consignee had actually informed him about his inability to get the foundation work done through the CPWD and suggested that the work should be done by him at his (contractor's) cost. This letter is important in that it shows that the consignee could not get things done promptly. In April.

1961, however, the DDI, NI Circle, confirmed the installation of the Plant and equipment but pointed out that inspection could not be done for want of 'specified ambient conditions'. What exactly this expression 'specified ambient conditions' means is not clear to us. In January, 1963, the contractor is reported to have informed the DGS & D (p. 42/n) of File 6/47/55-H/I Vol. I & II) that the plant had been installed to the knowledge of the consignee but that inspection could not be carried out as the voltage was considerably fluctuating. In May, 1963, the DGS&D suggested that final inspection should be arranged quickly. In July, 1963, the Inspector wrote saying that the contractor himself wanted postponement for 1½ months. In September, 1963, however, finally the contractor informed that the plant had been commissioned. Finally, the inspection was done towards the end of September, 1963 and the inspection note was issued on 9-10-1963.

4. It would appear from the above chronology of events that apart from a Vague allegation by the consignee that the contractor had not taken to his work seriously, there was nothing to show that there was any slackness on the part of the contractor as such. On the other hand, it appears that it was the contractor who was bringing pressure on the consignee to perform his part of the contract so as to enable him to instal the plant. If at all, the contractor could be responsible for the delay towards the middle of 1963 when he desired postponement of the inspection. We could possibly hold him responsible for the delay between 29-7-1963 and 4-9-1963, when he had reported that the plant had been commissioned. There was no reason why the contractor as pointed out by the D.G.S. & D should have delayed the installation of the plant, when he was yet to get 20% of the price of work. It appears to us that it is not possible to hold that the contractor was responsible for the delay, except for the limited extent mentioned above. We cannot, of course, claim liquidated damages now, after the D/P had been finalised.

Joint Secretary & Legal Adviser (Shri Shah) may please see.

Sd/- P. V. SWARLU.
20-9-67

J. S. & L. A. (Shri Shah)

I agree with the views set out above. The delay in completing the installation is primarily due to consignee's default in getting the foundation ready and making available water and electric connections in time. It was for the reason that the delivery period was extended upto 13-11-1963 without reservation of right to liquidated damages for delay. It was not possible to reserve such right as delay was attributed to default of the consignee in performing his part of the contract, which prevented the contractor from performing his own part. On the facts and circumstance of this case, therefore, the contractor could not have been held responsible for delay, except for the short period set out above.

Sd/- G. S. SHAH
20-9-67

Min. of Supply

Min. of Law (Deptt. of Legal Affairs),

U.O. No. 34183/67 Adv. (WH&S). Dated 21-9-1967.

Action taken by the Department of Supply

The case was again referred to the Ministry of Law for advice whether on the facts and circumstances of the case the contractor would be held responsible for the delay in the installation of the plant. After a detailed study of the case, the Ministry of Law have *inter-alia* expressed the following opinion :—

"4. It would appear from the chronology of events that apart from a vague allegation by the consignee that the contractor had not taken to his work seriously, there was nothing to show that there was any slackness on the part of the contractor as such. On the other hand, it appears that it was the contractor who was bringing pressure on the consignee to perform his part of the contract so as to enable him to instal the plant. If at all, the contractor could be responsible for the delay towards the middle of 1963 when he desired postponement of the inspection. We could possibly hold him responsible for the delay between 29-7-63 and 4-9-63 when he had reported that the plant had been commissioned. There was no reason why the contractor, as pointed out by the D.G.S. & D., should have delayed the installation of the plant when he was yet to get 20% of the price of the work. It appears to us that it is not possible to hold that the contractor was responsible for the delay, except for the limited extent mentioned above. We cannot, of course claim liquidated damages now, after the D/P has been finalised.

Joint Secretary and Legal Adviser (Shri Shah) may please see.

Sd/- P. V. SWARLU,
Addl. Legal Adviser.
20-9-1967.

"I agree with the view set out above. The delay in completing the installation is primarily due to consignee's default in getting the foundation ready and making available water and electric connections in time. It was for this reason that the delivery period was extended upto 13-11-1963 without reservation of right to liquidated damages for delay. It was not possible to reserve such right as delay was attributable to default of the consignee in performing his part of the contract, which prevented the contractor from performing his own part. On the facts and circumstances of this case, therefore, the contractor could not have been held responsible for delay, except for the short period set out above."

No. PI-13(2)/67

The 14th February, 1968.

Recommendations

The Committee regret that the Delhi Administration took more than 2 years to repair the ceiling of the cold storage room. This slackness on the part of the Delhi Administration delayed the commissioning of the refrigeration plant. They would like to know the reasons for not taking prompt action in getting the ceiling re-constructed soon after its collapse when the expenditure on repair was only Rs. 4,000/-. The net result of all this has been that the cold storage plant, indent for which was placed on 5th November, 1967 was commissioned finally on 4th June, 1966 i.e. after a period of

over eight years. This showed that the work, which should not normally have taken more than a year or so took almost a decade.

[S. No. 30 Para 2.38 of 59th Report—3rd Lok Sabha].

Action taken

Immediately after the collapse of the roof D.G.S. & D. were requested on 31-3-1964 to inspect the building and take steps to get the repairs made by the firm. After protracted correspondence and discussions, the D.G.S. & D. decided in September, 1964 that the contractor was under no obligation to carry out the repairs and the estimated expenditure of Rs. 2,446.00 on repairs should be borne by the Department. The case was then referred to the local Finance on 4-9-1964, who returned the same for fixing the responsibility in the first instance for the falling of the roof. The Finance Department gave the expenditure sanction ultimately on 9-3-1965.

The D.G.S. & D. was then approached on 31-3-1965 to direct the firm to take up the repairs but they desired that the Development Department should get the work done directly. When the firm was contacted directly, they asked for additional amount of Rs. 750/- as the cost of the wood. This was agreed to promptly.

The firm informed in September, 1965 that the work was complete except the plastering of roof which was not included in their estimate. The D.G.S. & D. was requested on 6-10-1965 to depute their representative to examine the work done by the firm but the D.G.S. & D. did not do so on the ground that the work was given to the firm direct by the Department.

At the request of this Department a meeting was convened on 6-12-65 which was attended by the Poultry Development Officer of the Government of India, an Officer of the D.G.S. & D. a representative of the firm and a representative of the Development Department in which the matter regarding the plastering, inspection of the working of the plant and final completion of work were decided. But despite this decision the firm completed the work only by June, 1966.

Recommendations

The committee are also not happy to find that the Delhi Admn. has failed to take the proposed Departmental action against the Poultry Development Officer till now. They may be appraised of the final action taken in the matter.

[S. No. 30 of Appendix XXIX. Para 2.39 of 59th Report of 3rd Lok Sabha].

Action taken

An enquiry has since been conducted against the Poultry Development Officer concerned for the alleged supply of sub-quality of wood to the firm engaged for the construction of the cold storage. The enquiry Officer has desired that there is no case warranting any departmental action against the Poultry Development Officer (A copy of the enquiry report dated 25-8-1967 is enclosed)—Annexure VI.

ANNEXURE—VI

Copy of enquiry report dated 25-8-67.

Public Accounts Committee, in its recommendations in para 2.39 of the 59th report for the year 1966-67 had desired that action should be taken against the Poultry Development Officer, Government Model Poultry Farm, for supply of sub-standard wood to the contractors of the D.G.S. & D. for construction of the cold storage. Explanation of Dr. N. S. Garewal, the then Poultry Development Officer, who is now posted on deputation at Indian Veterinary Research Institute, Izatnagar (U.P.), was called with a view to instituting proceedings against him under the Central Civil Services (Classification, Control and Appeal) Rules, 1965, *vide* memorandum No. P.D.I. (5)/58, dated the 4th January, 1967. Dr. Garewal submitted his explanation dated the 6th February, 1967. The Deputy Director Animal Husbandry has submitted this file with the remarks that the case appears to be purely accidental. Dr. Garewal has pressed the followed points in his explanation.

Tenders were invited through the Press for supply of 'A' class Kail wood which were opened in the presence of the Development Commissioner who sanctioned the purchase from M/s. Amir Singh Gupta, a well-known civil and military contractor. The wood was inspected by Shri Kabul Singh, a carpenter of 16 years standing who was employed at the Poultry Farm. It was also inspected and approved by Shri Yashpal Neb, the then Farm Manager, who was an Agricultural Graduate. It was also seen by Shri P. N. Kaul, Store Keeper of the Poultry Farm. It was also shown to the C.P.W.D. authorities and was approved by them.

The wood was supplied to the contractors on 4-12-1959. At that time Shri A. L. Gianchandani, another agricultural graduate, had taken over as Farm Manager and he had also seen the wood.

He supplied only the wooden planks and the contractors made the batton dated 9-10-1963. No mention of sub quality of wood or its eaten by white men and utilised them in the construction.

The contractors completed the construction and offered the plant for inspection of the D.G.S. & D. *before plastering* and the Engineer of the D.G.S. & D. issued certificates for 20% payment in their final inspection note dated 9-10-1963. No mention of sub-quality of wood or its eaten by white ants was made therein.

The plant was handed over to the Poultry Development Officer on 13-11-1963, nearly 4 years from the date of supply of the wood to the contractors.

No objection was raised by the contractors about the sub-quality wood at the time of taking delivery and no objection was raised by the inspecting Engineers of the D.G.S. & D. at any time during their many inspections before the work was completed.

The thermocole ceiling fell on 31-3-1964 when the cold storage plant was started. He asserted that the wood was of good quality when it was handed over to the contractors. It remained in their possession for 4 years before the plant was handed over. The white ants might have attacked the wood on account of bad workmanship in the construction of the ceiling by the contractors.

I have examined the available records on this subject in the offices of the Poultry Development Officer, Deputy Director of Animal Husbandry and Unit IV. Papers regarding approval of tenders are not available. I have enquired from Shri A. L. Gianchandani, Block Development Officer, Shri P. N. Kaul the then Store Keeper, Shri Yashpal Neb, who is not posted as Assistant Commissioner Poultry in the Ministry and Shri Kabul Singh, carpenter, who is no longer in service and has established his own private industry. All of them have stated that the wood was apparently of good quality.

Dr. Garewal has cited 4 persons who have stated that the wood was of sound quality, that there is no evidence that at any stage either the contractor who received the wood or the inspecting Engineers of the D.G.S. & D. who inspected the plant during the construction and before making final payment ever mentioned that the wood was of sub quality or it was infested with white ants, that the wood remained in possession of the contractors for 4 years before the ceiling fell. It will be very difficult to prove at this stage after a lapse of nearly 8 years that the wood supplied was of sub standard. As asserted by Dr. Garewal there can be quite a number of possibilities and reasons why the thermocole ceiling given way soon after the plant was put into operation. For instance the contractor may not have taken adequate precautions for protecting the wood with KOLTAR etc. before using it. There is no way to prove that white-ants cannot attack the standard wood and there is no method to find out what is the standard of the wood which is immune to the attack of the white ants.

In view of the above circumstances it will not be possible to prove anything against Dr. N. S. Garewal and therefore no case is made out for charge-sheeting him under the Central Civil Services (Classification, Control & Appeal) Rules, 1965. The proceedings may, therefore, be dropped.

(Mohd. Zubair)

D.C.

Recommendation

The Committee regret to note that though the Central Council of Gosamvardhana was set up about 14 years ago, and though it is financed mainly by grants of the Central Government, no steps had so far been taken to evaluate the work done by this institution. The total amount of grant given to this institution by the Government during the 14 years came to Rs. 55,76,000. In the absence of any evaluation it is difficult to assess how far the amount spent was commensurate with the results achieved. The Committee are, however, glad to learn that the Government have now decided to review the work done by the institution, and that a Committee was being appointed for the purpose. The Committee would like to be informed of the findings of that Committee in due course.

[S. No. 33 of Appendix No. XXIX to 59th Report (Third Lok Sabha)].

Action taken

An Evaluation Committee to evaluate the work done by the C.C.G. from 1952-53 to 1965-66 has been set up vide Resolution No. 7-21/66-L.D.III., dated 28th January, 1967. (copy enclosed). The evaluation Committee has been asked to give the report within six months which will be submitted to P.A.C. when received.

Futher Information

The main recommendations of the Evaluation Committee on the Central Council of Gosamvardhana which submitted its report on the 21st April, 1968 are reproduced below and the action taken thereon is also indicated :—

“The Government should consider the desirability of making the Council a more compact and representative body. Adequate representation should be given to cattle breeders and farmers.

“The primary function of the Council should be advisory and promotional. Besides the Council should be entrusted with the coordination and implementation at the all India level of such schemes when active cooperation of public institutions and private sector is needed.”

The attached statement gives the list of Schemes run by the Central Council of Gosamvardhana and against each item, the recommendation of the Evaluation Committee as to whether the scheme should be (i) discontinued; (ii) run by the Central Council of Gosamvardhana, or (iii) run by State Governments.

Government has accepted the Evaluation Committee's recommendations regarding the schemes to be transferred to the State and the schemes to be discontinued. In the opinion of the Committee, the following are the schemes which should continue to be operated by the Council :—

1. Gaushala Development Scheme.
2. Milk Yield Competition Scheme.
3. Allotment of productive cattle to *bonafide* breeders.
4. Organisation of all-India Gosamvardhana Seminars and Conventions.
5. Gosamvardhana Week celebrations.
6. Gosamvardhana Journals and other publications.
7. Organisation of State Councils of Gosamvardhana.
8. Specialised surveys in various fields of Gosamvardhana.

With regard to the schemes about which the Evaluation Committee has advised that these should be continued by the Central Council of Gosamvardhana it has been decided that the responsibility for running these schemes also should be entrusted to Central Government or State Governments. The Evaluation Committee, *inter-alia* recommends that the State Governments should be more actively associated to ensure that funds are properly utilised and accounts rendered, where necessary. Government is of the view that administratively it will be better to transfer the responsibility to the State Directorate of Animal Husbandry.

Government has decided that the Central Council of Gosamvardhana should be replaced by an Advisory Committee which would give advice to Government on policies and programmes relating to Gosamvardhana (cattle welfare). The composition of the Advisory Committee is under consideration and in that connection the views of the Evaluation Committee that adequate representation should be given to cattle breeders and farmers would be kept in view.

[Deptt. of Agriculture No. F. 20-19/68-L.D.III].

*Recommendations of the evaluation Committee in Respect of the Scheme Handled by
the Central Council of Gosamvardhana*

Description of the Scheme	Recommendation of the Committee	Remarks
1. Gaushala Development Scheme.	To be continued by the CCG.	..
2. Gaushala Manager's Training Centre.	Do.	..
3. Grant of loans to the Registered and recognised institutions including gaushalas.	Do.	The State Govts. should be more actively associated.
4. Milk Yield Competitions	Do.	
5. Organisation of Gosamvardhana conventions & Seminars.	Do.	C. C. G. should give greater attention to follow-up work.
6. Gosamvardhana Journals and other Publications.	Do.	..
7. Wild and Stray Cattle Catching Scheme.	C.C.G. to maintain the transit camp at Delhi. Other work to be transferred to the States.	..
8. Model Gosadan Scheme	To be transferred to the the States.	
9. Salvage of Dry Cattle	Do.	..
10. Formation of State Councils of Gosamvardhana.	Do.	..
11. Gosamvardhana Week Celebrations.	Do.	..
12. Gosamvardhana Exhibition	To be transferred to the Dte. of Extn.	..
13. Relief measures during natural calamities.	Assistance should flow directly from the Central Government.	..
14. Scheme for supply of cattle to the Flood affected areas in Jaisalmer District of Rajasthan.	To be dropped.	..
15. Miscellaneous Schemes	Only survey scheme should be continued the C.C.G. Five others should be dropped.	..
16. Foder Bank in Madhya Pradesh.		This scheme was sanctioned in 67-68 after the Evaluation Committee submitted the Report.

Recommendation

The Committee are surprised to find that the Ministry have given different facts in their note. The Committee feel that all these facts should have been brought to the notice of Audit by the Ministry even at the time when the draft Audit para had been sent to them for factual verification. They would like to know the circumstances under which Audit was not apprised of the factual position of this case. The Committee are unhappy to note the delay

of more than three years in providing service connection and putting the building to use. They desire that such delays should be avoided in future. The Committee may also be apprised of the progress made in putting the building to use.

[S. No. 42 of Appendix XXIX (Para No. 2.121) to the 59th Report (Third Lok Sabha)].

Action taken

The audit observations, "No training classes have been conducted in the Research Station since 1956" was interpreted to mean the annual one month training course which had been conducted prior to 1956 and which was given up since then. Therefore the *ad-hoc* training given to departmental officers and others from 1957 to 1965 was not mentioned in the reply to audit.

The Service connections were to be installed by C.P.W.D. Electric Sub-Division, Coimbatore, which has since been done. Due to fluctuations & low supply voltage of the electricity, the electric installations are not working. This matter has been taken up by the Director of the Station with the appropriate authorities of the C.P.W.D., who have now assured to do the best that can be done in this regard.

Steps have already been initiated to restart the regular training course and as soon as the difficulty of fluctuation which at times works out to 45% and low supply voltage of the electricity is overcome the pumpset for the supply of water to the hostel would start functioning and the regular training would recommence.

[No. F. 1-2/67-Com. Instt. II, dated 5th September, 1967].

Recommendations

The Committee regret to note that the need of constructing the air-conditioned godown which was felt in 1957 and for which sanction was given in 1959, could not be completed in full during a period of 7 years. They are surprised to learn that the air-conditioning equipment has not been installed so far and the godown has not been put to any use even now.

From the statement (Appendix XVI) showing progress in the construction of the air-conditioned godown, the Committee find that there has been delay at different stages.

The Committee desire that responsibility should be fixed for this inordinate delay. They also desire that such delays in construction works should be strictly avoided as they result in heavy losses to exchequer.

[S. No. 46 of Appendix XXIX Para No. 2.136 to 2.138 of the 59th Report (3rd Lok Sabha)].

Action taken

As already indicated in the last note submitted to the P.A.C., the delay in the construction of Air-Conditioned Godown was due to the delay on the part of the firm entrusted by the Directorate General of Supplies and Disposals for delivery and installation of the air-conditioning plant.

Action taken by Ministry of Transport and Shipping :

Under P.L. 480 Agreement 50% of the foodgrains are to be imported in American flag vessels. The balance 50% available for carriage by non-U.S. flag vessels cannot be covered completely by Indian bottoms due to paucity of Indian tonnage. However, to the extent Indian vessels are available at the required time and position and at competitive rates, they are invariably utilised. The details of the quantities carried by non-U.S. flag vessels are as shown below :—

(Figures in tonnes)

Year	Indian vessels	Foreign vessels chartered by Indian Companies	Non-U.S. non-Indian vessels	Total	Percentage of 2 to 5.
1	2	3	4	5	6
1965	..	42,000	37,10,000	37,52,000	..
1966	2,29,000	1,51,000	51,01,100	54,81,100	4.2%
1967 (up to 30-9-67)	6,09,900	..	28,82,500	34,92,400	17.5%

It will be seen from the above table that the percentage of foodgrains carried by Indian vessels has increased from 4.2% in 1966 to 17.5% during the first 9 months of 1967. Foodgrains (and other similar bulk cargoes) are mostly carried in tramp ships and not liners. The Indian tramp vessels in the overseas trade are employed not only for the carriage of foodgrains to India but also in international cross trades and on import of cargoes other than foodgrains to India. The total freight earning during 1966-67 of Indian tramp vessels in these three types of employment are given below :—

Import of food grains to India	Rs. 3.54 crores
Import of other cargoes to India	Rs. 3.81 crores
In cross trades i.e. (non Indian trade)	Rs. 13.98 crores

Since the availability of foodgrains cargoes to India under PL-480 depends upon the issue of purchase authorisations by the U.S. Authorities which are issued piecemeal on a month to month basis, the employment of our bulk carriers (i.e. large tramp ships) in this trade cannot be guaranteed on a long-term basis. Since the standing charges of bulk carriers are very high and keeping such vessels idle even for short periods would adversely affect their economics for the whole year, it is advantageous from the point of view of the shipowners as well as of the country that such bulk carriers secure, if possible, guaranteed employment by entering into long-term charters in cross trades thereby not only ensuring full employment but also earning substantial foreign exchange for the country. What is intended to convey is that the non-utilisation of some of the bulk carriers for the carriage of foodgrains under PL-480 cannot necessarily be interpreted as a loss of foreign exchange.

As regards the observation of the Committee regarding tankers, it may be clarified that at present foreign tankers, are carrying foodgrains from

U.S.A. to India simply because they would otherwise have to come in ballast to carry petroleum from the Persian Gulf and Middle East areas. This does not, however, mean that in order to augment her food-grain carrying capacity India has to build tankers. The ships normally built for carrying food grains are large trampships called bulk carriers. India already has 19 such bulk carriers aggregating 4.33 lakhs GRT, and another 8 bulk carriers totalling over 3 lakhs GRT are firmly on order. Some of these 8 bulk carriers would also be capable of carrying ore and oil when necessary.

As explained above, no Indian tankers have been built exclusively for the purpose of carrying food grains. However, since the Committee has asked for information regarding the tankers, the same is furnished below :—

India has at present 4 coastal tankers totalling 40,000 GRT and 5 overseas tankers of 1.40 lakhs GRT. All these are chartered out on long term basis to foreign oil companies or to the Indian Oil Corporation and are used for carriage of crude petroleum or petroleum products. In addition, 2 more tankers totalling 1 lakh GRT are firmly on order for being chartered to the public sector refinery at Madras when it starts functioning.

Recommendation

While noting with satisfaction the progress made by the Ministry, the Committee hope that the present arrears would be liquidated completely without any undue delay and that such heavy arrears would not be allowed to accumulate in future.

[S. No. 55 of Appendix XXIX (Para No. 4.29) of the 59th Report Third Lok Sabha].

Action taken

The recommendation of the Committee has been noted. The position of outstanding Sale Documents has been indicated in Para 70(C) of the Audit Report 1967. The latest position of outstandings in this regard will be reported to the Public Accounts Committee in response to this Para in the latest Audit Report.

[Ministry of Food and Agriculture & Community Development & Cooperation (Deptt. of Food) U.O. No. 23/66-67/BFC. 1/59th Report dt. 1st Sept. 1967].

Recommendation

The Committee in para 6.49 of their 41st Report had recommended that the stocks, transferred to Food Corporation of India should be shown at the cost price of the Ministry and the subsidy given shown separately. The Committee regret to note that the Ministry had not yet seen their way to implement this recommendation.

The Committee would reiterate their recommendation made in para 6.49 of their 41st Reports (3rd Lok Sabha).

[S. No. 60 of Appendix XXIX (Para 4.52 and 4.53) of 59th Report (3rd Lok Sabha).]

Action taken

The Recommendations of the Public Accounts Committee have been fully examined and after discussing the matter with the Accountant General (C.W. & M.) and a representative of Comptroller and Auditor General of India it has been decided to adopt the following procedure :—

- (1) For the stocks of imported foodgrains transferred to the Food Corporation of India, the Government of India would recover the cost of foodgrains at the issue prices fixed by them from time to time. The Food Corporation would also recover the cost of sales made by them to the recipient State Governments and other parties to whom the allotments may be made by the Food Departments at the same issue price. The incidental charges incurred by the Food Corporation of India on handling, storage and distribution of foodgrains would be paid by the Government of India to the Food Corporation of India at a rate to be mutually agreed upon at the beginning of the Financial year, with such agreed modifications as may be necessary from time to time.
- (2) In the Explanatory Memorandum on the Budget of the Central Government under the Grant for the Purchase of Foodgrains, the economic cost of foodgrains and their issues prices together with subsidy, if any, expected to be borne by the Government of India on the distribution of foodgrains during the year would be indicated.
- (3) In the Proforma Accounts for the Scheme for the Purchase of Foodgrains, the sales made through the Food Corporation of India would be shown separately from the sale made by the Government of India direct to the recipients.
- (4) In the case of procurement of indigenous foodgrains through the Food Corporation of India, the difference, if any, between the economic cost of the Food Corporation of India and the issue price fixed by the Government would be recovered from the Food Corporation of India wherever the issue price is higher than the economic cost. In cases where the issue price is less than the economic cost, the difference will be paid to the Food Corporation of India and treated as "reimbursement to the Food Corporation of India of consumer subsidy initially borne by the Corporation" which will be shown separately in the Budget of the Central Government.

The decisions at (1) to (4) above are being implemented with effect from the 1st April, 1967.

[Ministry of Food, Agriculture, C.D. & C. (Deptt. of Food) New Delhi
U.O. No. 23/65-66/BFC.I/59th Report, Dt. the 24th April, 1967]

Recommendation

While the Committee agree that the assessment of the future needs of storage capacity for foodgrains do rest on variable factors, they feel that it is not wholly unpredictable and that such a reasonable assessment should not be so difficult for a Ministry with years of experience. The Committee

are further surprised to find that Government prefer to pay rent for vacant Godowns (unnecessarily under the apprehension that once Godowns are surrendered these would not be available again) even though they are not able to fully utilise the storage accommodation available with them. The Committee also note the fact that out of the usable capacity for storage in the hired and Govt. owned Godowns more than 50 per cent of the space is not being used. They feel that in view of a substantial storage capacity remaining unutilised year after year, and of the large expenditure on rent and maintenance of hired Godown the whole matter should be examined afresh in detail so that the Ministry are able to arrive at some norms which would enable them to work out their requirements more realistically. The Ministry should also explore possibility of reducing the number of hired Godowns by making full use of the Government owned Godowns and also by expediting construction of Government Godowns.

[S. No. 61 of Appendix XXIX (Para No. 4.67) of 59th Report.]

Action taken

The observations of the Committee are noted in the light of experience in the past, storage requirements were assessed on the basis of certain broad principles viz. :

- (a) In Port cities, transit storage equivalent to one month's imports through the respective Port should be retained.
- (b) Storage space for buffer stock equivalent to six month's offtake/ issues should be retained.
- (c) At the distribution centres, storage space equivalent to two month's offtake/issues should be retained.
- (d) In addition to the actual space required for storage of food-grains, 20% space should be reserved for dead stock articles, dunnage, weighment, office for staff, damaged grain, gift parcels, etc.

It may, however, be mentioned that in spite of retaining storage accommodation considerably less than what would work out on the basis of the above principles and the quantum of imports being much higher, there has occasionally been considerable vacancy in the Godowns as it is not possible to correctly estimate the likely variation in offtake which is dependent on various natural forces and unforeseen market trends.

2. However, as desired by the P.A.C., the whole matter will be examined afresh in detail with a view to lay down fresh norms, if necessary in the light of the observations of the P.A.C. The results of the review will be communicated to the Lok Sabha Secretariat as soon as possible.

3. Instructions have been issued to the Regional Directors (Food) to the effect that the port Godowns remaining vacant for more than one month should not be retained and Godowns having stocks less than 25% of their capacity should be surrendered. The storage requirements are under continuous review and hired Godowns are released whenever found surplus to the Department's requirements. Hired accommodation in Calcutta for 35,000 tonnes and in Bihar and Assam for 2,750 tonnes has already been released, orders for release of 50,000 tonnes space in Calcutta have been issued on 21-1-67 and the question of release of further accommodation for 10,000 tonnes in Assam is under consideration. In addition, release of

hired space for 2,225 tonnes in Bihar and about 5,300 tonnes in Assam has also been approved during the last three months or so. The question of release of further space in the Eastern Region is also being examined.

4. Fullest use of Government owned Godowns is also being made. The programme for construction of New Government owned Godowns has, however, been slowed down due to paucity of funds. Government have also appointed a Storage Committee on 21-5-66 to go into the question of Storage requirements for the country as a whole.

[Deptt. of Food, U.O. 23. 66-68/BFC.I/59th Report, Dt. 4-4-1967].

Further Information

The note showing action taken on the recommendation made at S. No. 61 of Appendix XXIX (Para 4.67) of the above-mentioned Report already intimated to the Lok Sabha Secretariat *vide* this Ministry's U.O. No. 23 66-67/BFC-I/59th Report dated the 4th April, 1967. In para 2 of the above-said note it was stated that the whole matter will be examined afresh in detail with a view to lay down fresh norms, if necessary in the light of observations of the P.A.C. and the result of review will be communicated to the Lok Sabha Secretariat.

2. The storage position of the Central Storage Depots in the country is being reviewed every three months and storage space found to be surplus is being released. As a result of review the following Godowns in Assam have been released :

Name of Centre	Capacity in M.T.	Date of Release
(1) Dibrugarh	3,400	31-5-1967
(2) Gauhati	5,000	31-1-1968
(3) Tinsukia	1,900	31-1-1968

The Godowns in Bihar have been transferred to the Food Corporation of India with effect from 26-12-1967. The Department has also given on rent 1,64,025 tonnes storage space in owned/hired godowns to the Central Warehousing Corporation, State Government, and others in Assam and Maharashtra, the details of which are as under :—

Name of State/Centre	Capacity in M.T.		To whom Given
	Owned	Hired	
<i>Assam</i>			
Gauhati	2,000*	..	C.W.C.
	2,500	..	F.C.I.
<i>Maharashtra</i>			
(1) Manmad	52,633	..	State Government.
(2) Nagpur	13,657	..	State Government.
(3) Poona	28,793	..	State Government.
(4) Bombay City	40,543	10,354	State Government.
	6,570	..	ISMA
	6,975	..	Used by CRTC & Engg. Unit.
TOTAL	1,53,671	10,354	

*Another 8,000 tonne capacity has been agreed to be given to the C.W.C.

3. So far as laying down fresh norms is concerned, the matter was examined in detail in a meeting of the Regional Directors (Food) held on the 6th March, 1968 and it was felt that as the requirement of storage capacity depended on a number of variable factors, such as volume of actual imports (depending on the position of shipment), indigenous production (depending on the monsoons) internal procurement, availability and price of indigenous foodgrains, offtake of imported foodgrains, availability of wagons, lifting of stocks by the allottees, etc. it would not be possible to lay down fresh norms. In the circumstances it is considered that the existing procedure of reviewing the storage position every three months broadly on the basis of principles mentioned in para 1 of the Department U.O. Note No. 23/66-68/BFC-I-59th Report, dated 4th April, 1967 may continue.

4. A Central Storage Committee has been set up to finalise storage plan for the country. A team of officers also went round some of the States namely, Gujarat, Rajasthan, and Maharashtra and submitted its report for finalisation. The Committee has met only recently to take a decision, in the first instance, on the emergency construction programme for 1968-69, based on the recommendations made by the Team earlier as also the recommendations of the Chairman of the Food Corporation of India in respect of a number of other States. The Committee could not go ahead with formulating programmes for other States because of uncertainty about availability of funds. The long term programme will be considered in due course. In the meantime, the Planning Commission have appointed a working Group to go into the whole question of storage of not only foodgrains but also of other commodities during the Fourth Plan period. In view of this, the Central Storage Committee will only be meeting to consider and finalise proposals made from time to time for putting up additional Storage Godowns. [Deptt. of Food, U.O. Note No. 23/66-67/BFC-I/59th Report, dt. the 30th April, 1969]

Recommendation

The Committee are unhappy about the way the Chengail Godown was surrendered. Despite the definite knowledge of the difficulty of acquiring Storage space in port cities and the fact that a change in tenancy was likely to raise the hire charges, the Department does not seem to have made any effort to ascertain from the State Government whether they would be requiring the same Godown for the fulfilment of their responsibility under the orders of June, 1965. As a result of this lapse, the State Government had to pay 10 per cent more for the rental for the same Godown just after two weeks when it was hired by them. With a little initiative and imaginative approach the Ministry could have helped the State Government to save extra expenditure which they had to incur on the rental of the Godown.

[S. No. 62 of Appendix XXIX (Para No. 4.69) of 59th Report.]

Action Taken

Noted.

It may, however, be pointed out that the Government of India had entered into a Lease Agreement with the owners of the Chengail Godowns in their own name and they had no authority to transfer the lease or sublet the Godowns to any third party without the consent of the owners. It was not, therefore, practicable for the Government of India to hand over the Godowns

to the West Bengal State Warehousing Corporation on the same rent as was being paid by them. Instructions are, however, being issued to the Regional Directors (Food) to bring to the notice of the State Government and the Food Corporation of India any cases of release of hired storage accommodation prior to such release. Such instructions have already been issued prior to the release of some Godowns in the Eastern Region recently.

[Deptt. of Food, U.O. No. 23/66-67/BFC-I/59th Report, dt. 4th April, 1967.]

Recommendation

Even though the Army Purchase Organisation has been functioning as an appendage to the Department of Food for a long time, the Committee find from evidence that there is no special advantage for this Organisation being under the Department of Food. In view of this, the Committee suggest that the question whether the present arrangement should be allowed to continue or whether the Army Purchase Organisation should be taken over by the Ministry of Defence, may be jointly reviewed by the Ministries of Food & Agriculture and Defence.

[S. No. 63 of Appendix XXIX (Para 4.77) of 59th Report (Third Lok Sabha)]

Action Taken

1. The question of control and affiliation of the Army Purchase Organisation has been examined in consultation with the Ministry of Works, Housing and Supply who are controlling the Directorate General of Supplies and Disposals and also the Ministry of Defence. The views of the Department of supply are that the responsibility for the purchase of foodstuffs lies with the Director General of Food under the Ministry of Food & Agriculture. The Director General of Supplies and Disposals does not handle the procurement of foodstuffs and forage. He handles procurement of stores which have been entrusted to him. His organisation is already unwieldy and the volume of purchases handled very large. In case the control of the Army Purchase Organisation is transferred to him, he has necessarily to lean on the Ministries of Food and Defence to tackle the various problems relating to the procurement of foodstuffs for the Army. The Department of Supply, therefore, regretted that it would not be possible for the Director General of Supplies and Disposals to undertake this work in addition to the work already allotted to him.

2. The views of the Ministry of Defence are that most of the items purchased through Army Purchase Organisation pertain to food supplies for men and animals. The organisation has been functioning satisfactorily and there have been no serious problems of shortages as has been the case in respect of the D.G.S. & D. The Department of Food is in the best position to procure foodstuffs for Defence Forces. Internal procurement is being increasingly made by the Food Corporation of India which functions under the Food Ministry. Most of the Food items including sugar are controlled by the Department of Food and thus that Department is in the best position to sanction releases and arrange inter-State movements. Considerable requirement of the Defence Forces is met by the imports made by the Food Ministry. The production and development of skimmed milk powder, whole milk

powder and tinned milk is also the responsibility of the Ministry of Food & Agriculture. Similarly, the Food Products Control Order which applies to processed fruits and vegetables is also being administered by the Food Department. For these reasons, the Ministry of Defence feel that the Army Purchase Organisation should continue to work under Ministry of Food & Agriculture.

3. In the light of the comments received from the Ministry of Works, Housing and Supply and the Ministry of Defence, this question has been reviewed in the Department of Food. It is a fact that for bulk of the purchases the Ministry of Defence have to lean on the Ministry of Food & Agriculture. Out of the total annual purchases worth about Rs. 50 Crores, Wheat, Rice Atta, Sugar and Vanaspati alone account for approx. Rs. 32 crores. All these items are dealt with and controlled directly or indirectly by the Food Department. Fish, tinned and milk products, the imports of which have since been stopped, are now being procured from indigenous sources with the assistance of the Fisheries Development Adviser and Dairy Development Adviser who also function under the Ministry of Food & Agriculture. Similarly, Dals and other grains like barley and gram are also being increasingly purchased through the Food Corporation of India. This leaves a few processed items like tinned Fruits/Vegetables, Rum, Cigarettes and Dry Fruits etc. the annual value of which approximately works out to Rs. 6.5 crores only.

4. In the above circumstances, it would perhaps be in the best interests of supplies to the Army if the Army Purchase Organisation continues as part of the Ministry of Food & Agriculture at least until such time as all controls over foodgrains etc. are completely removed.

[Deptt. of Food, U.O. No. 23/66-67/BFC-I/59th Report, dated 30th August, 1967.]

Recommendation

Since the cases are before an Arbitrator, the Committee would like to be informed of their results in due course.

[S. No. 64 of Appendix (Para 4.79 of Chapter 4) of 59th Report (Third Lok Sabha)]

Action taken

The Arbitrator has since given awards against the Government in all the 13 cases. He has held that the parties are entitled to re-imbursement of the full enhancement in excise duty on Vanaspati @ Rs. 184/- per M.T. as against our stand that reimbursement should be limited to Rs. 63.63 per M.T. only under the Essential Articles Price Control Order. The awards are, however, being examined in consultation with the Ministry of Law.

[Deptt. of Food, U.O. No. 4/11/66-CDN, dt. 19/26-8-67.]

Further information

In continuation of this Department U.O. No. 4/11/66-CDN dated 19/26-8-67 to the Lok Sabha Secretariat, it is stated that the awards given by the Arbitrator which are against the Government have since been accepted in consultation with the Ministry of Law. Payments in terms of the awards are, however, being made only when decrees are passed by the competent

Court on the basis of the awards. 5 cases out of 13 in which decrees have been passed have so far been finalised and payment for the remaining 8 cases will be made when decrees are passed by the Courts.

[Deptt. of Food (APO), U.O. No. 4/11/66-CDN, dated 21st February, 1968]

Further information

Excise duty on Vanaspati was enhanced by Rs. 184/- per Metric Tonne with effect from 1-3-1963. The manufacturers who delivered Vanaspati to the Government after 1-3-1963 in respect of agreements to sell entered into before that date claimed reimbursement of the enhancement in excise duty in accordance with the provisions of section 64-A of the Sale of Goods Act. This claim was not admitted by the Government on the advice of the Law Ministry (Annexure C). The essential Articles (Price Control) Order fixing the maximum price of Vanaspati was promulgated with effect from 1-3-1963. Section 3 of the said Order was amended by notification No. GSR 427, dated 6-3-1963 which reads as under:—

No wholesale dealer or retail dealer as the case may be, shall sell any essential articles to any person at a price which is in excess of the aggregate of the following namely :

- (a) the past price of such essential articles, and
- (b) the amount specified against that article in the corresponding entry in column 2 of the aforesaid Schedule.

2. The Past price in relation to any essential articles sold in an area, according to that order, means the price at which that article was sold by wholesale dealers or retail dealers, as the case may be in that area on or before the first day of February, 1963. Also by that Order the amount of enhancement allowed on the past price in respect of vegetable products was 1.05 p. per tin containing 16.5 kg. which comes to about Rs. 63.63 per metric tonne.

3. Government paid the contracted price which was inclusive of Excise Duty leviable before 1-3-1963 plus the enhancement of Rs. 63.63 per metric tonne under the provisions of Essential Articles (Price Control) Order and rejected sellers' claim for the balance amount Rs. 120.37 (Rs. 184.00 minus Rs. 63.63) per metric tonne. The suppliers did not accept this and requested for referring the dispute to arbitration in terms of the contracts.

4. The arbitrator, however, allowed the suppliers the full enhancement in excise duty of Rs. 184/- per metric tonne, on the following grounds:—

- (a) That the conditions governing the contract in question were rather abnormal and the commodity contracted to be sold was not one which was ordinarily and normally sold in the market, and hence the provisions of Essential Articles (Price Control) Order are inapplicable.
- (b) That in these cases the stores covered by the contracts were manufactured out of duty paid on groundnut oil and in the result the sellers had to pay excise duty on groundnut oil as well as the increased excise duty on oil hydrogenated, a situation which was never contemplated by the Price Control Order. (It may, however, be pointed out here that Government possible to compensate the manufacturers for increase in excise duty on vegetable oil amounting to Rs. 184 per M.T. on non-essential oils such as groundnut oil, etc. used in the manufacture of Vanaspati).

- (c) That the maximum price worked out by adding Rs. 63.63 to the price of Vanaspati prevailing on or before 1-2-1963 in the area from where the suppliers were to be made comes to more than the contract price plus Rs. 184/- per metric tonne. Therefore, even on the assumption that the price control order applied to these cases his finding was that there would be no infringement of the said Order if the seller were paid Rs. 184/- per M.T. over and above the contract price.

A copy of the award given in one of the cases is appended as annexure 'A'. The matter was again referred to the Law Ministry twice for contesting the award given by the Arbitrator but they did not consider it fit to challenge the awards (Annexures D & E).

ANNEXURE 'A'

BEFORE SHRI A. S. CHAUDHRI

ADDITIONAL LEGAL ADVISER TO THE GOVERNMENT OF
INDIA, MINISTRY OF LAW, NEW DELHI

In the matter of the Arbitration Act, 1940 (X of 1940)

AND

In the matter of Arbitration

between

M/s. Oudh Sugar Mills Ltd.,
8, India Exchange Place,
Calcutta-1.

Claimants.

and

The Union of India

Respondents.

SUB :—Disputes arising out of A.1. No. 3/22/115/63-D, dated 19-1-1963 for supply of 175 tonnes of Oil Hydrogenated.

Case No. 26-F/64.

AWARD

MADE this 15th day of June, 1967.

This is one of a batch of 13 cases wherein the points at issue are practically identical. The facts in brief are that during the months of January and February, 1963, thirteen separate contracts were placed by the Union with the claimants producers on 7-1-1963, 18-1-1963 and 28-2-1963 for the manufacture and supply of Oil Hydrogenated. The terms and conditions governing the said contracts are the same except for variation in quantities, prices and delivery period. In the present cases a contract was concluded with the claimants for supply of 175 M.T. of Oil Hydrogenated FOR Factory siding Akola at the rate of Rs. 2,230/- per M.T. through Advance Acceptance Telegram dated 16-1-1963 which was followed by confirmatory A.T. date 18-1-1963. In terms of the contract the goods were tendered for inspection before 20-2-1963, but were despatched on or after 11-3-1963.

2. Before the despatches FOR Factory Siding, Akola, were complete, the Finance Bill, 1963 came into force. Under the provisions of the said Bill, the excise duty on ground-nut oil, which was leviable at the rate of Rs. 110.25 per M.T. prior to 1st March, 1963, was abolished, and the excise duty on Vanaspati oil was increased from Rs. 200.00 per M.T. to Rs. 384/- per M.T. These provisions came into force with effect from 1st March, 1963. On 1st March, 1963 itself the Ministry of Finance (Department of Revenue, Central Excise) under the powers vested in Government under Sub-rules (2) & (3) of Rule 125 of the Defence of India Rule, 1962, however, issued an Order called the Essential Articles (Price Control) Order, 1963 (hereinafter called the price control order). Para 8 of the said order sought to fix the maximum prices of vegetable products with reference to cases where duty of excise payable under the Finance Bill, 1963 had been paid, and other cases where duty had not been so paid. The said para was however, subsequently amended by the Essential Articles (Price Control) Amendment Order, 1963 issued on 6th March, 1963. Under the said amendment the reference in para 3 of the Order to the Finance Bill, 1963 was omitted and it was provided that the maximum price was not to exceed the aggregate of the past price of Vanaspati and the amount specified in column 2 of the Schedule to the Order.

3. The enhanced excise duty at the rate of Rs. 184.00 M.T. was initially paid to the claimants (except in cases No. 20-F/63 and 21-F/64), but subsequently only an increase of Rs. 63.63 per M.T. was held reimbursable to them in terms of the Price Control Order. In cases No. 20-F/63 and 21-F/64 their bills were retrenched and payment was made only at the rate of Rs. 63.63 per M.T., while in other cases the excess amount i.e. difference between Rs. 184.00 and Rs. 63.63 per M.T. was recovered back from them. The claimants have disputed the correctness, validity and legality of the action of the Government in paying them only at the rate of Rs. 63.63 per M.T. extra instead of Rs. 184.00 per M.T., and that is how these references have arisen.

4. The parties have raised a number of contentions, and though some of them do not find a place in the pleadings, the parties have joined issue on them without objection.

5. The first contention raised on behalf of the claimants is that Rule 125 of the Defence of India Rules, 1962 is analogous to Rule 30 of the said Rules and in view of the principles laid down in A.I.R. 1966 S.C. 742 and A.I.R. 1967 S.C. 420, the Price Control Order should be held to be *ultra vires*. On behalf of the Union reliance is placed on A.I.R. 1967 S.C. 243. The case would rather appear to be directly covered by the decision reported in A.I.R. 1965 S.C. 1967. The contention would, therefore, appear to have no substance.

6. The second contention is that in the absence of any date fixed for the commencement of the Price Control Order, it cannot be said to have come into operation at all. Reliance is in this context placed on A.I.R. 1966 Allahabad 526. This contention is sought to be refuted on behalf of the Union on the basis of the decisions reported in A.I.R. 1951 S.C. 467; A.I.R. 1950 M.B. 110; A.I.R. 1959 M.P. 82 (FB); A.I.R. 1965 Punjab 86; A.I.R. 1966 Punjab 4 (FB) and A.I.R. 1965 A.P. 75. Rule 141 of the Defence of India Rules, however, appears to make it clear that an order passed under any of the said Rules would be effective from the date it is published. I may here also refer to A.I.R. 1953 S.C. 357 wherein

it was observed by Mahajan, J., that there is no justification for holding that the principles of construction enunciated in the General Clauses Act have no application for construing charters granted under statutory powers. In my view, therefore, the Order came into force on 1-3-1963 when it was published.

7. The third contention is that the words "shall sell" in Para 3 of the Order indicate that it is only contracts that are entered into after 1-3-1963 that would be governed by the Control Order. I, however, do not agree with the contention. The word "Sell", in the context in which it has been used, would appear to have a reference to the passing of property, and in that view of the matter if property in the goods passed after the coming into force of the Price Control Order, the maximum price payable for the goods would be as provided in para 3, and this would be so irrespective of the fact that the contract in respect of the goods had been entered into prior to 1-3-1963.

8. The fourth contention is that there is a presumption against implied repeal, and the Price Control Order cannot be said to have the effect of repealing the provision of Section 64-A of the Sale of Goods Act (*vide* A.I.R. 1963 S.C. 1561). In view of the provisions of S. 43, Defence of India Act, 1962, the principle of implied repeal would appear to have no application in the present case. The only point for consideration would be whether the provisions of Section 64-A are inconsistent with the Price Control Order, and if so to what extent. The basic principle of repugnancy is that there must be a conflict between the two provisions if they are to operate at one and the same time. The maximum price payable under the Price Control Order is the aggregate of the Past Price as defined in the Order and the sum specified in column 2 of the Schedule to the Order. The Order prohibits any price above the maximum so fixed, whether by way of extra excise duty or otherwise.

9. The fifth contention is that the word "Price" in the Price Control Order should be interpreted in the commonly understood sense and in that view of the matter excise duty cannot be considered to constitute a part of the 'Price'. It is urged that Section 64-A of the Sale of Goods, Act also treats excise duty as something different from 'Price'. The contention, however, does not appear to be correct. Section 64-A provides for increase or decrease of purchase price of goods and thus treats excise duty as part of the price. Here I may also refer to the observations of Lord Goddard in *Love v. Norman Wright*, (1944) 1 All. E.R. 372 : "Where an article is taxed, whether by purchase tax, customs duty or excise duty, the tax becomes part of the price which ordinarily the buyer will have to pay". Excise duty thus forms part of the price.

10. The sixth contention is that the sale was complete as soon as the agreement for sale was entered into and in that view of the matter the Price Control Order would not be applicable to the case. Reliance is in this connection placed on the observations in A.I.R. 1953 S.C. 274 & A.I.R. 1959 S.C. 378. In my view the observations of their Lordships in the two cases do not justify this conclusion. An agreement of sale may precede a sale but it cannot be equated with sale. The definition of a contract of sale in Sub-section (1) of Section 4 of the Sale of Goods Act no doubt covers both an actual sale and an agreement to sell but Sub-section (3) thereof defines the difference between the two, and Sub-section (4) makes it clear that an agreement to sell becomes a sale when the time

lapses or the conditions are fulfilled subject to which the property in the goods is to be transferred. It is also contended that in terms of clause 7(b) of the Conditions of Contract the delivery was complete as soon as the goods were tendered for inspection. But that sub-clause would appear to have a reference to the stipulated date of delivery in the contract, and not to the actual passing of property in the goods which in terms of clause 2(2) takes place only on despatch.

11. The seventh contention is that the Order contemplates fixation of a maximum price for sale by whole-sale or retail dealer to a person and not to Government. It is argued that the word 'person' in para 3 of the Order cannot be interpreted to mean and include Government. In this context reliance is placed on A.I.R. 1964 Punjab 49, A.I.R. 1966 Punjab 229 and A.I.R. 1960 S.C. 1353. It is also pointed out that the Defence of India Rules mention Government specifically wherever Government was sought to be governed by a certain Rule. On behalf of the respondents this contention is sought to be refuted on the basis of the decisions reported in A.I.R. 1956 Allahabad 383, A.I.R. 1961 Rajasthan 164, A.I.R. 1961 Tripura 52, A.I.R. 1964 Bombay 195 and A.I.R. 1964 Calcutta 290. None of the decisions is, however, directly in point. The question whether the word 'person' includes Government has to be determined with reference to the context in which the word occurs. If the Government had entered into an agreement for purchase of vegetable oil in the open market with a wholesale or retail dealer, the dealer could obviously not charge the Government more than the maximum price fixed under the Price Control Order. In my view, therefore, the word 'person' in para 3 of the Price Control Order includes Government.

12. The eighth contention raised on behalf of the claimants is that the amount of excise duty at the rate of Rs. 184/- having been once paid to the claimants, it could not be recovered back from them. In all the above cases except 21-F/64 and 20-F/63 the enhanced excise duty @ Rs. 184 per M.T. was reimbursed to the claimants on the basis of a letter addressed to the claimants by Shri S. Swaroop, Director of Purchase. The said letter is signed by him for and on behalf of the President. It is contended on the basis of the decision reported in A.I.R. 1959 S.C. 139 that the excess excise duty has been paid on the basis of a contract entered into between the parties, and there can be no question of claiming back its refund on the ground of any mistake of law committed by the Government. It is further contended that the evidence of Shri Swaroop does not warrant an inference that there was any mistake in the issue of the said letter of authorisation. On behalf of the respondents also reliance has been placed on the same case and it is contended that if the payment has been made under a mistake of law the same can be claimed back from the party to whom payment has been made. The mistake according to the respondents lay in that the Government was not aware of the legal position at the time the letter dated 6-4-1963 was written to the claimants. The question in my opinion does not depend upon whether there was a contract for payment of excess excise duty or not and whether the payment had been made on the ground of mistake. If the Price Control Order were applicable to the facts of the case, the position would be that the consideration for the agreement to pay the extra excise duty would have been unlawful within the meaning of S. 23 of the Indian Contract Act, and the excess amount of duty that had been paid would have become refundable under S. 65 read with S. 24 of the Contract Act.

13. The ninth contention raised on behalf of the claimants is that they are not covered by the definition of the expression "dealer" in the Price Control Order. Para 2(a) defines the expression "dealer" as under:—

"Dealer means a person carrying on the business of selling any essential article, whether wholesale or retail and whether in conjunction with any other business or not, and includes his representative or agent".

On the basis of the decision in A.I.R. 1953 S.C. 626 it is contended that producers constitute a category different from a dealer. In that case their Lordships held that under Section 3(2) of the Essential Commodities Act, the control of price may be at any one of the three stages, namely, ex-factory, wholesale or retail sale, and there is no warrant for holding that under the said Sub-Section the Government must not only fix ex-factory prices but also wholesale and retail prices. The case has obviously no bearing on the point at issue for it was decided with reference to the provisions of a particular statute. It is further contended that producers are not wholesale dealers for they in their capacity as manufacturers do not carry on the business of selling their products in wholesale or retail. For the meaning of the words 'whole sale' reference has been invited to 66 I.C. 423 wherein it has been held that the words mean and imply sale in original packs. It is also pointed out that clause 4 of the Order indicates that it does not apply to producers for they have no premises where they carry on the business of selling their products.

14. In reply it is contended on behalf of the Union that the Price Control Order is a piece of Emergency Legislation, and should be construed liberally, *vide* 1942 A.C. 206, A.I.R. 1950 Patna 332, 344 and A.I.R. 1949 Allahabad 345. The apparent intention of the Order, according to the Union was to fix a ceiling price, and if producers are excluded from its purview the object of legislation would be defeated. It is urged that there is no reason to give a restricted interpretation to the definition of the word 'dealer' in the Order. The minimum quantity sold by a wholesale dealer may, according to the Union, vary from dealer to dealer and a whole-seller who chooses to sell in bulk, as in the present case, would also be a dealer within the meaning of the said Order. As for clause 4 of the Order it is argued that the fact that a producer has not complied with the said provisions does not lead to the conclusion that he is not bound by the said provisions.

15. I may here observe that other Order issued under the Defence of India Rules, 1962 mention producers/manufacturers as a separate category distinct from whole-sellers, for example, Drugs (Display of Prices) Order, 1962; Sugar (Control) Order, 1963. The legislature and the Government were thus not unaware of the fact that producers constitute a class apart from whole-sellers. The history of legislation on the subject further clarifies this position. The Vegetable Oil Products Control Order, 1947, No. 2 V.P. (2)/47, dated 9-8-1947 which was issued under Section 3(1) of the Essential Supplies (Temporary Powers) Act, 1946, and has continued in force till today under the provisions of the Essential Commodities Act, 1955, defines a dealer, a producer, and a recognised dealer as under:—

S. 2(a)

- (b) 'Dealer' means a person carrying on business in the purchase, sale or distribution of any vegetable oil products.
- (c) 'Producer' means a person carrying on the business and manufacturing any vegetable oil product.
- (d) 'Recognised dealer' means a dealer recognised as such by the Controller for the purposes of this Order.

The position, therefore, was that at the time the impugned Order was passed, producers and dealers were two well recognised, distinct and separate categories in the trade.

16. The definition of the word 'dealer' in the order is no doubt not identical with the one in the Vegetable Oil Products Control Order, but the scope and content of the two would appear to be the same. What is essential under both the definitions is that the person concerned must have been 'carrying on the business of selling' which necessarily means and implies an active trade continuously carried on. Under the Vegetable Oil Products Control Order the Controller had the power to appoint 'Recognised Dealers', and the Producers could not sell their products to any one except to or through Recognised Dealers. It, however, appears that at the relevant time the Price Control Order had defacto ceased to be operative, and the producers were selling their products either through agents who were receiving a fixed commission from the producers, or selling them outright to wholesale dealers who in their turn were selling the same to consumers after adding their commission and sales-tax to the Ex-Mill prices. I, therefore, hold that the claimants were carrying on the business of selling their products, and were 'dealers' within the meaning of para. 2(a) of the Price Control Order.

17. The last contention raised on behalf of the claimants is that the basis on which past Price has been worked out is not justified by the definition of the said expression. 'Past Price' is the *sine qua non* of the maximum price fixed under para. 3 of the Order. It has been defined in para. 2(c) of the Order as under :—

"Past Price in relation to any essential article sold in any area means the price at which that article was normally sold by wholesale dealers or retail dealers, as the case may be, in that area on or before the first day of February, 1963".

According to the contention of the claimants the word "normal" as defined in Webster's Dictionary means : "according to an established norm, rule or principle, conforming to a type, standard or regular form". The rates quoted by producers on the basis of tenders invited on an All India basis could not, according to them, be considered to be the normal wholesale market rates prevailing in any area. It is further pointed out that the oil hydrogenated contracted to be sold was not one which was normally sold in the market, but was to be specially manufactured according to particular specifications. The contract was, according to them governed by special conditions regarding inspection, delivery etc., which were not applicable in the case of normal sales in the market. The unit of sale, it is pointed out, was 1,000 kgs. which is never so in case of sales in the market. It is further argued that past price could only be the price at which vegetable oil products were being normally sold on or before 1st February, 1963 and in as much as the property in the goods in question passed after 1-3-1963, the

contract price could not be considered to be the past price. It is also pointed out on behalf of some of the claimants that the definition of Past Price was too vague, and that is why the Government subsequently repealed the Price Control Order and in its place issued Notification dated 21-5-1963 by virtue of which zones were fixed and maximum prices which could be charged by producers, wholesalers and retailers were fixed for each zone.

18. On behalf of the respondents it is urged in reply that price is always correlated to the quantity and that is why wholesale prices are lesser than retail prices, and bulk prices would naturally be lower than the normal wholesale market prices. According to their contention sales in the cases under consideration being in bulk, the normal wholesale prices could not be considered to be the past price so far as the bulk purchases were concerned. According to them the expression "as the case may be" in the definition of 'Past Price' is a sufficient justification for fixing the Past Price with reference to the bulk prices. It is further argued that market need not be a specified place where business is being transacted (*vide* A.I.R. 1963 S.C. 90). According to the respondents the local area for purpose of determination of past price should be considered to be Delhi from where orders for supply were placed with the claimants. In short, the contention of the Union is that "Past Price" in the case of each individual contract should be taken to be the price at which the goods were contracted to be sold in that case, and thus the maximum price payable in the case of each individual contract would be the aggregate to the contract price plus Rs. 63.63 per M.T. which is the extra payable under column 2 of the schedule to the Price Control Order.

19. It is difficult to agree with the interpretation sought to be placed by the respondents on the definition of the expression "Past Price". On an analysis of the definition the following would appear to be its essential ingredients :—

- (i) Past price in relation to any essential article sold in any area;
- (ii) means the price at which that article was normally sold in that area;
- (iii) by wholesale dealers or retail dealers, as the case may be;
- (iv) on or before the first day of February, 1963.

20. Firstly, the definition contemplates determination of the Past Price with reference to a particular area, and not with reference to a particular contract. The determination of Past Price by the Government with reference to each individual contract on the basis of the price stipulated therein is, therefore, totally unwarranted.

The contention of the Government that the local area for purposes of determining the Past Price should be considered to be Delhi also cannot be sustained on the same ground. All the contracts were F.O.R. station of despatch and as provided in clause 2(2) of the Conditions governing the contract the property in the goods was to pass on their despatch. The sale would thus be considered to be completed at the place the goods were put on the rails. The definition as a matter of fact does not at all contemplate determination of past price with reference to the place from where the contracts were placed.

21. Secondly, Past Price is the price at which the article was normally sold in that area. The word "normally" has a special significance in this

context. The definition contemplates the determination of Past Price on the basis of prices at which the article was being sold in a particular area in the normal and usual course. It eliminates from consideration all sales which might have taken place in a particular area at an abnormally high or low rates. If there had been normal sales of vegetable oil in bulk in the particular area, the bulk prices would certainly have been the criteria for determining the Past Price for purposes of the contracts under consideration. No such evidence has been adduced on behalf of the Union of India. On the other hand, both the parties are agreed that no purchase or sale of the article has taken place in such huge quantities in any area. The sales in favour of the Government were thus not normal sales but were rather abnormal sales. I may here refer to the observations of their Lordships of the Privy Counsel in *Vacuum Oil Co. V. The Secretary of States*, 59 I.A. 258. The case arose in connection with the interpretation of the expression "wholesale cash price" in S. 30 of the Sea Customs Act. Their Lordships held that the expression means the price current for staple articles, the amount of which if not subject of daily publication in the Press, is easily ascertainable in the appropriate trade circles, but a special low price allowed by the manufacturers in consideration of the importer purchasing a big lot is an exceptional one outside the ordinary channels of business and cannot represent the true cost at which goods of the like kind and quality could be delivered in India. (See also 68 C.W.N. 974). These observations apply with equal force to the definition of "Past Price" in the present case. The definition stipulated only the price at which the commodity was being normally sold in a particular area.

22. The third ingredient of Past Price need not detain us, for I have already held the producers to be dealers.

23. The fourth ingredient is, however, of importance. The Past Price is the price at which the article had been normally sold on or before the first day of February, 1963. With reference to dates the contracts are divisible under three heads: One contract with Mansingka Industries was placed on 7-1-1963 (Case No. 20-F/63); 6 other contracts on 18-1-1963 (Cases Nos. 23-F/64, 24-F/64, 26-F/64, 17-F/64, 31-F/64, and 25-F/64); and the remaining 6 on 28-2-63 (Cases No. 20-F/64, 19-F/64, 21-F/64, 18-F/64, 22-F/64, 16-F/64). So far as the last category of contracts is concerned it is obvious that they have been placed after 1st February, 1963, and there can be no justification to take the contract price of the said six contracts as the "Past Price". In regard to the contracts falling under the other two categories also, the position is that the price on the basis of which the contracts were concluded can hardly be considered to be the Past Price by any stretch of imagination.

24. It is also worthy of note that under the terms of the contract vegetable oil was to be specially manufactured by the claimants in their own factory which had been duly inspected and approved by the O.M.G. for the manufacture of supplies for Defence Services. The stores were to be manufactured according to A.S.C. Specification No. 139, which provides the percentages of moisture and fatty acids, Baudouin test, Discetyl test, etc. No evidence has been adduced on behalf of the respondents to show that the Oil Hydrogenated sold in the market is being manufactured according to A.S.C. Specification No. 139. In the circumstances, I hold that the conditions governing the present contract were rather abnormal and the commodity contracted to be sold was not one which was ordinarily and normally sold in the market.

25. It may also be pointed out here that the Government possibly sought to compensate the dealers for the increase in excise duty on vegetable oil amounting to Rs. 184/- per M.T. by way of abolishing the excise duty on Groundnut oil amounting to Rs. 110.25 per M.T., and allowing them to charge Rs. 63.63 per M.T., extra over the Past Price as defined in the Price Control Order. This was perhaps under the contemplation that the industry should absorb the difference of Rs. 10.12 per M.T. in its profits. But, in this case the supplies covered by the contract were admittedly tendered on or before 20th February, 1963. The stores were thus obviously manufactured out of duty paid Groundnut oil and in the result, the claimants had to pay excise duty on Groundnut oil as well as the increased excise duty on Vegetable Oil, a situation which was never contemplated by the Price Control Order.

26. The claimants have in this case adduced evidence regarding the "Past Price" prevailing in difference areas on or before 1-2-1963. I may here observe that from the evidence it is clear that different brands of Vanaspati were being sold in the market prior to 1-2-1963 at different rates. It could not, therefore, be said that there was one market rates for all the brands of Vanaspati normally sold in the market. In the present case, I have, therefore, taken into consideration the price at which Vanaspati Oil manufactured by M/s. Oudh Sugar Mills Ltd. was normally sold in Akola and adjoining areas. The maximum price worked out by adding Rs. 63.63 per M.T. to the price of Vanaspati Hydrogenated Oil prevailing on 1-2-1963 comes to more than the contract price plus Rs. 184/- per M.T. Thus even on the assumption that the Price Control Order is applicable to the case, there would be no infringement of the said order if the claimants are paid Rs. 184/- per M.T. extra over and above the contracted price.

27. In view of my findings on the question "Past Price" that bulk purchases by Government are not covered by the definition of "Past Price" and that the stores purchased by the Government were not one which were ordinarily and normally sold in the market, and in view of the factual position regarding normal market price of Vanaspati as explained by me, I am of the view that the claimants are entitled to the reimbursement of the full amount of excess excise duty paid by them on Oil Hydrogenated purchased by the Government from the claimants.

Now, therefore, I hereby make and publish my award as follows:—

- (i) The Union of India shall pay to the claimants, M/s. Oudh Sugar Mills Ltd., 8, India Exchange Place, Calcutta-1, the difference in the excess excise duty paid by the claimants on the contracted stores @ Rs. 184/- per M.T. and the rate of Rs. 63.63 per M.T. at which payment has already been made to the claimants.
- (ii) The claim for interest is disallowed.
- (iii) The parties shall bear their respective costs incurred in these proceedings.
- (iv) The stamp duty charges in respect of this award have been borne by the claimants.

IN WITNESS WHEREOF I HAVE SIGNED THIS AWARD
THIS 15TH DAY OF JUNE, 1967.

Sd/- A. S. CHAUDHRI
Sole-Arbitrator

ANNEXURE 'B'

Extract taken from file No. 9 2/69-PUR-IV

(28)

Section 2 of the essential Articles (Price Control) Order, 1963, as amended reads as under :—

"No wholesale dealer or retail dealer, as the case may be, shall sell any essential articles to any person at a price which is in excess of the aggregate of the following namely :

- (a) the past price of such essential articles, and
- (b) the amount specified against that articles in the corresponding entry in column 2 of the above said schedule".

The question for consideration in the first place would be as to when in a particular case the sale can be considered to have been complete. If the sale had become complete before the coming into force of the said Order, obviously the prices as stipulated for under the terms and conditions of the contract would be payable. If, however, the sale can be considered to have become effective and complete only after the said Price Control Order had come into force, the prices as stipulated for in the Price Control Order would alone be payable. In the latter contingency, the wholesale dealer or retail dealer, as the case may be, cannot charge any price which is in excess of the aggregate indicated in the section 3 of the said Price Control Order.

2. Section 19(I) of the Sale of Goods Act provides that where there is a contract for the sale of specific or ascertained goods, the property in them is transferred to the buyer at such time as the parties to the contract intended to be transferred. Sub-clause (2) of said section further provides that for the purpose of ascertaining the intention of the parties, regard shall be had to the terms of the contract, the conduct of the parties and the circumstances of the case. Reference may in this context be also made to section 23(1) of the Sale of Goods Act which provides that where there is a contract for the sale of unascertained or future goods by description and goods of that description and in a deliverable State are unconditionally appropriated to the contract, either by the seller with the assent of the buyer or by the buyer with the assent of the seller, the property in the goods thereupon passes to the buyer.

3. It is stated in the referring note that clause 7(b) of the terms and conditions of the contract provides that "for purpose of this contract, the date of delivery for inspection will be deemed as the date of delivery for inspection will be deemed as the date of delivery mentioned in the general conditions of contract (DGS&D-68)". This clause indicates that the property in the goods passed to the purchaser after the stores were tendered for inspection. The date on which they were tendered for inspection was in terms of the contract to be deemed to be the date of delivery, of the stores. In AIR 1959 Patna 39, there was a contract for sale of mustard oil on monthly quota basis at controlled price. The seller was appropriating unconditionally the monthly quota to the contract with the assent of the buyer's agent. Subsequently there was reduction of controlled price before delivery. It was held that property in the goods passed when the plaintiff informed

the defendant that a certain quality had been filled in containers and was ready for delivery in accordance with the letter of the defendant and that, in the circumstances, the plaintiff was entitled to recover the full price at the old controlled rate. The principles laid down in the said case would appear to be equally applicable to the present case. If any quantity of the stores had been tendered for inspection before the Price Control Order came into force, property, in the said stores would be deemed to have passed in favour of the purchaser in spite of the fact that physical delivery had been made after the coming into force of the price control order and the price as stipulated for under the contract would be payable for the said stores. This would naturally mean that if at the said date excise duty at enhanced rates had become payable, the seller would be entitled to reimbursement of the same under section 64A of the Sale of Goods Act.

4. If any of the stores were tendered for inspection after the Price Control Order had come into force, property in the said goods would be deemed to have passed only on the date of inspection and, therefore, the price thereof would be payable in terms of the price Control Order. In such a case, the provisions of section 64A of the sale of Goods Act would not be attracted and the suppliers would not be entitled to reimbursement of excise duty at the enhanced rate under the said section, for under section 43 of the Defence of India Act, the provisions of the Defence of India Act or any rule made thereunder or any order made under any such rule shall have effect notwithstanding anything inconsistent therewith contained in any enactment.

Sd/- A. S. CHAUDHRI
Dy. Legal Adviser
16-8-1963
Tele. No. 32694

ANNEXURE 'C'

MINISTRY OF LAW

(DEPARTMENT OF LEGAL AFFAIRS)

Advice (W.H. & S) Section

(35)

I had recorded my note on 16-8-63 on the basis of the facts stated in the referring note. The legal position enunciated therein so far as it goes is perfectly correct.

2. I had requested for a copy of the contract to be placed in the file. A copy of the contract has not been made available but only a copy of the invitation to tender has been placed in the file. I presume that the terms of the contract do not in any way differ from the conditions of contract placed in the file. I am recording my opinion on the basis of the Conditions of Contract placed in the file.

3. The important question to be considered in the case is as to when in terms of the contract did the property in the goods pass in favour of the purchaser. In the referring note, reference was made to clause 7(b) of the terms and conditions which reads :—

“For purposes of this contract, the date of tendering for inspection will be deemed as the date of delivery mentioned in the General conditions of contract. (DGS & D-68)”.

On going through the terms and conditions of the tender, I, however, find that clause 2(a)(ii)(2) specifically provides that the property in the goods will not be deemed to have passed to the purchaser until their despatch. This makes all the difference in the position. In view of the specific provision in the above said clause with regard to the transfer of property, the question of liability to pay enhanced Excise duty becomes quite simplified. What would have to be seen is whether there was an increase in the rate of Excise duty on the contracted stores between the placing of the A/Ts. and their date of despatch. If there has been no increase in the Excise duty during the said period, the firm would be entitled to payment of the price at the contracted rates only. If, however, there has been an increase between the date of the contract and the date on which the stores are despatched, the enhanced Excise Duty which was payable on the date of despatch would under section 64A of the Sale of Goods Act be payable to the firm. In the latter case, the date on which the goods were tendered for inspection would not be material. Only the date on which the goods were despatched would be material.

4. It is stated that the enhanced Excise duty became payable with effect from 1-3-63. The legal position, therefore, is that in respect of goods which were despatched after 1-3-63, though tendered for inspection before the said date, the enhanced Excise duty would be attracted in view of section 64A of the Sale of Goods Act. But in view of the coming into force of the Essential Articles (Price Control) Order, 1963, Excise duty at the rate of Rs. 63.63 only would be payable instead of Rs. 184/- on all stores despatched on or after 1-3-63.

Sd/- A. S. CHAUDHRI
Dy. Legal Adviser
23-9-1963
Tele. No. 32694

Ministry of Food & Agri. (Deptt. of Food) APO.

Min. of Law U.O. No. 32948/63-Advice (WH&R) dt. 24-9-63.

ANNEXURE 'D'

MINISTRY OF LAW

DEPTT. of LEGAL AFFAIRS

Advice (W.H. & R.) Section

I have carefully gone through the award of the arbitrator and the opinion of the Govt. Counsel at Flag 'E'. Out of the ten questions raised before the arbitrator, I have been decided against the contractors and the award in

their favour proceeds on the basis of the opinion as regards 'Past Price' as defined in the price Control Order, 1963.

2. It is well settled that the award of the arbitrator cannot be challenged except on the grounds mentioned in S-30 of the Indian Arbitration Act, 1940, which reads as follows :—

"An award shall not be set aside except on one or more of the following grounds, namely :—

- (a) that an arbitrator or umpire has misconducted himself or the proceeding;
- (b) that an award has been made after the issue of an order by the court superseding the arbitration or after arbitration proceedings have become invalid under section 35;
- (c) that an award has been improperly procured or is otherwise invalid.

In this context grounds (a) and (b) above are totally irrelevant. There is no question of improper procurement of the award either under first part of ground (c) above. An award may be 'otherwise invalid' if the same is without jurisdiction or proceeds on an error of law apparent on its face or some such ground.

3. It is well settled that the arbitrator is always the final judge of law and facts before him and the court before whom the award is filed does not sit in appeal against the decision of the arbitrator. So the court will not interfere with the award even if it may be said that the court deciding the matter itself might have taken a contrary view. There is no lack of jurisdiction on the face of the award. So I am of the opinion that it is not possible to challenge the present award on the aforesaid grounds.

4. The contention of the Govt. counsel that the words "as the case may be" occurring in the definition of past Price envisage even categories of sale other than those of Whole-sale and retail is not correct and it is not possible to say that the case reported at 59 I-A, 258 is distinguishable on facts.

5. The fact that another arbitrator had given a different award in two other cases in similar matters, and the same were made the rule of the court despite the objections having been filed against the same, does not change the position of law as stated above, and does not in any way strengthen our case for challenging the present award in court.

Sd/- N. C. GUPTA.

Asstt. Legal Advisor
Tele. 33319 — 36573
13-7-1967

Deptt. of Food.

Ministry of Law (Advice) U.O. No. 33322/67, dated 17-7-67.

ANNEXURE 'E'
MINISTRY OF LAW
(Deptt. of Legal Affairs)
Advice (W.H. & R.) Section
(94)

I have considered the matter and have also discussed the same with Shri Moorjani of the Deptt. of Food.

2. The position in law is that an award of an arbitrator can be set aside only on the grounds specified in section 30 of the Arbitration Act as already indicated in our earlier note. In this case, the arbitrator has considered the interpretation to be placed on the expression 'Past Price' and on the basis of the evidence adduced has given a finding that the contract price is not 'Past Price' within the meaning of the definition of the term. The view taken by the arbitrator appears to be perfectly correct. Even assuming that a different interpretation were possible the award cannot be set aside on that ground alone. In the absence of any other evidence to prove 'Past Price' the view taken by the arbitrator appears to be correct. I am not, therefore, in a position to advise any action challenging the award.

3. Since we are not in a position to have the award set aside, the award has to be accepted and the sums awarded to the claimants paid. If the claimants accept the award in full and final settlement of all claims arising out of the contract, there is no legal objection in making payment without waiting for the party to make the award the rule of the court.

Sd/- K. S. PANDALAI
 J.S. & L.A.
 18-8-67.

Deptt. of Food.

U.O. No. 33931 Advice (W.H. & R.) dated 18-8-67.

Recommendation

The Committee regret to note that Government had to sustain a loss of Rs. 58,000 for their inability to enforce the provision of risk purchase against a firm which failed to supply stores of the acceptable quality. The legal opinion in this case which prevented Government from recovering the extra cost was that the period of six months prescribed for repurchase for the purpose of recovery of extra cost involved should be counted from the date of expiry of the delivery period as originally prescribed in the contract and not from the date on which the consignment was finally rejected in appeal despite the fact that the contractor appealed for re-sample which was accepted by the Department.

The Committee observed that while on the one hand the contractor appealed to re-sample the stores after the expiry of the original delivery period was accepted, Government on the other hand jeopardised its right

to enforce recovery of extra cost. They, therefore, feel that there is a lacuna in the procedure by which the firms get away without payment of the risk purchase amount due to the time required in deciding the appeal on rejection of samples. The Committee are also of the view that the legal opinion in this case, if it was necessary, should have been obtained well in time, and re-purchase should have been effected within the period prescribed in the contract, in order to avoid Government claim going by default.

[Sl. No. 66 of Appendix XXIX (Para 4.88 of Chapter IV) 59th Report (Third Lok Sabha)].

Action Taken

As desired by the Public Accounts Committee during their meeting on 18-7-1966, the case was again referred to the Ministry of Law for re-examination at the highest level. Ministry of Law, after re-examination of the case, have since confirmed that, according to the terms and conditions governing the contract, the period of six months prescribed for repurchase for the purpose of recovery of extra cost involved should be counted from the date of expiry of the delivery period as originally prescribed in the contract and not from the date on which the consignment was finally rejected in appeal despite the fact that the contractor made an appeal for re-sampling which was accepted by the Government. The relevant notes recorded in the Law Ministry are reproduced at Appendix 'A'.

2. Ordinarily the appeal would have been disposed of on 23-7-64 but further delay was caused because of the decision to re-sample the consignment and also by the irregular method of submission of appeal by the Contractor for which he was also issued a warning. However, to avoid recurrence of such instances of Government not being able to make risk-purchase within the prescribed period, the terms and conditions of our contracts have since been suitably amended, in consultation with the Ministry of Law and the Government's Solicitor, providing that the period of six months stipulated for risk-purchase of stores at the risk and cost of a Contractor shall commence from the date of the order of the Appellate Authority instead of from the date fixed for the delivery in the Contract. A copy of the instructions issued in this behalf *vide* Administrative Order No. 224 dated 3-7-67 is attached. The Appellate authority is also being requested to expedite disposal of appeals.

3. The question of obtaining legal opinion in time in this case would not appear to arise as it was known at the time that risk purchase could not be effected after the six months' limitation period which had expired due to the delay in the disposal of the appeal. Even if legal advice had been obtained, it would not have made any difference as Law Ministry has even subsequently re-affirmed that risk repurchase cannot be effected after the expiry of six months' period.

[Deptt. of Food U.O. No. 4/11/66-CDN, dated 19-8-67]

APPENDIX A

MINISTRY OF LAW

(Deptt. of Legal Affairs)

Two contracts for the supply of 115 metric tonnes of Dal Moong and 69 metric tonnes of Whole Moong were entered into by the President of India with M/s. Jawarilal Tejmal, Secunderabad. The contracts were concluded by the issue of telegraphic acceptance dated 18th February, 1964 and 19th February, 1964. The delivery periods stipulated were 17th March, 1964 and 18th March, 1964 respectively.

2. The terms and conditions governing the contracts are those contained in Memo. No. C/900 dated 24-2-49 as amended from time to time. Part B of Memo. No. C/900 provides that the contract will be governed by the General conditions of Contract [Form DGS&D 69 (Revise)] except clauses 11(iv)(a) and 21 thereof. These exceptions are not material to the question under consideration.

3. The sellers tendered supplies within the stipulated delivery period but the stores were rejected early in April, 1964 as not conforming to A.S.C. Specifications by the Inspecting Officer. The sellers submitted an appeal to the Director of Supplies and Transport (ST-7) before 8/4/1964 as envisaged in clause 8(a) of part B of Memo. No. C/900. The appeals were rejected on 26/9/64. The contracts were then cancelled by the Government at the risk and cost of the sellers on 5/10/64. No risk purchases were made presumably due to the fact that a period of more than six months from the date of default had already expired.

4. Commenting on the failure to make risk purchase in those two cases the Audit has observed that the Department of Food did not recover the extra cost of Rs. 59,000 incurred in purchasing stores "on the ground that due to delay at the appeal stage, the quantities cannot be repurchased within six months of the delivery dates stipulated in the contracts. This resulted in loss of Rs. 58,000 to Government. . . . The waiver of recovery on this ground lacks justification as the firm's default which necessitated repurchase was actually established after the final rejection of the stores in appeal in September, 1964".

5. The above Audit objections were examined in this Ministry's notes of 16-2-1965 and 7-2-1966. The view expressed by this Ministry was that 17-3-64 and 18-3-64 would be the dates of failure on the part of the contractor and the risk purchase A/Ts. could be placed within six months of these dates. It was further pointed out that general damages can be recovered on the basis of the difference between the contract price and the market price as prevailing on 17-3-64 and 18-3-64.

6. The Audit Objection was discussed at the Public Accounts Committee meeting held on 18-7-1966. The Chairman, P.A.C., concurring with the views of Audit has desired that this matter may be re-examined by the Law Ministry at the highest level, and, if necessary, the advice of

the Attorney-General or Solicitor-General should be obtained and the same communicated to the P.A.C.

7. The question for consideration is whether for the purpose of calculating the six months period for effecting the risk purchase the dates of failure in these cases are the dates of delivery stipulated in the contract, namely, 17-3-64 and 18-3-64 or whether it is the date on which the appeal was rejected, namely 26th Sept. 1964. It has been observed that the conduct of the parties in considering the appeal, the request of the contractor to take samples and the Government's taking samples for the purpose of the appeal would amount to extension of period of delivery and that the date of failure to deliver the stores would be the date of rejection of the appeal.

8. Clause 6 of part B of Memo. No. C/900 provides as follows :—

“6. Completion of delivery.

- (a) The time for and the date of delivery of the supplies stipulated in the Acceptance of Tender shall be deemed to be the essence of the contract and supplies may be tendered by the dates specified. Delivery will, however, be deemed to be completed only after the supplies have been inspected, found of acceptable, weighed and taken over by the Officer Commanding, Military Grain Depot, Lucknow.
- (b) If any supplies are not found of acceptable quality, and as a result thereof supplies have to be retendered after removal of defects or fresh supplies have to be tendered, the period between the first and the subsequent tendering of the supplies shall be reckoned as delay on the part of the suppliers to tender the supplies.”

Clause 7(iii) of part B of Memo. No. C/900 provides for the repurchase of the cancelled stores. This sub-clause provides that in the event of a supplier failing to tender the supplies etc. the Chief Director, Purchase, may cancel the outstanding quantity under the contract and recover in respect thereof from the sellers the difference between the price at which the quantity may be repurchased or the market rates at the time of cancellation of the contract and the price payable under the contract. The period within which the risk purchase is to be made is laid down in clause 14(7) (iii) of DGS&D 68 (Revised). Clause 7(iii) of part B of Memo No. C/900 and clause 14(7)(ii) & (iii) of DGS&D 68 (Revised) have to be read together. The effect of these two provisions is that the risk purchase must be made within six months of the date of failure to deliver the stores within the period fixed for such delivery.

9. The expression “date of failure” connotes the dates of breach. Breach occurs when a party repudiates or fails to perform one or more of the obligations imposed upon him by the contract. It may take any one of the three forms.

(1), and this is the normal form; it occurs when a party fails to perform his obligation upon the date fixed for performance by the contract, as for example, where a seller does not deliver the goods on the appointed day.

(Cheshire, Law of Contracts, 5th Edition, p. 487). The term "delivery" has been defined by section 33 of the Sale of Goods Act, 1930 as follows :—

"Delivery of goods sold may be made by doing anything which the parties agree shall be treated as delivery or which has the effect of putting the goods in the possession of the buyer or of any person authorised to hold them on his behalf".

10. It is clear that in the instant contract, the parties had agreed as per clause 6 of Memo. No. C/900 that delivery would be deemed to be complete only after the supplies have been inspected, found of acceptable quality, weighed and taken over by the Officer Commanding, Military Grain Depot, Lucknow. Since the firm failed to delivery the stores of acceptable quality/Specification within the delivery period stipulated in the Acceptance of Tender, they would be deemed to have committed breach of the contract and the dates of breach would be 17th March, 1964 and 18th March, 1964.

11. The next question for consideration is whether the originally stipulated dates for delivery can be said to have been extended by the mere fact of the purchaser's entertaining an appeal against the rejection of the stores tendered by the firm. Section 63 of the Contract Act, 1872 dealing with the extension of time for performance of the promise provides that :—

"Every promisee may dispense with or remit, wholly or in part, the performance of the promise made to him, or may extend the time for such performance, or may accept instead of it any satisfaction which he thinks fit."

It would appear from the above that the time for performance can be extended only by agreement between the parties. In *Anand Ram Mangtu Ram and Others v. Bhola Ram Taru Mal* (AIR 1946 Bom. 1), it was held that the time fixed for performance of the contract can be extended only by agreement between the parties to the contract. At page 5 of the above report the court observed :

"Under section 63, Contract Act, the Promisee may make certain concession to the Promisor which are advantageous to the Promisor, and one of them is that he may extend the time for such performance. But it is clear again that such an extension of time cannot be a unilateral extension on the part of the Promisee. It is only at the request of the Promisor that the Promisee may agree to extend the time of performance and thereby bring about an agreement for extension of time. Therefore, it is only as a result of the operation of section 63, Contract Act, that the time for the performance of the contract can be extended and that time can only be extended by an agreement arrived at between the Promisor and the Promisee."

12. In *Keshav Lal Lalubhai Patel and others v. Lal Bhai Trikum Lal Mills Ltd.* (AIR 1958 SC 512), the Supreme Court observed :—

"The true legal position in regard to the extension of time for the performance of a contract is quite clear under Sec. 63 of the Indian Contract Act. Every promisee, as the section provides, may extend time for the performance of the contract. The question as to how extension of time may be agreed upon by the parties has been the

subject matter of some argument at the Bar in the present appeal. There can be, no doubt, we think, that both the buyer and the seller must agree to extend time for the delivery of goods. It would not be open to the promisee by his unilateral act to extend the time for performance of his own accord for his own benefit. It is true that the agreement to extend time need not necessarily be reduced to writing. It may be proved by oral evidence in some cases it may be proved by evidence of conduct. Forbearance on the part of the buyer to make a demand for the delivery of goods on the due date as fixed in the original contract may conceivably be relevant on the question of the intention of the buyer to accept the seller's proposal to extend time. It would be difficult to lay down any hard and fast rule about the requirements of proof of such agreement. It would naturally be a question of fact in each case to be determined in the light of evidence adduced by the parties."

13. Two principles can be deduced from the aforesaid authorities, namely, that the time for performance of the contractual obligation can be extended only by the mutual consent of the parties and (ii) that such an agreement need not necessarily be reduced to writing but can be proved by evidence of conduct. Applying these tests to the present case, it may be stated that there is no agreement in writing indicating that the parties had mutually agreed to extend the delivery period. So far as the conduct of the parties is concerned, the only conduct of the purchaser is that of entertaining the appeal, which he was bound to do in terms of the contract, and confirming the factum of rejection of stores. The firms' conduct in preferring an appeal against the rejection of the stores tendered by them and their request for taking samples cannot be construed as a request for extension of delivery period. This can be construed only as an exercise of a right conferred upon him by the contract and by this he merely indicated that he did not accept the decision of the Inspecting Officer that the stores tendered by him within the period of delivery was not of the specified quality. Nor can the entertaining of such an appeal be taken as indicating an intention on the part of the purchaser to extend the time of delivery in as much as this act of the purchaser was one done in pursuance of clause 8 of the terms and Conditions contained in part B of Form No. C/900. The submission of the appeal, the entertaining of the appeal and the drawing of fresh samples, if necessary, are all part of the procedure prescribed by the contract. By going through this appellate procedure it cannot be said that the parties intended to or impliedly agreed to the extension of time for delivery. If the Appellate Authority rejects the appeal (as was done in this case) the decision is merely a confirmation of the rejection order of the Inspecting Officer that delivery of stores of specified quantity was not made within the period stipulated for delivery. If, on the other hand, the appeal is accepted then it is a decision that the stores supplied by the contractor within the stipulated period of delivery is of the specified quality and the consequence is that he has delivered the goods within the period of delivery. In either case there is no scope for extension of time for delivery; none is intended nor expressly or impliedly agreed to.

14. In view of the above the views expressed by this Ministry earlier in our notes dated 16-12-65 and 7-2-66 appear to be correct. The dates of failure to deliver the goods of agreed quality in accordance with the contract would be 17-3-64 and 18-3-64 and the risk purchase should have been made only within six months of these dates.

15. Secretary may please see.

Sd/- K. S. PANDALAI,
Joint Secretary & Legal Adviser
5-8-66
Tel. No. 32987

Secretary

I agree with conclusions drawn in the preceding note in respect of the both the issues dealt within therein. It is not necessary to trouble the Attorney General or the Solicitor General in the matter. As the matter has been referred back to us at the instance of the P.A.C., L.M. may see before the file is returned to the Deptt. of Food.

Sd/- R. S. GAE
1/3-10-66.

L.M.

Secretary L.A. to discuss.

Sd/- G. S. PATHAK
18-10-66.

MINISTRY OF LAW

(Deptt. of Legal Affairs)

The Minister desired that this case should be further examined with reference to the following aspects :—

- (i) Provisions of the Sale of Goods Act, 1930 applicable to rejection of goods;
- (ii) Provisions in the contract (i.e. D.G.S. & D-68 and Memo. No. C/900) regarding rejection of goods;
- (iii) even if there are no provisions for automatic extension of time, in the event of an appeal being filed, can automatic extension of time be implied;
- (iv) is there any provision express or implied for extension of time, where an appeal has been filed against the order of rejection of time be implied;
- (v) P.A.C.'s objection is that not effecting risk purchase in this case is not justified i.e. the period of six months should be available from the date of decision of the appeal. It is true that having regard to the provisions of the contract no risk purchase could be effected before the appeal is decided. But we have not suggested any solution to the anomaly, that is to say, if no automatic extension of time can be relied on either on the basis of an express provision or implied provision then, what remedy is available to Government in future cases.

2. The above points are examined below :—

Provisions of the Sale of Goods Act, 1930 applicable to rejection of goods.

Sub-section (2) of section 12 of the Sale of Goods Act, 1930 provides as follows :

“A condition is a stipulation essential to the main purpose of the contract the breach of which gives rise to a right to treat the contract as repudiated.”

Sub-section (3) of section 12 of the Sale of Goods Act, 1930 provides as follows :

“A warranty is a stipulation collateral to the main purpose of the contract the breach of which gives rise to a claim for damages but not to a right to reject the goods and treat the contract as repudiated.”

The implied conditions in a contract of sale of goods are specified in sections 14 to 17 of the Act. These implied conditions are with reference to title, description of goods, quality of fitness of goods for the specific purpose intended and as to sale by sample.

“By virtue of the provisions of sub-section (2) of section 12 of the Act, if any of the implied conditions are broken, the buyer can repudiate the contract and reject the goods.”

Section 41 of the sales of Goods Act gives the buyer a right of examining the goods in cases where he had not previously examined the goods. The seller is bound to afford the buyer a reasonable opportunity of examining the goods for the purpose of ascertaining whether they are in conformity with the contract. If such a right is not given to the buyer, he can reject the goods. (*Sale of Goods Act by Aggarwal* p. 539 to 541 may please be seen).

Buyer's right to refuse the goods offered :

“After the property in the goods has passed to the buyer it may happen that he discovers them to be different in quality from that which he had a right to expect according to the agreement. If the goods do not conform to their description, or if any condition, express or implied, of quality be broken, the property will not have passed, and the buyer will, as already explained, have a right to refuse to accept them.”

(*Benjamin on Sale 8th Ed. p. 983*).

Buyer's right to reject the goods :

“That the buyer, where the property has not passed to him, may reject the goods if they do not correspond in quality, fitness or description with the contract is the necessary result of the principles established in the Chapters on Delivery and Acceptance. The buyer's obligation to accept depends on the compliance by the Seller with his obligation to deliver. In an executory agreement, or, as it is

called in the Act "an agreement to sell", with a stipulation as to quality, it is part of the Seller's promise to furnish goods conforming to the contract; example, in a contract for sale by sample, to furnish a bulk equal in quality to the sample; and this is a condition precedent" (*Benjamin on Sale 8th Ed.* p. 985 & 986).

3. The right of rejection of goods under the statutory provisions are only as stated above. However where the contract expressly provides for the conditions subject to which the Buyer may reject the goods those conditions will operate in addition to the grounds available under the statute. Section 62 of the Sale of Goods Act provides that "where any right, duty or liability would arise under a contract of sale by implication by law, it may be negatived or varied by express agreement or by the course of dealing between the parties, or by usage, if the usage is such as to bind both parties to the contract". This section is merely an application of the general maxim "expressum facit cessare lacitum and modus et conventionvincunt legem". A sale is a consensual contract and the parties may alter at will the obligation which the law implies from the general nature of the contract. As observed by Lord Blackburn in *Calcutta v. De Mattos* (1863 32 L.J.Q.B. 322).

"there is no rule of Law to prevent the parties from making any bargain they please".

what is meant by saying that the parties can made any bargain they please is that they can impose any conditions they like and thereby exclude the application of any terms or conditions which the law attaches to such contract generally.

4. Point No. 2 :

Provisions in the contract regarding rejection of goods :

In the present case the contract between the parties provides for a right of rejection of goods under certain circumstances. The following clauses contained in Part B of Memo No. C/900 may please be seen.

Clause 2 packing :

"After providing for the packing in which the stores should be packed, this clause lays down that if the supplies are tendered in bags other than specified in this clause, the Chief Director of Purchase or any other person authorised to act on his behalf shall in his sole discretion have the option to reject the consignment."

Clause 7—Failure to tender supplies in time

"in the event of a supplier failing to tender the whole or part of the local supplies by the due date or to submit the railway receipts in respect of the whole or part of the quantity to be despatched by rail within 10 days of the date stipulated in the contract, the Chief Director of Purchase or any person authorised to act on his behalf may at his sole discretion,

(a) cancel the outstanding quantity under the contract; or

- (b) cancel the outstanding quantity under the contract and recover in respect thereof from the seller the difference between the price at which the quantity may be repurchased or the market rates, at the time of cancellation of the contract and the price payable under the contract."

Clause 9—Supplies not conforming to ASC Specification

"If the quality of any consignment of grains and dals (as to which the decision of the Inspecting Officer at the Depot or in the event of an appeal by the Supplier to the Director of Supplies and Transport (ST-7), QMG's Branch, Army Headquarters, Old Secretariat Building, Delhi, shall be final and binding) is found not to be of the current season's crop or not to conform to the relevant ASC Specification given in Annexure I, the Chief Director of Purchase or any person authorised to act on his behalf shall have the sole discretion.

(i)

- (ii) to reject the consignment and call upon the Supplier to replace it locally within a specified time with supplies of acceptable quality the Chief Director of Purchase may at his option levy 2% liquidated damages p.m. or a part of the month for the period supplies are delayed after the original due date. The rejected consignment will be allowed to be removed only after it has been replaced by an acceptable supply".

Clause 4(2) of Form DGS&D/68 (revised) reads as under :—
Consignee's right of rejection :—

"Notwithstanding any approval which the Inspector may have given in respect of the stores or any materials or other particulars or the work or workmanship involved in the performance of the contract (whether with or without any test carried out by the contractor or the Inspector or under the direction of the Inspector) and notwithstanding delivery of the stores where so provided to the interim consignee, it shall be lawful for the consignee, on behalf of the purchaser, to reject the stores or any part, portion or consignment thereof within a reasonable time after actual delivery thereof to him at the place or destination specified in the schedule if such stores or part, portion or consignment thereof is not in all respects in conformity with the terms and conditions of the contract whether on account of any loss, deterioration or damage before despatch or delivery or during transit or otherwise however, provided that where, under the terms of the contract, the stores are required to be delivered to an interim consignee for the purpose of despatch to the consignee, the stores shall be at the purchaser's risk after their delivery to the interim consignee; but nevertheless it shall be lawful for the consignee on behalf of the purchaser to reject the stores or any part, portion or consignment thereof upon their actual delivery to him at the destination if they are not in all respects in conformity with the terms and conditions of contract except where they have been damaged or have deteriorated in the course of transit or otherwise after their delivery to the interim consignee."

Clause 14(7) (iii) of DGS&D-68 lays down that

"if the contractor fails to deliver the stores or any instalment thereof within the period fixed for the such delivery in the schedule or at any time repudiates the contract before the expiry of the period, the purchaser has also got the right to cancel the contract or a portion thereof."

Clause 17(7) confers the power on the Inspector :

"(ii) to reject any stores submitted as not being in accordance with the particulars;

"(iii) to reject the whole of the instalment tendered for inspection, if after inspection of such portion thereof as he may in his discretion think fit, he is satisfied that the same is unsatisfactory."

Sub-clause(9) of clause 17 makes the decision of the Inspector, as regards the rejection final and binding on the contractor.

5. Point 3 :—Even if there is no provision for automatic extension of time, can we imply automatic extension if an appeal is filed.

The relevant provisions in the contract have been referred to above. In the present case the stores were rejected by the Inspecting Officer early in April, 1964 as not conforming to ASC Specification. The Seller submitted an appeal to the Director of Supplies and Transport (ST-7) before 8-4-1964, within the time contemplated in clause 8(a) of part B of Memo. C. 900. The appeals were rejected on 26/9/64. The contracts were cancelled on 5/10/64. No risk purchase was effected as six months from the date of default had expired by the time the appeal was rejected and the contract cancelled.

There is no provision in the contract to the effect that when an appeal is filed under clause 8(a) of Memo. No. C/900 the date of default will be extended automatically or otherwise or that the period of six months within which risk purchase can be made will be extended. We cannot also rely on any provisions of the sale of goods Act for the proposition that where an appeal is submitted as provided in clause 8(a) of Memo No. C/900 the date of default is extended automatically till the decision in appeal. There is no express provisions to this effect in the contract and no such provision can be implied. There are no such implied conditions in the sale of goods Act also. Paras 11 to 13 of our earlier note may kindly be seen.

6. Point 4—Is there any provision express or implied for extension of time.

There are no express or implied provisions to the effect that when appeal is filed the date of delivery will be extended or that the date of default will be the date on which the appeal is decided or that the period of six months within which risk purchase may be made will commence from the date of decision in appeal.

7. Point 5 : General

The objection of the PAC have been fully considered in our earlier note.

What is the remedy for a situation like this where due to delay of the Appellate Authority in deciding the appeal, risk purchase could not be effected within the permissible period of six months from the date of default.

It is possible, for future cases, to amend the conditions of contract so as to specifically provide that where an appeal is filed as provided in clause 8(a) of Form C.900 to the Appellate Authority against the decision of the Inspecting Authority, the period of six months stipulated in clause 14(7) (iii) of DGS&D-68 for effecting risk purchase shall be deemed to commence from the date of rejection of appeal (or alternatively the date of cancellation of contract) the only objection to such an amendment is that the Appellate Authority may take such unreasonable and unconscionable time for deciding the appeal and a party may not be willing to enter into the contract on such disadvantageous terms.

Alternatively a provision may be made in clause 8 of Form C.900 that the Appellate Authority shall decide the appeal within a specified period, say 2 months or 3 months of the date of filing the appeal so that in the case of rejection of the appeal the buyer will be able to effect risk purchase within the stipulated period of six months. The objection to this proposal is that if the Appellate Authority does not decide the appeal within the prescribed period, but delays it till the six months period elapsed, the Government will have no remedy.

A third method is to provide for a longer period, say 12 months within which risk purchase may be effected; here again, theoretically, the Appellate Authority may still delay matters.

The proper solution to the problem appears to be to give instructions to the Appellate Authorities (who are Government Officers) that the appeal must be decided as expeditiously as possible, and in no case beyond two months or so of filing the appeal; in that case there will be sufficient time left for effecting risk purchase within the stipulated period of six months.

8. The Buyer has, of course under the existing terms of the contract, in a situation like this, the remedy of forfeiting the security deposit and also of recovering general damages for breach of contract.

9. If approved we might ask the Department of Food to consider the above suggestions.

Sd/- K. S. PANDALAI.
26-10-66

Secretary

In the circumstances the course suggested at 'X' above comments itself in the present case. The appeal should be disposed of expeditiously and in such a manner that even after its disposal sufficient time is left to the authorities concerned to make (in the event of the failure of the contractor to deliver the stores within the period fixed for such delivery) the purchase within six months from the date of such failure. Conditions of contract may be

accordingly amended in consultation with the Solicitor if this course is found appropriate by the Department of Food.

Sd/- R. S. GAE
27-10-66

L.M.

If this matter is urgent, it may be disposed of by M.M.L.; otherwise it may be examined by him and discussed with me on my return.

Sd/- G. S. PATHAK
30/10

M.M.L.

This can wait for L.M.'s return.

L.M.

Sd/- C. R. PATTABHI RAMAN,
31-10-

This was briefly discussed by L.M. with M.M.L. today. As directed by L.M., the file is being sent to M.M.L. for disposal, as L.M. will be away from Delhi for four days.

Sd/- K. C. S. ACHARYA
24-11-66

M.M.L.

Much depends on the expeditious disposal of appeals. I agree with Secretary. Solicitor may revise Conditions of Contract.

Sd/- C. R. PATTABHI RAMAN
26-11-66

Secy. (L.A.)

Government Solicitor may see and do the needful in the matter in consultation with the Department of Food—with special reference to the minute of M.M.L. as above. That Department's views will have to be called for regarding the points raised by our Department before the Conditions of Contract be amended for the purpose.
Govt. Solicitor (Shri A. P. Roy)

Sd/- R. S. GAE

The Administrative Ministry indicate their views and fix upon appointment for discussion.

Sd./ A. P. ROY,
26-11-66
Tele. No. 34082

Advice W.H.S.

Food/(A.P.O.)

M/Law U.O. No. 33106/66-ADV/WHS. dt. 29/11/66.

No. 3/12/67-CDN.

GOVERNMENT OF INDIA
MINISTRY OF FOOD & AGRICULTURE,
DEPARTMENT OF FOOD
(ARMY PURCHASE ORGANISATION)

New Delhi-1, the 3rd July, 1967

ADMINISTRATIVE ORDER NO. 224.

SUBJECT :—*Counting of period of 6 months for risk purchases.*

A case has come to notice in which risk purchase could not be completed within the Limited period of 6 months resulting in loss to Government because of delay in deciding the appeal preferred by a firm against the rejection of their supplies. The audit observed in that case that the risk purchase could have been made within 6 months of the date of rejection of stores in appeal and the Public Accounts Committee also observed that there was some lacuna in the purchase procedure as a result of which the firm could get away without payment of the risk purchase amount due to the time taken in deciding the appeal.

2. To safeguard against the recurrence of similar instances in future, the question of amending our Terms and Conditions of contract so as to rectify this lacuna has been examined at length in consultation with the Ministry of Law and it has been decided to insert, under the relevant sub-clause and clause of the terms and conditions of contract relating to appeal against rejection, the following new sub-clause :—

“where an appeal is preferred, the period of six months provided in clause 14(7) of General Condition of Contract (DGS&D-68-Revised), for purchase of the stores at the risk and cost of the contractor, shall commence from the date of the order of the appellate authority instead of from the date fixed for delivery in the contract.”

3. It has also been decided to amend the sub-clause relating to appeal against rejection suitably so as to provide for appeals against acceptance ‘with allowance’ also. For example, the last sentence of clause 8(a) of C/9 will stand amended to read as follow :—

In case of rejection or acceptance subject to allowance as provided in clause 9, the supplier will be at liberty to forward his sample (No. 2) etc.....”

4. All Purchase Officers and Sections should implement the above decisions with immediate effect and incorporate the above mentioned changes under the relevant sub-clause and clause of their terms and conditions. Para 2(4) of Chapter VIII of the Manual of Purchase Procedure should also be amended accordingly.

BRIG. (A. S. BHUJWALA),
Chief Director of Purchase

1. All Purchase Officers and Sections in the Army Purchase Organisation.
2. The Pay & Accounts Officer, Ministry of Food & Agriculture, New Delhi—3 copies.
3. Ministry of Finance (Food Division)—4 copies.

4. The Accountant General, Commerce, Works & Misc., New Delhi
—10 copies.

Recommendation

The Committee hope that the Department will also be able to collect the outstanding amount without much delay.

[S. No. 71 (Para No. 5.35) of Appendix XXIX of the 59th Report (Third Lok Sabha)].

Action taken

The arrears were reduced by the I.S.I. to Rs. 12,000 in November, 1966. Efforts are being made by the I.S.I. to realise the arrears, but a part may have to be written off.

Recommendation

The Committee would like the Ministry to see that Schemes becomes self supporting as originally envisaged.

[S. No. 72 (Para 5.39) of Appendix XXIX of the 59th Report (Third Lok Sabha)].

Action taken

The income of I.S.I. from certification marking is Rs. 1.39 million this year against an estimated expenditure of Rs. 1.45 million leaving a deficit of Rs. 60,000 only. The above income does not take into account a sum Rs. 2,10,000 which is due from the Ministry of Commerce on account of the compulsory export certification of Jute goods, carried out by the I.S.I. The I.S.I. certification marks is not obligatory for the export of certain types of jute goods. The Ministry of Commerce agreed to reimburse I.S.I. expenses in this connexion to the extent of 75% due and the institution have since received Rs. 1.21 lakhs from the Ministry of Commerce on account of compulsory export certification of Jute goods in respect of the period 1966-67.

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE WHICH REQUIRE REITERATION

Recommendation

The Committee regret to note that the CSIR which has been in existence for over two decades did not think of introducing a system of costing for the processes developed by them. The Committee feel this should have been done much earlier. The Committee note that the work relating to the costing of scientific and industrial processes developed for commercial exploitation has been introduced from last year in 7 or 8 of the laboratories only by the Council. They desire that as a result of this experiment the system of costing should be further extended to all other laboratories. With the introduction of a system of costing processes, the Committee hope that the Council would be able to have an idea of the total expenditure incurred by it on the development of various processes.

(Sl. No. 9 of 59th Report—Third Lok Sabha).

Action taken

The question of planning of research and cost analysis was one of the items considered at the 16th Directors' Conference of the Heads of National Laboratories and Research Associations held on July 4-5, 1966 at Bangalore. The conference reiterated the view that detailed cost analysis should be carried out only in respect of large pilot plant projects since costing is neither practicable nor economical in the case of small projects.

It was ultimately decided that costing pattern may be evolved in some of the laboratories on an experimental basis and results studied to evolve a general pattern for being introduced in all the Laboratories.

Further Information

At present, costing of projects/processes is done by some of the National Laboratories by different methods which are tabulated below :—

Name of the Laboratory/Institute 1	Method of cost analyses of processes. 2
1. Central Salt and Marine Chemicals Research Institute, Bhavnagar.	Costing is carried out by charging pay and allowances of personnel, material and other costs included in the laboratory overhead usually prorata in relation to number of scientific workers. Depreciation charges are also included in the case of equipment used.
2. National Chemical Laboratory, Poona.	Costing analysis includes details regarding the economics, market, cost picture of the product/process and the proposed terms for its release. The latter are arrived at after considering the profitability of the process and the research inputs.
3. National Aeronautical Laboratory, Bangalore.	Costing is done after taking into account very detailed study of the overheads of various Divisions, cost of materials, cost of labour etc. and any other development charges that may be incidental.

1	2
4. National Physical Laboratory, New Delhi	All the basic requirement for controlling cost-Record of Material control, Labour control and overheads are properly maintained and different items of cost are systematically and scientifically analysed to control cost and reduce wastages.
5. Indian Institute of Petroleum, Dehra Dun.	The total man-hours, both officers and assistances for each project are computed from the time a project is started to the time it is started to the time is ready for commercial exploitation. The Scientific staff is required to fill in weekly time cards showing the disposition of their time during each week on the different projects on which they are engaged. From the total man-hours spent on the project, the cost of the project is computed. In making computation, rates have been derived @ Rs 12/- per officer-hour and Rs. 9/- per assistant-hour. These rates are inclusive of the overheads that have to be charged to the project, such as cost of library, Workshop, Stationery, tours etc. To the figures so arrived, a certain amount is added as premium for determining the royalty to be paid to the Institute by any party wanting to exploit the know-how developed.
6. Central Electronics Engineering Research Institute, Pilani.	Pilot plant products and Institutes products fabricated in Batch Production and prototype models which are sold to institutions private parties and individuals for study and development purposes are subjected to costing based on the "principles of Direct costing system."

In view of the divergent methods being followed by the National Laboratories/Institutes, it is desirable that the matter may be discussed at a Conference of the Heads of all the National Laboratories/Institutes so that a consensus may be evolved and broad guidelines laid down.

As regards information on point as to "how in the absence of costing of all the processes, the charges to be recovered at the time commercial exploitation of a process can be determined," it is stated that exploitation of processes/now-how developed in the national laboratories/institutes is mainly done by the National Research Development Corporation (N.R.D.C.). The N.R.D.C. has intimated that expenditure/inputs on a process/patent have no direct relationship to the returns from a process which are governed by other parameters, such as, the market potential, improvement in economics by the process, existing production and available capacity for further manufacture, competitive position of indigenous and foreign know-how etc. Returns are also to be related to the stage to which the process has been developed viz. whether the data is only available at the laboratory stage, pilot plant, semi-commercial stage or even at a commercial stage. The processes which have been worked out to the latter stages have a better chance of giving substantial returns.

In the absence of data on costing of projects, N.R.D.C. usually does not take into consideration the inputs. It advertises the process/patent and depending on the availability of definitive know-how, technical information

and other factors enunciated above, it tries to get the most favourable terms from technically competent parties.

[Ministry of Education and Youth Services (CSIR) Note No. 3/10/66-Pu-Pt.II, dt. 10-6-1968]

Recommendations

From this Statement the Committee find that as many as eighteen schemes involving foreign collaboration were approved during 1964-65, against the advice of the CSIR. The Committee would like to know the justification for ignoring the advice of CSIR in these cases.

(Sl. No. 12 of 59th Report—Third Lok Sabha).

Action taken

A statement giving reasons for foreign collaboration against the advice of CSIR in respect of 18 cases as furnished by the Ministries of Industrial Development & Company Affairs, Petroleum and Chemicals and Steel, Mines & Metals is enclosed (Annexure IV). The advice given by the CSIR in respect of each of these cases has also been incorporated in the above Statement as desired by A.G.C.R. vide D.O. letter No. RR5-2/67-68/460 dated 23-8-1967.

Further Information

S. No. 12 :

The Ministry of Petroleum & Chemicals have cleared the following technical collaboration terms in respect of manufacture of Erthromycin and Kanamycin by M/s. Alembic Chemicals Works, Baroda :—

(i) *Erthromycin* (3,000 Kg./annum) :

Payment of \$1,00,000.00 to M/ Eli Lilly S.A. Geneva, Switzerland for latest know-how. Imports in 1967-68 and 1968-69 were as follows :—

1967-68

1,525 Kgs.—Rs. 16 lakhs.

1968-69

436.7 Kgs.—Rs. 4.73 lakhs.

(ii) *Kanamycin* (1,000 Kg./annum) :

Payment of royalty at the rate of \$42 per kg. to M/s. Meiji Seika-Kaisha Ltd., Tokyo in the bulk production for a period of five years from the date of commencement of production of Kanamycin. Imports during 1967-68 and 1968-69 were as follows :—

1967-68

10 Kgs.—Rs. 33,750.

37 Kgs.—Rs. 1,25,726.

Hindustan Antibiotics Ltd., Pimpri are to take up production of Synthetic penicillins as a diversification programme. To start with they are negotiating terms of technical collaboration with foreign firms for the manufacture of Ampicillin.

Case No. 4 :

The Ministry of Petroleum and Chemicals have intimated that M/s. Bayar India Ltd. were granted industrial licence for the manufacture of the formulation as no import of equipment or additional foreign exchange was involved. As the firm are manufacturing many basic bulk drugs and insecticides, it will not be possible to estimate the outgo of foreign exchange on account of these formulations. It will not be feasible for Government to adopt in this regard different standards to purely Indian firms and Indian firms having foreign investment.

Case No 5 :

The Ministry of Petroleum and Chemicals have reported that M/s. Boots Pure Drug Co. have since discontinued the manufacture of the cough mixture and the item has been deleted from their industrial licence.

ANNEXURE IV

(Ref. para No. 1-112 of the Report)

Statement showing schemes approved by the Government of India against the advice of CSIR during the period 1964-65 and reasons therefor.

Sl. No.	Name of the Indian Co.	Name of the foreign collaborator	Item of Manufacture	Reasons as to why it was considered necessary to allow foreign exchange involved.	Views of the C.S.I.R.		
1	1	2	3	4	5	6	7
1.	1752/65	M/s. Anil Starch Products Ltd., Ahmedabad.	M/s. Nagase & Co. Ltd., Osaka, Japan.	Crude Amylase, Gluco Amylase, Refine amylase-powder protease.	There has been considerable development in the field of manufacture of glucose in the U.S.A. and Japan during the last few years in that the acid hydrolysis process is being fast replaced by the Enzymatic process. M/s. Anil Starch has claimed that the quality of dextrose produced by enzymatic process is far superior than the product made by the traditional acid hydrolysis process. The enzymatic process is also designed in effecting savings in foreign exchange by curtailed imports of activated carbon and ion exchange resins. As this involved the use of enzymes such as amylase diastase etc. M/s. Anil Starch were requested to study if they could submit a scheme which will eliminate the import of enzymes required in the process. M/s. Anil's collaboration	In their letter No. 16(4)/65/LJ(1) dated 24th May, 1966, the Ministry intimated M/s. Anil Starch Products Ltd. that the Government of India are prepared to issue an industrial licence to the firm for the manufacture of Enzymes in their existing undertakings subject to their settling the following con-	

ANNEXURE IV—Contd.

1	2	3	4	5	6	7
1752/65—(Contd.)						
	with the Japanese firm was approved due to the following reasons :—					
	<ol style="list-style-type: none"> 1. Enzymatic process is considered to be economical. 2. There will be more chances to export of dextrose because of lesser prices. 3. There will be slight savings of foreign exchange and no additional equipment is required. 					
	<p>ditions to the satisfaction of the Government :</p> <ol style="list-style-type: none"> (i) All equipments will be arranged locally and no imported equipment will be allowed for the manufacture of this item. (ii) Should explore the possibility of establishing exports in the markets contiguous to India; and (iii) Raw materials required will be financed out of export assistance Licences. (iv) If any technical collaboration is called for, every effort should be made to obtain such collaboration from existing Indian manufacturers of similar products. 					

In their letter of even number dated 28th September, 1966 the Ministry informed CSIR that the firm has already a collaboration with M/s. Nagase and Co., Japan for the conversion of starch to Dextrose and

no additional payment will be made to the collaborators for supplying technical know-how for the manufacture of all these Enzymes.

Since no drain of foreign exchange is involved either by way of know-how fees or imported equipment, CSIR agreed to withdraw the objection. Now it appears that a foreign exchange of Rs. 5 lakhs is involved in this case.

2. 1231/65	M/s. Maize Products, Ahmedabad.	M/s. A. E. Stanley Manufacturing Co. of Decatur, Illinois, U.S.A.	Enzymes.	The scheme of M/s. Maize Products for the manufacture of enzymes used in various industries including the enzymes for conversion of glucose for production of dextrose was approved for the following reasons :—	Rs. 5 lakhs	<p><i>M/s. Maize Products, Ahmedabad :</i></p> <p>This case is similar to the case of M/s. Anil Starch Products Ltd. as explained in Item No. 1. This firm already had an approved collaboration agreement with M/s. A. E. Stanley Mfg. Co., U.S.A. for the manufacture of enzymes and their use in the manufacture of dextrose by enzymatic hydrolytic process. The collaborator had agreed to give them the know-how for all the enzymes including bacterial enzymes and bacterial protease without any additional payment. It is also stated that no import of capital equipment will be allowed. It is not clear how the foreign exchange of Rs. 5 lakhs is now involved in this case.</p>
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1. There is great scope for the use of enzymes in various industries.
2. The manufacture of enzymes was based on the world patent rights which M/s. Stanley of the U.S.A. hold.
3. There is considerable scope of exports of enzymes to markets contiguous to India.

ANNEXURE VI—Contd.

1	2	3	4	5	6	7
3. 942/64	M/s. Alembic Chemicals Works Co. Ltd., Baroda.	M/s. Eli Lilly International Corporation, U.S.A.	Erythromycin (Tablets and ointment) Erythromycin Estolate and Sulpha (tablets and oral suspension) Erythromycin Ethyl carbonate (Drops and oral suspension).	<p>In July, 1964 M/s. Alembic Chemicals Works Co. Ltd. Baroda applied for an industrial licence for the manufacture of 5000 kgs. per annum of Erythromycin and its formulations. The scheme envisages payment of royalty to M/s. Eli Lilly International Corporation, U.S.A. at flat rate of 5% (taxable) on the bulk ex-factory price of Erythromycin for a period of five years. The payment of royalty was agreed to by the Foreign Agreement Committee.</p> <p>The comments of the CSIR on the scheme are, as follows :—</p> <p>"With the synthesis of penicillinase resistant penicillins, the importance of kanamycin and erythromycin has dwindled, as both these antibiotics are relatively toxic as compared with penicillin."</p> <p>"In view of the above, it may not be advisable to licence both Kanamycin and Erythromycin as better antibiotics with less toxicity are available. Besides Erythromycin is included in the programme of the Antibio-</p>	M/s. Alembic Chemicals Works Co. Ltd., Baroda :	<p>It is known that Erythromycin and Kanamycin are used in the treatment of cases where micro-organism becomes resistant to penicillin. In view of the synthesis of newer types of penicillins, the importance of erythromycin and kanamycin has declined as both these antibiotics are relatively toxic compared to newer synthetic penicillins. These newer types of penicillins are now being prepared by a number of manufacturers in England and United States. The main manufacturer in England is M/s. Beecham Research Laboratories, Brockham Park, Surrey, England.</p> <p>CSIR view point in this case was that if the import of technology is a necessity, then it must be the latest development and not one which is fading out and going to be obsolete within a short time.</p> <p>Hindustan Antibiotics have succeeded in producing 6 amino Penicillanic Acid which</p>

tics factory of Rishikesh".

The Health Ministry's (I. A. Drugs) comments are :—

"As the drug is being imported at present and as it is indicated in certain cases when penicillin does not work, there should be no objection to issuing the letter of intent."

The DGTD who were again consulted was of the view as below :—

"Erythromycin is mainly indicated in the treatment of cases wherein the casual micro-organism has become resistant to Penicillin and is therefore insensitive to its action. The number of cases not responding to penicillin thereof as a result of development of penicillin resistant strains is on the increase."

It was decided in consultation with Planning Commission that a target of 40 tonnes of 'New Antibiotics' should be fixed for the Fourth Plan. Out of this it was also decided to reserve 10 tonnes for the private sector.

In view of the recommendations of the Health Ministry

happens to be the basic material for all the newer Penicillins, and should be able to synthesise the newer Penicillins.

ANNEXURE IV—Contd.

1	2	3	4	5	6	7
942/64—(Contd.)				and D.G.T.D. and taking into account the target for the Fourth Plan, Government issued the industrial licence to the firm for the manufacture of 3000 kgs. per annum of Erythromycin and its formulations.		
4. 993/64	M/s. Bayer (I) Ltd. Nagin Mahal, 6th Floor 82, Veer Nariman Road Bombay.	M/s. Fardan-fabricen Bayer A.G. Germany.	Edinol Grestion Bayer's tonic DI Taben Detigon tablets, Detigon Lantun.	The Directorate General of Technical Development recommended the grant of industrial licence subject to the condition that no additional foreign exchange shall be given to the firm specifically for the import of raw materials. The Licensing Committee recommended the grant of industrial licence on the condition indicated by the D.G.T.D. An industrial licence was therefore granted subject to the conditions and also providing further that there shall be no import of equipment, payment of royalty, technical fee etc. for this activity.		M/s. Bayer (India) Ltd., Bombay : The firm in this case intends to carry out only formulations partly from imported products and partly from products purchased in the local market. A number of products similar to Edinol, Bayer's Tonic and Betegen are already available in the market and there seems to be no justification to licence similar products by a foreign subsidiary company. The foreign holding in Bayer's is 56%. The CSIR did not find any justification for foreign firms to go in for the manufacture of these common types of formulations in competition with Indian manufacturers.
5. 655/64	M/s. Boots Pure Drug India Pvt. Ltd., Bombay-1.		Formula 44 Cough Mixture	The Directorate General of Technical Development recommended the grant of		M/s. Boot's Pure Drug Co., Bombay : In this case firm was per-

licence for increasing the capacity in the manufacture of cough syrup subject to the condition that no foreign exchange shall be made available for the activity. An Industrial Licence was accordingly issued with the approval of Licensing Committee subject to the condition that no foreign exchange shall be made available and that there shall be no payment of royalty, technical fee etc. or import of equipment.

mitted to increase their capacity of production of "Formula 44 cough mixture" from 27,000 litres to 1,44,000 litres—a five fold expansion. Boots Pure Drug Co. (I) Pvt. Ltd. are 100% subsidy of M/s. Boots, England and they repatriate the entire profits to England. Cough mixtures do not require either any foreign know-how or extraordinary ingenuity for their manufacture and permission of this type of expansion was considered by CSIR to be detrimental to the interests of Indian Pharmaceuticals and drugs industry.

6. 18/5/(54) 66-L. M/s. Hindustan Levers, Bombay. Associate of M/s. Unilever of U.K. Infant Milk Food. This is an Indian company though an associate of the U.K. Co.

M/s. Hindustan Livers Ltd., Bombay :

This is a case in which the know-how developed in the country is being commercially utilised and there appeared to be no justification for further licence for a consumer industry to a British firm with 90% foreign equity.

7. 566/65 M/s. Pharmed Pvt. Ltd., Rope Walu Lane, Bombay. M/s. Scientific Pharmacals Ltd., London. Kerodex 50 Kerodex 71 Kerocleanse 32 This firm was granted Industrial Licence for the manufacture of Kerodex and Kerocleanse on behalf of

M/s. Pharmed Pvt. Ltd., Bombay :
This case was referred to the Central Drug Re-

ANNEXURE IV—Contd.

1	2	3	4	5	6	7
566/65—(Contd.)				<p>M/s. Patel Brothers, Bombay. The proposal of M/s. Patel Brothers to enter into technical collaboration with M/s. Kerodex Ltd. and M/s. Scientific Pharmaceuticals Ltd. both of London was approved for the following reasons :—</p> <ol style="list-style-type: none"> (1) The products are used by Industrial Workers to protect their hands against the action of oil, coal tar compounds, petroleum, pitch and other substances, resins and adhesives etc. (2) With the introduction of sophisticated manufacturing programme in the country all types of new compositions have to be introduced for the protection of workers against Dermatitis and other possible skin diseases. (3) The Indian company will have exclusive right to export their products to Pakistan, 		<p>search Institute, Lucknow. The Institute was of opinion that this formulation was not a very essential item from the point of view of drugs and their production involved a heavy component of imported materials. It can be regarded essentially as a Cosmetic and not a medicinal preparation. For this reason, CSIR did not support this collaboration.</p>

Burma, Nepal, Bhutan,
Afghanistan, Ceylon,
Thailand, Indonesia,
Egypt.

8. 5/1/of 1965 M/s. Jagatjit M/s. A. Wander Malted Milk
FAC. Distilling and Ltd., London. Food.
Allied Industries Ltd.,
New Delhi.

Ovaltine is a popular item of invalid and dietary food used extensively. No capital participation by collaborator is contemplated. No foreign exchange for import of equipment/raw materials is involved. Royalty payment only through export earnings.

M/s. Jagatjit Distilling and Allied Industries Ltd., New Delhi—Malted Milk Food.

The know-how for this process had been developed in the Central Food Technological Research Institute, Mysore and was released to M/s. Jagatjit Distilling and Allied Industries Ltd., for commercial exploitation. The firm never expressed any difficulty being faced by them in working this process or about the unworkability of this process. Evidently the party was marking time and trying to get foreign collaboration before taking any serious step for the implementation of the indigenous know-how. This fact was brought to the notice of the Foreign Agreements Committee. The recommendations of the Committee were as follows :—

“It was pointed out that the firm has taken know-how from the Council of Scientific and Industrial Research

ANNEXURE IV—Contd.

1	2	3	4	5	6	7
<p>5/1/of 1965 FAC.—(Contd)</p>						<p>about eight months ago for manufacture of malted milk food. The committee suggested that the firm may be asked to indicate what action they have taken regarding this know-how. The firm may also be asked to indicate the amount of payment likely to be involved in the 5% royalty which is proposed to be paid to the foreign collaborators. After these particulars are obtained, the case should be put up to the Foreign Investment Committee for consideration."</p> <p>Later on it was observed that the collaboration of the firm with M/s. A. Wander Ltd., London had been approved by the Government of India during July-September, 1965.</p> <p>It may be stated in this context that M/s. Cocoa Maltine Industry Ltd., a</p>

9. 156/65

M/s. Indian Dyes
Stuff Industries
Ltd., Bombay.

M/s. Sumitomo
Shoji Kaisha
Ltd., Japan.

Carbon Tetra
Chloride with
by-products.

The application dated 23-1-65 was for the manufacture of 3000 tonnes per annum of carbon tetrachloride based on the reaction of chlorine with methane. When carbon tetrachloride was included in the programme of National Organic Chemical Industries Ltd., Bombay and later when part of the inorganic chemicals was transferred to Indian Dyestuff Industries, NOCIL indicated that they were examining as to who should manufacture carbon tetrachloride pending which the item could be included in the licence for NOCIL. Later they decided to put up the caustic soda-chlorine plant in IDI and applied for carbon tetrachloride in IDI's name.

Directorate General of Technical Development found that IDI would have an additional capacity of 4,800

100% Indian Unit are producing similar products with their own know-how and have succeeded in establishing an expanding foreign market.

M/s. Indian Dyestuff Industries Ltd., Bombay :

The firm applied to the Ministry of Industry for the grant of an industrial licence for the manufacture of 3,000 tonnes/yr. of Carbon Tetrachloride in 1965. The project was to be implemented with foreign technical know-how. In view of the work done by NCL on the chlorination of sewage methane with a 2.5 kg/hr. of methane, CSIR opposed this collaboration. Owing to restriction on installing the chlorination plant near the Sewage Wells in Bombay and owing to difficulty in transporting methane, NCL could not perfect the know-how by the installation of 25 kg./hr. plant. CSIR opposition was later withdrawn. The party has been issued a letter of intent.

ANNEXURE IV—Contd.

1	2	3	4	5	6	7
156/65-- (Contd.)						

tonnes of chlorine sufficient for the manufacture of 3,000 tonnes of carbon tetrachloride. DGTD also found assured off take for their carbon tetrachloride for refrigerant gas, ED/CT mixture, dry cleaning solvent and metal degreasing. For these reasons as also for the fact that their manufacture of carbon tetrachloride from methane, a by-product of NOCIL petro chemical cracker would be cheaper in cost than others, DGTD supported the case. Accordingly the case was taken to the Licensing Committee and a letter of intent was issued to IDI subject to the terms of foreign collaboration, if any, and arrangements for the import of plant and machinery being settled to the satisfaction of Government.

The party submitted a proposal for technical collaboration with M/s. Sumitomo Shoji Kaisha Ltd., Japan and for the import of plant and machinery from Japan. The process envisaged was however different based on the reaction of

10. 1890/65

National
Chemical
Industries,
New Delhi.

Bon Acid.

chlorine with propane and propylene. DTD commented adversely on the high cost and the annual production as now envisaged.

The party have been asked to revise the proposals. These will be referred to CSIR for comments before any approval is given for foreign collaboration.

National Chemical Industries, New Delhi applied for a licence for the manufacture of 17 tonnes per month of BON acid. With the approval of the Licensing Committee, a letter of intent was issued on the 22nd February 1966 subject to the conditions that arrangements for the import of equipment shall be settled to the satisfaction of Govt. and that the establishment of BON acid unit should be linked with the indigenous production of Beta Naphthol, the raw material for BON acid.

As suggested by the CSIR, the firm were informed that the National Chemical Laboratory, Poona have developed a process for the manufacture of BON acid and that foreign collaboration was not essential.

National Chemical Industries, Ltd., New Delhi :
As the National Chemical Industries have been informed about the availability of know-how in N.C.L., Poona and the firm have not yet submitted their proposal, CSIR have no comments at this stage.

ANNEXURE IV—Contd.

1	2	3	4	5	6	7
				The firm have not yet submitted any firm proposals to enable Govt. to consider the issue of Industrial Licence.		
11. 1.1 of 66-FAC.	M/s. Food Specialities Ltd., New Delhi.	M/s. Afico of Switzerland.	Instant tea, Instant coffee, other processed foods.	M/s. Afico render technical service in the manufacture of instant tea and coffee. It is anticipated that the foreign exchange that will be earned by export of instant tea would be of the order of Rs. 1 crore per annum. They will manufacture instant tea by a specialised process exclusive to AFICO is that the instant tea is made from the green leaves direct. But for the fact that the expenses on research and technical development of AFICO are distributed amongst the various international organisations, the foreign exchange drawn on the Indian Co. would have been considerable.	Rs. 2.00 lakhs	<p><i>Food Specialities, Ltd., New Delhi :</i></p> <p>The proposal of the firm was opposed in the Foreign Agreements Committee meeting held on 4th January, 1966 in view of the availability of know-how at the adequate level in CFTRI, Mysore. The decision of the Committee was as follows :</p> <p>“The Committee recommended that it is not necessary to grant extension of the technical assistance agreement for the manufacture of Instant Tea. The Committee desired that the case may be resubmitted with full details of the existing terms of collaboration and the proposed terms and after consultation with the Council of Scientific & Industrial Research who have some know-how in the matter.”</p>

It again came up for consideration of the Foreign Agreements Committee on 10th February, 1966 and was again opposed on the same ground. The committee, however, recommended this case on the ground that the product is primarily meant for export and is expected to earn about Rs. 1.5 crores in foreign exchange. Mere statement of an interested party about the possibility of export earning is not sufficient ground to agree to a foreign collaboration, unless it is backed by some sort of a guarantee for the non-fulfilment of which, a penalty clause should be imposed. So far as CSIR is aware, such penalty clause is not incorporated in any of the cases with export bias.

The foreign exchange outlay in this case will be Rs. 2 lakhs per year, plus the actual expenses delegated to the firm for Research & Development.

12. 2170 64	Hindustan Lever Ltd., Lever House, 165-66, Bombay.	Canned fruits, Vegetables & Other processed foods.	This scheme did not envisage any foreign collaboration and no foreign exchange appears to have been sanctioned specifically, except that dividends earned on the foreign equity	<i>Hindustan Lever Ltd., Bombay</i> CSIR brought to the notice of the Licensing Committee of the Ministry of Industrial Development and Company
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ANNEXURE IV—Contd.

1	2	3	4	5	6	7
				<p>holding in the company are repatriable in the normal course like all other cases of companies having foreign holdings in the equity capital. Besides, the audit report relates to the year 1964-65 whereas the industrial licence was issued in this case in June, 1966. The party has also categorically stated in their application for industrial licence that no royalty payments are envisaged and that no foreign collaboration or investment was involved.</p> <p>Incidentally it may be mentioned that, a copy of the application for industrial licence submitted by the party was forwarded to C.S.I.R. also for their comments, and so far as we are aware no comments were made by the C.S.I.R. nor had the C.S.I.R. representative who normally attends the meeting of the Licensing Committee raised any objection to the grant of a licence to the party in this case.</p>	<p>Affairs, that know-how for food products was available within the country and opposed the granting of licence to M/s. Hindustan Lever Ltd. since this would effect adversely a large number of small scale manufacturers. It was however informed that the case was being considered on the basis of negotiation with M/s. Hindustan Lever Ltd., in regard to lowering of their proportion of equity participation and increasing of the Indian capital. The licence was given on financial grounds and not on technical considerations.</p>	
13. 1689/65	M/s. Atic Industries Ltd., Atul,	M/s. I.C.I. London.	Reactive dyes, Vat dyes,	M/s. Chemicals and Fibres of India Ltd., Bombay, a public limited company		<p><i>Atic Industries, Bulsar. :</i></p> <p>The indigenous know-how</p>

Disperse
dyes.

with 60% foreign investment were granted in 1960 and 1962 an Industrial licence for the manufacture of Alcians and a letter of intent for the manufacture of Procion (reactive) dyestuffs respectively. The firm did not implement the licence of the letter of intent but in 1964 applied to Government for approval to the transfer of the licence and the letter of intent to M/s. Atic Industries Ltd., a company manufactured Vat dyes and owned in equal proportion by M/s. ICI Ltd. of U.K. and M/s. Atul products Ltd., Atul, Gujarat State.

was available for reactive dyes since a firm has sponsored work on reactive dyes in the National Chemical Laboratory, Poona. It was argued in the Inter Ministerial meeting that the proposal of M/s. Atic Industries for annual transfer of their licence to ICI would result in a substantial amount of saving in sterling capital expenditure and the amount of money to be remitted to U.K. as dividend. Since the consideration was financially favourable the CSIR opposition was not pressed.

2. This proposal was considered in an Inter Ministerial meeting and later by the Licensing Committee. With the approval of the Licensing Committee, a fresh industrial licence and letter of intent were issued to M/s. Atic Industries Ltd., for the manufacture of Alcian and Procion dyestuffs.
3. The Council of Scientific and Industrial Research before the meeting of the Licensing Committee addressed the Ministry of Industry, Ministry of Petroleum and Chemicals etc., stating that with the proposed transfer

APPENDIX IV—Contd.

1	2	3	4	5	6	7
				of the dyestuffs licences from M/s. Chemicals and Fibres of India Ltd., M/s. Atic Industries Ltd., would emerge into a dominant position in the field of dyestuffs manufacture and also that the National Chemical Laboratory have the necessary technical information on the manufacture of reactive dyes and in fact are assisting an Indian firm in this field. The C. S. I. R. also suggested consideration in a smaller inter ministerial meeting including themselves so that the technical and financial implications could be carefully considered.		
				4. As suggested by C.S.I.R., the proposal was considered in an interministerial meeting before the approval of the Licensing Committee was given.		
14. 15.1.65	M/s. S. F. Products, Calcutta.	A. B. Metallurg-Consult, Sweden.	Consultancy Engineering Firm in Metallurgy.	The Proposal of M/s. S. F. Products, Calcutta, for foreign collaboration with A. B. Metallurg-Consult, Sweden, for setting up a Consultancy Engineering firm in India in the field of Metallurgy was considered by the Foreign Agreement Committee at the meeting held on the 7th Sep-	S. F. Products Ltd., Calcutta :	It is noted that this case has been agreed to in principle and the terms of collaboration are yet to be finalised. M/s. Wolfe Barry and Partners of U.K. and M/s. Lurgi Gesellschaften of West Germany

15 1 '65 --(contd.)

tember, 1965. The CSIR had not recommended induction of foreign consultants in the field of Metallurgy particularly when two other firms viz. M/s. Wolfa Barry & Partners of U. K. and M/s. Lurgi Gesellschaften of West Germany had already been allowed to operate in India. The views of the C.S.I.R. were brought out in the Summary of the proposal submitted for consideration of the Foreign Agreements Committee.

The recommendations of the F.A.C. were as below :—

“It was noted that many of the consultancy proposals earlier approved had not materialised. Having regard to this and the fact that a joint venture organisation in the consultancy field will result in foreign exchange outgo only to the extent they are able to secure work in competition with others, the Committee recommended acceptance of the proposal, subject to the usual terms.”

On the basis of the recommendations of the Foreign Agreements Committee the proposal

are already operating in this country. In addition M. N. Dastor & Co. and M/s. Kuljian Co. are also in this field. The need for permitting further foreign collaboration is not appreciated by CSIR.

APPENDIX IV—Contd.

1	2	3	4	5	6	7
				of the party was approved, in principle, only. The details of the proposed company i.e. its structure, capital formation, terms of foreign collaboration with M/s. A.B. Metallurg-Consult etc. are yet to be approved by the Government.		
15. 989/64	Dr. Ing. Motilal Saha, Flat No. 301, Wellesley Mansion 44A, Rafi Ahmed, Kidwai Road, Calcutta.	M/s. Salzgitter Industriebau, GmbH of West Germany.	PIG Iron-Foundry grade.	On 31st December, 1965, a letter of intent was granted to Dr. Ing. Motilal Saha for the manufacture of pig iron by setting up of a new industrial undertaking at Durgapur for an annual capacity of 50,000 tonnes per annum. One of the conditions of the letter of intent was as follows : "The terms of foreign collaboration, arrangement for import of machinery and issue of capital etc. should be settled to the satisfaction of the Govt." During April/May, 1966 Dr. Saha intimated to Government his intention to have collaboration with Messrs. Salzgitter Industriebau, GmbH of	Dr. Ing. Motilal Saha, Calcutta. Know-how for the manufacture of Pig Iron by low shaft furnace is available in N. M. L. Besides H.E.C. have the necessary designs for a standard size blast furnace and similar types of blast furnace can also be manufactured in Garden Reach Workshop. It has now been stated that the case is under consideration of the Government. Although a letter of intent was issued and it was stated the terms for foreign collaboration should be settled to the satisfaction of the Government, it now appears that the scheme is still under consideration and approval	

West Germany who offered some financial terms which will cover the foreign exchange requirement for the importation of the plant and machinery spare parts etc. The collaboration also offered to arrange supply of the plant and machinery, technical drawings, designs and know-how including those data required for the manufacture and procurement of equipment and machinery in India, their supervision and erection. In June, 1966, Dr. Saha was informed that the broad terms proposed were all at very preliminary stage and that the Government would be in a position to consider only a complete and composite proposal. As regards Dr. Saha's proposal to import plant and equipment, he was advised that indigenous sources—HEC/HEL—should be tapped. It was also explained that since plant and equipment should be procured indigenously, the question of collaboration with foreign parties should not therefore arise. The general question of importing pig iron plant and equipment was considered subsequently and it was decided that the bigger pig iron plants would have to accept the standardised sized of

to Foreign Collaboration has not yet been given.

1	2	3	4	5	6	7
16. 1701/65	Microtec Castings Pvt. Ltd., Madras.	M/s. International Nickel Ltd., U.K.	Antioxidants.	<p>blast furnaces which would be manufactured by HEC. In November, 1966, Dr. Saha was informed that he should procure plant and equipment indigenously i.e. from H.E.C. and that if H.E.C. have not the necessary designs to produce the smaller blast furnaces, Dr. Saha should modify his scheme in such a manner as to be able to operate the plant with smaller furnaces of capacity of 30,000 or so, which could be manufactured in Garden Reach Workshops. In reply Dr. Saha has raised a point that if collaboration with M/s. Salzgitter is brought in, the foreign exchange expenditure will be less. This is being looked into by this Department.</p> <p>However, while Dr. Saha's scheme is still under consideration, Government has not given approval to any foreign collaboration.</p>	<p><i>Microtec Castings Pvt. Ltd., Madras :</i></p> <p>N. M. L. had informed that process know-how is well</p>	

The manufacture of grey iron and alloy casting does not require any foreign collaboration except in cases of precision castings. Govt. do not usually approve collaboration for manufacture of such castings.

The manufacture of S. G. Iron castings has not been developed to any great extent in the country so far. The standard process for manufacture of such castings is according to the patent of M/s. International Nickel Ltd., of U. K. and Govt. have approved in the past the standard agreement of the foreign company for manufacture of such castings. These involve payment of royalty at the following rates :—

When price per ton of Indian No. 2 Foundry Pig Iron is :	Royalty per ton of black castings of magnesium treated cast iron	
	Before 26-2-63	From 26-2-63 to 31-12-66
1	2	3
Below £ 12	32 Sh.	10.8 Shillings
£ 12 below £ 20	40 ..	13/14 ..

known and can be standardised in any foundry by a few preliminary trials. However since the process was subject to a foreign patent, Licence for know-how was necessary. The patent of Mond-nickel process for the manufacture of S. G. Iron castings expired on 31-12-1966 and since utilisation of this process now does not involve any payment of royalty or know-how fees CSIR agreed to withdraw their objection.

1	2	3	4	5	6	7
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1	2	3
£ 20 to below	48 Sh.	16 Sh.
£ 28		
£ 28 or above	10%	3-1/3% of price of In- dian No. 2 Foun- dry Pig Iron

A minimum royalty is payable as noted below:

Where annual output of iron & steel cast- ings of all compositions, including mag- nesium treated cast iron, made by the licencees is :	Minimum royal- ty (£ per annum)	
	Upto 22-3-63	From 22-3-63 to 31-12-66
Upto 1999 tons	70	23-6-8
2000—3999 tons	140	46-13-4
4000—5999 tons	210	70-0-0
6000—7000 tons	280	93-6-8
8000 or more	350	116-13-4

An application from M/s. Alloy and Abrasive Pvt. Ltd., Bangalore for a licence for manufacture of S. G. Iron Castings under the Industries Act was received in April, 1965. This firm had propos-

ed collaboration with a Japanese firm in this connection. The Council of Scientific & Industrial Research to whom application had been referred had stated that the National Metallurgical Laboratory, Jamshedpur had pointed out (on 9-6-65) that no foreign collaboration was required for S. G. iron and high duty cast iron castings unless any specialised castings or equipment for castings and melting are contemplated.

The D. G. T. D. who were also consulted agreed that no foreign collaboration was necessary but the process of M/s. International Nickel Ltd., could be utilised with advantage, for which remuneration is payable.

M/s. Microtec Castings Ltd., had applied for a licence under the Industries Act for manufacture of S. G. iron castings. They intended to utilize the process of International Nickel Ltd., on payment of standard remuneration. The scheme was approved after placing it before the Licensing Committee on 9-3-66. The proposal for collaboration was not considered and the firm had stated that they have not entered into any such collaboration.

1	2	3	4	5	6	7
				<p>M/s. International Nickel Ltd., have now stated that they are prepared to allow Indian parties to utilise their process without payment of any remuneration from 1st January, 1967. The CSIR was consulted as to whether this arrangement was necessary. They have stated that they have no objection.</p> <p>A statement showing the expenditure incurred by various manufacturers of S. G. Iron Castings for payment of royalty as prescribed in the standard agreement is enclosed (Appendix).</p>		
17. 2048 65	Alkali & Chemical Corp. of India Ltd., Calcutta	M/s. Imperial Chemical Industries Ltd., London.	Accelerators Retarders.	<p>The party were issued a licence for manufacturing Rubber licence for a capacity of 2250 tonnes per annum, on payment of royalty at $2\frac{1}{2}\%$ to M/s. I. C. I., London. They came up for expansion of capacity to 2750 tonnes p.m. on payment of royalty at the same rate viz. $2\frac{1}{2}\%$. As the implementation of the expansion proposal would result in an estimated saving of Rs. 20 lakhs p. a. on the import of Rubber Chemicals.</p>	<p>M/s. Alkali & Chemicals Corporation of India Ltd., Calcutta:</p>	<p>M/s. Alkali & Chemicals Corporation of India Ltd. (a subsidiary of I. C. I.) has been permitted to expand their capacity of 2,250 tonnes of rubber chemicals (accelerators anti oxidants, retarders) to 2,770 tonnes per annum subject to the condition that no import of capital equipment will be allowed. The firm was permitted a royalty of $2\frac{1}{2}\%$ on the expanded capacity. Since no new know-how is being imported for the</p>

M. S. Dunlop
Rubber Co.,
Calcutta.

Rubber Metal
bonded pro-
ducts.

the expansion proposal on
payment of royalty at 2½%
was approved.

expansion programme, pay-
ment of royalty on the expan-
ded capacity is not considered
justified.

M. S. Dunlop Rubber Co., Cal-
cutta-

This matter was discussed in the
Licensing Committee meeting.
The representative of CSIR
brought to the notice of the
Licensing Committee the fact
that such products were being
manufactured by a number of
Indian firms. A previous
application of M. S. Dunlop
Rubber Co. had not been
agreed to.

It was pointed out that the De-
fence were interested in this
application since they felt that
Dunlop Rubber Co. could
supply reliable quality of
products. In view of this
CSIR oppositions was not
pressed.

M. S. Dunlop Co. (India) Ltd.,
Calcutta had made an appli-
cation No. 734 of 1964 for
Industrial licence for manu-
facture of 'New Articles' viz.
Rubber/Metal Bonded pro-
ducts, a list of which is given
below :

- (1) Ultra Duty Bush; (2) Large
Diameter Ultra Duty Bush;
(3) Internal Sleeve Bush; (4)
Bonded Cone Bush; (5) All
Rubber Bush; (6) Spheri-
c Plastic Bearing; (7) Bobbin
Mounting; (8) Sandwich
Compression
Mounting Type; (9) Sandwich
Mounting Transfer Mould
Type; (10) Double Sheet
Mounting; (11) Metacene
Mounting; (12) Cushyfoot
Mounting; (13) Barrel Coup-
ling; (14) Disc Coupling; (15)
Rotaflex coupling; (16)
Torsional Vibration Dam-
per; (17) Buffer (Track Pads,
Chain Pads, Springrads).

A copy of this application was
endorsed to the CSIR also on

1	2	3	4	5	6	7
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4-6-64. Comments of CSIR were, however not received. No technical collaboration was involved in the proposal except deputation of two foreign technicians from U.K. for production and technical development in the initial stages. D. G. T. D. in their comments on the application had stated that of the 17 types of products mentioned above, 12 were for automobile and the remaining 5 for other engineering industries. The automobile industry obtains requirements of such products from the various manufacturers borne on D. G. T. D. and firms in the small scale sector. No particular necessity for setting up additional unit in the field involving foreign exchange expenditure and foreign technical know-how was, therefore, considered necessary. Further, it was feared that the use of the brand name "Dunlop/Metalistik" might lead to consumer preference for these articles and consequently dislocate the already established indigenous industry which comprised of a

large number of relatively small manufacturers. The application was, therefore, rejected.

The party made another application No. 2139 of 1965 a copy of which was sent to CSIR on 1-12-1965, for manufacture of Metal-Rubber Bonded products, for the revised list of items mentioned below.

Defence items : (1) Metakene Mounting; (2) Springs; (3) Rubber Padded Tired Plates; (4) Bump Stop; (5) Gun Mounting Resilient Bush; (6) Aircraft Pipe clips.

Industrial Items : Large U. D. Bush; (2) spherulastik Bearing; (3) Double-U-Sheer Mounting; (4) Cushyfoot Mounting; (5) Disc Coupling; (6) El-Tra-Line Speer and Damper (7) Sandwich Mounting; (8) Barrel Coupling.

No technical collaboration was involved in this case also but as regards foreign exchange of about Rs. 4 lakhs required for the imported plant and equipment, it was to be provided entirely by the party's U. K. Associates in the form of a loan to be converted into equity capital at a later date subject to Govt. approval.

In their comments, D. G. T. D. stated that the revised scheme covered items of a very specified nature and were mainly intended to cater to the needs of Defence and other Govt. Departments and undertakings. Comments of C. S. I. R. were not received on this application also. Representations were received from small manufacturers who apprehended a set back to their efforts in case Dunlops were to enter their field. D. G. T. D. again stated that there would be no overlapping in the items being produced by the existing manufacturers, and those proposed to be taken up by Dunlops which were required by the Defence and other Govt. Departments like Heavy Vehicle Factory, Avadi who were pressing for commencement of production of the sophisticated items required in the assembly of tanks. Thus only after it was ensured that the Dunlops scheme would not hamper the interest of small scale sector that the party has been issued a letter of intent No. 30(36)/65-L. Ind. II dated 3-9-1966.

APPENDIX TO ANNEXURE IV

MANUFACTURE OF S.G. IRON CASTINGS

Statement of expenditure incurred by various manufacturers of S.G. Iron Castings for payment of royalty as prescribed in the standard agreement with M/s. International Nickel Ltd., U.K. during the past four years ending in 1966, year-wise

1. *M/s. Kirlosker Brothers Ltd., Sangli (Maharashtra):*

	Gross Royalty	Taxes paid	Actual remittances	Remarks
	Rs.	Rs.	Rs.	
1962-63	2,804.86	1,667.06	1,037.80	For one calendar year from 1st January to 31st December i.e. royalty due for the calendar year 1962 is paid in the accounting 1962-63.
1963-64	1,349.85	850.40	499.45	
1964-65	934.95	607.72	327.23	
1965-66 (upto 31-7-66)	1,246.58	810.28	436.30	
TOTAL	6,336.24	4,035.46	2,300.78	

2. *M/s. Indian Standard Metal Co. Ltd., Bombay.*

	Gross Royalty	Taxes deducted	Net amount remitted	Remarks
	Rs.	Rs.	Rs.	
1963	885.99	434.15	451.84	The remittance in respect of the year ending 31-12-66 is yet to be made, which will be done after the production figures etc. will be certified by the firm's auditors.
1964	887.82	266.35	621.47	
1965	1,875.22	618.82	1,256.40	
1966	1,250.92	412.80	838.12	

3. *M/s. Southern Alloy Foundries Pvt. Ltd., Madras.*

	Royalty claimed in sterling by M/s. International Nickel Co. Ltd., U.K.	Actual amount in sterling I.T. paid by the firm after deducting
1963	£ 42-11-6	£ 15-15-7
1964	33-13-9	11-6-3
1965	54-13-2	19-2-7
1966	41-3-9	12-7-1

4. *M/s. Spheroidal Castings Ltd., Madras.*

Minimum royalty for period from 4-5-55 to 31-12-1965	Royalty based on tonnage of produc- tion for year 1966.	Remarks
£ 15-9-5	£ 60-10-9	It is stated that arrangement for payment of royalties is being made and Bankers have been approached for necessary Exchange.
Total £76-0-2		

5. *M/s. The malleable Iron and Steel Castings Co. Pvt. Ltd., Bombay.*

Year	Total Royalty	Royalty paid (after tax deduction)
1-1-1962 to 31-12-62	£ 70-0-0	50-17-6
1-1-1963 to 31-12-63	67-7-6	
1-1-1964 to 31-12-64	46-13-4	16-7-0
1-1-1965 to 31-12-65	46-13-4	13-8-6
1-1-1966 to 31-12-66	46-13-4	

Under process of payment, papers with Auditors for tax deduction computation.

6. *M/s. Howrah Iron and Steel Works Pvt. Ltd., Howrah*

- (1) Minimum royalty for the year ended 31-12-1965 @ 1/3 of £ 70 per annum.
 £ 23-6-8
- (2) For the year ended 31-12-66 on 34 T 700 Kgs. @ 16/- per ton 27-6-5
 Due to certain procedural difficulties raised by the Reserve Bank of India the payment of the above amount has not yet been made by the firm.

7. *M/s. Burn & Co. Ltd., Calcutta*

	Gross	Less Indian Income tax	Net remittance
1963	2,769-25	1,800-01	960-24
1964	1,848-54	1,201-55	646-99
1965	1,602-78	1,041-81	560-97
1966	2,349-79	1,644-85	704-94 (Remittance awaited).

8. *M/s. Business Combine Pvt. Ltd., Bombay*

The firm have informed that they have no collaboration arrangements or agreement with M/s. International Nickel Ltd., U.K.

9. *M/s. B. B. Bhargava, Gwalior*

The firm have informed that they have not so far paid any royalty to the foreign firm during the past four years ending 1966.

10. *M/s. The India Cement Ltd., Madras*

The firm have informed that they have no collaboration arrangement between them and the foreign firm.

11. *M/s. The Premier Automobiles Ltd., Bombay*

The firm have informed that they have not paid any royalty so far. The information regarding the payment of royalty will be reverted as soon as they make such payment.

12. *M/s. The Indian Smelting & Refining Co. Ltd., Bombay*

The firm have informed that they started commercial production of S.G. Iron Castings from March, 1966 and up to December, 1966 they had a production of 5.70 tons. They have not paid any royalty so far.

13. *M/s. Eastern Steel & Engineering Corporation Pvt. Ltd., Calcutta*

The firm have informed that they have no collaboration arrangements or agreements with the foreign firm.

14. *M/s. Begraj Gupta & Co., Bombay*

The firm have informed that they have not so far paid any royalty to the foreign firm during the past 4 years ending 1966.

15. *M/s. Microtec Castings Pvt. Ltd., Madras*

The firm have informed that they have no collaboration arrangements or agreements with the foreign firm.

16. *M/s. Bhagwati & Girdharlul Foundries Pvt. Ltd., Ahmedabad*

The firm have informed that they have not so far paid any royalty to the foreign firm during the past 4 years ending 1966.

17. *M/s. Sen & Pandit Industries Ltd., Calcutta*

The firm have informed that they have no collaboration arrangements or agreement with the foreign firm.

18. *M/s. Jyoti Limited, Baroda*

Year	Gross amount	Tax deducted	Net amount remitted	Remarks
1963	367.00	179.83	187.17	It is stated that the figures for the 1966 are still subject to audit and hence the amount has not been remitted.
1964	339.00	101.70	237.30	
1965	490.00	161.70	328.30	
1966	499.50	162.85	336.65	

19. *M/s. Westinghouse Serby Farmer Pvt. Ltd, Calcutta*

The firm have informed that they have not so far paid any royalty to the foreign firm during the past four years ending 1966.

20. *M/s. Textool Co. Ltd., Coimbatore*

The firm have informed that there is a liability of royalty payment as prescribed in the standard agreement with the foreign firm during the past. The royalty sums due for the period 28-8-1964 to 31-12-1965 is £ 94-2-0. The royalty for the year 1966 has not been known yet from the foreign firm.

ANNEXURE V
D.O. No. RR5-2/67-68/460

R. B. SRIVASTAVA,
Asstt. Accounts Officer(R)

OFFICE OF THE ACCOUNTANT GENERAL,
CENTRAL REVENUES

New Delhi, the 23rd August, 1967

Dear Shri Ramanathan,

Kindly refer to your D.O. letter No. 3/10/66-PU dated 14-8-67 forwarding therewith two spare copies of the draft note proposed by the Ministry of Education (C.S.I.R.) pursuant to P.A.C.'s recommendation/conclusions at serial No. 6 to 14 of their 59th Report (Third Lok Sabha).

2. The draft note has been examined and the following remarks are offered :—

(i) *Serial Nos. 6, 13 and 14 :—*

In this connection please refer para 3 of my d.o. letter No. RR5-2/67-68/385 dated 3-8-67.

(ii) *Serial No. 12 :*

Reply to the recommendation is in the form of a statement (covering all the 13 cases) which contains the reasons on account of which foreign collaboration was allowed against the advice of CSIR. The above statement does not indicate in every case, the advice given by the CSIR against foreign collaboration. It is therefore, requested that this information may also please be furnished in the statement appended to the 'note'.

3. The draft note is returned herewith. The same may please be submitted to the Lok Sabha Secretariat after its revision on the lines suggested above.

Yours sincerely,
Sd/- R. B. SRIVASTAVA

Shri L. Ramanathan,
Under Secretary,
Government of India,
Ministry of Education,
C.S.I.R., Rafi Marg,
New Delhi.

ATTESTED
(L. Ramanathan)
Under Secretary

D.O. No. RR5-2/67-68/385

R. B. SRIVASTAVA,
Asstt. Accounts Officer(RR).

OFFICE OF THE ACCOUNTANT GENERAL,
CENTRAL REVENUES

New Delhi, the 3rd August, 1967

Dear Shri Ramanathan,

Kindly refer to Ministry of Education (CSIR) O.M. No. 3/10/66-PU dated 29-6-67 regarding 59th Report of the Public Accounts Committee (Third Lok Sabha).

2. As per para 9 of section I of the Procedure for dealing with and co-ordination of action on the reports of the P.A.C. and the Estimates Committee contained in standing Guard File published by the Ministry of Finance, all Ministries/Departments are required to send two spare copies of the draft note alongwith the supporting files while sending the draft note to the Accountant General, Central Revenues for use in the audit office. As the Council sent only one copy of the draft note a request for sending two spare copies of the same was made in this office u.o. No. RR5-2/67-68/238 dated 24-6-67. But inspite of this specific request only one copy of the note has been sent to this office. As the

vetting of the note has been held up for want of spare copies, I again request you to send immediately two spare copies of the draft note proposed by the Ministry pursuant to serial Nos. 6 to 14 of P.A.C's 59th Report—Third Lok Sabha.

3. As the vetting of the Ministry's note in respect of serial Nos. 6, 13 and 14 of the P.A.C's report referred to above is to be done by the Director of Commercial Audit; the same may please be sent (alongwith spare copies and other relevant records) to that Audit office for final vetting at this end.

4. I shall be thankful for an early action in the matter.

Yours sincerely,
Sd/- R. B. SRIVASTAVA

Shri L. Ramanathan,
Under Secretary (P),
Govt. of India, Ministry of Education,
(C.S.I.R.), Rafi Marg,
New Delhi.

ATTESTED
(L. Ramanathan)
Under Secretary

Recommendation

The Committee regret to note that none of the 156 processes patented in foreign countries between April, 1945 to October, 1965 could be released to industry in foreign countries. They feel that the reasons for which there was no demand for the processes in foreign countries should be looked into. The N.R.D.C. should also investigate why the agents appointed by them to sell these patents in foreign countries had failed in doing their job.

The Committee hope that efforts would be made to ensure the commercial exploitation of the processes patented abroad.

(Sl. No. 13 of the PAC's 59th Report—Third Lok Sabha).

Action taken

N.R.D.C. has been carefully looking into possible reasons because of which processes developed in India could not be licensed in foreign countries. The organisations with whom the NRDC have got reciprocal arrangements for the commercial exploitation of the Indian Patents in their respective countries, are well reputed organisations and there is absolutely no doubt their integrity and *bonafide*. The N.R.D.C. has been in correspondence with its counterparts in foreign countries for arranging commercial utilisation of processes in those countries. The technology in foreign countries is at a higher level than technology in this country and the reasons generally given by these bodies for non-licensing of Indian know-how is that there is no scope for exploitation of the particular processes in their countries. Under the circumstances, the question of investigation of non-implementation of Indian processes by foreign entrepreneurs does not arise.

Further Information

The position regarding the progress made by National Research Development Corporation for arranging commercial exploitations of processes patented abroad almost remains the same.

Recommendation

The Committee are unhappy at the inordinate delay in the commencement of production on the part of the firm concerned, with resultant loss of royalty to the Council. They are surprised that the Council entered into the agreement with the firm on the basis of fixed percentage as royalty on production. While it had no control over production. It was stated in evidence that the firm hoped to go into production in a few month's time. The Committee would like to be informed of the latest position.

The Committee suggested that the various processes developed by the Council should be taken back from the parties in case they fail to develop the same in one or two years. In such cases, the processes should be given to other parties who could develop the same quickly. Release of processes on an all exclusive basis be avoided, as far as possible. The Committee also desired that a review of all the processes so far developed should be conducted keeping in view of the above observations.

(Sl. No. 14 of 59th Report—Third Lok Sabha).

Action taken

M/s. Chemaux Private Limited, Bombay have already got the plant erected and necessary equipment has been installed. The firm in their letter dated 8-3-1967 have stated that they have already into production but the stock of raw materials held by them are not adequate for their purpose and if not replenished, would lead to the closure of plant for want of imported chemicals.

The present policy of the Corporation is to issue non-exclusive licences. Where, however, sufficient development work is needed by the party and the demand of the product is very small, exclusive licences are considered. Even in such cases, a clause has been incorporated in the licence agreement that if the party does not go into production within a stipulated period i.e. 1 to 2 years, the licence is automatically converted into non-exclusive. In many cases, the Corporation has converted exclusive licences into non-exclusive under the said clause and has thus been able to give the process to other suitable parties also. The Committee's observations are being implemented and followed while granting licences for commercial exploitation of the processes.

As regards conducting a review of all the processes so far developed keeping in view the recommendation of the P.A.C., it may be stated that the parties always keep the N.R.D.C. informed about the progress they are making in regard to utilisation of the processes. According to the agreement, if the bottlenecks are beyond the control of the Licensees, N.R.D.C. cannot terminate the license and when N.R.D.C. is convinced that the licensee is intentionally not making progress, it cancels their licence and offers it to others.

Further Information

M/s. Chemaux Private Limited, Bombay have decided to go in for foreign collaboration as they contend that they are facing difficulty in working the process developed at National Chemical Laboratory and licensed to them. However to avoid the controversy on the issue of NCL's know-how being not workable the Board decided as under to which the firm has agreed.

1. Refund of premium of Rs. 75,000/- paid by the firm.
2. Reduction of Royalty from 6½% to 3%.
3. Other terms of the agreement remain unaltered.

Recommendation

The financial accountability does not in any way clash with the academic freedom of the Central Universities. Further, Audit Reports of the Central Universities are placed in the Library of Parliament and as such are already available to the Members of Parliament. The Public Accounts Committee has been laying emphasis on the presentation to Parliament of the Audit Reports of the Central Universities from the year 1952-53 onwards. The Committee therefore would like to reiterate their observations contained in para 2.7 of their 52nd Report (1965-66) and suggest that the Audit Reports of the Central Universities should be presented to Parliament in future.

It was also deposed before the Committee by the witness that it was decided to wait for the Report of the Education Commission before taking a final decision in the matter. He further added that the report of the Education Commission had been received and was under consideration of the Government, and that he would place the whole matter before the Education Minister for a final decision. The Committee suggest that if necessary the matter may even be placed before the Cabinet. In this connection the Committee would like to draw the attention of the Ministry of Education to para 2.52 of their 52nd Report (1965-66) wherein the Committee have observed that if there is any difficulty in implementing the recommendation reiterated by the Committee, the matter should be submitted to the Cabinet and its decision communicated to the Committee.

(Serial No. 16 of Appendix XXIX to 59th report, 3rd Lok Sabha)

Action taken

As desired by the Public Accounts Committee, the matter was submitted to the Cabinet for decision. The Cabinet has decided that the present practice of not placing the audit reports on the accounts of the Central Universities before Parliament should be continued.

2. In so far as the Committee's observation that Audit Reports are available in Parliament Library is concerned, the position is that Annual Reports of Central Universities containing *inter alia* an account of revenue and expenditure are supplied to Parliament Library.

(Ministry of Education Memo No. F.12-29/65-U2 dated the March 14, 1968).

Recommendation

The Committee regret to note the delay in finalising the decision regarding the pending cases of rent-free accommodation. As the realisation of a

substantial amount as rent, water and electricity charges etc. is pending, the Committee desire that the action in this case should be expedited. They would like to be informed of the results of the action taken in this case. They would also like to be informed of the action taken in four cases of unauthorised occupations.

[Sl. No. 83 of Appendix XXIX to the 59th Report—Third Lok Sabha]

Action taken

Out of 4 cases of alleged unauthorised occupation, two cases relating to a Head Clerk and a case worker were, on further examination, found to be not actually cases of unauthorised occupation. Rent is being recovered from both of them at 10% of emoluments under F.R. 40-A. In one case, relating to the former Superintendent of Children's Home, the Directorate has decided to recover rent at 10% of the emoluments as the occupation in this case was also held to be not unauthorised. The 4th case of the former Principal, Government Lady Noyce School has been rejected by the Administration. The then Principal, Government Lady Noyce School, Delhi has been asked on 23-10-1968 for the payment of a sum of Rs. 13,283.85P due from him as arrears of House rent.

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Recommendation

The Committee do not find any justification for the Department of Archaeology to draw advances aggregating to Rs. 6.21 lakhs when a sum of Rs. 2.65 lakhs only had been sanctioned by Government for meeting expenditure on centenary celebrations. If expenditure was likely to exceed the amount sanctioned for the purpose, the Department should have obtained revised sanction of the Government. It is also beyond the comprehension of the Committee why the items of expenditure on centenary celebrations were clubbed together with other times (*viz.* normal contingencies of the Department) for which no sanction of the Ministry was required. The Committee are not convinced with the argument that all advances were drawn under the same head because of pressure of work. On the other hand, the Committee cannot discount the possibility that this method of booking expenditure might have been resorted to to meet excess expenditure on centenary celebrations as distinct from normal contingencies. They are also of the view that the interval of about 5 months between the date of sanction (August 1961) of the expenditure on celebrations and the actual celebrations (December 1961) was quite sufficient to have enabled the Department to follow the regular procedure. This clearly indicates that the Department was not careful enough to follow the regular procedure even when there was sufficient time at their disposal. The Committee would therefore urge that the matter should be thoroughly investigated and responsibility fixed for not following the regular procedure so that such things may not occur in future.

[S. No. 1 Appendix XXIX, Para 1.18 of 59th Report (Third Lok Sabha)]

Action taken

It was a mistake to have drawn the amount to the extent of Rs. 6.21 lakhs when the sanctioned amount under the head was Rs. 2.65 lakhs only. The Central Bureau of Investigation have already investigated into the matter and submitted a report which is under examination. Necessary action to fix responsibility in the observance of prescribed procedures will be taken as desired by the Committee after decisions are taken on the basis of the C.B.I.'s findings and the P.A.C. will be informed of the final position as early as possible.

[Ministry of Education O.M. No. F. 16/1/66-CAI(1), dated the 22nd November, 1968]

Recommendation

The Committee regret to note that even though centenary celebrations were held in December, 1961, it had not been possible for the Department to segregate the expenditure till March, 1963, when vouchers were taken away by Special Police Establishment. The Committee feel that there was a complete lack of proper accounting of the expenditure by the Department

in this case. The Committee desire that the Department should segregate the expenditure on Centenary celebration immediately.

[S. No. 2 Appendix XXIX, Para 1.31 of 59th Report (Third Lok Sabha)]

Action taken

The vouchers and other documents are still with the Special Police Establishment. As soon as the papers are released, the expenditure on centenary celebrations will be segregated and the Public Accounts Committee will be informed of the final position in due course.

[Ministry of Education O.M. No. F. 16/1/66-CAI(1), dated the 22nd November, 1968]

Recommendation

The Committee are not convinced that the expenditure in excess of Rs. 2.65 lakhs was under the permissible head and did not require special sanction. From the evidence before the Committee it is quite clear that the entire amount was spent on exhibition or centenary celebrations one way or the other. In the opinion of the Committee the full amount of Rs. 6.21 lakhs should have been properly sanctioned before spending it.

[S. No. 2 Appendix XXIX, Para 1.32 of 59th Report (Third Lok Sabha)]

Action taken

As already explained in Appendix I to the 59th Report of the Public Accounts Committee, a portion of the sum of Rs. 2.08 lakhs under the head 'normal contingencies' was clearly spent on non-centenary items. Further, the total amount of Rs. 6.21 lakhs drawn as advances also included expenditure incurred on the meeting of the Central Advisory Board of Archaeology, convocation of the Survey's School of Archaeology, participation in Republic Day programme and International conference on Asian Archaeology. Besides these items, there were other items of miscellaneous character, expenditure on which was not related to the centenary celebrations. Although, in the absence of vouchers, it has not been possible to segregate the amount spent on centenary celebrations from other items of contingencies, it is abundantly clear that the entire amount of Rs. 6.21 lakhs cannot be treated as having been spent on exhibition or centenary celebrations in one way or the other. As stated in reply to para 1.31 of the Public Accounts Committee's report, the amount will be segregated after the vouchers have been released by the Special Police Establishment. The Public Accounts Committee will be informed of the final position in due course.

[Ministry of Education O.M. No. F. 16/1/66-CAI(1), dated the 22nd November, 1968]

Recommendation

The Committee are of the view that the Department's failure to observe the prescribed rules and regulations regarding the grant of sanctions and the drawal of advances, has led to various serious irregularities in this case. This, coupled with lack of proper supervision and control on the part of the supervisory staff and inadequate accounting arrangements has given rise to a suspicion that there was large-scale misutilisation/misappropriation of funds. A glaring example of lack of supervision on the part of the

authorities is the handling of the contract for hiring of electrical goods. It is unbelievable that an amount of Rs. 1.61 lakhs could be spent on hiring of the electrical goods the total value of which was only Rs. 52,000/-. What is more surprising are the facts that no open tenders were invited, and the work of receiving quotations was entrusted to a non-gazetted official. Further no effort was made to verify the correctness of the quotations at any time, nor any written record had been maintained regarding the acceptance of the contract, nor written approval of any officer competent to sanction the contract was obtained. The Committee take a serious view of these lapses.

[S. No. 3 Appendix XXIX, Para 1.42 of 59th Report (Third Lok Sabha)]

Action taken

The observations of the Committee have been noted. Necessary steps are being taken to rectify the defects in the system of making purchases and the Public Accounts Committee will be informed of the final position in due course.

[Ministry of Education O.M. No. F. 16/1/66-CAI(1), dated the 22nd November, 1968]

Recommendation

It was stated during evidence that malpractices and irregularities were suspected to have been going on since 1957. The Committee are surprised to learn how in a Government Department such malpractices etc. could go on unnoticed till 1965 i.e., for more than 8 years. They are, therefore, of the opinion that this case also shows lack of proper supervision and control on the part of the higher authorities.

[S. No. 4 Appendix XXIX, Para 1.52 of 59th Report (Third Lok Sabha)]

Action taken

According to investigations made by the Central Bureau of Investigation misappropriation of Government moneys in Madras Circle, took place during March, 1963 to January, 1965. The report of the Central Bureau of Investigation which was received on the 2nd May, 1967. Acting on the C.B.I. report, an Assistant Superintendent, two Conservation Assistants and one Accountant-cum-Cashier have been prosecuted on charges of misappropriation of public funds, and the cases are now pending in courts. Departmental action, where necessary can be taken only after the court judgement is received. Public Accounts Committee will be informed of the final position as early as possible.

(Audit could not verify the factual position on account of non-availability of records).

[Ministry of Education O.M. No. F. 16/1/66-CAI(1), dated the 22nd November, 1968]

Recommendation

The Committee would like to be informed of the outcome of the case filed by the Special Police Establishment against the Cashier-cum-Accountant, the Superintendent of the Archaeological Survey of India and the

Assistant Superintendent-in-charge. The Committee would also like to be informed whether the case was investigated departmentally and if so, with what results.

[S. No. 4 Appendix XXIX, Para 1.54 of 59th Report (Third Lok Sabha)]

Action taken

After making thorough investigations in the case the Central Bureau of Investigation have come to the conclusion on the 2nd May, 1967 that the allegations against the Assistant Superintendent, Cashier-cum-Accountant and two Concernation Assistants of the Madras Circle for dishonestly and fraudulently misappropriating Government moneys are sufficiently proved to prosecute them in a court of law. The officials have since been prosecuted and the cases are pending in Court. Such departmental action as may be necessary against the officers will be initiated after the Court's judgement becomes available.

The audit could not verify the factual position on account of non-availability of records.

[Ministry of Education O.M. No. F. 16/1/66-CA1(1), dated the 22nd November, 1968]

MINISTRY OF EDUCATION

COUNCIL OF SCIENTIFIC & INDUSTRIAL RESEARCH

SUBJECT :—Public Accounts Committee—1966-67, Fifty-ninth Report (Third Lok Sabha).

Recommendation

As admitted by the C.S.I.R., during the course of evidence, the Committee regard this contract as a very unfortunate one. The Council and the N.R.D.C. with the help of their experts, should have carefully judged the ability of the party in question to carry out the job before awarding the contract. The failure of the NPL and the NRDC to carry out their obligations to supply them with the plant in time and in a working condition is also regrettable.

The Committee note from evidence that a new party has been selected to undertake the work and that production is expected to commence shortly. They would like to be informed of the date on which production actually commences and the date from which the import of the cinema Projector Carbons is stopped.

[Sl. No. 6 of 59th Report—Third Lok Sabha]

Action taken

When negotiations with M/s. B. S. Gupta & Sons of Calcutta proved infructuous, it was decided to invite other Industries by circulating the process on 15th November, 1965. In response to the circular, three offers for undertaking the commercial development of the process have been received and are under the consideration of the N.R.D.C. At the present stage, it would not be possible to forecast when exactly the production will be established. The question of stopping the imports will also arise only when adequate indigenous production is established.

Further Information

The various offers received so far for undertaking the commercial development of the know-how on Cinema Projector Carbons were considered by the National Research Development Corporation and it was decided that in addition to cinema Projector Carbons the other products like (i) Photo Process Carbons and (ii) Search Light Carbons should be licensed together on the following terms and conditions to M/s. Alpha (Impex) Corporation, Delhi :

Lumpsum Premium : Rs. 10,000/-.

Recurring Royalty : 2% on sale of all the products.

Nature of licence : Non-exclusive.

Period of Licence : 14 years.

No other licence will be issued during the first three years.

The firm has conveyed its acceptance to the above terms, however, the remittance of Rs. 10,000/- is awaited.

Recommendation

It is not clear to the Committee why the amount of Rs. 1.05 lakhs was deposited by the Council at their own initiative with the State Government without any demand from them. The Committee feel that the Council's decision to make advance payment for the land was premature and was taken without having full knowledge of the financial implications of the transaction. The Committee are only left with the impression that the officer concerned deposited this amount of Rs. 1.05 lakhs at the end of March, 1962 with a view to avoid lapse of funds. They hope that such instances would be avoided in future.

It is also learnt from the note furnished by the Ministry (Appendix III) that the acquisition proceedings have not yet been finalised. The Committee regret to note the delay of over 4 years which has taken place for the acquisition of land in this case. They desire that the Council should take up the matter with the State Government to expedite the acquisition to be approximately Rs. 750/- per acre plus statutory allowance and establishment charges in March, 1962, was now being indicated at Rs. 1,750 - per acre.

[Sl. No. 8 of 59th Report—Third Lok Sabha]

Action taken

The observations made by the Committee have been brought to the notice of the Directors/Heads of the National Laboratories/Institutes for their guidance *vide* letter No. 3/10/66-PU, dated 15th June, 1967. copy enclosed (Annexure II). The Central Food Technological Research Institute, Mysore has been asked to take up the matter with the State Government with a view to expediting the finalisation of the acquisition proceedings.

Further Information

S. No. 8 :

The Director, Central Food Technological Research Institute, Mysore is actively pursuing with the City Improvement Trust Board, Mysore for acquisition of the land for the Institute.

COUNCIL OF SCIENTIFIC & INDUSTRIAL RESEARCH

No. 3/10/66-PU.

Rafi Marg.
New Delhi, 15th June, 1967

From

The Secretary,
Council of Scientific and Industrial Research.

To

The Directors/Heads of the National Laboratories Institutes/Co-operative Research Associations.

SUBJECT :—*Premature payments—59th Report of the Public Accounts Committee (Third Lok Sabha).*

Sir,

The Public Accounts Committee in its 59th Report has referred to a case in which a national laboratory made advance payment towards acquisition of land without any demand from the State Government and without having full knowledge of the financial implications of the transaction. The Public Accounts Committee has observed that the amount was deposited at the end of the financial year with a view to avoiding lapse of funds.

The observations of the Committee may kindly be noted for future guidance so as to ensure that such instances do not recur.

Yours faithfully,
Sd/- L. RAMANATHAN,
Under Secretary

Copy to : Budget & Accounts Officer, CSIR.

2. Engineering Section.
3. Purchase Section.
4. D. S. (W).
5. Committee Section.

*Under Secretary***Recommendation**

The Committee take a serious view of the embezzlement of about Rs. 96,000 in the Department of Animal Husbandry, Delhi which took place during June, 1962 to September, 1964. This embezzlement arose primarily out of non-observance of the rules prescribed in the Central Treasury Rules regarding the maintenance of the Cash Books by Drawing & Disbursing Officers. The fact that this embezzlement could not be

detected for a period of about 2 years, shows carelessness and negligence on the part of the Drawing & Disbursing Officer and also on the supervisory officer. If the prescribed rules had been observed properly, this embezzlement would easily have been detected if not avoided. The Committee would like to know the action taken against the Drawing & Disbursing Officers in this case for their negligence. They would also like to be apprised of the results of prosecution launched against the Cashier.

[S. No. 27 Para No. 2.15—Fifty Ninth Report—Third Lok Sabha of P.A.C. 1966-67]

Action taken

The Deputy Warden of Fisheries, was the Drawing & Disbursing Officer for the period covered by the embezzlement except for one month. He was charge-sheeted in consultation with Central Vigilance Commission. An inquiry was held by the Commissioner for Departmental Enquiries of the Central Vigilance Commission, and the punishment of withholding of one increment with commulative effect was imposed on him vide Chief Secretary, Delhi Administration's order dated 7-9-1967 Annexure I (Copy enclosed). The Deputy Warden of Fisheries filed an appeal against those orders and subsequently the punishment was reduced to "Censure" by the Lt. Governor vide his order No. F. 13/2/68-SA, dated 23-4-68 (Copy enclosed)—Annexure II.

The other Officer who acted as Drawing & Disbursing Officer for one month during the period covered by the embezzlement was the Rinderpest Officer. He was on deputation from the Government of Punjab and has since been reverted to his parent State. Charges have also been framed against him and forwarded to the Punjab Government for further necessary action.

The criminal case against the cashier was lodged in the court and has been decided on 21-3-1968.

In Challan No. 41 the Cashier was sentenced under Section 409 I.P.C. to rigorous imprisonment for 5 years and a fine of Rs. 45,000 and in default of payment of fine he was to undergo rigorous imprisonment for 1½ years and under Section 5(2) of the Prevention of Corruption Act he was further sentenced to 5 years rigorous imprisonment and under Section 477(A) I.P.C. he was sentenced to 2½ years. All these three substantive sentences were to run concurrently.

In Challan No. 42 the Cashier was sentenced under Section 409 I.P.C. to rigorous imprisonment for 5 years and a fine of Rs. 36,000 and in default of payment of fine he would undergo further imprisonment for 1½ years and under Section 5(2) of the Prevention of Corruption Act he was sentenced to 5 years rigorous imprisonment and under Sec. 477(A) I.P.C. he was sentenced to 2½ years rigorous imprisonment. All the three substantive sentences of this case and of Challan No. 41 were to run concurrently.

A copy of the judgement is still awaited. It will be sent to the P.A.C. when received. The result of the Departmental proceedings against the Rinderpest Officer will also be communicated to the P.A.C. when received from the Punjab Government.

ANNEXURE—II

DELHI ADMINISTRATION, DELHI

No. F. 13(2)/68-SA.

Dated the April, 68.

Shri R. B. Raizada, Deputy Warden of Fisheries, Delhi has come in appeal against the order of Chief Secretary Delhi Administration, Delhi dated the 7th Sept., 67 imposing on him the penalty of with-holding one annual increment with cumulative effect on the charges as given in annexure (I).

2. The appeal has been preferred on the grounds that he was technical officer and could not be required to perform the duties of a drawing and disbursing officer unless he had been fully trained in accounts by the Govt.

3. I have given due consideration to the grounds of appeal. It is clear that there has been no *malafide* intention or misconduct on the part of Shri Raizada. He has been only accused of carelessness for which a penalty of withholding of an annual increment with cumulative effect has been imposed on him. While imposing the penalty, the fact that Shri Raizada was a technical Officer having no specialised knowledge of accounts and that he had not been given any training in accounts before burdening him with functions and duties of drawing and disbursing officer, had not been considered. Since the duties were to be performed by a technical officer not much conversent with the nature of the work involved in the maintenance of accounts with a heavy turnover, the Head of Department should have ensured that necessary assistance and guidance and also trained staff were provided to Shri Raizada.

4. Although Government has been made to suffer on this account, I am of the opinion that Shri Raizada should have been treated more leniently in view of the circumstances in which he performed his duties as drawing and disbursing Officer. I, therefore, allow the appeal and reduce the punishment imposed on Shri Raizada to that of censure.

Sd/- A. N. JHA,
Lt. Governor, Delhi

No. F. 13/2/68-SA.

Dated the 23rd April, 68.

Copy also forwarded for information & n/a to:—

1. Shri C. M. Narayanan, Deputy Secretary, Central Vigilance Commission, New Delhi.
2. Secretary (Development), Delhi Admn.
3. Development Commissioner, Delhi.
4. Deputy Secretary (Services), Delhi Admn., Delhi.
5. A.G.C.R., New Delhi.
6. Treasury Officer, Delhi, in continuation of this Administration order No. F. 7(9)/66-V, dated the 7th September, 1967.

Sd/- A. N. JHA,
Lt. Governor, Delhi

Recommendation

The Committee are sorry to observe that only 6 days before the arrival of the goods a request for the supply of the power crane of 10 ton capacity to unload the wagons was made to the Railways. This shows that either the necessity of the power-crane was not felt or the concerned officer was complacent and did not care to apply for its early supply. It is also surprising that the concerned officer remained unaware of the revised rules of demurrage which had come into operation about six weeks earlier. The Committee cannot understand why the goods were not cleared with the hand operated crane as after all the weight of each pipe was only .03 tons. They regret that due to this failure the Ministry had to suffer a loss of Rs. 52,5000 by way of demurrage paid to the Railways.

The Committee would like to be apprised of the action taken against the officer concerned.

[S. No. 32 of Appendix XXIX of 59th Report (3rd Lok Sabha)]

Action taken

The explanation furnished by the Officer concerned is under consideration. The Committee will be informed of the final decision in due course.

Recommendation

The Committee are not happy to note that at the end of August, 1965, audit and utilisation certificates covering Rs. 1.93 lakhs were outstanding in respect of 17 cases of grant-in-aid paid from 1956-57 to 1962-63. The subsequent progress in obtaining these certificates is also not satisfactory. The Committee would like that vigorous efforts may be made to obtain these outstanding certificates and to avoid such arrears accumulating again.

[S. No. 40 of Appendix XXIX (Para 2.103) to the 59th Report
(Third Lok Sabha)]

Action taken

Out of 17 cases of audit and utilisation certificates pending at the end of August, 1965, in respect of grants-in-aid paid by the erstwhile Indian Central Arecanut Committee, from 1956-57 to 1962-63 audit and utilisation certificate have since been received in respect of 13 cases. Only four audit and utilisation certificates in respect of grants paid for the period 1960-61 to 1962-63 are pending covering an amount of Rs. 49,341.00. Of these, three certificates are due from the Accountant General, Orissa, Bhubaneswar (for Rs. 29,041) and one from the Accountant General, Maharashtra (for Rs. 20,300), but which were outstanding for want of details from the State Governments. Regarding audit certificates from Accountant General, Orissa, the matter is under correspondence between the Accountant General, Orissa and the State departmental authorities. The authorities concerned are being reminded regularly. As regards that from Maharashtra, the State departmental authorities have furnished details to Accountant General, Maharashtra for issuing audit certificate covering Rs. 20,300. It is expected that Accountant General, Maharashtra would issue the same early.

Date : 4th May, 1967.

[No. 3—10/67 Com. Instt. II].

Recommendations

The Committee regret to note that while the supply of seed coconuts to the States of West Bengal & Assam started in October, 1959, the erstwhile Indian Central Coconut Committee asked those states in July, 1962 i.e., after a period of 2½ years of the inception of the Scheme to furnish the particulars of the sale of seedlings effected by them & to arrange credit to the Coconut Committee of its share of the sale proceeds. They also regret to observe that the State Governments of West Bengal & Assam did not respond to the repeated reminders and D.O. letters of the Coconut Committee for years together.

From the note the Committee are surprised to find that the State Governments of West Bengal & Assam have failed to furnish statements showing the Seedlings raised and sold and the receipts realised till date.

The Committee are also surprised to learn that although the share of the Coconut Committee out of the sale proceeds of seedlings was about Rs. 5 lakhs up to July, 1965 nothing has been credited to the accounts of the erstwhile Coconut Committee till this date.

[S. No. 41 of Appendix XXIX (Paras 2.109, 2.110 & 2.111) to the 59th Report (Third Lok Sabha)].

Action taken

It takes time to raise seedlings from seed nuts and it was a laborious process to distribute them to growers and hence allowance had to be made before the details of supply could be asked for from the State Governments concerned by the defunct Committee.

The West Bengal Government, has furnished a list of seed nuts received, seedlings raised, distributed, amount realised and Committee's share of receipts. They have stated that the Committee's share of receipts amounting to Rs. 2,06,614.92 has been remitted into the treasury. There is some discrepancy between the Director of Agriculture West Bengal figures and that of the Accountant General. The Committee's share of receipts are likely to be realised on reconciliation of the figures.

The Assam Government has been reminded on 26th July, 1967 to expedite information about Seednut Scheme.

[No. F. 1-2/67-Com. Instt. II./dated 5th September, 1967.]

Recommendations

The Committee are of the view that in cases where money is to be realised and the other parties do not respond inspite of repeated reminders for years some drastic steps should be taken against them to realise the money.

The Committee desire that this matter may be vigorously pursued at the appropriate level to obtain the share of the erstwhile Coconut Committee and they may be apprised of the results achieved in this direction.

[S. No. 41 of Appendix XXIX (Paras 2.112 & 2.113) to the 59th Report (Third Lok Sabha)].

Action taken

Vigorous steps have been taken to expedite the refund of the amounts due to the defunct Committee, and the State Government have been addressed in this connection, which will be followed up. A separate cell has been specially created for this purpose in the Council and the Committee will be apprised of the results achieved in this respect.

Dated : 5th September, 1967.

[No. F. 1-2/67-Com. Instt. II, dated 5th September 1967].

Supplementary note

The Officer-in-Charge of the separate cell specially created in the Council visited West Bengal and Assam States during December, 1968 and returned to headquarters on the 22nd night. The latest position as a result of his visit to these states is given below :—

WEST BENGAL :

After personal contacts with the Deputy Secretary, Agriculture and Community Development Department, the Coconut Development Officer, the Potato Development Officer, and the A.G., West Bengal, it was ascertained that the verification of the credits of the sum of Rs. 4,73,100.50 paise due to the Council is presenting a lot of difficulty as in most cases these receipts were credited in the sub-treasuries. The A.G. has booked the consolidated figures treasury-wise and not sub-treasury-wise. Before he could verify the credit of these amounts in his books, he wanted particulars of the figures treasury-wise. From the challans of credits available with the Department, it has been possible so far for the A.G. to verify the credits to the extent of Rs. 1,53,166.40 as 50 per cent share of receipts from the sale of Coconut seedlings payable to the Council. Letter No. BS.I/LF.II/471, dated 11th December, 1968 was obtained from the A.G., West Bengal addressed to the Deputy Secretary to the Govt. of West Bengal, Agriculture & C. D. Department, enclosing a statement showing year-wise amounts of the deposits as appear in the books of the A.G. The A.G. has requested the State Government to issue necessary orders and take steps with regard to the payment of the amount of Rs. 1,53,166.40 paise verified by him, to the Council at an early date. This letter has been delivered to the Deputy Secretary and Government orders for the refund of this amount to the Council are awaited shortly.

As regards the verification of the balance due to the Committee, the State Government has issued orders to the District Collectors to instruct the district Treasury Officers to furnish the particulars of the challans of the credits to the Coconut Development Officer who is being deputed specially for the purpose to collect the information to enable the A.G. to verify the credits of the balance amount.

ASSAM

The figure of the sale of the coconut seedlings up to the year 1963-64 has been finalised only. According to the statement prepared by the Horticulturist of the Assam Government, 1,70,557 seedlings raised from the seed coconuts supplied by the defunct Coconut Committee, had been sold and share of receipts at 50 paise per seedling due to the Council, works out to Rs. 85,278.50 paise. This, however, does not include the figures for Ulubari and six other nurseries. The figures have been got verified from the A.G.,

Assam & Nagaland, Shillong and proposals for the remittance of the said amount to the Council have been submitted by the Director of Agriculture in his letter No. RES/61/Pt., dated the 20th December, 1968. Orders regarding this remittance are expected in the next few weeks.

As regards the figures of the amounts due to the Council for the years subsequent to 1963-64, the information is awaited by the Director of Agriculture from a few Officers and further expeditious action has been promised.

Further Information

The discrepancies noticed in the statement furnished by the West Bengal Government were pointed out to the Secretary to the Government of West Bengal, Agriculture Department, demi-officially on 5th September, 1967 explaining the urgency of the case and seeking his personal intervention in the matter to expedite the amounts due from them. It was followed up by D.O. letter, dated the 8th November 1967. The State Government advised the A.G., West Bengal in their letter, dated the 18th November, 1967, to arrange remittance of the amounts due to the Council without any further delay. The A.G. in reply on 29th November, 1967 requested the Government to furnish month and treasury-wise statement from 1961-62 to 1965-66 of the receipts realised to enable him to locate the discrepancies and make necessary adjustments up to 1965-66. The State Government were again requested demi-officially on the 30th December, 1967 to intimate the correct position of the seed nuts supplied and the number of seedlings raised and distributed etc. to the Council, in case the examination promised by them with respect to the discrepancies pointed out by us, had been completed. They were also advised to furnish the month and treasury-wise statement of the recoveries, to the A.G. to enable him to remit the amount to the Council. They were again reminded demi-officially on the 23rd March, 1968. The Secretary, I.C.A.R. personally took up the matter with the State Government in April, 1968, in order to expedite the recovery of the dues. As a result thereof, the State Government issued instructions to the District Treasury Officers for helping their Officers who were detailed for the purpose to furnish District Treasury Challan Nos. against the credits made in the sub-treasuries. Whatever statement of the treasury challan Nos. were available with the State Government, were forwarded to the A.G. for crediting the amount in favour of the Committee. The State Government promised to send the remaining challan Nos. to the A.G., as soon as collected.

The State Government furnished the final statement showing the year-wise details of the seed nuts supplied from 1959-60 to 1964-65, seedlings raised, distribution thereof, sale proceeds recovered and the Committee's share thereof with their letter, dated the 4th May, 1968. They also intimated that all possible efforts are being made to overcome the difficulties and to finalise the matter by remitting the amount due to the Council through the A.G., West Bengal, as early as possible. According to this final statement, 50 per cent share out of the sale proceeds of the Coconut seedlings to be paid to the Committee by the State Government works out to Rs. 4,73,100.50 paise. The State Government, has demi-officially, been requested on 19th August, 1968 to complete the formalities and to remit the amount due to the Council on top priority basis. The State Government were telegraphically reminded on 27th September, 1968 to expedite the amount due. They have again been demi-officially reminded on the 3rd October, 1968.

As the State Government of Assam did not respond to the D.O. letters addressed on the 17th June and 26th July, 1967, the matter was taken up with the Secretary to the Government of Assam, Agriculture Department, demi-officially on the 15th September, 1967. He was telegraphically reminded on the 6th October 1967, to expedite the information. This was followed up by D.O. letters, dated the 10th October and 23rd November, 1967. One of the Officers visited Assam and discussed the matter in February, 1968, with the Secretary to the Government, Agriculture Department. He was informed that the information had to be collected from a large number of nurseries all over the State which is taking time, and that his Office will give priority to this case. As the information was not received within the stipulated period, he was demi-officially reminded on the 6th May 1968, 7th August, 1968 and 24th September, 1968. This was followed up by a telegram on the 27th September, 1968, and a D.O. letter on the 9th October, 1968. The State Government has now furnished the information regarding the sale proceeds of the seedlings during the year 1964-65 only, according to which the Council's share for that year works out to Rs. 36,838.82. paise. The matter has been taken up with the State Government to furnish information for all the years since the inception of the scheme in 1959-60 up to 1967-68 and expedite remittance of the amount due to the Council.

The Officer, in charge of the separate cell specially created in the Council to finalise the schemes accounts of the defunct Commodity Committees was to visit West Bengal and Assam specially for expediting the dues from the two State Governments under this scheme in October, 1968. As the State Governments were busy with the relief measures in connection with the unprecedented floods in the Eastern region, his visit has been postponed till conditions return to normal. A final report in the matter will be submitted in due course after his visit to these states.

[No. F. 1(32)]68-Com. A/Cs.].

Recommendation

The Committee trust that outstanding audit certificates would be received soon.

[Sl. No. 43 (Para 2.125) of Appendix XXIX of 59th Report
(Third Lok Sabha)].

Action taken

The net balance for which Audit Certificates in respect of the period up to 1963-64 are now outstanding is Rs. 17,43,092. After the abolition of the Indian Central Oilseeds Committee, with effect from 1st April, 1966 a special cell has been constituted in the ICAR which is the successor body of the Committee. Efforts are being made to obtain the outstanding Audit Certificates.

No. 8-46/65Com. Instt./C, dated 3-3-1967.]

Further Information

Strenuous efforts have all along been made by the special cell constituted in the I.C.A.R. for the finalization of the Scheme accounts of the Commodity Committees. The net balance for which audit certificates in respect of the

period up to 1963-64 are now outstanding is Rs. 4,65,840.78 paise. Efforts are being made to obtain the remaining audit certificates by taking up the matter demi-officially as well as by personal contacts with the State Governments/Accountants General, concerned.

[F. 1(32)/68-Com. A/CS dt. 7-11-1968]

Recovery of balance

The Committee are surprised to find that Rs. 2.51 lakhs remains unutilised with the State Governments out of the grants paid to them during 1955-56 to 1963-64. The Committee would like the Ministry to ensure that the unutilised portions of grants are promptly refunded by the State Governments concerned. The Committee would like to be informed of the position of recovery of the balance of Rs. 1,29,000.

[Sl. No. 44 (Para 2.127) of Appendix XXIX of 59th Report (Third Lok Sabha)].

Action taken

The special cell, already constituted under the I.C.A.R. is taking steps to recover the outstanding amount of Rs. 1,29,000. Periodical reminders are being issued to the concerned State Governments.

[No. 8-46/65-Com. Instt.I., dated 3rd March, 1967].

Further Information

A sum of Rs. 27,548.07 has since been recovered. Orders have been passed by the State Governments for the refund of Rs. 33,393.08 and the amount is expected shortly from the respective Accountants General. Vigorous efforts are being made to recover the balance of Rs. 68,058.85 by taking up the matter demi-officially at the appropriate level and by personal contacts.

[No. F. 1(32)/68-Com. A/Cs., dated November 7, 1968].

Recovery of balance

The Committee regret to note from the list showing the amounts paid to the C.P.W.D. for construction of works, adjustment made and the balances to be accounted for as furnished by the Ministry that Rs. 17,81,774 are still to be adjusted. They are also surprised to find that although money had been advanced to the C.P.W.D. by the erstwhile Indian Central Tobacco Committee, in one case work was still pending completion since 1955-56 and in another case since 1957-58.

The Committee would like the Ministry to enquire into the reasons for the delay in completion of work by the C.P.W.D. and to ascertain what efforts, if any, were made by the erstwhile Tobacco Committee to get them executed in time. The Committee desire that responsibility should be fixed for this long delay and suitable remedial measures be taken to avoid recurrence of such delays in future.

[Sl. No. 45 of Appendix XXIX (Para 2.132) to the 59th Report (Third Lok Sabha)].

Action taken

For the deposits paid to the various Central Public Works Department Divisions up to the end of 1964-65, that department has to render accounts for a total amount of Rs. 5.50 lakhs up to 1966-67 as shown below :—

	Rs.
1. Central Tobacco Research Institute, Rajahmundry	
(a) Civil Works	3,66,902
(b) Electrical	43,764
2. Wrapper & Hookah Tobacco Research Station, Dinhata	6,777
3. Tobacco Research Station, Pusa	96,399
4. Cigar & Cheroot Tobacco Research Station, Veda sandur	15,556
5. Tobacco Research Station, Hunsur	21,018
TOTAL	5,50,256

The works were being continuously carried on at the Central Tobacco Research Institute, Rajahmundry. The delay in rendering the accounts by Central Public Works Department and audit in respect of the amounts shown against Central Tobacco Research Institute, Rajahmundry is mainly due to the closure/amalgamation and bifurcation of the Central Public Works Department Divisions.

The present position is that the concerned Divisions of the Central Public Works Department are in the process of getting their figures of expenditure reconciled with those of the Accountant General, Madras and the exact position regarding the actual amount to be refunded can be known only when the figures of all the divisions are got reconciled with those of the Accountant General, Madras. The Madras Central Division (South) has already got the expenditure for 39 works reconciled with those of the Accountant General and has submitted expenditure statement for another 14 works to the Accountant General, Madras for reconciliation.

The Executive Engineer, Central Electrical Division, Central Public Works Department, Madras has furnished a statement of account for Rs. 40,386 stating that the refund of the unspent balance could not be made as the expenditure could not be fully reconciled with the Audit so far.

The Executive Engineer, Central Public Works Department, Gangtok has intimated that an expenditure of Rs. 10,228/43 has been incurred up to December, 1967 for the works at the Wrapper & Hookah Tobacco Research Station, Dinhata and hence there is only a minus balance with him. The figure is under verification.

As regards the Tobacco Research Station, Pusa accounts have been rendered up to 31st March, 1968. The Executive Engineer, Central Public Works Department, Dhanbad has rendered accounts to the tune of Rs. 8,199/32 duly verified, during 1967-68 leaving a balance of Rs. 88,140 to be accounted for. Some works are still in progress. Action to get the balance refunded will be taken as soon as the works at the Station are completed.

Expenditure incurred during 1967-68 in respect of the works at the Cigar & Cheroot Tobacco Research Station, Veda sandur is awaited from the concerned Executive Engineer.

The Executive Engineer, K. R. Nagar Division, K. R. Nagar has furnished the statement of expenditure incurred in respect of the deposits made for the construction works at the Tobacco Research Station, Hunsur up to September, 1967 to the Accountant General, Mysore for reconciliation and issue of Audit Certificates and completion reports. The matter is in active correspondence between the Accountant General, Mysore and the Executive Engineer, K. R. Nagar Division, K. R. Nagar.

The construction of a Glass House and the installation of Automatic Chlorination equipment at Central Tobacco Research Institute, Rajahmundry have been unduly delayed. As regards the construction of Glass House for which amount was paid in 1957-58 it may be mentioned that this is a very specialised item of work and could not be taken up by the Central Public Works Department for want of experienced contractors for this type of work. This necessitated evolving of a suitable design after examining the plans of Glass Houses constructed at Indian Agricultural Research Institute etc., in consultation with the Central Public Works Department. This too contributed to the delay in construction. The latest position is that the construction of the Glass House was started in November, 1967 and is in progress.

For the second item of work viz. installation of Automatic Chlorination equipment the amount was deposited in 1955-56. This work also could not be completed owing to the (i) late supply of the equipment; (ii) rejection of tenders and later on no response to the invitation of tenders a number of times for providing housing for keeping the equipment and (iii) complicated nature of the work. The work has since been completed in May, 1966 and the plant taken over. The Superintending Engineer has however been asked by the Chief Engineer (Nagpur) to investigate and fix responsibility for the delay.

It will thus be seen that the above two items of work were unduly delayed mainly owing to their specialised nature and dearth of experienced contractors.

The amount for which the accounts are to be submitted by the Central Public Works Department now comes to only Rs. 5.35 lakhs as on 31st March, 1968. There are three deposits amounting to Rs. 1,85,238 made during the year 1965-66 as referred to in Appendix XV of the 59th Report. These relate to (i) construction of Culverts, Farm Stead Buildings Rs. 1,587, (ii) Repairs to damaged portions of Central Tobacco Research Institute, building Rajahmundry Rs. 2,265 and (iii) Construction of building at Cigar and Cheroot Tobacco Research Station, Veda sandur Rs. 1,81,386. All the three works have been completed. For the last item Accounts have been rendered up to April, 1968 and there is a balance of Rs. 32,945 for which account has to be received. Accounts are still awaited in respect of the other two items. The concerned Executive Engineers are being regularly addressed for rendering the accounts.

[No. F. 5-11/67-Com. Instt. II, dated 15-7-1968].

Further Information

For the deposits made with the various Central Public Works Department Division up to the end of 1964-65, that Department has to render

accounts for a total amount of Rs. 5.50 lakhs up to 1966-67 as under :—

	Rs.
1. Central Tobacco Research Institute, Rajahmundry.	
(a) Civil Works	3,66,902
(b) Electrical	43,764
2. Wrapper & Hookah Tobacco Research Station, Dinahata	6,677
3. Tobacco Research Station, Pusa	96,339
4. Cigar & Cheroot Tobacco Research Station, Veda sandur	15,556
5. Tobacco Research Station, Hunsur	21,018
TOTAL	5,50,256

The expenditure on items 2 and 3 above has been completely reconciled. The Executive Engineer, C.P.W.D. Gangtok has intimated that he has incurred an additional expenditure of Rs. 21,726/- during 1967-68 for the works at the Wrapper & Hookah Tobacco Research Station, Dinahata. Against the sum of Rs. 6,677/- which the C.P.W.D. had to account for, the C.T.R.I. has now to pay Rs. 15,048/- to the C.P.W.D. Hence the advance of Rs. 6,677/- to C.P.W.D. has been fully accounted for.

3. Regarding the Tobacco Research Station, Pusa, accounts have been rendered by the C.P.W.D. to show that the deposits paid up to the end of 1964-65 have been fully utilised. Thus the balance of Rs. 88,140/- which was to be accounted for has been fully settled.

Item 1(a) Civil Works

The A.G. Madras has stated that expenditure in respect of 14 works (mentioned in the previous note of July, 1968 to P.A.C.) in Madras Central (South) have been verified and reconciled completely. The Executive Engineer, North Madras has been addressed by him regarding other works. The expenditure statement when received from the A.G. will indicate the position about accounting of the sums advanced in this connection.

Item (b) Electrical Works

The matter was taken up with the S.E. Electrical Circle and he wrote a personal letter to the Executive Engineer on 5-9-1968. The Executive Engineer (Electrical) requested for copies of approved estimates in his letter dated 5th October, 1968. Full details of transactions and copies of previous correspondence were furnished on 10th October, 1968 by the Institute. The Executive Engineer, Central Electrical Division, Madras, was last reminded on 6th December, 1968 for reconciliation of the figures and for accounting the outstanding amount advanced, as the works have been completed.

The delay in rendering accounts by C.P.W.D. and audit is mainly due to closure/amalgamation/bifurcation of the C.P.W.D. Divisions and consequent transfer of charge of the works from one Division to another and the attendant dislocation.

Item 4

The construction works at Vadasandur have been completed and the Executive Engineer has been requested to refund the balance amount of Rs. 15,556/- to the Institute.

Item 5

Against the amount of Rs. 21,018/- shown in the previous report, to be accounted for the Tobacco Research Station, Hunsur, an amount of Rs. 19,817/- is still to be accounted for.

Glass House

The construction of the glasshouse was taken up in November, 1967. After the work came to the foundation level, there was no progress as the contractor could not procure the specialised materials. The Executive Engineer was contacted and he came to Rajahmundry in November, 1968 to remove the bottlenecks. The work is now in progress and the pillars have now been erected. The construction has now come up to the window level.

Thus the present position of accounting the advances made to the C.P.W.D. till 1964-65 is as indicated below :—

	Rs.
1. C.T.R.I. Rajahmundry.	
(a) Civil Works	3,66,902
(b) Electrical	43,764
2. Cigar and Cheroot Tobacco Research Station, Vedasandur	15,556
3. Tobacco Research Station, Hunsur.	19,817
TOTAL	4,46,039

Regarding items referred to in Appendix XV of the 59th Report, all the works have been completed and the accounts have been rendered in respect of the works at Cigar and Cheroot Tobacco Research Station, Vedasandur. The balance available for the Institute is Rs. 32,945/-. The accounts are awaited for the construction of culverts, Farmstead buildings (Rs. 1,587/-) and repairs for damaged portion of Central Tobacco Research Institute (Rs. 2,265/-).

Summing up, it may be stated that except for the construction of glasshouse under progress and some minor works, all the works have been physically completed; only formal adjustment of the advances has to be done on receipt of the accounts from the C.P.W.D. after they reconcile the figures expenditure with the A.G.'s figures. This matter will be vigorously pursued and the balance left over for adjustment will be cleared expeditiously.

[File No. 5-11/68-Com. Instt. II, dated 24th December, 1968].

Recc-----

The Committee are unhappy to learn that since the inception of the scheme in 1961-62, no assessment had been made of the actual impact of

this scheme on the block workers and how far the books written by different authors were popular among them and their reaction to such books. Since the books were likely to be read by other people of the block also, the Committee feel that proper assessment should have been made to find out the actual demand of the people, their usefulness to the workers in their day to day work and how far scheme was working to their advantage.

The Committee suggest that an evaluation of the scheme may be done by the Programme Evaluation Organisation of the Planning Commission or a similar agency.

[S. No. 47 of App. XXIX Para & 3.12 and 3.13 of the Report].

Action taken

No assessment has been conducted by this Ministry yet to find out the actual demand of the people, the usefulness of the scheme to the workers and how far it has proved advantageous to them. The suggestion of the Public Accounts Committee that an evaluation of the scheme may be done now by the Programme Evaluation Organisation of the Planning Commission or a similar agency is, therefore, accepted. The Programme Evaluation Organisation that was approached in this matter, has informed that the suggestion would be placed before its Advisory Board for inclusion in the programme for 1968, as its programme for 1967 has already been finalised. There does not appear to be any other similar agency which can be entrusted with this work.

Further Information

The Programme Evaluation Organisation of the Planning Commission in April, 1968 expressed their inability to accommodate the Basic Literature Scheme in their evaluation programme for subsequent years also in view of their other pre-occupations. In consultation with the P.E.O., it is proposed to have the scheme evaluated through the Evaluation Organisations in the various States; the P.E.O. could assist in the preparation of the questionnaire and in analysing the information gathered by the State Evaluation Organisations. The State Governments were approached in the matter, in May, 1968 and so far two States, Bihar and Orissa, have conveyed their agreement to undertake the evaluation. The matter is being followed up with the other States whose reactions are still awaited and the P.A.C. will be informed of the final position in this regard as soon as replies are received from the remaining State Governments.

Recommendation

Since the matter is not free from doubt as to whether the various activities mentioned at items (i) to (iv) are strictly covered under the provision of NCDC Act, particularly in the case of giving assistance for marketing lac where even a high level committee led by Shri Dantwala has recommended that NCDC Act might be amended so as to cover one or two commodities such as lac, the Committee feel that the Department of Community Development and Cooperation should examine the above cases in detail. In order to get these doubts at rest, the position should be clarified once for all and if necessary the NCDC Act suitably amended.

[S. No. 49 Para No. 3.34 of 59th Report (3rd Lok Sabha)].

Action taken**(i) Marketing of lac on cooperative basis.**

Proposals for amending the NCDC Act in a comprehensive manner taking into consideration all aspects requiring amendments in the light of experience, including the amendment relating to lac, tobacco, etc. are under consideration.

(ii) Investment of accumulated funds in debentures of Central Land Mortgage Banks in various States.

The Corporation's contribution to the debentures of Cooperative Central Land Mortgage Banks was made not as an investment with a view to earning interest but to provide funds to banks so that they can meet requirements of long-term credit. The provision of long-term credit to cooperative members for land development is one of the measures necessary for increasing agricultural production. Therefore the purchase of debentures is clearly within the ambit of Section 9(1) of N.C.D.C. Act.

(iii) Subsidies to All India Central Land Mortgage Banks Cooperative Union, Hyderabad.

The All India Central Land Mortgage Banks Cooperative Union promotes development of central land mortgage banks and primary land mortgage banks for providing long-term credit for agricultural production, improvement and development of land. The provision of financial assistance to such institutions is covered by the provision of Section 9(1) and 13(2) (c) of the Act. Government are advised that the N.C.D.C. can grant subsidy to a Cooperative Society for carrying out the purposes of the N.C.D.C. Act. No amendment of the NCDC Act is considered necessary on this account.

A copy of legal opinion on the question of the competence of the NCDC making a direct grant to a cooperative society for the purposes of the NCDC Act is enclosed.

(iv) Establishment of the Central Management Institute for Consumers' Cooperatives at Bombay for imparting training to key personnel of wholesale stores.

As the consumers' stores deal with the agricultural commodities and incidentally other commodities, it is permissible for the Corporation to finance this Training Institute for personnel, employed on such consumers stores. A copy of the legal advice received by Government on this issue has already been furnished to the Committee. For administrative convenience, however, the institute has been taken out of N.C.D.C. with effect from 1st April, 1966.

Copy of Ministry of Law (Department of Legal Affairs) U.O. Note No. 33850/66 dated 30-8-1966 to Department of Cooperation.

Section 9(2) & 13(2) of the Act only empowers the Corporation to make subsidies to the State Governments; it does not empower the Corporation to make subsidies to any other body. However under Section 9(1) it is the function of the Corporation to plan and promote programmes through cooperative societies programmes for the production, processing,

marketing, storage, export and import of agricultural produce through co-operative societies. Under Section 13(2)(c) the money in the fund shall be applied for carrying out the purposes of the Act. In view of the above even though a subsidy cannot be given it would seem that it is permissible to give assistance to the Federation from the Fund for the purposes specified.

Sd/-K. S. PANDALAI.

30-8-1966

*Joint Secretary and Legal Adviser Ministry of Law
Department of Legal Affairs*

Copy of Ministry of Law (Department of Legal Affairs) U.O. Note No. 30505/67 dated 3-2-1967 to Deptt. of Cooperation.

The matter has been further reconsidered by me in the light of the discussion which I had with Shri Bandopadhyaya and Shri Puri.

2. Section 9 of the National Cooperative Development Corporation Act 1962 provides for the functions of the National Cooperative Development Corporation. Sub-section (1) of that section, which makes a general provision, provides that it shall be the function of the Corporation to Plan and promote programmes for the production, processing, marketing, storage, export and import of agricultural produce and notified commodities *through cooperative societies*. Sub-section (2) of that section enumerates the particular functions which do not in any way prejudice the general provision contained in sub-section (1). Planning and promoting programmes through cooperative societies for the supply of seeds, manures, fertilizers, agricultural implements and other articles for the development of agricultural produce is one of the functions specifically mentioned in sub-section (2).

3. Section 13 of the Act provides for the fund of the Corporation. Sub-section (2) thereof enunciates the items with respect to which the moneys in the fund shall be applied for. One of the items with respect to which moneys in the fund may be applied for is for carrying out the purposes of the Act. The "purposes of the Act" as may be seen from the long title of the Act read with section 9 include planning and promoting programmes for the production, processing etc. of agricultural produces and notified commodities through cooperative societies. For carrying out this purpose through the help of cooperative societies, occasions may arise when the Corporation will have to give financial assistance to the cooperative societies. In this view of the matter, though grant of subsidies by the Corporation to cooperative societies has not been specifically mentioned in sub-section (2) of section 13, it is possible to argue that the Corporation can grant subsidies to cooperative societies for carrying out the purpose of the Act. In this view of the matter, it seems legally permissible for the Corporation to grant such subsidies.

Sd/-K. S. PANDALAI.

J. S. and L. A.

3-2-1967.

Further Information

The recommendation of the PAC regarding amendment of the Act was conveyed on 6-12-1966 to the N.C.D.C. The Corporation set up a sub-committee to examine this question. The report of the sub-committee has

been finalised and will come before the Corporation. Further action required will be taken on receipt of the report from the Corporation and the PAC will be informed of the final decision as soon as it is taken.

In consultation with the Ministry of Law, "lac" has been notified on 16-10-1967 as a commodity which comes within the purview of the N.C.D.C. Act.

Recommendation

The Committee are glad that the Department of Food have agreed to entrust the work of physical verification in regard to the 84 Depots under their control to independent authorities as suggested by the Committee earlier. The Committee feel that in regard to the remaining depots which have been transferred to Food Corporation of India, the Department should impress upon the Corporation to follow the healthy practice of verification being done by the independent authorities. They are glad to note that there has been some improvement in regularising the losses noticed as a result of physical verification. They hope that the Department would improve the administrative machinery further so that the time taken for regularising the losses for a particular year is reduced. The Department should examine whether a time limit could not also be fixed for the disposal of such cases.

[S. No. 57 of Appendix XXIX (Para 4.38) of 59th Report (Third Lok Sabha)].

Action taken

In regard to entrusting the work of physical verification of stocks of foodgrains at the Central Storage Depots at present under the administrative control of the Department of Food to independent authorities, necessary instructions have been issued to the Chief Pay and Accounts Officer, Ministry of Food and Agriculture, New Delhi to take over this work from the Food Department with effect from 1-2-1967.

2. The recommendation of the Public Accounts Committee to follow the healthy practice of physical verification of stocks by independent authorities in respect of the stocks in the depots under the control of the Food Corporation has been communicated to the Managing Director of the Food Corporation of India for taking necessary action *vide* copy of D.O. letter No. 6-7/66-BFC.V dated the 14th December, 1966 enclosed.

3. The position regarding regularisation of shortages coming to notice as a result of physical verification, is that these are noted in the books of the Depots for necessary investigation but action to regularise the losses is taken only after a particular stock of foodgrains to which a shortage relates is issued out. As mentioned in the Ministry's reply against Sl. No. 56 (Para 4.32) of the Public Accounts Committee's 59th Report (3rd Lok Sabha), necessary instructions have been issued by this Department (*vide* letter No. 6-6/66-BFC.IV dated 15-12-1966 (copy enclosed) to all the Regional Directors (Food), specifying time limits for reporting and disposal, at various levels, of cases relating to storage losses.

[Ministry of Food, Agri., C.D. & C., (Deptt. of Food), U.O. No. 23/66-67/BFC.I/59th Report dated the 20th January, 1967].

(COPY)

J. A. DAVE,

Director General of Food.

D.O. No. 6-7/66-BFC.V

GOVERNMENT OF INDIA

MINISTRY OF FOOD, AGRICULTURE, COMMUNITY DEVELOPMENT AND COOPERATION

(DEPARTMENT OF FOOD)

New Delhi, dated the 14th Dec., 1966

Dear Shri Sen,

According to the instructions laid down by the Ministry, the stocks of foodgrains in the various Central Storage Depots are required to be physically verified at least once in a year. For this purpose in every Region one Deputy Director (P.V.) has been appointed and he is assisted by two Physical Verification Squads consisting of one Chief Physical Verification Inspector and two Inspectors. The Deputy Director (P.V.) works directly under the R.D.F. to be independent of the officers concerned with the maintenance of stock.

2. The Public Accounts Committee in para 4.38 of their 35th Report (Third Lok Sabha) recommended that the work of physical verification should be entrusted to persons who do not function under the administrative control of the authority incharge of the stocks and suggested that the work might be done under the supervision of the Chief Pay and Accounts Officer. The above recommendation was examined by the Ministry and it was explained to the Public Accounts Committee that as the Central Storage Depots were in the course of being transferred from the Food Department to the Food Corporation of India, it was not necessary to effect a change in the existing system.

3. The Public Accounts Committee again considered this matter in their meeting held in July, 1966 and have made *inter alia* the following recommendation regarding physical verification of stocks of foodgrains in Para 38 of their 59th Report (Third Lok Sabha) :—

“The Committee feel that in regard to the remaining depots which have been transferred to Food Corporation of India, the Department should impress upon the Corporation to follow the healthy practice of verification being done by the independent authorities.....”

4. I am, therefore, to request that with respect to the storage Depots under the control of Food Corporation of India, you may kindly see that the recommendation of the Public Accounts Committee is enforced by the Food Corporation of India as early as possible. I shall be grateful to be informed of the action taken in the matter for communication to the Public Accounts Committee.

Yours sincerely,
Sd - J. A. DAVE.

Shri N. P. Sen,
Managing Director,
Food Corporation of India,
153, Mount Road, Madras.

No. 6/6/66-BFC IV

GOVERNMENT OF INDIA

MINISTRY OF FOOD, AGRICULTURE, COMMUNITY DEVELOPMENT AND COOPERATION

(DEPARTMENT OF FOOD)

New Delhi, dated 15th December, 1966

To

- (1) The Regional Directors (Food),
CALCUTTA/BOMBAY/MADRAS.
- (2) The Joint Director (Food),
Residuary Cell,
Northern Region, New Delhi.

SUBJECT—*Fixation of Time Limit for Disposal of Storage Loss Cases—Instructions—Regarding.*

Sir,

I am directed to invite a reference to this Ministry's letter No. 37(11)-58-BFC VIII, dated 22-2-1960 wherein instructions were issued that the storage losses should be reported to the Ministry for regularization within a period of 3 months from the date on which these came to notice. So far, however, no time limit had been laid down for disposal of such cases in the Sub-Regional and Regional Offices. The Public Accounts Committee have in their 59th Report on the Audit Report 1966 *inter alia* desired that the desirability of laying down a time limit for disposal of such cases may also be examined. In the light of these recommendations, it has been decided that the following time schedule should be followed with immediate effect for reporting and disposal of cases of storage losses at the various levels :—

- (i) The Depot Officers should after proper investigation submit the loss statement in the prescribed form to the Sub-Regional Offices within one month of the storage loss coming to notice. The losses will be examined and those within his powers of write off will be regularized by the Sub-Regional Officer concerned within one month from the date of receipt in his office.
- (ii) The Sub-Regional Officer will, in turn, after due examination report the losses, which are beyond his powers, to the Regional Director (Food) within one month of receipt for regularization. The Regional Director will investigate and regularise the losses which fall within his financial powers within one month of receipt of the same in his office.
- (iii) The losses which are beyond the powers of the Regional Director (Food) to regularize should after thorough examination be reported by him to the Ministry within a period of 3 months from the date the losses came to notice as already prescribed *vide* Ministry's letter dated 22-2-1960 referred to above. These will be examined and regularized in the Ministry as early as possible.

2. It is requested that the above instructions may be brought to the notice of all concerned for immediate compliance.

3. The receipt of this letter may kindly be acknowledged and the Ministry may be informed of the action taken.

Yours faithfully,

Sd/- HARBANS SINGH M.A.S.,
for Director General of Food.

Copy to :—

1. The Pay and Accounts Officer,
Ministry of Food and Agriculture,
NEW DELHI/CALCUTTA/MADRAS/BOMBAY.
2. The Chief Pay and Accounts Officer,
Ministry of Food and Agriculture,
NEW DELHI.
3. O & M Branch.
4. Storage Technical Branch.
5. All Sections of the BFC Dte.
6. Guard file.

Sd/- HARBANS SINGH M.A.S.,
for Director General of Food.

Further Information

A reference is invited to the Department U.O. No. 23 66-67/BFC.1/59th Report dated 20-1-1967 on the above subject.

2. In view of the practical difficulties in the abolition of the existing posts of officers and staff for physical verification work in the offices of the Regional Directors (Food), Calcutta and Bombay, and creation of new posts in the Chief Pay and Accounts Officer's Organisation with effect from the 1st February, 1967, involving surrender of funds in one grant and requirement of additional funds by the Chief Pay and Accounts Officer, Ministry of Food and Agriculture, New Delhi, in another grant, which is extremely difficult at the fag end of the current financial year, it has now been decided to transfer the work of physical verification to the Chief Pay and Accounts Officer, with effect from the 1st April, 1967 instead of the 1st February, 1967 as mentioned in Para 1 of this Department U.O. Note referred to above.

3. The date "1-2-1967" occurring in line 7 of Para 1 of this Department U.O. Note referred to in Para 1 above, may please be amended to read as "1-4-1967".

[Ministry of Food, Agri., C.D. & C. (Department of Food) U.O. No. 23/66-67 BFC.1/59th Report dated 3-2-1967].

Further Information

A reference is invited to para 2 of this Department's U.O. No. 23/66-67/BFC.1/59th Report dated 20-1-1967 on the above subject.

2. In reply to this Ministry's D.O. letter No. 6-7/66-BFC.V dated 14-12-1966 (copy sent already with this office U.O. dated 20-1-1967) the Food Corporation proposed finally that the work of physical verification of stocks would be entrusted to the staff of the Internal Audit Wing under the supervision and control of the Financial Adviser of the Corporation. This appeared to be as independent an arrangement as possible in a corporate set-up. However, the Comptroller and Auditor General of India was also requested to consider the proposal made by the Food Corporation and advise us in the matter. He has stated in reply (copy enclosed) that as the Internal Audit Wing functioning under the control and jurisdiction of the Financial Adviser of the Corporation will not in any way be under the officers in charge of stocks of foodgrains etc., there is no objection to the arrangement proposed in regard to the physical verification of stocks. In the circumstances the Food Corporation of India has been informed that there is no objection to their giving effect to the proposal made by them in the matter.

3. The Note has also been vetted by Audit.

[Ministry of Food, Agriculture, C.D. & C. (Department of Food) U.O. No. 23/66-67/BFC.1/59th Report dated the 7th December, 1967].

COPY

No. 723-CA/117-67

OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

Bahadur Shah Zafar Marg

New Delhi-1, dated the 28th June, 1967.

To

The Secretary to the Government of India,
Ministry of Food, Agriculture,
Community Development & Cooperation,
(Department of Food),
NEW DELHI

SUB :—*Physical verification of stocks of foodgrains with respect to the Storage depots under the control of the Food Corporation of India.*

Sir,

I am to invite a reference to your letter No. 6-7/66-BFC.V dated the 13th June, 1967 on the subject noted above.

2. As the Internal Audit Wing functioning under the control and jurisdiction of the Financial Adviser of the Food Corporation of India will not, in any way, be under the charge of the Officers who are incharge of stocks of foodgrains etc., we have no objection to the arrangements regarding physical verification of stocks of foodgrains as proposed by you in para 7 of the letter referred to above.

Yours faithfully,

Sd/- A. K. MUKHERJI,

Addl. Dy. Comptr. & Auditor General (Rlys.)

Further Information

The Food Corporation of India agreed initially to entrust the work of physical verification of stocks to the staff of the Internal Audit Wing func-

tioning under the supervision and control of the Financial Adviser of the Corporation and this proposal was accepted by this Ministry in consultation with the Comptroller and Auditor General of India. In this connection the Note sent in this Ministry's U.O. No. 23/66-67/BFC.I/59th Report dated the 7th December, 1967 may kindly be referred to. Recently, however the Food Corporation has pointed out that, in practice, facilities for physical verification have to be provided to the Regional Managers also for the discharge of their responsibilities as Officers in overall charge of Depots in their Regions. Consequently, they have suggested that the physical verification squads might be allowed to work under the control of the Regional Managers, who are independent of the District Managers in actual charge of stocks and that an additional super check or test verification of the stocks would be conducted by the physical verification squads working at the Zonal level or the Headquarters level under the control of the Financial Adviser of the Corporation. They have also stated that under this arrangement, the District Manager who is in actual charge of the stocks will have no connection whatsoever with the physical verification squads working under the Regional Managers. This arrangement has been brought into force by the Food Corporation from June, 1968.

2. The revised proposal made by the F.C.I. is being examined in the Ministry and the P.A.C. will be informed of the final decision taken in the matter. However, as regards the extent of physical verification done so far, the Food Corporation has reported that the physical verification squads in the Regions have carried out physical verification in respect of 382 depots out of 549 depots. The squads working directly under the Deputy Financial Advisers and the Financial Adviser have done test (surprise) physical verification of 20 depots during the current financial year.

Recommendation

The Committee feels that the Ministry should sort out very difficult cases which are pending disposal for a long time and take up at a higher executive level of the other Ministry for disposal. Inter-Ministerial talks should be held at regular intervals to settle cases instead of allowing the Government Machinery to pursue them in routine manner.

[Sl. No. 58 of Appendix XXIX (Para 4.43) of 59th Report (Third Lok Sabha)].

Action taken

The number of claims for rail transit losses pending with the Railways as on 31-12-64 was 5,791 involving an amount of Rs. 40.38 lakhs. The number was reduced to 1,729 cases involving an amount of Rs. 13.53 lakhs on 30-6-66 as detailed below :—

Year	No. of Claims	Amount in lakhs
1960	3	0.01
1961	62	0.18
1962	58	0.17
1963	330	0.99
1964	1276 (Plus 189 cases of 1964)	12.18
	1729 (Plus cases + 189 added to	13.53 14.42
	1918 the list in March 1967)	0.89 (= 0.89 lakhs towards 189 claims)

2. During the period 1-7-66 to 31-8-67 as many as 641 claims amounting to Rs. 4.01 lakhs were settled and the number of pending claims has thus been further reduced to 1,277 amounting to Rs. 10.41 lakhs as detailed below :—

Year	No. of Claims	Amount in lakhs
1960	54	(—3) 0.10(—8)
1961	46	0.11(—12)
1962	100	0.21
	160	0.38(—170)
1963	1017	9.82(—448)
1964		
TOTAL	1277	10.41(—641)

These 641 cases amounting to Rs. 4.01 lakhs were settled from 1-7-66 to 31st Aug., 67 as under :—

	No.	Amount in lakhs
1. Claims accepted by Rlys.	137	0.44
2. Claims dropped	504	3.57
		(Cases of shortage of bags, damaged by rain and other claim found untenable).
TOTAL	641	4.01

3. All claims pertaining to the year 1960 have been settled. The Ministry of Railways had informed us on 16-9-67 that the Eastern Railway have been directed by them to settle old claims of the Food Department in accordance with the decisions arrived at a meeting between the officers of the Railway Board and the Department of Food, in May, 1965. Consequently, not only 100 cases of the years 1961 and 1962, but also 104 cases of the years 1963 and 1964 will be settled within the next few days. Thereafter the oldest claim shall be only of the year 1963. The Minister of Railways have informed us on 17-10-1967 that they have once again advised the Chief Commercial Superintendent of the Eastern Railway to speed up disposal of these claims.

4. (a) 109 cases pertaining to the years 1963-64 were pending in the Eastern Region due to :—

(i) Delay on the part of the Government of Pakistan in arriving at an agreement with the Government of India about payment of claims in cases where traffic moved via Indo-Pakistan route. As there was no possibility of an Indo-Pak Agreement, in this connection, in the near future, it has been decided that 39 such cases (up to 1964) may be regularised even without the settlement of the claims with the Railways in accordance with this Ministry letter No. 19/8/65-BFC IV, dated 15-5-67 (Copy enclosed). A record of all such cases is being kept and if, subsequently the Pakistan Government agrees to reimburse such losses the amount realised would be credited, to the 'Misc' Government account, and

(ii) Pursuance of the question with the Rly. Board and the Eastern Rly. for adjustment between excess number of bags of rice and wheat delivered with the number of bags received short, during a particular year.

or for a number of years on an *ad hoc* basis. The Ministry of Rlys. have, however, advised us on 17-10-67 of their decision that any bags found excess in consignments covered by Rly. Receipts showing the number of bags loaded should be delivered on valuation and that claims of Food Deptt. for shortage against Rly. Receipts showing the number of bags booked should be dealt with on merit and not held up. This matter will now be pursued further with the Zonal Rlys.

4. (b) 200 claims of the year 1964 for shortage of complete bags involving an amount of Rs. 1,23,186 (Approx.) are pending in the Southern Region as the Southern Rly. is repudiating the same on the plea that though the bags delivered were short of the number entered in the Rly. Receipts, the weight as recorded to have been received in the depots was equal to or more than the weight shown on the Rly. Receipt. This position is not acceptable to the Deptt. of Food as the system of weighing BOX wagons in two operations on the Rly. wagon weigh-bridge leaves much to be desired. Besides, the actual weight of the wagon is not always equal to the tare weight painted on it. It is generally less. As the Rly's liability is to deliver the correct number of bags according to the Rly. Receipts this matter is being pursued with the Rlys. Incidentally, this observation was also upheld by the Rly. Board's communication of 17-10-67, referred to above.

During the years 1963 and 1964, the Rlys. delivered to the Deptt. of Food 664 unconnected bags of wheat and rice valued at Rs. 28,264/- but without charging any value. As soon as these bags are connected/adjusted, the number of pending claims will get reduced further.

(c) 56 cases pertaining to the year 1964 are pending with the Bombay Port Trust Rly. in Western Region due to non-acceptance or delay in acceptance of inter-Rly. liability by some of the Zonal Rlys. concerned. We have been pursuing these cases with the concerned Rlys. and have now proposed a meeting in Bombay with the Port Trust.

5. A meeting with the Addl. Member (Commercial) Rly. Board was proposed with a view to expedite settlement of old claims which are now pending with the Zonal Rlys. The Rly. Board had replied that the Zonal Rlys. were fully competent to dispose of all claims and it would not be a feasible proposition for the Rly. Board to examine and settle individual cases. Therefore, while the Deptt. of Food continues to take up the pending cases with the Rlys. concerned, the proposed meeting with the officers of the Rly. Board shall be pressed for again, in case the settlement of old claims by the Zonal Rlys. is not expedited in accordance with the directives now issued by the Ministry of Rlys.

[Deptt. of Food U.O. No. 23/66-67/BFC-I/59th Report, dated 19th October, 1967].

COPY

P. Krishnamurthi, Deputy Secretary.
D.O. No. 19/8/65-BFC. IV

12/15th May, 1967.

My dear Mukherjee,

Will you please refer to the correspondence resting with your letter No. CLM/INS/1/66, dated 20-4-67 addressed to the Chief Director of Move-

ments in the Ministry regarding 41 cases of rail transit losses amounting to Rs. 16,748.63 pending for want of finalisation of the Indo-Pak Agreement in this connection.

2. As there is no possibility of an Indo-Pak Agreement in this connection in the near future, it has been decided that such cases may be regularised even without the settlement of the claims with the Railways. In the circumstances you may now kindly take urgent steps to regularise these at a very early date. A record of all such cases should, however, be kept and subsequently if the Pakistan Government agree to reimburse such losses the amount so realised could be credited to the Misc. Government account.

3. I shall be grateful if you will kindly let me know very urgently the action taken in the matter.

Yours sincerely,

Sd - P. KRISHNAMURTHI.

Shri B. Mukherjee,
Regional Director (Food),
Eastern Region,
Calcutta.

Copy to :

The Director of Movements (Shri K. P. Singh) for information, with reference to the RD's letter referred to above addressed to CDM.

Sd/- P. KRISHNAMURTHI.

Further Information

The number of claims for Rail Transit Losses pending with the Railways as on 31-12-1964 was 5,791 involving an amount of Rs. 40.38 lakhs. The number was reduced to 1,277 amounting to Rs. 10.41 lakhs as on 31-8-67.

During the period 1-9-1967 to 30-9-1968 as many as 324 claims up to 1964 amounting to Rs. 1.46 lakhs were settled and the number of pending claims has thus been further reduced to 953 as detailed below :—

Year	No. of claims Settled	No. of claims now outstanding	Amount in lakhs of Rs.
1961	52	2	0.50
1962	30	16	0.07
1963	71	89	0.21
1964	171	846	8.62
	324	953	8.95

These 324 cases were settled as under :—

	No. of claims	Amount in lakhs	Remarks
1. Claims accepted by Railways	194	0.50	
2. Missing wagons subsequently traced/connected	4	0.28	

	No. of claims	Amount in lakhs	Remarks	
3. Claims dropped	126	0.68	These include:	No. of Cases
		(i) Shortage of complete bags connected later		96
		(ii) Damage due to wetting and shortage from cut and torn bags repudiated by the Railways for reasons of no provision of dunnage		30
				0.22
TOTAL	324	1.46		126
				0.68

Most of the cases of 1964 pertain to the loss/damage due to loading of foodgrains in open wagons in the Southern Region. The need for expeditious settlement of these cases continues to be taken up with the Ministry of Railways as well as the Zonal Railways. Recently, the matter was also discussed between the Chief Commercial Superintendents of seven different Railways at their Commercial Committee Meeting (Indian Railways Conference Association) in Bombay for the acceptance of inter-railway liability. The matter is being pursued.

Further, as desired by A.G.C.W. & M., New Delhi, additional information with regard to claims lodged with the Railways from 1-1-1965 to 31-3-1968 is given below :—

As stated above on 31-12-1964, 5,791 claims involving an amount of Rs. 40.38 lakhs was outstanding.

During the period 1-1-1965 to 31-3-1968 as many as 12,344 new claims involving an amount of Rs. 285.11 lakhs were lodged. During this period 13,229 claims involving an amount of 188.11 lakhs (including 4,754 claims involving an amount of Rs. 30.75 lakhs pertaining to claims as outstanding on 31-12-1964) were settled as under :—

	No. of claims	Amount in lakhs (Rs.)	Remarks	
I. Claims accepted by Railways	5836	16.61		
II. Missing wagons subsequently traced/connected.	737	138.63		
III. Claims dropped	6656	32.87	These include	No. of cases
		(i) Shortage of complete bags connected later claims found untenable after investigations		3,889
		(ii) Claims for damage due to rains and shortage from cut and torn bags and other misc. reasons which were found untenable after investigations.		2,767
				11.01
TOTAL	13,229	188.11		6,656
				32.87

The cause-wise break-up of 4,906 claims involving an amount of Rs. 137.38 lakhs outstanding on 31-3-1968 was as under :—

	No. of claims	Amount in lakhs (Rs.)	Remarks
Missing wagons	228	76.20	Such claims do not necessarily represent losses to the Deptt. of Food. Claims for wagons which do not reach the destination in time are lodged with the Rlys. Subsequently, when such wagons are connected the claims are withdrawn. This item accounts for about 55% of the total amount of claims. Missing wagons are traced/connected both by the Deptt. of Food and the Railways.
Shortage of complete bags.	3,389	44.72	} (i) 1966 and part of 1967 were years of severe drought in certain States. Due to inadequate availability of covered wagons, open wagons had to be used for loading imported and indigenous foodgrains. Foodgrains in open wagons were susceptible to pilferage and damage in rail transit (ii) Untenable claims such as for shortage of bags in consignments booked on 'Said-to-contain' RRs had to be dropped. The Railways have been approached to arrange to clear foodgrains in covered wagons only. Further, wherever Railways Tally clerks do not exist, the Railways have been asked to appoint them even at the cost of the Deptt. of Food to supervise loading-unloading of foodgrains bags so that the same could be booked on 'Clear' Rly. Receipts for claims, if any, to be tenable.
Damage by Wet	442	5.32	
Cut & Torn bags	631	4.71	} Each case is dealt with on merits and accepted/dropped accordingly.
Any other items	216	6.43	
	4,906	137.38	

This note has been vetted by Audit.

Recommendation

It is unfortunate that out of 11 pending cases action could be taken by Government so far in regard to 5 cases only. The Committee suggest that expeditious action should be taken in other cases also.

[Sl. No. 65 of Appendix XXIX (Para 82 of Chapter IV) of 59th Report (Third Lok Sabha)].

Action taken

The other 6 cases have also since been referred to arbitration for adjudication of the Government claim. Chief Director of Purchase has also personally discussed the matter with the Chief Secretary, Jammu & Kashmir Government for ascertaining the whereabouts of the defaulting firm's properties and their assets and also to freeze such assets for realisation of the Government claims. Chief Secretary has agreed to ask the Department concerned to expedite action.

[Deptt. of Food U.O. No. 4/11/66-CDN dated 19-8-1967].

Action taken

In continuation of this Department U.O. No. 4/11/66-CDN dated 19/26th August, 1967 to the Lok Sabha Secretariat it is stated that the 6 cases referred to arbitration against M/s. Kashmir Canning Industries, Jammu Tawi, are still pending as the party is not joining in arbitration. Notices etc. sent by the Arbitrator to them for recovery of dues were received back undelivered with the Postal report "No addressee available at this address". Since the Arbitrator could not proceed ex-parte against the firm, Government have applied to the Court under Section 20 of the Indian Arbitration Act for confirmation of the appointment of the Arbitrator made by the Government as unilateral reference to Arbitration is not valid. Court's decision on these applications will enable the Arbitrator to proceed with the cases. The applications are pending in the Courts.

[Deptt. of Food (APO) U.O. No. 4/11, 66-CDN dated 21-2-1968].

Further Information

In the six cases against M/s. Kashmir Canning Industries, Jammu Tawi, Government's applications under section 20 of the Indian Arbitration Act, 1940 are still pending in courts. The notices sent by the courts to the firm were not served and therefore, Government has since filed application for substituted service of the notices on the firm by their publications in the newspapers. After completion of these formalities the court will proceed to decide Government's applications under Section 20 of Indian Arbitration Act, 1940. The arbitrator will be able to take up the arbitration cases for hearing only after the said applications are finally decided by the courts.

The P.A.C. will be informed of further developments in this case.

Recommendation

The Committee feel that this case reveals lack of proper planning in the construction of the building for the Small Industries Service Institute at Calcutta. Though the date of commencement of work as per agreement was the 1st March, 1960, the layout of the building was not finalised by the architects till the 19th April, 1960. Some time also was taken by the architects in testing the load having capacity of the land. Had these preliminary works been completed by the Architects prior to the Agreement with the contractor, nearly 2½ months of working season would not have been lost. Further due to the break of Monsoon in this region in early May, the function work could be started only in October, 1960 and it was

completed by the end of November, 1960 only. All these factors should have been taken into consideration before the time schedule for construction of the building was decided upon. The date of commencement and date of completion viz. 1st March, 1960 and the 31st December, 1960 respectively stipulated in the Agreement thus became unrealistic.

[Sl. No. 67 (Para No. 5.5) of Appendix XXIX of the 59th Report (Third Lok Sabha)].

Action taken

Eastern SSI Works Division, Calcutta under the Development Commissioner, Small Scale Industries ceased to function with effect from 31-5-1967 (A.N.) and the Dy. Director (IC&C) incharge of the Divn. consequently reverted to the C.P.W.D. Some residual work connected with the Division has been left over for finalisation. It has further been pointed out that the services of a technical officer of the rank of a Superintending Engineer are temporarily needed for the disposal of this residual work which contains among others the action required to be taken on these recommendations.

The proposal for the creation of a temporary post of a Superintending Engineer in DCSSI's Office for a period of 6 months for the above purpose has been submitted to the Ministry of Finance and is under examination separately. Accordingly the submission of our replies to these recommendations of the P.A.C. duly vetted by Audit will take some more time.

Recommendation

The Committee trust that the Ministry will ensure better planning for construction of such buildings in future.

[Sl. No. 67 (Para No. 5.6) of Appendix XXIX of the 59th Report (Third Lok Sabha)].

Action taken

As explained against item No. 1 above.

Recommendation

The Committee regret to note that 24 columns out of 84 built by the contractor were defective. The Committee feel that if there had been proper supervision over the construction of this work simultaneously, defective execution of the work could have been avoided or at least detected earlier. This laxity in supervision also required to be looked into.

[Sl. No. 68 (Para No. 5.9) of Appendix XXIX of the 59th Report (Third Lok Sabha)].

Action taken

As explained against item No. 1 above.

Recommendation

The Committee regret to note that although the matter regarding recovery of damages from the 1st Contractor has been pending before arbitra-

tor for the last 18 months i.e. from January, 1965. Government have not filed their counter claims so far against the contractor before the arbitrator. They desire that the Ministry should take necessary steps to ensure that their counter claim against the contractor for damages is filed before the arbitrator, without further delay.

[Sl. No. 59 (Para 5.12) of Appendix XXIX of the 59th Report (Third Lok Sabha)].

Action taken

As explained against item No. 1 above.

Recommendation

The Committee would also like to be apprised of the arbitration.
[S. No. 69 para 5.13].

Action taken

As explained against item No. 1 above.

Recommendation

The Ministry of Industry should in consultation with the Ministry of Works, Housing and Urban Development, explore the possibilities of improving the existing Government Machinery, so that the quality printing as required by I.S.I. could be done so that dependence on private presses could be minimised.

[Sl. No. 74 (Para 5.49) of Appendix XXIX of the 59th Report (Third Lok Sabha)].

The Committee would like to be informed of the results of the efforts made in this direction.

[Sl. No. 74 (Para 5.50) of Appendix XXIX of the 59th Report (Third Lok Sabha)].

Action taken

The matter is being taken up with the Ministry of Works, Housing and Urban Development as suggested by the P.A.C. and the P.A.C. will be informed in due course.

Recommendation

The Committee are surprised to note that such wide variation exists in the *per capita* expenditure on the inmates of the different welfare institutions. They feel that such wide disparity requires to be narrowed down.

Now that the Department proposes to undertake a review of all the aspects of the working of these institutions, the Committee hope that this review apart from looking into wide variations in *per capita* expenditure would also take into consideration whether the pattern of training or the standard of amenities provided in these institutions require any modification as also what economies are possible.

The Committee would also like to be informed of the result of this review.

[Sl. No. 76 of Appendix XXIX to the 59th Report (Third Lok Sabha)].

Action taken

With a view to narrowing down wide disparity in the *per capita* rate of expenditure on various institutions, a review of the working of 8 out of 24 institutions was undertaken. The results of the review revealed the need for a further and wider study of the working of the institutions. Accordingly, two Committees—one for reviewing the financial aspects and the other for examining training programmes—have been set up. The Committees are expected to submit their reports by the 31st March, 1969, i.e., close of the financial year 1968-69. Suitable action will be taken in the light of the recommendations of the committees and the Public Accounts Committee will be apprised of the final outcome.

Recommendation

The Committee suggest that more stress should be laid on the type of training to be imparted to the inmates of these institutions so that they become more useful citizens.

The Committee also feel that some system should be evolved to ensure that these persons after receiving training are gainfully employed in their respective professions.

[Sl. No. 77 of Appendix XXIX to the 59th Report (Third Lok Sabha)].

Action taken

So far, the conventional methods of training were being followed. Recommendations of the Committee have been noted and the entire training pattern is under review. With a view to orientating the training programme, so as to give better facilities to the trainees for gainful employment after their training, a thorough study of the training programme has been started and the Public Accounts Committee would be informed of the final position in due course after the Committee set up to study and review the programme has submitted its report.

M. R. MASANI,

Chairman,

Public Accounts Committee.

NEW DELHI;

April 28, 1969

Vaisakha 8, 1891 (Saka).

APPENDIX

Summary of main Recommendations/Conclusions

Sl. No.	Para No.	Ministry/Department concerned	Recommendations/Conclusions
1	2	3	4
1.	1-3	All Ministries concerned	The Committee desire that replies to the recommendations/observations contained in their 59th Report (Third Lok Sabha) in respect of which no replies have so far been furnished by Government (as indicated in the Appendix), as also final replies to recommendations/observations in respect of which Government have furnished interim replies, should be furnished expeditiously.
2.	1-7	Min. of Education (CSIR)	<p>In order to have an idea of the expenditure incurred on processes meant for commercial exploitation, the Committee feel that it is necessary to introduce the system of cost analysis in such processes in all the laboratories. This would provide a rational basis for determining the charges and royalty to be recovered in respect of the processes which are ultimately formed out to industry.</p> <p>The Committee would, therefore, like to emphasize that a general pattern of cost analysis should be expeditiously evolved for introduction in all laboratories on the basis of the results of the system of costing already in operation in some of the laboratories on an experimental basis. There is a Cost Accounts Branch in the Ministry of Finance whose advice, if necessary may be sought on this point. The Committee would like to be apprised of the progress in this direction.</p>
3.	1-10	Min. of Education	The Committee are not convinced by the reasons given by Government for allowing foreign collaboration in disregard of the advice of the C.S.I.R. Part of the justification given in many cases for allowing foreign collaboration was that they would save foreign exchange through reduced imports or even foreign exchange through exports, but facts and figures have not been furnished to the Committee by Government to substantiate this point. The Committee regret that Government did not make any independent verification of the claims of the interested parties that their proposals for foreign collaboration would mean earning of foreign exchange through exports of their products. In the view of the Committee it would be necessary to evolve a procedure to verify such claims.

1	2	3	4
	1-11	Min. of Education	<p>The Committee observe that in some cases foreign collaboration was approved even though production of similar products had already been established in the country. In the view of the Committee, there is little justification for allowing foreign collaboration in the manufacture of products for which indigenous production has already been established in the country. This would clearly be detrimental to the growth and development of indigenous know-how besides leading to an avoidable drain on scarce foreign exchange.</p>
4.	1-15	Min. of Education	<p>The Committee are unable to appreciate the reply given by the Ministry that "the technology in foreign countries is at a higher level than technology in this country and the reason generally given by these bodies for non-licensing of Indian know-how is that there is no scope for exploitation of the particular processes in their countries." The Committee would urge that before taking any step to get processes patented in foreign countries, a careful and thorough assessment should first be made of the prospects for the commercial exploitation of those processes in those countries.</p>
5.	1-19	Min. of Education	<p>The Committee observe that the process was released in this case for commercial exploitation on the understanding that production would start from October, 1961. It is regrettable that even after the lapse of over eight years production has still not started. The C.S.I.R. has in the meanwhile agreed to refund the premium amount originally paid by the firm for release of this process and to reduce the royalty on the process from 6½ per cent to 3 per cent on the ground that the firm is "facing difficulty in working the process".</p>
	1-20	Min. of Education	<p>The committee had suggested in para 1-125 of their 59th Report that where processes farmed out to parties are not developed within a reasonable time, they should be resumed by Government and given to other parties. The Committee note that this suggestion is "being implemented and followed while granting licenses for commercial exploitation of the processes". The Committee hope that this would help to avoid recurrence of the type of cases mentioned above.</p>
5.	1-24	Min. of Education	<p>The Committee are anxious that a decision on the question of laying the accounts of Central Universities on the Table of parliament should be reached at an early date. They would, therefore, like the matter to be speedily processed by Government.</p>

1	2	3	4
6.	1-27	Deptt. of Social Welfare	The reply received from Government in this case does not indicate whether the Pending cases of rent-free accommodation have been finalised so far. The Committee desire that all these cases should be finalised expeditiously and recovery of all arrears of rent, water and electricity charges be made without any further delay. The Committee would like to be informed of the progress made in this direction. The Committee would also like to be informed whether the sum of Rs. 13,283·85 paise due from the then Principal, Government Lady Noyce School, Delhi has been recovered.

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
DELHI			33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.	68
24.	Jain Book Agency, Connaught Place, New Delhi.	11	34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
25.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	3	35.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
26.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9	36.	Hind Book House, 82, Janpath, New Delhi.	95
27.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11	37.	Bookwells, 4, Sant Narakari Colony, Kingsway Camp, Delhi-9.	96
28.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15	MANIPUR		
29.	The English Book Store, 7-L. Connaught, Circus, New Delhi.	20	38.	Sbri N. Chaoba Singh News Agent, Ramlat Paul, High School Annexe, Imphal.	77
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23	AGENTS IN FOREIGN COUNTRIES		
31.	Bahree Brothers, 188 Lajpatrai Market, Delhi-6.	27	39.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.-2.	59
32.	Jayana Book Depot, Chaparwala Kuan, Karol Bagh, New Delhi.	66			

