

**ESTIMATES COMMITTEE
(1963-64)**

FORTY-NINTH REPORT

(THIRD LOK SABHA)

MINISTRY OF INTERNATIONAL TRADE

State Trading Corporation of India Ltd., New Delhi

(Reports and Accounts)



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**LOK SABHA SECRETARIAT
NEW DELHI**

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CORRIGENDA

**Forty-ninth Report of the Estimates Committee (Third Lok Sabha) on the Ministry of International Trade-
State Trading Corporation of India Ltd., New Delhi.**

<i>Page</i>	<i>Para</i>	<i>Line</i>	
11	28	8	for '23.22' read '23.23'
19	57		To be renumbered as 58
20	58		To be renumbered as 59
20	59		To be renumbered as 57
24	77	3	after the word 'has' insert 'been'
25	85	last	for 'born' read 'borne'
26	89	1	for 'develed' read 'devoiled'
28	95	18	for 'ted' read 'stated'
31	101	Table	Headings of columns 4 and 5 Add 'Rs.'
31	103	2	for 'importing' read 'imparring'
33	106	1-2	for 'imported commodities' read 'commodities imported'
35	108	6 (in page 35)	for 'effective' read 'effected'
38	118	last	for 'got' read 'would get'
38	121	last (in page 38)	for 'of' read 'upto'

Page	Para	Line	
41	126	1	for '123' read '124'
41	126	10	after 'crores' add 'annually'
47	150	10	for 'three' read 'four'
47	151	1	delete 'While'.
47	151	1	for 'the' read 'The'
49	156 (Sub-para)	1	add the word 'for' after 'worked'
50	158	6	for 'these' read 'there'.
52	166	1	for 'percentage' read 'percentages'
54	172	5	for 'have' read 'had'
60	190	6	for 'managable' read 'manageable'
63		last	for '1885' read '1886'
64	Appendix I	Item 33	for 'Leon grass' read 'Lemongrass'
70	Appendix III	Col.6 heading	for '1959-60 (July-June)' read 1959-60 (July-March).
74	Appendix V (Sl.No.1)	5-6	for the words "The misconception is principally" read "There appears to be a measure of uncertainty".
77	Appendix V (Sl. No.12)	5	after "exports" add "wholly"
79	Appendix V (Sl.No.20)	2	for 'which' read 'would'

<i>Page</i>	<i>Para</i>	<i>Line</i>	
79	Appendix V (Sl. No.22)	1	for 'deviled' read 'decoiled'
80	Appendix V (Sl. No.24 (ii))	2	after 'imports' insert 'wholly'
82	Appendix V (Sl.No. 27)	6	for 'cheap' read 'the cheapest'
83	Appendix V (Sl.No.32)	last but one	for 'add' read 'adds'
85	Appendix V (Sl.No.37)	1	delete 'while'
85	-do-	1	for 'the' read 'The'
87	Appendix V (Sl.No.43)	4	for 'devise' read 'devises'
87	Appendix V (Sl.No. 44)	10	after "concerned" add the words "with the Undertaking which was under examination"
89	Appendix V (Sl.No.50)	Col.2	for the figure '196' substitute '195'
89	-do-	3	after 'need' add 'for'
89	Appendix V (Sl.No.50)	Sub- para (ii) line 3	for the words "decisions twice though parallel", substitute "independent decisions on similar subjects"
90	Appendix V (Sl. No.51)	8	for the word "being" substitute the words "the information was"
91	Appendix VI	1 A.	after the figure '24' add '25'.

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ESTIMATES COMMITTEE

(1963-64)

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*Elected w.e.f. 16th August, 1963 vice Dr. K.L. Rao ceased to be a member of the Committee on his appointment as a Minister.

(iv)

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SECRETARIAT

Shri N. N. Mallya—*Deputy Secretary*

INTRODUCTION

I, the Chairman, Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Forty-Ninth Report on the Ministry of International Trade—State Trading Corporation of India Ltd., New Delhi (Reports & Accounts).

2. A general examination of the published Annual Reports and Accounts of the State Trading Corporation of India Ltd. for the year ending 31st March, 1963 was conducted by the Sub-Committee of the Estimates Committee on Public Undertakings which took the evidence of the representatives of the Ministry of International Trade and State Trading Corporation of India Ltd. on the 9th, 10th, 12th, 13th and 14th December, 1963.

3. The Report was considered and adopted by the Committee on the 13th March, 1964.

4. The Committee wish to express their thanks to the Officers of the Ministry of International Trade, the State Trading Corporation of India Ltd. and the Minerals & Metals Trading Corporation of India Ltd. for placing before them the material and information that they wanted in connection with their examination.

5. A statement showing an analysis of the recommendations contained in this Report is also appended to the Report (Appendix VI).

NEW DELHI;
March 21, 1964.

Chaitra 1, 1886 (Saka).

ARUN CHANDRA GUHA,
Chairman,
Estimates Committee.

I

HISTORICAL BACKGROUND

The idea of setting up a State trading agency in India was first mooted during the Second World War. The suggestion came from the business community who apprehended that the operations of the United Kingdom Commercial Corporation in India would prejudicially affect their interests. It was supported on the ground that a government-sponsored agency would be the most appropriate one to deal with foreign purchasing missions which were believed to have canalised trade into specific directions not always to the advantage of Indian nationals. For various reasons, the question was not vigorously pursued at that time.

Idea of State Trading.

2. The question came up again for consideration in 1948 when Shri R. N. Goenka raised the matter in the Central Legislature. One of the arguments advanced was that, with a heavy bill to pay for foodgrains, Government should not allow the wide margin of profits between the internal prices and prices obtaining outside to go to the trade, but should set up a Corporation to tap at least a portion of the profits with a view to augmenting Government's resources.

Reference in the Central Legislature.

3. In 1949, Government appointed a Committee on State Trading to consider whether it could be of advantage to set up a State-owned or State-sponsored organisation for any sector of the foreign trade of the country. The Committee recommended that a State trading corporation might usefully be set up,

Constitution of Committee on State Trading.

- (a) to take over the State Trading activities of Government departments such as the import of foodgrains, fertilisers, steel and coal;
- (b) to take up in addition the import of East African cotton and the export of short staple cotton and cottage industry products;
- (c) to sponsor negotiations on behalf of private importers and exporters with monopolies established in other countries.

4. A three-man Committee which was appointed in 1953 to review the above recommendations came to the conclusion that circumstances did not warrant the entrusting of the business of exporting the articles mentioned in the preceding paragraph to a State trading corporation. It was, however, conceded that such a body would constitute an additional weapon in the armoury of the State to give effect to its economic policies in matters other than trade.

Reviewing Committee.

Need for a
State trading
agency.

5. The idea of State trading however continued to engage the attention of Government. Difficulties were experienced in diversifying and expanding India's foreign trade, particularly with communist countries. Initially, trade with these countries had been handicapped by lack of experience and understanding on the part of private parties in India of the trading practices followed by them. Secondly, individual traders had to negotiate deals with monopolistic trading organisations functioning in those countries in competition with one another and were thus placed in a very disadvantageous position. Thirdly the communist countries were reluctant to make use of the established organisations and procedure for inspection and settlement of disputes.

6. In spite of these difficulties, Government felt that there was considerable scope for importing a variety of goods from communist countries on competitive terms if a solution could be found to the difficulties described above. It was felt that these could be solved if a State trading organisation intervened between the Indian trading interests and the monopolistic foreign trade organisations abroad.

7. In the field of imports it was anticipated that as a result of the implementation of the country's Five Year Plans there were bound to be temporary gaps between supply and demand leading to shortages, price-upsets and blackmarketing. In this context also, the need was felt for a State trading corporation which would arrange imports on a bulk basis and bridge the gap between supply and demand. Bulk import through such a Corporation was also expected to help Government to hold the price at a reasonable level so as to serve the interests of the consumers and producers alike. In addition to these considerations, the device of quantitative regulation had proved inadequate in the case of imports of essential commodities where production lagged behind a rising demand.

Discussion
in Lok
Sabha in
1955.

8. While the question of State trading was being actively considered, a Private Member's Resolution for a State monopoly of the foreign trade of certain items came up for discussion in the Lok Sabha on the 26th August and 9th September, 1955. During the discussion, some Members lent limited support to the idea of State trading. The then Minister of Commerce opposed the proposal on various grounds but told the House that Government intended to examine and consider whether it was necessary to set up a State Trading Corporation to facilitate the development of trade with countries where it was in Government hands and secondly, to assist Government in solving difficulties or problems where private trading channels were found to be inadequate.

9. The proposal to set up a Government Corporation was finally approved by the Cabinet in November, 1955 and the State trading corporation of India Ltd. was registered as a Joint Stock Company on the 18th May, 1956. The authorised capital of the Corporation was initially Rs. 1 crore which has since been raised to Rs. 5 crores. All the shares of the Corporation are held by Central Government.

10. The working of the State Trading Corporation was examined by the Estimates Committee in 1959-60 and their recommendations/observations are contained in their 86th Report (Second Lok Sabha). The replies furnished by Government indicating the action taken by them on the aforesaid Report were considered by the Estimates Committee (1961-62) and a further Report (149th Report—Second Lok Sabha) was submitted to the House on the 13th March, 1962.

Setting up
of S.T.C.

Examination
of S.T.C.
by Estimates
Committee
in 1959-60.

II

OBJECTS AND FUNCTIONS

11. From the foregoing, it will be seen that the main considerations which led to the introduction of State trading were:—

- (i) Difficulties experienced in diversifying and expanding India's foreign trade, particularly with communist countries;
- (ii) Need for maintaining a steady price level and sustaining equilibrium between supply and demand;
- (iii) The need to arrange for imports on bulk basis to bridge temporary gaps between supply and demand in essential commodities; and
- (iv) To supplement private trade.

Objects as laid down originally.

12. The objects for which the Corporation was set up as originally laid down in the Memorandum of Association were as follows:—

“to organise and effect exports from and imports into India of all such goods and commodities as may be determined by the company from time to time and to undertake the purchase, sale and transport of and general trade in such goods and commodities in India or anywhere else in the world.”

Recommendation of Estimates Committee (1959-60).

13. In their 86th Report (Second Lok Sabha), on the working of the Corporation, the Estimates Committee (1959-60) had recommended that it was necessary to prescribe and lay down the main functions of the Corporation. They had indicated that the functions of the Corporation might generally be to:—

- (a) undertake trading with State Trading countries and also with other countries in respect of those commodities in which it enjoys a monopoly;
- (b) negotiate barter deals on behalf of Government;
- (c) diversify and expand existing export trade and find out new markets for traditional items as well as new items of trade; and

- (d) undertake on behalf of Government, export, import and internal distribution of any item when the normal trade channels are found wanting in fair practices or when there is need for stabilisation of prices and it is considered in the interest of the country as a whole to do so.

14. In pursuance of this recommendation, the then Minister of Commerce made a statement in the Lok Sabha on 2nd December, 1961 wherein he enunciated the principle "that S.T.C. should enter only those fields of trade where the normal trading mechanism has been found to be inadequate or where it could usefully supplement the activities of the private trade." Thereafter, the Objects clause of the Memorandum of Association was also amended to read as under:—

Action taken by Government on recommendation of Estimates Committee.

- (i) to organise and undertake trade generally with the State trading countries as well as other countries in commodities entrusted to the company for such purpose by the Union Government from time to time and to undertake the purchase, sale and transport of such commodities in India or anywhere else in the world;
- (ii) to explore new markets for traditional items of export and develop exports of new items with a view to diversifying and expanding the export trade;
- (iii) to undertake at the instance of the Union Government import and/or internal distribution of any commodities in short supply with a view to stabilising prices and rationalising distribution; and
- (iv) to generally implement such special arrangements for import, export, internal trade and/or distribution of particular commodities as the Union Government may specify in the public interest.

15. During their current examination the Committee have again received a number of representations to the effect that the Corporation has taken over trade which legitimately belonged to the private sector; that it has, instead of supplementing, supplanted private trade and that it has been repeatedly called upon to enter fields of trade and activities which would have taxed the resources and capabilities even of organisations of long standing in those fields. Similar complaints were also made to the Import and Export Policy Committee (Mudaliar Committee), 1962 who *inter alia* went into the question of the role and functions of the S.T.C. That Committee attributed the appre-

Allegations that S.T.C. has taken over trade belonging to private sector.

hensions of the trading community to a misconception of the role and functions of the S.T.C. and observed:

"We have carefully analysed the programme of the Corporation's work over the past few years. It seems to us that much of the criticism against the STC stems from a misconception of its role and functions which do not seem to have been fully explained or appreciated."

Need for clarification regarding role of S.T.C.

16. *The Committee agree with the observation of the Mudaliar Committee that there is a general misconception of the role and functions of the S.T.C. and they feel that there is room for clarifying them more specifically. There appears to be a measure of uncertainty regarding the commodities the export or import of which would be undertaken by the Corporation or the directions in which its activities would increase in future. The apprehensions of trade, if they are to be allayed, would call for a clearer indication of the commodities which would be taken up by the Corporation as also the principles which would govern their selection. It would be desirable if at the time of entrusting any additional commodity to the Corporation for trade or increasing its activities in any direction, the reasons thereof are made known so that the position is fully appreciated by all concerned and there is no ground for unjustified criticism. It would also be helpful if the particular sub-clause of the Objects clause under which any activity is entrusted to the Corporation is clearly indicated in all such cases. Government should also periodically review the effect of the Corporation's entry in the trade of various commodities so that the original purpose of such entry is constantly kept in view.*

Functions of S.T.C.

17. The present functions of the Corporation are stated to be as under:—

(i) **Exports:**

- (a) to arrange for exports where bulk handling and long-term contracting are advantageous;
- (b) to facilitate and organise exports of difficult-to-sell items through various devices, such as (1) linking essential imports with additional exports under barter, or link deals or such other agreements; (2) organising production to meet export demands and to help production units in overcoming difficulties of procuring raw materials and other essential requirements and (3) developing new lines of exports;
- (c) to ensure implementation of Trade Plans with State trading countries and other special agreements; and
- (d) in the interest of local primary producers, to procure at reasonably fair prices and hold stocks in order to maintain ultimate production

at optimum level of commodities with high export potential, thus avoiding dislocation in production, maintaining adequate availability for exports and ensuring a fair price to the primary producers.

(ii) *Imports:*

- (a) to undertake imports of commodities where bulk procurement is advantageous;
- (b) to undertake imports from State trading countries or where monopolies are involved;
- (c) to undertake imports of—
 - (1) specified commodities in short supply;
 - (2) speculative and high-profit margin items with a view to stabilise the prices;
- (d) to undertake distribution of such commodities in an organised manner to satisfy needs at fair prices; and
- (e) to ensure implementation of Trade plans with State trading countries and other special agreements.

(iii) *Link/Barter Deals:*

To arrange for essential imports from countries with which India is having an adverse balance of trade in such a manner as to link the value of such imports within a fixed period with equivalent value of exports of non-traditional items and additional traditional items.

(iv) *Buffer Stock Operations:*

The Corporation started buffer stock operations to ensure fair price to primary producers, by carrying out buffer stock operations. (A start has been made with three commodities viz., seedlac, jute and lemongrass oil.)

(v) *Export Aid to Small Industries Scheme (EASI):*

The Corporation has finalised a scheme called the 'Export Aid to Small Industries'. The object of the scheme is to assist the small manufacturers in exporting their goods by giving wide publicity abroad to their products, arranging attractive packing, providing credit facilities, helping them in matters of shipping and exploring possibilities of exports in various countries, etc.

(vi) *Export of Handlooms and Handicrafts:*

The Corporation has set up a Subsidiary Corporation, viz., the Handicrafts and Handloom

Export Corporation. The object is to extend assistance to the exporters by arranging imports of essential raw materials and organising exports through various means, by way of financial credit, design assistance, technical assistance, display of samples, propaganda through exhibitions, etc.

- (vii) Internal procurement and distribution of cement.
- (viii) Procurement and supply of essential raw materials, like iron and manganese ore to steel mills in the public sector.

Distinction between direct and indirect trade.

18. The trading activities of the Corporation (both export and import) fall under two broad heads, (i) direct trade and (ii) indirect trade.

Direct trade is that in which the Corporation enters into contractual obligations and carries on the export or import on its own account.

In the case of indirect trade, the Corporation does not enter into contractual obligations and the contracts are concluded between the foreign and the Indian traders directly and implemented also by the private parties only. The Corporation, however, assists in the conclusion and implementation of the contracts, by bringing the buyers and the sellers together, obtaining import licences and using their good offices wherever needed, such as in the matter of settlement of disputes.

Selection of Commodities for trading by S.T.C.

19. So far, the Corporation has handled trade in 95 commodities (34 exports, 60 imports and 1 internal trade) *vide* Appendix I. As far as *exports* are concerned, the Corporation is empowered by clause 2 of the Objects clause to undertake the export of any item without prior reference to Government. As far as *imports* are concerned, under clause 3 of the Objects clause of its Memorandum of Association, the Corporation can undertake the import of any commodities in short supply only at the instance of the Union Government, with a view to stabilising prices and rationalising distribution. Out of the 60 commodities, import of which has been handled by the Corporation, it is seen that Government have given direct instructions only in respect of 37 commodities. As regards the other 23 commodities, it was stated during evidence that the Corporation has been authorised to undertake their imports under the Import Control Orders passed from time to time. It was stated that as the Import Control Orders were also passed by Government, they were regarded as instructions issued by them.

20. *The Committee, however feel in this context that if import of any commodity is to be entrusted to .S.T.C., it should be by means of specific and direct instructions from Government.*

III

TRADING ACTIVITIES

A—General

21. The table below, shows the value of the country's total foreign trade, and the Corporation's share thereof since its inception.

Year	Value of country's total foreign trade	(Rupees in crores)			% of (5) to (2)	Foreign trade handled by S.T.C. vis-a-vis country's foreign trade.
		Value of S.T.C.'s foreign trade				
		Direct	Indirect	Total*		
(1)	(2)	(3)	(4)	(5)	(6)	
1956-57	1469·11	9·19	..	9·19	0·6	
1957-58	1620·95	28·58	19·48	48·06	3·0	
1958-59	1475·38	35·95	28·25	64·20	4·3	
1959-60	1600·42	42·82	27·00	69·82	4·3	
1960-61	1728·22	64·69	46·00	110·69	6·4	
1961-62	1786·50	77·39	48·00	125·39	7·0	
1962-63	1791·17	86·81	54·48	141·29	7·8	

22. It will be seen from the above table that though the foreign trade handled by the Corporation is increasing from year to year, it forms only 7.8% of the country's foreign trade in 1962-63. If the indirect trade, which is mainly undertaken by the private traders as explained earlier, is excluded, the Corporation's share of the country's trade would amount to 4.8% only which can by no means be considered significant.

23. *The Committee are, therefore, unable to appreciate the allegation that the operations of the Corporation have prejudicially affected the opportunities of the private traders.*

*At the time of factual verification, it was stated that from 1958-59, the total trade of S.T.C. includes also internal trade which does not exceed 1% of the total value.

value of direct and indirect trade of S.T.C.

24. From the table given at paragraph 21, *ante*, it will further be seen that out of the Corporation's total turnover of Rs. 141.29 crores in 1962-63, its indirect trade accounted for as much as Rs. 54.48 crores. *The Committee realise that in the initial stages the Corporation was quite justified in increasing its turnover by indirect trade. But the Corporation has now been functioning for nearly eight years and has gained sufficient experience in trading practices. The Committee, therefore, feel that a larger share of the Corporation's total turnover should now be in the form of direct trade.*

Break-up of S.T.C.'s trade.

25. The table given below shows the break-up of the total trade of the Corporation into exports, imports and internal (year-wise):—

(Rupees in crores)

Year	Value of S.T.C.'s. total trade			
	Exports	Imports	Internal	Total
1956-57	5.79	3.40		9.19
1957-58	30.10	17.96		48.06
1958-59	36.72	27.34	0.14	64.20
1959-60 (9 months)	32.65	36.28	0.89	69.82
1960-61	40.86	68.42	1.41	110.69
1961-62	40.02	84.26	1.11	125.39
1962-63	43.08	96.36	1.85	141.29

More imports than exports after 1959-60.

26. It will be seen from the above table that until 1958-59, the Corporation was effecting more exports than imports. But, from 1959-60 onwards the position has been reversed. While the exports during the four years 1959-60 to 1962-63 increased from Rs. 32.65 crores to Rs. 43.08 crores i.e., an increase of 32.7 per cent only, the value of imports effected by the Corporation has shown a steep rise from Rs. 36.28 crores to Rs. 96.36 crores during the same period i.e., an increase of 166 per cent.

B—Exports

(i) General

S.T.C.'s efforts to expand exports.

27. One of the objects for which the Corporation was set up is to diversify and expand the country's export trade by exploring new markets for traditional items and developing exports of new items. The table given below shows

the value of the country's total exports and that of S.T.C. during the years 1956-57 to 1962-63.

(Rs. in crores)

*Year	Country's total exports	S.T.C's exports			% of S.T.C's exports to country's exports
		Direct	Indirect	Total	
1956-57	620	5.79	..	5.79	0.9
1957-58	586	20.80	9.30	30.10	5.1
1958-59	559	22.22	14.50	36.72	6.6
1959-60	639.65	23.23	9.42	32.65	5.1
1960-61	642.32	36.59	4.27	40.86	6.4
1961-62	660.80	34.95	5.07	40.02	6.1
1962-63	695.70	32.58	10.50	43.08	6.2

28. It will be seen that the percentage of S.T.C's exports to the total exports from the country varied from 5.1 per cent. in 1957-58 to 6.2 per cent in 1962-63. Taking into account, its direct exports only which the Corporation effected on its own there was an initial spurt in the year 1957-58 when the exports of the Corporation increased from Rs. 5.79 crores to Rs. 20.8 crores. Again in 1960-61 they registered an increase from Rs. 23.22 crores to Rs. 36.59 crores but there has been a steady decline thereafter. Such a decline is all the more noticeable in the context of the overall increase in exports from the country. Explaining the reasons for lower exports by the Corporation, it has been stated that in the case of barter deals under which exports and imports were arranged, the imports were effected by S.T.C., while the exports were left to the private traders. It was claimed that S.T.C. had on the whole made efforts to direct, expand and supervise the country's exports, though they were not reflected in the Corporation's books.

29. *The Committee note that the Corporation's efforts have facilitated exports by private traders. They, however, feel that after creating a climate for exports, the Corporation should not have passed on the entire benefit to the private traders, but should have undertaken at least a part of the export on its own.*

*In respect of the country's figures, the years denote April to March of each year. In respect of the Corporation upto 1958-59 the year denotes July to June, during 1959-60 July to March and from 1960-61 onwards April to March.

Developing
new lines of
export.

30. In its efforts to diversify and expand the country's exports, the Corporation was expected to develop new lines and explore new markets for traditional as well as non-traditional items. The Committee desired to know the number of new items whose export was developed by the S.T.C. for the first time. It is regretted that this information was not readily available. *As the Corporation was responsible for introducing new items of export, the Committee feel that proper record should have been kept of such items. They hope that this will be done in future.*

(ii) *New Markets explored by S.T.C.*

31. The table given below shows the commodities for which new markets are stated to have been found by S.T.C.:—

(Rs. in lakhs)

Name of Commodity	Countries to which exported	Period during which exported	Total value of exports
Sugar	Japan and Far East (excluding Malaya and Canada)	1963	1,300.00
Ferro Manganese	North Korea	1962-63	25.23
Chrome Concentrate	North Korea	1962-63	12.16
Frozen Meat	Hong Kong	1960-61	1.00
Shoes	USSR, Poland, G.D.R., Bulgaria and Hungary	1956-57 to 1962-63	727.59
Woollen fabrics	USSR & Hungary	1956-57 to 1962-63	225.59
Cotton Textiles	USSR, G.D.R. & Hungary	1959-60 to 1962-63	84.53
Sports goods (Hockey sticks)	Yugoslavia	1959-60	0.13
Cotton yarn	Indonesia	1959-60 to 1962-63	164.60
			2,540.83

32. The following table shows the value of exports which have been effected by S.T.C. in new markets, year-wise, value of its total direct exports and percentage of the value of its direct exports to new markets to the value of its total direct exports:—

(Rs. in crores)

Year	Value of exports effected by S.T.C. in new markets			Total direct exports of S.T.C.	Percentage of value of direct exports to new markets to value of total direct exports by S.T.C.
	Indirect	Direct	Total		
1956-57	..	0.22	0.22	5.79	3.6
1957-58	..	1.55	1.55	20.80	7.4
1958-59	..	1.39	1.39	22.22	6.3
1959-60	..	2.53	2.53	23.23	10.9
1960-61	0.06	1.97	2.03	36.59	5.4
1961-62	0.10	2.24	2.34	34.95	6.4
1962-63	4.95	2.26	7.21	32.58	6.9
	5.11	12.16	17.27		

33. It will be seen from the above table that the total value of exports to new markets initiated by the Corporation till 1962-63 amounted to Rs. 17.27 crores. Of this, the exports directly effected by it amounts to Rs. 12.16 crores only. This forms a very small percentage of the value of the Corporation's total direct export trade. Even the percentage of these exports declined after 1959-60 from 10.9 to 6.9 in 1962-63.

34. *The Committee are not unaware of the difficulties in exploring new markets or developing new lines of exports in the face of keen international competition. Nevertheless they feel that the efforts of the Corporation in this direction have not been quite satisfactory particularly its direct exports to the new markets. The Committee, therefore, urge that the Corporation should make more energetic and concerted efforts in this regard and keep a close watch on the progress made from time to time.*

(iii) S.T.C.'s exports to East European Countries

35. One of the considerations for setting up the Corporation was to expand the country's foreign trade with communist countries. The table given below shows the value of the Corporation's exports to East European countries as compared to its total exports during the years 1959-60 to 1961-62:

(Rs. in crores)

Year	S.T.C.'s exports to East European countries	S.T.C.'s Total exports	Percentage
1959-60	7.79	23.23	33.5
1960-61	9.66	36.59	26.4
1961-62	8.30	34.95	23.7

Decline in exports to East European Countries.

36. It will be seen that the percentage of the Corporation's export to these countries as compared to its total exports, is declining from year to year and there is more or less a stagnation in the value of exports. It is, therefore, necessary that this trend is arrested, and the position is improved. *The Committee are not aware if any study has been made of the commodities in which the exports have declined, and the reasons therefor. Considering the foreign exchange position of the country and the imperative need for expanding exports, the Committee feel that the matter needs to be investigated with a view to evolving remedial measures immediately.*

(iv) Iron Ore

Canalisation of Iron Ore exports through S.T.C.

37. Minerals constitute the bulk of the Corporation's export trade and the foremost among them is iron ore. When the Corporation was set up, it was entrusted with one-third of the export quota for this ore. Later, in July 1957, the entire export of the ore was entrusted to the Corporation. This was stated to have been done to prevent fragmentation of quotas, to facilitate bulk movements, to help co-ordination of rail movements with shipping programmes and to make it possible for the development of mining to be synchronised with the availability of trans-

port. The table given below shows the quantity of iron ore exported by the Corporation year-wise:

Year	Quantity exported (in lakh Metric Tonnes)
1956-57	4.23
1957-58	19.12
1958-59	25.76
1959-60	23.36
1960-61	30.72
1961-62	31.06
1962-63	37.37

38. It will be seen that the Corporation has made a steady progress in expanding the country's exports in this commodity. This has been made possible by the Corporation entering into long-term agreement with the Japanese Steel Mills for the supply of iron ore. Japan is presently taking about 6 million tons of ore annually both from Goa and the rest of India. It is estimated that, by 1970, the annual exports to Japan of iron ore will touch the figure of 13.5 million tons or even more. On the basis of present indications, the total export of iron ore is expected to reach 25 million tons by 1970.

Anticipated increase in iron ore exports by S.T.C.

39. The Committee understand that demand for iron ore is expected to increase consequent on the anticipated increase in production of steel in the world. The sea-borne trade of iron ore is expected to increase by 95 million tons, that is from 105 million tons in 1962 to about 200 million tons by 1972-75. They feel that in view of the anticipated rise in the world demand there is ample scope for the Corporation increasing exports of this commodity by capturing new markets and developing the existing ones. They trust that the Corporation will take energetic steps towards this end.

Anticipated increase in world demand for iron ore.

40. One factor which will greatly affect the possibility of increasing the country's exports of iron ore is the price of Indian ore as compared to world market prices. It has been stated that the price of Indian ore is higher than the world price and that it is facing stiff competition from other sources of supply. In fact the Corporation had to reduce its price in 1962-63. The Corporation further apprehends that unless ways and means are found to reduce the costs of production and movement, the export trade of this commodity is likely to face losses. This is stated to have been brought to the notice of Government who are actively considering the matter.

Price of Indian iron Ore.

41. As Iron Ore is an important foreign exchange earner, the Committee cannot overemphasise the need to reduce its cost of production so that the competitive strength of this commodity in the international market is not only retained but improved. They recommend that a study of the cost structure of this commodity should be undertaken immediately with a view to reducing the cost of production. At the same time, the desirability and the possibility of arriving at an understanding regarding price with other iron ore producing countries may be explored.

(v) Manganese Ore

Partial canalisation of manganese ore exports through S.T.C.

42. Originally one-third of the export trade in manganese ore was canalised through the Corporation but from July, 1957, the Corporation's quota was increased to 50 per cent. The Corporation's dealings in manganese ore were through:—

- (i) Direct Sales.
- (ii) Canalisation i.e. when a mine-owner/supplier entered into a contract for a quantity not covered by his export quota, the contracts for the export could be canalised through the Corporation;
- (iii) Joint Marketing Arrangements—The State Trading Corporation and the mineowners jointly negotiated business with the overseas buyers and both contributed a portion of their export quota towards the joint deal; and
- (iv) Barter/Link deals.

Quantity of Manganese Ore exported by S.T.C.

43. The quantity of manganese ore exported from the country and the quantity thereof which was exported by S.T.C. are shown in the table given below:—

(In lakh tons)

Year	Quantity exported from the country	Quantity exported by STC	Percentage
1956-57	14.76	1.06	7.2
1957-58	15.85	4.49	28.3
1958-59	8.81	3.82	43.4
1959-60	9.63	4.00	41.5
1960-61	11.94	8.65	71.6
1961-62	9.59	7.44	77.5
1962-63	7.43	4.17	56.1

44. It will be seen from the above table that the Corporation achieved the highest level of its exports in 1960-61 when 8.65 lakh tons of manganese ore were exported. But, during the two succeeding years the Corporation's export declined steeply and in 1962-63 it was less than 50 per cent of its export during 1960-61. The decline in the export of manganese ore is attributed to:

Fall in exports by S.T.C.

- (i) the development of new mining areas in the proximity of consuming centres;
- (ii) operation of captive sources of supply by the foreign buyers; and
- (iii) high cost of Indian ore.

45. The Committee were informed during evidence that the total world demand for manganese ore was 4.5 million tons only. Of this 2.25 million tons of manganese ore was obtained by the big purchasers through their captive sources. The free world demand thus amounted to only about 2 million tons. It was stated that if India was able to export even 1 million tons out of this quantity, it should be considered a commendable effort.

World demand for manganese Ore.

46. In 1959-60, the Estimates Committee observed in their 86th Report that the Corporation's export quota of manganese ore had been increased even though it had exported only a small quantity and suggested that a well defined long-term policy should be laid down for the export of this ore. The Committee have been informed that the entire quantity of export of manganese ore has been declared free since October, 1962. They also note that Government have set up a Committee to examine the various problems relating to the trade of this ore with a view to suggesting steps for increasing its exports.

Recommendation of Estimates Committee (1959-60).

47. The Committee understand that U.S.A. was an important purchaser of Indian manganese ore, and India accounted for 37 per cent of their imports in 1953. By 1959, India's share fell to 23 per cent. Between the years 1953 and 1959, U.S.A. turned to Brazil for exploiting the manganese ore mines in that country and made it a captive source of supply. During this period Brazil's share increased from 5 to 25 per cent and that country became the largest single supplier of this ore to U.S.A.

Loss of markets for Indian Manganese ore.

48. The change in the pattern of U.S. imports has been attributed to the difficulty experienced in obtaining adequate and regular supplies from India and also the high cost of transport. *It is regrettable that timely action was not taken by Government and the trade to investigate the causes of decline of exports of manganese ore from the country and to remedy the position. The Estimates Committee welcome the setting up of a Committee, though belated, for examining the various problems of manganese ore*

export trade. They trust that in the light of the findings of the proposed Committee, appropriate steps will be taken to boost the country's export of manganese ore.

49. Manganese ore, like iron ore, is a commodity that lends itself to bulk handling and long-term contracting. The Committee, therefore, suggest that the question of canalisation of its exports wholly through S.T.C. may be re-examined.

(vi) Movement of Ore

Transportation by road.

50. The Corporation has set apart Rs. 30 lakhs for developing movement of ore. It has been able to get improved a number of roads over which ore is transported either by requesting the State Governments concerned to undertake the work or by making available to the State Governments money out of the consolidated fund of India. Details of amounts which have been made available to different States are indicated below:—

	(Rs. in lakhs)
	Amount of Grants
Mysore	185.99
Andhra Pradesh	5.00
Orissa	11.81
TOTAL	202.80

51. It appears that this amount was given out of the remuneration earned by the Corporation on Cement Agency business, which was first credited to the Consolidated Fund of India. The Committee feel that since the cement agency surplus has been earned on an all-India basis, its utilisation for the benefit of a few States is not a healthy practice. However, if it has been decided to use it to improve ore carrying roads, the proper course would have been to assess the requirements of funds for developing such roads in various States and then to make the funds available according to the requirements, after the approval of Parliament.

Transportation by rail.

52. The total quantity of iron ore estimated to be exported by the end of Third Plan period is 10 million tons. Of these, two million tons are expected to come from Kiriburu, 4 million tons from Bailadila and the balance of 4 million tons from other sources. Construction of railway lines for carrying ore from Kiriburu and Bailada has been taken up. In addition, the capacity of lines between Hospet, Guntakal and Madras is expected to be increased to carry two million tons of ore per year by the end of

1965. For exports during the Fourth Plan period, the note prepared by the Committee constituted under the Chairmanship of the Secretary, Ministry of International Trade is stated to be under consideration of Government.

53. The Committee hope that there will be proper co-ordination between the railway authorities and the Corporation in this regard and that the carrying capacity by rail will be developed to fully match the requirements of movement of ores.

54. The table given below shows the percentage of S.T.C.'s cargo which was carried by Indian vessels during the last three years.

Carriage of S.T.C.'s cargo by Indian vessels.

Year	Minerals and Metals		Other Cargo	
	Export	Import	Export	Import
1960-61	6.2	8	46	17
1961-62	9.0	36	31	34
1962-63	7.3	41	71	34

55. The Committee note that there has been improvement in the carriage of S.T.C.'s cargo by Indian vessels.

56. The question of larger utilisation of Indian bottoms for carrying S.T.C.'s cargo was also considered by the Estimates Committee in their 86th Report (1959-60). After taking into account the inadequacy of Indian vessels and the non-competitive nature of their tariff rates, they recommended that steps should be taken to resolve the freight question satisfactorily and to establish Indian Shipping in the carriage of iron ore to the maximum extent possible.

Recommendation of Estimates Committee (1959-60.)

57. The Committee are informed that in the case of iron ore exports to Japan there is an understanding to utilise Indian Shipping to the extent of 10 per cent of the annual quantity transported subject to the freight etc. of the Indian vessels being competitive. The trade agreements in respect of other commodities do not, however, prescribe any percentage of cargo which would be carried by Indian vessels.

Inclusion of relevant clause in trade agreements.

58. Asked about the reasons for not inserting a clause laying down the minimum percentage of cargo which will be carried by Indian vessels in respect of other countries, it was explained that Indian vessels were not available in sufficient number. Secondly, the Indian Shipping freight rates were higher than the world rates.

59. The Committee had also recommended that every endeavour should be made to include a specific clause in the main agreement which State Trading Corporation might enter into with the foreign buyers, so that a reasonable percentage of trade might be specifically reserved for carriage by Indian bottoms.

Committee's
observation.

60. During evidence, the representative of the Ministry of Transport, however, assured that if sufficient foreign exchange was made available for building ships and acquiring or chartering tramp steamers, the freight earned will pay back the cost in ten years. The Committee recommend that the requirements of foreign exchange for building carrier vessels and its economics may be examined by Government and the same made available to the extent possible.

(vii) Woollen Textiles

61. The table given below shows the quantity of woollen textiles exported from the country and by the Corporation from 1959-60 onwards:—

(In lakh Metres)

Year	Quantity exported from the country	Quantity exported by S.T.C.	Percentage of (3) to (2)
1	2	3	4
1959-60	5.17	2.42	46.7
1960-61	3.17	2.30	72.5
1961-62	2.43	1.39	57.2
1962-63	4.33	2.37	54.7

62. It will be seen from the above table that the Corporation's total exports of woollen textiles which were 2.42 lakh metres in 1959-60 declined to 1.39 lakh metres in 1961-62. There has been a rise in 1962-63 but the quantity exported has not equalled its exports during 1959-60. It is also to be noted that the country's exports also fell steeply during 1960-61 and 1961-62 and the recovery during 1962-63 does not gain completely the lost ground.

Fall in exports of woollen textiles.

63. The main difficulty in increasing the exports of woollen fabrics has been attributed by the Corporation to the non-availability of quality goods acceptable in the European markets in sufficient quantities. Only five woollen mills in India are able to produce woollen goods upto European standards but as there is a very good market for woollen goods in the country, these mills have been making available only limited quantities for exports. It has further been stated that the Corporation is unable to compete with the fabrics containing mixture of wool and terylene which is fashionable in those markets. In its place it has been exporting fabrics containing a mixture of cotton and wool which are much cheaper but are not as popular as terylene mixed wool.

64. The Committee consider that the requirements of the European markets for terylene mixed woollen fabrics should be given priority and efforts should be made to meet them by expanding the production capacity, and by making available sufficient quantity of terylene. At the same time, possibility of finding new markets for the mixed fabric containing wool and cotton may be explored.

(viii) Cotton Textiles

65. A table showing the value of cotton textiles exported by the Corporation during the last three years is given below:—

(Rs. in lakhs)

Year	Value of Exports
1961	10.63
1962	68.35
1963 (forecast)	160.00

66. It will be seen that there has been a marked increase in the export of cotton textiles by the Corporation. It has been stated that the Corporation has entered into

joint arrangements with a number of textile mills in the country and has been successful in finding new markets for cotton textiles, viz., U.S.S.R., Hungary and German Democratic Republic.

67. The Committee trust that all efforts will be made not only to expand the existing markets but to explore new ones for this commodity. It is of importance that high standards of quality and speed in the execution of orders are maintained and a study of the tastes and fashions of the market are made so as to ensure a steady stream of orders in future. It is also hoped that the increase of the exports of the Corporation will not be achieved by a diversion of the existing exports of this commodity.

(ix) Export of difficult-to-sell items

68. One of the functions of the Corporation is to facilitate and organise exports of difficult-to-sell items. It has been stated that there is a continuous shift in the marketability of some of the items such as manganese ore, and hence it is not possible to specify the difficult-to-sell items. However, the Corporation has classified the following items under this category:

“Manganese Ore, Mineral Ores like Chrome Ore, Bauxite & Ilmenite; Ferro-Manganese, Manioc Meal and Bichromates.”

69. The Corporation's performance in respect of manganese ore has already been discussed in Paras 42 to 49 ante.

70. A table showing the exports of other items effected by the Corporation during the last three years is given below:—

S.T.C.'s efforts to increase exports not successful.

(Quantity in M. Tonnes)

Commodity	Quantity exported by S.T.C.		
	1960-61	1961-62	1962-63
Chrome Ore	36,654	30,903	7,377
Bauxite	18,440	48,372	49,716
Ferro-Manganese	48,106	64,447	8,679
Manioc Meal . . . . .	..	..	1,643
Sodium Bichromate . . . . .	..	..	114
Ilmenite	Nil	Nil	Nil

71. It will be seen that the exports of Chrome Ore and Ferro-Manganese have fallen sharply in 1962-63, while the exports of Bauxite have registered an increase in 1961-62 and the increase has been maintained in 1962-63. In respect of Manioc Meal and Sodium Bichromate, the Corporation has made a beginning only in 1962-63 with an export of 1,643 metric tonnes and 114 metric tonnes respectively. Thus, the Corporation's efforts in expanding the exports of these commodities have not so far met with any great success.

72. The Committee realise that there may be initial difficulties in finding markets for difficult-to-sell items and facilitating their exports to any large extent. But considering the fact that the Corporation has been functioning for over seven years, better results were expected in this direction. The Committee trust that the Corporation would at least now take effective steps to increase the export of these items.

(x) *Losses incurred on exports*

73. The Committee are informed that the Corporation undertook the export of the following commodities with full knowledge that losses would be incurred:—

- (i) Groundnut oil, (ii) Manioc Meal, (iii) Indigenous Copra Cake, (iv) Sodium bichromate, (v) Deoiled Linseed Cake, and (vi) Cement.

74. The particulars of losses incurred on exporting each commodity are given below:—

Commodity	Loss incurred (Rs. lakhs)
Groundnut Oil	2,13.00 (During 1961-62 and 1962-63)
Manioc Meal	1.2 (during 1962-63)
Indigenous Copra Cake	0.27 Do.
Sodium Bichromate	0.59 (during the period Nov. 1961 to July, 1963)
Deoiled Linseed Cake	0.98

75. It is stated that the loss incurred by the Corporation in exporting, deoiled linseed cake amounting to Rs. 0.98 lakh is reimbursable by Government. The losses

in respect of the export of other commodities *viz.*, groundnut oil, manioc meal, copra cake and sodium bichromate are to be borne by the Corporation.

76. The details of the transactions relating to all the commodities are given below:

Groundnut Oil

77. The Corporation undertook the export of groundnut oil in 1961-62 on the basis of a Government directive. It has stated that due to the wide disparity between the internal price and the export price there were very little exports of groundnut oil by the trade during the year 1961-62. Government, therefore, asked the S.T.C. to undertake these exports to earn valuable foreign exchange as also to maintain continuity in the foreign markets. As a result of the Corporation's efforts, 14,000 tonnes of groundnut oil and 21,000 tonnes of cake were exported during 1962-63. The foreign exchange earned by the Corporation on account of groundnut oil exports is Rs. 3.44 crores.

78. It has been represented to the Committee that the Corporation's losses in this transaction were high because it entered into the field without adequate knowledge of the trade, effected the purchases out of season and thereby inflated the internal purchase price of groundnuts.

79. The Committee are informed that 23,000 tonnes of groundnuts were purchased by the Corporation both from the private parties and through cooperatives. The total purchases amounted to a little less than Rs. 6 crores and the loss incurred during the two years amounted to Rs. 2.13 crores *i.e.* over 33 per cent (Rs. 0.5 crores in 1961-62 and Rs. 1.63 crores in 1962-63).

Manioc Meal:

80. In respect of manioc meal, Government decided in August 1961 to ask the S.T.C. to undertake the exports utilising the existing trade channels to the maximum possible extent. The S.T.C. was asked to effect its purchases for export at an initial price of Rs. 200 per metric tonne which included a measure of assistance for the export trade. In taking this step Government were convinced that without assistance, it would not be possible to dispose of the available surplus. As regards the losses, it was expected that S.T.C. would meet them from its Trade Development Fund. Arrangements for the export of manioc meal were made by the Corporation with M/s. Dugal & Co. on payment of a subsidy of Rs. 66.67 per metric tonne. The total quantity of manioc meal exported during 1962-63 was 1,643 metric tonnes and the loss incurred amounted to Rs. 1.2 lakhs.

81. The exports of indigenous copra cake, deoiled linseed cake and sodium bichromate were subsidised by Government through the Corporation in the following manner:

Indigenous Copra Cake:

82. Exports were to be effected through M/s. Tata Oil Co. on payment of subsidy of Rs. 50 per metric tonne. The quantity exported during 1962-63 amounted to 543 metric tonnes and the loss incurred amounted to Rs. 0.27 lakh. The amount of subsidy and the party through whom export was to be made were decided by Government.

Deoiled Linseed Cake:

83. In the case of deoiled linseed cake, Government decided that S.T.C. should effect its exports through the agency of three firms selected by them by paying a cash subsidy of Rs. 30 per tonne, which was also fixed by Government. A quantity of 3,276 metric tonnes valued at Rs. 15.20 lakhs was exported during 1962-63 and the amount of loss incurred came to Rs. 0.98 lakhs.

Sodium Bichromate:

84. The S.T.C. undertook, at the instance of the Directorate of Export Promotion (then Ministry of Commerce & Industry) to grant financial assistance to exporters of sodium bichromate at the rate of Rs. 222.35 per metric tonne. The total quantity of sodium bichromate exported under the scheme during the period from November, 1961 to July, 1963 was 264.2 metric tonnes and the expenditure on giving the financial assistance came to Rs. 0.59 lakh. It has been stated by the Corporation that the activity is a net loss to it as no commission or other gain is available to it.

85. It will thus be seen that the Corporation has been utilised as an agency for subsidising exports of five commodities. Of these, the losses on the export of deoiled linseed cake have been borne by Government, who have also determined the rate of subsidy and the parties through whom the exports were to be effected. The losses incurred on exporting groundnut oil, manioc meal indigenous copra cake and sodium bichromate were born by the Corporation.

S.T.C.
used for
subsidising
exports.

86. *There may be a case for a Government agency like S.T.C. stepping in to maintain the exports even at a loss if there is an apprehension of a substantial decline in the export of any commodity which earns sizeable foreign exchange. It is to be expected that whenever a Government agency enters the trade of any commodity to a sizeable extent, there would be a visible impact on the internal trade and prices of the commodity. It is, therefore, very necessary to exercise the greatest caution to ensure that the prices are not pushed up artificially which usually benefit the middlemen only.*

Committee's
observation.

87. The Committee are doubtful whether Government would have directed the Corporation to undertake the export of groundnut oil, had they known in advance that for earning foreign exchange of Rs. 3.44 crores, a loss of Rs. 2.13 crores would be incurred. Considering the fact that on a transaction of a little less than Rs. 6 crores a loss of Rs. 2.13 crores has been incurred i.e., 33.05%, which is very abnormal, the Committee recommend that a thorough enquiry into the transaction and the circumstances leading to the losses should be made expeditiously.

88. The Committee further suggest that while entrusting the trade of such commodities to the Corporation, Government should assess and indicate clearly the extent of loss which is likely to arise from these transactions. Moreover, if these measures are to be successful and to achieve the desired results, they should be planned well in advance and for a sufficiently long period.

89. In the case of deviled linseed cake, in respect of which the rate of export subsidy and the exporters through whom the exports are to be effected, are determined by the Government and the losses are also ultimately reimbursed to the Corporation, the Committee see no advantage in routing such transactions through the State Trading Corporation. On the other hand, such a procedure obviously results in avoidable duplication of paper work. They therefore, recommend that the feasibility of S.T.C. itself undertaking the exports or Government directly dealing with the exporters in such cases may be considered.

(xi) Export Houses

90. With a view to developing specialisation and maintaining high standards of performance in export trade, Government have formulated a scheme for recognising business concerns of repute as export houses. These are required to work out a plan of export with particular reference to maintenance of quality, adherence to specifications, delivery schedule, etc. The following types of assistance are specifically available to Export Houses:—

- (a) Lump sum release of foreign exchange to cover their annual requirements for business travels abroad connected with export.
- (b) Government grants out of the Marketing Development Fund to cover part of the cost of export publicity incurred by them.
- (c) Government grants out of the Marketing Development Fund to meet part of the cost of foreign offices opened by three or more Export Houses or foreign offices operated jointly by an Export House and an approved Trade Organisation such as an Export Promotion Council.

91. It has been stated that the scheme might facilitate selection of business associates by the S.T.C. The Export Houses have not been in existence for sufficiently long time and hence a clear picture of their position *vis-a-vis* the Corporation has not yet emerged. *While there may be scope for both the Export Houses and the Corporation to increase and diversify the Country's exports, the Committee consider that effective steps should be taken by Government from the very beginning to ensure that there is utmost co-ordination between the Export Houses and the Corporation so that they are supplementary to each other and do not indulge in unhealthy competition in the international market.*

C. Imports

(i) General

92. The activity of the Corporation in the field of imports falls under the following categories:— General.

- (i) Items whose imports are wholly canalised through the S.T.C. (those which fall under this category at present are caustic soda, soda ash, raw silk and fertilizers.
- (ii) Items which are imported by the Corporation in addition to the imports made by the established importers and actual users. Those falling under this category at present are copper, zinc, lead, betal nuts, cloves, cassia copra tin, ball bearings etc.
- (iii) Indirect imports i.e. where imports are effected by Indian agents of foreign suppliers. The items included in this category are large variety of machinery, and equipment, raw materials and essential consumer goods like photographic materials, newsprint and paper, raw film, etc.

93. The objects with which the Corporation has been entrusted with these imports, are stated to be:— Objects for undertaking various categories of imports.

- (i) *Items imports of which are wholly canalised through S.T.C.*

To diversify sources of supply, secure advantages of bulk import and bring down the prices for internal distribution.

- (ii) *Items imported by S.T.C. in addition to those made by established importers and actual users:*

The imports by the private sector being inadequate, the Corporation was entrusted with the imports of such items with the object of saving foreign

exchange by arranging imports in bulk through barter and link deals or under special payment arrangements and to stabilise internal prices of highly speculative items which are in short supply.

(iii) *Indirect imports:*

To render useful service to the industry and the consumer in arranging essential supplies at comparative rates in time.

(ii) *Import of canalised items*

94. Out of 60 items whose imports have been handled by S.T.C. upto 1962-63, the imports of the following are wholly canalised through S.T.C.

- (i) Caustic Soda
- (ii) Soda Ash
- (iii) Raw Silk.
- (iv) Fertilisers (Ammonium sulphate, Muriate of Potash, Rock Phosphate, Chilean Nitrate, etc.)
- (v) Camphor
- (vi) Mercury.

95. One of the objects of wholly canalising imports through the Corporation is to secure the advantages of bulk import and bring down prices for internal distribution. Regarding the fulfilment of this object, it has been stated that the Corporation has achieved a measure of success in arranging the imports of some of the commodities. Details are given below item-wise:—

Caustic Soda	Procurement cost was brought down by 57%.
Soda Ash	Procurement cost was brought down by 45%.
Chilean Nitrate	Procurement cost was brought down by 20%. Selling price is stated to have come down to Rs. 290/- per ton from its previous level of Rs. 345/- per ton.
Muriate of Potash	Wholesale price is stated to have been brought down to Rs. 295/- per ton from Rs. 319/- per ton.

Ammonium Sulphate	Imported price brought down to £11-0-0 per ton as against the price of £13-18-0 in 1960.
Camphor	No information about reduction in procurement price is available. However essential requirements of tablet manufacturers and actual users were met at less than half the prevailing market prices.
Mercury	Procurement price was brought down by about 25%. This was made available at a steady price of Rs. 1,800/- per flask which was much lower than the prevailing market price.

96. It will thus be seen that the Corporation has brought down the procurement price of some of the commodities whose imports have been canalised through it. It has also reduced its selling price in respect of Muriate of Potash from Rs. 319 per ton to Rs. 295 per ton. In respect of rock phosphate there has been a reduction in the selling price corresponding to the reduction in the purchase price, the sale price being settled direct by the actual users with the Indian agents of foreign suppliers. In regard to other items there has been no reduction in the selling price. It has been stated that the selling prices of Caustic Soda, Soda Ash are fixed in line with those of indigenous material as fixed by Government on the basis of the recommendation of Tariff Commission. Consequently no reduction in selling price was made by the Corporation. Similarly there has been no reduction in the price of camphor and mercury.

97. *It would thus be seen that while there has been a reduction in the purchase price of the Corporation, the resultant benefit has not, in most of the cases, been passed on to the actual user or the consumer.*

No benefit in regard to price out of canalisation of imports.

98. The Committee ascertained during evidence the policy of the Corporation in regard to fixation of selling prices for various commodities and about the margin of profit retained by it. The Secretary to the Ministry explained that there were two considerations in this regard, one trying to keep the prices at reasonably low levels and the other that if there was large profit margin and if there was no way of ensuring that the margin went to the consumers, it was better for the S.T.C. to mop up the profit rather than allow it to go to the middlemen. It was further stated that the first consideration applied to industrial items like caustic soda or chemicals the prices of which have been equated with the price of indigenous material as fixed by Tariff Commission. The second consideration applied to consumable items like camphor, mercury, copra, coconut oil, betelnuts,

cloves, etc. In these cases the Corporation's margin of profit varies between 100 to 200 per cent. The reason for fixing the prices so high was stated to be, the existence of speculative tendencies and unhealthy practices in the trade of these commodities. The fixing of the price at such a high level by the Corporation was the only way to counteract speculative tendencies.

Committee's
observation.

99. Evidently the canalisation of imports wholly through S.T.C. has not benefited the actual user or the general consumers in the matter of price. The contention of the Secretary of the Ministry, that the Corporation tries to keep the prices of industrial raw materials at reasonably low levels is not borne out by facts as there has been no reduction in the prices of caustic soda and soda ash. Thus the object of bringing down the prices by canalising the imports through the Corporation has not been achieved. The manner in which the charging of high profits by the Corporation has been sought to be justified by the Secretary of the Ministry is a clear indication that the wholesome object behind the canalisation of imports has been lost sight of. Instead of devising ways and means to regulate the prices and to see that the consumer got the goods at lower prices, the Corporation and the Government appear to have reconciled themselves to charging of high prices as the only way out. It is true that the Corporation might have encountered some difficulties in arranging the supply of goods to the consumers, in the initial stages, but they cannot be considered to be insurmountable, particularly as it has been functioning for over 7 years. It has to be realised that state trading, which is not universally supported, has to create a good image of its working in the public mind. The benefits, it brings to the consumer, is the measure of its success. The Committee therefore recommend that suitable measures should be devised in this regard by the Corporation immediately.

(iii) Import of non-canalised items

100. The Corporation imports over 50 items which are also imported by the established importers and actual users. These include, among other items non-ferrous metals whose import by the Corporation roughly amount to 30 per cent of the total imports. It has been stated that he imports by the private sector being inadequate, the Corporation was entrusted with the imports of such items with the object of saving foreign exchange by arranging imports in bulk through barter and link deals or under special payment arrangements and to stabilise prices of highly speculative items which are in short supply.

101. The table given below shows the price fixed by S.T.C. and the ruling market price of certain commodities imported by it.

Market price and S.T.C. selling price of some non-canalised items of import.

Commodity	Unit	Ruling price.	Market price.	S.T.C.'s selling price.
(Imports from East European Countries)				
Sodium Sulphate	M/T		500 (Approx.)	292
Rangolite	KG.		7	4
Oxalic Acid	M.T		7,013	3,013
Ammonium Bicarbonate	M.T		1,476	861
Aniline Salt	M.T		4,961	2,508
Arsenic White	M.T.		1,575	8,48
Pot. Carbonate	M.T.		2,977	1,266
Sodium Nitrite	M.T		2,092	886
Non Ferrous Metals				
Copper	M T		6,420	3,402
Zinc	M T		2,600	1,172
Lead	M.T		2,000	883
Tin	M T		40,000	12,100

102. It will be seen that the ruling market prices of all the commodities mentioned in the above table are much higher than the prices fixed by the Corporation and the price difference in most of the cases is more than 100%.

103. It is thus clear that partial canalisation of imports through S.T.C. has not resulted in importing stability to the ruling market prices or in bringing them down. In cases, where a commodity is partly imported by the Corporation and partly by the private traders and the same is not available in the market at the selling prices fixed by the Corporation, allegations of malpractices are likely to be made against the Corporation also. It is therefore necessary to ensure that these commodities are made available to the

Committee's observation.

consumers at the fixed prices. For this purpose, the co-operation of other importers may be sought. If there is no improvement in the position and there are difficulties in enforcing fixed prices, the question of canalisation of imports of such items wholly through the Corporation and direct supply to the users and consumers may be examined.

(iv) *Distribution of Imported Goods*

Arrangements for distribution

104. Items of imports which are wholly canalised through the Corporation are distributed either departmentally (as in the case of camphor) or through representative trading bodies sponsored by Associations of established importers (as in the case of caustic soda, soda ash, mercury and muriate of potash) or through sole concessionaries in India of the foreign suppliers (as in the case of Chilean Nitrate and Magadi Soda Ash.) In the case of non-canalised items distribution is arranged through importers (agents of foreign suppliers in the case of East European Countries) in respect of items of indirect trade and representative trading bodies, as far as possible, in respect of items of direct trade, e.g., in the case of Hydro-Sulphite of soda, Rangolite 'C' or departmentally as in the case of Sodium Sulphate and cinema carbons.

105. The imported goods are stated to be generally allowed to be distributed only to actual users who ordinarily have to produce recommendations or essentiality certificates from certifying authorities like Directorate General of Technical Development, Development Commissioner (Small Scale Industries), Directorate of Industries, Textile Commissioner, etc. In the case of certain commodities, possessing special features, the arrangements for distribution are as follows:—

Copra/Coconut Oil	Distributed in accordance with the recommendations of the Directorate General of Technical development in the case of the scheduled sector and the port licensing authorities in the case of the non-scheduled sector.
Seed Potatoes	Distributed through established importers and State Cooperatives.
Betelnuts, cloyes and Cassia	Allotted to established importers as per directions of Government In the case of cloves, a portion was allotted to Co-operatives also.

Non-Ferrous metals

State-wise allocation is made by Government and further allocation within the State is made by the Directorate of Industries. On the basis of the State-wise quota, S.T.C. hands over the quantity to the Small Industries Corporation of the respective States. Unit-wise distribution is made by the State Corporations.

Ball, Roller and Taper Bearings

Distribution is done through

- (a) Indian Agents of well-known makes such as SKF, FAG, RIV, TIMKEN, STYER and R & S which are popular in the country and have therefore a large demand ;
- (b) All India Ball & Roller Bearing Distributors' Association.
- (c) Federation of all India Automobile Spare-parts Dealers Association.

Raw Silk

Distributed through Central Silk Board.

106. It has been represented to the Committee that there has been delay in the distribution of some of the imported commodities by the Corporation. It was explained that in the case of items of direct trade, the Corporation normally effected delivery within three months. In the case of commodities which are distributed through dealers/distributors on the basis of release orders the same were issued by the Corporation within one month and the dealers/distributors were to release the stores within three months. The representatives of the Corporation said that to the knowledge of the Corporation, there had been no cases of complaints regarding delay in the issue of release orders. Secretary of the Ministry also promised to look into individual cases of complaint if any.

Complaints
of delay in
distribution

107. *The Committee consider that in the interests of quick distribution, the Corporation should draw up a programme of distribution well in advance of the arrival of shipment and ask the distributors to hold themselves in readiness for receiving the goods and transmitting them to the actual users. Such a step will result in considerable saving in time and it is likely that the whole process of issuing release order and effecting distribution may be*

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observation

completed within one month. It may also eliminate malpractices arising out of delay. Higher officers in the Corporation should exercise a strict check over the distributing machinery and in cases of delay or malpractice take prompt action to remedy the defects.

D. Purchase Procedure

108. The Corporation follows different procedures for purchasing the various commodities which are exported by it. The procedure adopted in respect of some commodities is shown below:—

Commodity	Procedure for purchase
Iron Ore	Purchase is made from the following sources : (a) Established shippers, (b) mine-owners, (c) firms who assisted S.T.C. in bringing additional business or developing new projects, and (d) free purchases.
Manganese Ore	Corporation has worked out joint selling arrangements with principal mine-owners in terms of which supplies are made available to it.
Other Ores	Purchases made directly from the mine-owners.
Rice	Supplies received from stocks held by the Ministry of Food & Agriculture.
Tobacco	Direct purchases from suppliers in Guntur which is the only market.
Groundnut Oil	Through co-operatives and from the free market.
Manoic Meal	The proposal was to procure departmentally in collaboration with Kerala Government, but due to crop failure, purchase was made from established exporters.

Commodity	Procedure for purchase
Copra Cake	Purchase is made from the actual users of copra/coconut oil.
Sea Salt	Contracts are concluded by the Corporation with the foreign buyers, but supplies are effective by shippers to the purchaser directly.
Woollen Textiles	Purchases made directly from the mills, on the basis of samples, already selected by the foreign buyers.
Shoes	Purchases of hand made shoes made from National Small Industries Corporation Ltd., Bharat Kala Kendra & Agra Charam Kala Kendra and machine made shoes from Cooper Allen Branch of the British India Corporation.
Cotton Textiles	Purchases made directly from the mills on the basis of samples already selected by the foreign buyers.

109. It will be seen that in purchasing commodities for exports, the Corporation has been relying mostly on direct negotiations with the sellers rather than effecting purchases by means of public tenders. During evidence, it has been stated that it is not possible to follow one particular pattern of purchase procedure for all commodities since the situation differs from commodity to commodity. The Corporation is stated to be following a happy compromise in the matter of tenders, by resorting to limited tender system. It knows the people who are in the trade and sounds them for supplies. For this purpose, the Corporation maintains regular registers of people in various types of business. The Secretary of the Ministry also stated that by and large the Corporation was trying to achieve as fair a method as possible in this regard.

S.T.C. not adopting open tender system.

110. *It is true that no rigid purchase procedure can be followed by a trading organisation like the S.T.C. for all the commodities. But it is essential that it should give the widest publicity to its purchases so that all the intending sellers have a fair chance of quoting their rates and the Corporation obtains the commodities at the cheapest price. The system of limited tender, followed by the Corporation, does not serve any useful purpose as most of the traders in*

Committee's observation.

any particular commodity would come to know of the intended purchases of the Corporation. On the other hand, the system lays the Corporation open to the allegations of favouritism and nepotism. The Committee would therefore recommend that wide publicity should be given by the Corporation to its purchases and as far as possible, public tenders should be invited for the purchases made by it. This will also help to remove misgivings, if any, in the minds of the public and the trading community at large about fairness in the selection of suppliers by the Corporation.

E. Indirect Trade

Categories
of indirect
trade.

111. The volume of business handled by the Corporation by means of indirect trade is given at para 21 ante. Indirect trade of the Corporation represents trade undertaken by other parties (mostly private parties) under contracts entered into by them with the foreign suppliers or buyers involving their own financial investment but with the approval or association of the Corporation. The different categories of indirect trade are:—

I. Exports:

- (i) Export of approved commodities to countries with which special trade agreements have been entered into providing a registration of exports by the Corporation to make such exports eligible for financing the import of specified goods from those foreign countries into India;
- (ii) Similar exports under link deals or barter deals entered into by the Corporation;
- (iii) Exports undertaken by private parties at the instance or with the assistance or approval of Corporation. Instances of this kind are: manganese ore (in certain cases), shoes, woollen textiles, sodium bichromate, salt (in certain cases, especially those involving small quantities), etc.

II. Imports:

- (i) Imports from the East European countries where the import licences are issued in the name of State Trading Corporation, but actual imports are effected by other parties, whether actual users or traders;
- (ii) Imports from countries with which special trade agreements have been entered into to provide for the Corporation undertaking the responsibility for importing the goods specified;
- (iii) Imports under Link/Barter deals; and

- (iv) Imports against free foreign exchange of certain commodities through Associations, etc. working in collaboration with the Corporation. Instances of this kind are, betelnuts, cloves, copra, etc.

112. The procedure followed by the Corporation in regard to indirect trade is given below in brief:—

I. Exports:

113. In the case of indirect exports arrangement is made by the Corporation to make suitable provisions for export of Indian commodities to other countries either by way of special trade agreements or barter or link deals or Trade Plans. Export contracts are registered by the Corporation after considering the eligibility and suitability of the goods proposed to be exported.

II. Imports.

114. In the first place, provision is made for import of the required commodities from the countries concerned either through special trade agreements or link and barter deals or trade plans (in the case of East European countries). Against these provisions, Indian agents of the foreign suppliers or other parties wishing to act as importers enter into contracts with the buyers and the Corporation obtains requisite import licences in its name along with letters of authority in favour of the aforesaid other parties, who thereupon actually effect the imports.

115. It has been represented to the Committee that in the case of commodities which are imported through agents /dealers, after-sales service is not rendered to the actual user. This is ascribed to the fact that the Corporation does not select agents of foreign suppliers who have agency agreements binding them to render after-sales service. In this connection, the Committee were informed that in the case of imports from East European countries, the Indian agents of the suppliers in those countries had to be accepted by State Trading Corporation as agents for import and distribution. During evidence, it has been stated that some complaints regarding lack of after-sales service did come to the notice of the Corporation and as a result the Corporation has decided that in respect of import of specific items, such as machinery, machine tools or spare parts, the agents should give a guarantee for after-sales service.

Difficulties experienced by actual users.

116. The Committee trust that the new procedure will be implemented without delay and the Corporation will study other difficulties, if any, experienced by the actual users and take steps to remove them..

Selection of agents by S.T.C.

117. *The Committee further suggest that the Corporation should not automatically accept the agents selected by foreign suppliers but should independently decide about their suitability for the purpose. The Committee feel that for more than one reason, particular care should be exercised in the selection of agents. They would rather emphasise that the Corporation should itself take over agency functions in these cases unless there are specific difficulties which necessitate the appointment of outside agencies.*

Benefits of associating S.T.C. in indirect trade.

118. The Committee desired to know the reasons for associating the Corporation in the indirect trade. It has been stated that in the matter of exports such association is mainly in regard to items which are difficult-to-sell. As far as imports are concerned, it is associated with regard to items which have been approved by the technical authorities concerned. In these cases the Corporation ensures that whatever is imported is properly accounted for both as regards the physical stock and sales at prices which are approved by the Corporation. The Chairman of S.T.C. stated during evidence that the check was only in regard to the price charged by the importer to the next man. If a commodity passed more than one hand, there was no further check on the man who bought the commodity from the importer and there was no guarantee that the end consumer got it at the price approved by the Corporation.

Supervision of S.T.C. in regard to price ineffective.

119. *It, therefore, appears to the Committee that the supervision exercised by the Corporation is not adequate as the benefit of the price fixed by S.T.C. does not reach the consumers. They, therefore, consider it appropriate that widest publicity should be given to the prices fixed by the Corporation and that vigilance should be exercised to see that the commodities are available to the consumer at those prices.*

Transfer of import licences issued in the name of S.T.C.

120. In the case of indirect imports by the Corporation licences are issued in the name of State Trading Corporation which are subsequently transferred to other parties who effect the imports. The Committee desired to know whether these importers were required to effect any exports and whether the import licences were in any way linked with their export efforts. While the representative of the Corporation agreed that according to progressive thinking export promotion should be linked with import, it was not always possible to ensure that the import licence was given in return for their having exported certain commodities. For example, in the case of imports from East European countries, their Indian agents have to be accepted by the Corporation as its agents.

121. *In view of the imperative need for increasing exports from the country, the Committee consider that the feasibility of making it obligatory on the part of such importers to effect exports of a percentage of the value of their*

import licences may be examined. In case it is not feasible, the whole question of indirect import may be reviewed to see whether the Corporation could do it itself.

F. Internal Trade—Cement

122. Under the Cement Control Order of 26th June, 1956, trading and internal distribution of cement became the monopoly of the Corporation with effect from 1st July, 1956. The objects behind this were stated to be:—

Cement
Control
Order, 1956.

- (i) to rationalise the movement of cement within the country and to reduce the strain on railways;
- (ii) to make available both imported and indigenous cement at uniform prices all over the country;
- (iii) to secure equitable distribution; and
- (iv) to equalise the price of imported and indigenous cement and to bring about uniform freight and packing charges.

123. Initially, the order was to be operative for two years, but it has been extended from time to time and is still in operation. The price at which the Corporation will buy and sell was also fixed under the order. For equalising the selling price of imported and indigenous cement, the Corporation levied an import subsidy at the rate of Rs. 7 per ton. The subsidy was reduced to Rs. 5.50 per ton with effect from 1st July, 1957, and withdrawn altogether with effect from 1st March, 1958. The question of handling cement by the Corporation was dealt with by the Estimates Committee in their 86th report (Second Lok Sabha) and their 149th report (Third Lok Sabha), showing the action taken by Government on the earlier report.

124. A table showing the break-up of the cement equalised prices per ton w.e.f. 1-11-1959 is given below:—

Equalised
price of
Cement.

BREAK-UP OF CEMENT EQUALISED PRICE

Particulars	w.e.f. 1-11-59 per Long Ton (Packed)	w.e.f. 1-10-60 per Metric ton (Packed)	w.e.f. 20-2-61 per Metric ton (Unpacked)	w.e.f. 1-11-61 per Metric ton (Unpacked)	w.e.f. 1-3-63 per Metric ton (Unpacked)	w.e.f. 1-6-63 per Metric ton (Unpacked)
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1. Ex. works price	58.10	58.00	58.00	71.00	71.00	74.25
2. Packing Charges	13.50	12.15	..	..	..	..
3. Excise Duty	24.00	23.60	23.60	23.60	28.32	28.32
4. Freight	18.00	18.90	18.90	19.50	19.50	21.00
5. Incidence of Sales Tax on First Transaction	1.00	0.20	0.20	0.20	0.20	..
6. Contingencies	0.30	0.16	0.16	0.16	0.70	**3.35
7. S.T.C.'s Remuneration	0.60	0.60	0.60	0.60	0.60	0.40
8. Selling Agency Fee	1.50	1.49	1.49	1.50	1.50	1.25
9. Rebate on Rate Contract Supplies	0.50	0.45	0.45	0.50	0.50	0.50
	117.50	116.75	104.60	117.60	122.32	126.07

*From 20-2-1961 the incidence of Packing Charges does not devolve on S.T.C. as the same is being recovered from Consumers.

**Sales Tax also is being recovered from Consumers.

125. It will be seen that there have been increases in the various components of the equalised price from time to time. The ex-works price was increased as a result of the recommendations of the Tariff Commission. The other increases are mainly in the excise duty and freight. The "contingencies" which have also fluctuated greatly were first increased from 16 nP. per ton in September, 1961 to 70 nP. and then brought down to 35 nP. in June 1963.

Increase in equalised price of cement.

126. The table in para 123 *ante* indicates that besides S.T.C.'s remuneration of Rs. 0.40 per ton, a selling agency fee of Rs. 1.25 per ton is also paid to selling agents. In addition there are stockists appointed by the selling agents at each place, who are paid their commission which differs from state to state. The Committee have been informed that at present there are 18 selling agents to handle cement produced by the 36 Cement factories in the country and their earnings on commission amount to about Rs. 1.3 crores. These selling agents are appointed by the Cement factories. The S.T.C. has also appointed four Regional Cement Officers in Delhi, Calcutta, Bombay and Madras to maintain liaison with the factories, selling agents and State Governments in their regions.

Remuneration of S.T.C. and other distributing agencies.

127. The remuneration of the S.T.C. and the Commission paid to selling agents and stockists during the last 3 years are shown below:—

	Rs. in lakhs		
	1960-61	1961-62	1962-63
(i) Selling agents	11.16	121.32	131.22
(ii) S.T.C.'s remuneration	45.64	49.21	52.49
(iii) Stockist's Commission*	26.19	21.96	21.39

Thus about Rs. 2 crores are being spent annually on the fees and remuneration of these agencies.

128. The services rendered by these agencies are given below:—

S. T. C.

Head Office

- (i) Matching the allotments to production;
- (ii) Fixing the allocations and planning of movement.

*This is in addition to the expenses reimbursed to them on account of (i) unloading from Railway Station (ii) transport from Railway Station to godown (iii) local taxes like octroi and other charges (iv) Godown rent.

Regional Office

- (i) Issue of authorisations on the factories/selling agents in accordance with the rationalisation of movement to the extent of cement made available by the Ministry from a particular factory.
- (ii) Issuing authorisation in such a way as to keep freight leads within reasonable limit.
- (iii) Ensuring that authorisations are issued equitably on all factories/selling agents.
- (iv) assisting the regulation of supplies, arranging wagon supplies and issue of priorities.

Selling Agents

- (i) Safe custody of stocks.
- (ii) Booking of orders and execution thereof.
- (iii) Making arrangements for speedy and economic transportation.
- (iv) Distribution in the best interests of the Corporation.
- (v) Maintenance of books of accounts and other records.
- (vi) Appointment of stockists.
- (vii) Compliance with the formalities of Sales Tax Acts of different States.

Stockists

- (i) Unloading from railway wagon at destination.
- (ii) Transport from railway station to the godown.
- (iii) Stocking in godowns.

Need for
elimination
of agencies.

129. *It will be seen that there is considerable overlapping of functions between the State Trading Corporation and selling agents and between selling agents and stockists. The Committee consider that there is no need for all these agencies which unnecessarily add to the cost of cement for the consumers. It appears to the Committee that the selling agents who are the nominees of the factories do not serve any vital and useful functions and are only intermediaries and middlemen between the factories and stockists. While there may have been good reasons for their retention in the initial stages so as not to disturb the existing channel of distribution, there is no longer any justification for their continuance in the present scheme of cement distribution by the Corporation. The existence of these agencies only adds to avoidable paper work and delays and higher price.*

130. The Committee feel that there is urgent need to effect economy in the arrangement, and that the functions of the selling agents can be taken over by the Corporation without much additional expenditure. They have no doubt that such an arrangement, besides saving about Rs. 1 crore annually, will result in streamlining the distribution process as the Corporation will be dealing directly with the factories on the one hand and stockists on the other. The Committee trust that this matter will be examined without any delay.

Need for economy in distribution.

131. The amount of remuneration earned by the Corporation for handling cement and the deficit or surplus on the cement agency business is shown below:—

T.C. remuneration

Year	(Rs. in lakhs)	
	Amount of Remuneration	Deficit (—) or surplus (+) on Cement Agency
1960-61	45.64	-1.26
1961-62	49.21	-8.26
1962-63	52.49	+63.90

132. The primary reason for the loss incurred on cement agency business during 1960-61 and 1961-62 is stated to be the enhancement in the ex-works prices of cement consequent upon the acceptance by Government of the recommendations of the Tariff Commission and of the Wage Board, whereas the equalised selling price remained unaltered upto 31st October 1961. With the increase in price effected after October 1961, a surplus of Rs. 63.9 lakhs was earned on Cement Agency account during 1962-63. It has been stated that of the remuneration earned by the Corporation upto 50 per cent is to be utilised by it for meeting the losses incurred on exporting cement.

Loss incurred by S.T.C. Cement Agency Business.

133. The quantity of cement exported and the loss sustained by the Corporation on that account are given below:—

Loss incurred on export of cement.

Year	Quantity	Amount of loss (Rs. in lakhs)
1957-58	17,000 tons	N.A.
1958-59	1,30,000 tons	27.52
1959-60	1,39,000 tons	27.34
1960-61	1,06,000 metric tonnes	17.05
1961-62	1,02,000 metric tonnes	2.41
1962-63	42,000 metric tonnes	9.53
1963-64	85,000 Metric tonnes	10.00
(Forecast)		

N.A.—Not available.

134. It will be seen from the table given above that the loss incurred by the Corporation during 1962-63 forms a small portion of the Corporation's remuneration earned on cement Agency Business.

Need for review of price structure of cement.

135. It indicates that there is justification for reducing and rationalising the remuneration of the Corporation. The Committee have earlier recommended in para 130 that the Corporation should take over the functions of the selling agents. This might require a marginal readjustment of its remuneration. The Committee would therefore suggest that the entire price structure of cement may be reviewed so as to effect economy in the various elements of cost and pass on the benefit to the consumer. It would be desirable if such a review is conducted by an agency outside the Corporation.

G. Link/Barter Deals

Object of Link/Barter deals.

136. One of the functions of the Corporation has been to arrange trade on a barter/link deal basis, particularly with countries with which there is an adverse balance of trade. The object of such deals has been to make use of the services and experience of international firms in those countries. Through these arrangements some of the imports of essential items from a country upto a determined value and within a fixed period, are linked up with equivalent value of exports of non-traditional items and additional traditional items. In the case of barter deals also, some difficult-to-sell items are matched up with the equivalent value of essential imports. In both these cases, the Corporation is said to play the role of a catalytic agent by initiating, regulating and supervising the performance.

Business transacted.

137. The value of total business (import and export) concluded under these arrangements during the last 3 years is shown below:—

1960-61	Rs. 6 crores
1961-62	Rs. 11 crores
1962-63	Rs. 31.93 crores (Link deal Rs. 15 crores and barter deals Rs. 16.93 crores.)

Committee's observation.

138. The Committee are glad to note that there has been steady increase in the business of Corporation under these arrangements during the last 3 years. They trust that this trend will not only be maintained but improved.

H. Export Aid to Small Industries (E.A.S.I.) Scheme

139. The scheme aims at fostering direct business relationship between Indian manufacturers and foreign importers. It attempts to remove the difficulties which have so far prevented the smaller manufacturers from entering the export field. The nature of assistance rendered by the Corporation falls under the following categories:—

Aims of
E.A.S.I.
Scheme.

- (i) Advice on the preparation and presentation of material, sales literature and packing of goods;
- (ii) Securing of orders from overseas buyers and passing them on to manufacturers;
- (iii) Looking after shipping, insurance, preparation of documents, etc.,
- (iv) Affording credit facilities to overseas buyers of good financial standing and simultaneously discounting the bills of manufacturers to the extent of 95%; and
- (v) Assisting the manufacturer in entering into agency agreements and obtaining for him import entitlements.

140. It has been stated that the export potential in the small scale sector is vast. It was for tapping this source that the E. A. S. I. Scheme was conceived. It started functioning in March, 1962. Upto end of 1963, 914 applications were received for participation in the scheme and 600 other enquiries from intending participants. Of the 914 applications, only 103 units could be inspected and only 27 were selected for effective participation. The reason for not inspecting the others is stated to be the growing pressure of work in the Head Office. A sum of Rs. 8,097 has so far been spent by way of advance to participating units and as a result of this preparatory work, goods worth over Rs. 80,000 have been shipped.

Progress
made by
S.T.C.

141. *Considering the importance of the scheme the progress made by the Corporation is not significant. The Committee do not appreciate the delays in inspecting the units which applied for assistance. They hope that earnest efforts will be made by the Corporation to make the scheme a success by affording assistance speedily. It is also necessary that wide publicity is given to the scheme and that difficulties if any, in its implementation, are examined and remedied, wherever possible.*

Committee's
observation.

I. Buffer Stock Operations

142. Under a directive from Government, the Corporation started Buffer Stock Operations with a view to stabilising internal prices and ensuring continuity of production and exports. These operations have so far been ex-

Objects of
the Scheme.

tended to seedlac (since October, 1961), Jute (since September, 1962) and lemongrass oil (since July, 1963). It is stated that the operations are in the interests of primary producers. The Corporation effects procurement in the internal market at reasonable prices and holds stocks where necessary in order that the country's production of the commodity is maintained at optimum level and maximum export is affected.

Procedure
for purchas-
ing the
Commodities

143. As regards the procedure for purchasing the commodities in respect of which Buffer Stock operations have been undertaken by the Corporation, it was stated that in respect of seedlac, the Corporation had set up six centres in the various outlying areas where the producers brought their sticklac. During evidence, the representative of the Corporation stated that the Department of Co-operation was thinking of setting up an organisation to which the producers could supply their sticklac. At present, the Corporation is stated to have asked the co-operative societies to make purchases of sticklac on its behalf.

144. With regard to jute, the procedure for purchase was laid down by Government while instructing the Corporation to undertake Buffer Stock Operations. According to Government's instructions, S.T.C. is to primarily buy jute from State Apex Co-operative Marketing Societies or from its nominees. It should not have any direct dealings with individual growers or primary societies. The Corporation has been making its purchases through the National Agricultural Co-operative Marketing Federation Ltd. (NAFED), Apex Co-operative Societies and their affiliated organisations in different States.

Quantity of
Jute purchas-
ed and
stocks.

145. The Corporation has purchased upto 31st March, 1963, 1,64,548 maunds of seedlac, 1,93,394 maunds of jute and 558 metric tonnes of lemongrass oil. In addition, during the current season the Corporation has purchased about 30,000 maunds of jute.

Of the three commodities, the quantity held by the Corporation in stock as on 31st October 1963 is shown below:—

Seed lac	1.1 lakh maunds
Jute	3.22 lakh maunds
Lemongrass Oil	558 Metric tons.

Disposal of
stocks.

146. With regard to the disposal of the stocks of the three commodities it has been stated that the exporters of seedlac have to compulsorily lift 25% of the quantity of their export orders from the buffer stocks thus ensuring that the stocks of this commodity are rotated. As regards jute, a major portion is stated to have been sold and no difficulty is anticipated in selling the remaining stocks.

147. In the case of lemon grass oil, the Committee were informed that with the coming in of synthetic substitutes the sale of this commodity has encountered a lot of resistance. It was also admitted by the representative of the Corporation that there would be a gradual deterioration in the citral content of the oil held in stock. The Corporation has therefore sent abroad one of its directors to assess the possibilities of sales opportunities on a long term basis.

Decline in the export of lemon-grass oil.

148. The Committee enquired as to how far the Buffer Stock Operations had benefitted the primary producers and particularly whether the primary producers of jute were covered. It was stated that 96 marketing societies which were fed by 297 centres, were supplying jute under this scheme. The Chairman of S.T.C. admitted that these centres may not have covered more than 5 or 10 per cent of the primary producers and that there was need for a few hundred additional centres.

Coverage of Buffer Stock Operations

149. The Committee consider that if the objective of helping the primary producer in getting a reasonable price is to be achieved, the first step is to ensure that a much larger number of primary producers are covered by the operations of the Corporation. The Committee hope that the Corporation will take steps to set up the required number of centres to cover all jute growing areas. In this context the question of organising the primary producers into cooperatives should be given earnest attention.

Committee's observation.

150. The minimum operational price of jute offered by S.T.C. is Rs. 30/- per maund for Assam bottom delivered at Calcutta. In accordance with the price payable at Calcutta by S.T.C., derivative prices payable to producers for different grades of jute grown in different States have also been fixed by Government. It has been represented to the Committee that the primary producers of jute are not getting the benefit of the price as the Corporation was operating through middlemen. The Committee note that there are three intermediaries between the S.T.C. and the primary producer as shown below:—

Minimum operational price of jute.

- (i) NAFED;
- (ii) State Apex Co-operative Marketing Societies or their affiliated organisations;
- (iii) Primary Marketing Societies;
- (iv) Village trader.

151. While the Committee appreciate that though the buffer stock operations do not fall within the normal commercial functions of a trading organisation, the Corporation has undertaken them as a measure of price support for the benefit of the primary producers. They are, however, concerned about the multiplicity of agencies which

Multiplicity of agencies regarding jute.

admitted by the Chairman of S.T.C., increases the price margin between the producer and the ultimate consumer. There is thus an urgent need to eliminate the superfluous agencies and to reorganise the pattern of operations accordingly. The Committee hope that Government in consultation with the Corporation would take effective measures, expeditiously. In addition to streamlining the procedure as indicated above, the Corporation should also ensure that the widest possible publicity is given to the prices paid by it for such commodities, so that the primary producer is protected from exploitation by intermediaries.

Loss incurred on Buffer Stock Operations.

152. The position regarding losses incurred by the Corporation on account of the Buffer Stock Operations in respect of the three commodities is indicated below:—

Seedlac	Rs. 3.21 lakhs (during 1961-62 & 1962-63).
Jute	(Complete data is stated to be under compilation, since the disposal of stocks acquired during 1962-63 is not yet complete).
Lemongrass Oil	Losses are apprehended by the Corporation but the extent is not known.

153. The Committee have been informed that losses in respect of seedlac are to be debited to Trade Development Fund of the Corporation. As regards raw jute, it is stated that the principle of S.T.C. incurring operational losses has been accepted but the manner in which the Corporation would be reimbursed by Government has not yet been finalised. The position regarding lemon grass oil is not known.

Committee's observation.

154. The Committee regret to note that the Corporation has not yet assessed the extent of loss that is likely to be incurred in respect of all these commodities. They consider that an assessment of the likely loss should be made in the very beginning by Government so that they can keep a watch over the operations of the Corporation. The Committee have already pointed out in para 88 ante, that in cases, where transactions, involving loss are entrusted to the Corporation, Government should indicate the estimated loss likely to be involved. They hope that suitable steps would be taken in this direction.

IV

ORGANISATION

A. Board of Directors

155. The Board of Directors of the Corporation consisted of ten members including the Chairman on 30th September, 1963. With the bifurcation of the Corporation with effect from the 1st October, 1963, the number of members of the Board of Directors of the two Corporations is indicated below:—

- | | |
|--|--|
| (i) State Trading Corporation | Seven members (with three full-time Members including Chairman). |
| (ii) Minerals & Metals Trading Corporation of India Ltd. | Six members (with two full-time members including Chairman). |

B. Staff Assessment

156. The total number of persons employed by the Corporation (both at Headquarters and Regional Offices) was 2,053 as on 31st March, 1963. During their examination of the Corporation in 1959-60, the Estimates Committee were informed that one full time Director had been entrusted with the work of assessing the requirements of staff since December, 1958. It now transpires that although that Director worked till May 1961 no consolidated report on the assessment of staff requirements was submitted by him. It has been stated that he was dealing with various matters including framing of recruitment and other Rules.

The Committee regret that the Director who worked about 2½ years in the Corporation did not submit his report on the assessment of staff requirements. It is rather surprising that the Board also did not insist on such a report particularly when such an impression was given to the Committee in 1959-60.

157. It has been stated that a committee consisting of the Chairman and three other Directors of the Corporation was set up to undertake a detailed scrutiny of the organisational pattern of the Corporation with a view to effecting economy. As a result of the efforts of this committee, 142

posts in various categories were reduced. During evidence, it was, however, stated that at present the Corporation was short-staffed at the higher executive level, while there was a surplus of staff at lower levels.

158. It has been represented to the Committee that S.T.C. is a top-heavy organisation. It is observed that out of a total strength of 2,053 as on 21st March, 1963, 231 posts are supervisory posts. Further there is a hierarchy of officers in the Corporation more or less on the same pattern as in Government departments. For example these are the:—

- (i) Divisional Manager,
- (ii) Additional Divisional Manager,
- (iii) Joint Divisional Manager,
- (iv) Deputy Divisional Manager,
- (v) Assistant Divisional Manager.

159. It is also noted that the scale of employment of peons and stenographers in the Corporation is the same as in Government Departments.

**Committee's
observation.**

160. *The Committee deprecate the tendency on the part of public undertakings to follow Government pattern in creating a hierarchy of officers and in employing subordinate staff like stenographers and peons on government scale. The deputation of top officers from Government to the public undertaking who are used to Government procedure appears to be the principal reason for this situation. The Committee consider that a trading Organisation like the Corporation should be guided by the practices and procedures followed by business houses in the private sector, if it has to work efficiently and economically. By eliminating some of the existing layers and introducing the jumping level system, it should be possible for the Corporation to distribute the work among a lesser number of officers. This will also help in reducing paper work and in expediting disposal of cases. The provision of peons and stenographers should be made on the basis of the requirements of work rather than the status of the officer.*

161. As admitted by the representative of the Corporation there is surplus staff at lower levels. *The assessment of staff requirements at various levels in the Corporation is, therefore, of utmost and urgent importance. The Committee recommend that early action should be taken by the Corporation to undertake a study of methods of work in the organisation with a view to fixing norms and assessing staff requirements. They hope that this will be done at an early date.*

C. Regional Offices

162. The Corporation has set up four regional offices at Calcutta, Bombay, Madras and Visakhapatnam. The functions of the Regional Offices are shown at Appendix II. Some of the important functions are indicated below:--

Functions of
Regional
Offices.

- (i) Proper weight and quality control before and during inspection;
- (ii) Advance planning of shipment programme to avoid demurrage and stocks lying idle at the ports;
- (iii) Advising Head Office on practical considerations prevailing at ports and mining centres to enable the Head Office to draw out purchase contracts in a practical and realistic manner;
- (iv) Maintenance of liaison with parties in the region, local, State Government, Port, Railway and Customs authorities;
- (v) Storage and distribution of such items as may be entrusted to the Regional Office from time to time; and
- (vi) Keeping a watch over selling agents where goods are released by the S.T.C. for sale in the market through selling agents to ensure that the distribution is taking place in an equitable manner.

163. The following suggestions and observations in regard to the working of these offices have been brought to the notice of the Committee:—

- (i) S.T.C. is in a position to practise better control of quality before shipment than any individual mine-owner, but proper inspection is not made by the Corporation's officials;
- (ii) Considerable amount of demurrage charges have been paid. Between 1957-58 and 1961-62, Rs. 30.79 lakhs have been paid.
- (iii) There is need for the S.T.C. to improve its public relations which seem to have been somewhat neglected.
- (iv) The Regional Offices should be authorised to issue release orders to the actual users against the production of essentiality certificate.

164. The Committee trust that the Corporation will initiate suitable action to improve the functioning of the Regional Officers, in the light of the suggestions made above.

Committee's
observer.

Turnover of Trade regional offices vis-a-vis their establishment expense.

165. The table below shows the turnover of trade transacted by four regional offices during the years 1960-61 to 1962-63 and the establishment expenses incurred by each of them during the period:—

Regional Office	Year	Value of Turnover	Expenditure on Establishment	Percentage of (4) to (3)
(1)	(2)	(3)	(4)	(5)
(Rs. in lakhs)				
Bombay	1960-61	1,018.59	5.09	0.49
	1961-62	1,383.23	6.15	0.45
	1962-63	2,110.91	6.79	0.32
Calcutta	1960-61	966.35	8.43	0.87
	1961-62	791.68	8.75	1.10
	1962-63	869.24	9.82	1.10
Madras	1960-61	1,032.96	7.80	0.75
	1961-62	1,148.75	8.62	0.74
	1962-63	1,404.16	8.78	0.62
Visakhapatnam	1960-61	63.62	1.80	2.8
	1961-62	243.40	1.81	0.74
	1962-63	337.43	1.76	0.52

166. It will be seen that the percentage of establishment expenses to turnover differ widely and are highest in Calcutta office in 1962-63. During evidence, it was stated that the strength of a Regional Office could not be related to the turnover as there were certain commodities in respect of which the value of business transacted might be large but the volume of work involved might be less. *The Committee appreciate that it may not be possible to fix a uniform ratio of staff to turnover in respect of all the Regional Offices but it is necessary that the Corporation devises some yardstick to relate the number of persons employed to the quantum of work done in each office with a view to keep the expenditure to the minimum. The Committee hope that this will be done early.*

D. Government Control

167. The objects clause of Memorandum of Association of the Corporation contemplates that Government would specify the commodities, the trade of which would be undertaken by the Corporation under Clauses (i), (iii) and (iv) thereof. The instructions issued by Government under these provisions have hitherto been conveyed in the form of official communications. In their 86th Report (Second Lok Sabha) the Estimates Committee had desired that instructions issued by Government should be in the form of directives. That Committee had also recommended that the directives issued by Government to the Corporation, the manner in which they were carried out and their effect on the working of the Corporation should be mentioned in the Annual Reports of the Corporation. The above recommendation was accepted by Government. It is, however, noted from the subsequent Annual Reports that there is no mention of such directives except in one or two cases.

Entrusting of trade in various commodities to S.T.C.

168. During evidence, the Committee were informed that Government had frequent consultations with the Corporation and the communications issued as a result thereof did not quite amount to formal directives from Government.

169. The Estimates Committee (1960-61) dealt with this matter at considerable length during their examination of the Life Insurance Corporation of India. In their 134th Report, they observed as follows:—

Recommendation of Estimates Committee (1960-61).

“In administering a public undertaking there has necessarily to be a large measure of consultation between Government and the undertaking concerned.....

“When a suggestion is made for consideration it is open to the undertaking to accept it or not. When, however, the Government issues instructions which are for implementation and not merely for examination, such instructions should appropriately be issued as direction..... Any directions issued should also be published in the Annual Reports of the Undertakings as recommended by the Committee in paragraph 26 of their 86th Report (Second Lok Sabha).”

170. Despite the fact that Government accepted the above recommendation, instructions issued to S.T.C. have continued to be in the form of official letters etc. and have not been published in the Annual Reports of the Corporation.

171. The Committee are unhappy at the failure of Government to implement a previous recommendation of the Committee which has been accepted by them. It is expected that once a recommendation has been agreed to, it would

Committee's Observation.

be acted upon without any delay.

The Committee would also like to emphasise that in the case of their recommendations which are of general application and require to be implemented by more than one undertaking, the Ministry concerned with the undertaking which was under examination, should bring it to the notice of the other undertakings through the respective administrative Ministries.

E. Liaison with Public and Publicity

172. For maintaining liaison the Estimates Committee (1959-60) recommended in their 86th Report that an Advisory Committee might be constituted comprising of representatives of private trade, the Corporation and Government. In reply, it was stated that committees have been set up for important commodities like art silk yarn, handlooms and ores, in addition to *ad-hoc* committees. During evidence, Secretary to the Ministry stated that an Advisory Committee had been set up under the Chairmanship of the Secretary General of the Federation of Indian Chambers of Commerce and Industry to facilitate consultation.

Observations
of Mudaliar
Committee.

173. Despite the functioning of these Committees, it seems that effective public relations have not been maintained by the Corporation. The Import and Export Policy Committee (Mudaliar Committee) also observed as follows:—

“Clearly there is need for S.T.C. improving its public relations which seem to have been somewhat neglected.”

174. It also appears that an impression exists in the minds of private traders that the Corporation is shy of informing the associations of trade and industry regarding its imports, sales, exports, etc. *The Committee consider that the Corporation has not given sufficient publicity to its activities and has not maintained liaison with the trade to the desired extent. It is clearly the duty of the Corporation not only to remove this impression of private traders but also to instil confidence in them and secure their co-operation. They hope that the Corporation would take suitable and effective measures in this direction.*

Publicity

175. During the earlier years of the Corporation's existence, there was no machinery to conduct the publicity work on a systematic basis, with the result that the activities of the Corporation were not portrayed in their proper perspective and the spate of adverse criticism went unchallenged. The Corporation has since set up a Public Relations Section in March, 1962. *The Committee feel that the need for such an agency should have been realised much earlier.*

176. The functions of the Public Relations Section are to scrutinise reports and comments appearing in the Press about the activities of State Trading Corporation and to rebut any ill-informed propaganda by means of rejoinders and Press releases. In addition, the Corporation has issued advertisements in trade and business journals, cultivated contacts with the Press, arranged Press Conferences and brought out brochures, pamphlets, bulletins, etc., explaining the activities of the Corporation. It seems that as a result of these measures, there has been a decline in the adverse propaganda and comments against the Corporation. The expenditure incurred by the Corporation on various items of publicity during the last three years is shown below:—

(Rs. in lakhs)

	1960-61	1961-62	1962-63	Total
Advertisement	0.76	1.05	0.51	2.32
Exhibitions and Fairs	2.27	2.15	0.58	5.00
				7.32

177. Judging from the representations made to the Committee about the role of S.T.C., it appears that its Publicity Section has not so far been very effective in projecting a correct picture about the activities and role of the Corporation. There is thus great scope for improving its publicity, particularly with reference to the trading community. As already stated in para 174 ante, trade associations are not always informed of the Corporation's purchases and sales. It is, therefore, necessary that in addition to publicising its proposed purchases, sales, selling prices fixed by it for various imported items, etc., it should also establish more frequent contacts with the trading community by organising periodical meetings with them at important business centres. Circular letters to representative trade associations to keep them informed of the Corporation's activities, would also help.

Functions
Public Re-
lations
Section.

Committee's
Observations

V

FINANCE AND ACCOUNTS

Share Capital. 178. The authorised share capital of the Corporation was initially Rs. 1 crore and its paid up capital Rs. 5 lakhs. These have now been raised to Rs. 5 crores and Rs. 2 crores respectively. All the shares are owned by Central Government.

Financial position. 179. Two tables are given at Appendices III and IV, which show the financial position as on 31st March, 1963 and the working results of the Corporation upto 1962-63 respectively.

Working results. 180. It will be seen from the table at Appendix IV that the Corporation has been consistently earning profits. The table given below shows the gross profits earned by the Corporation from its direct exports, direct imports and indirect trade etc.:—

(Rs. in lakhs)

	1960-61	1961-62	1962-63
1. Direct Export Trade	188	167	(—)5
2. Direct Import Trade	188	212	526
3. Indirect Exports	2	3	2
4. Indirect Imports	59	88	59
5. Others	34	49	45

181. It will be seen from the above table, that the Corporation earns a sizeable portion of its profits from its direct import trade.

Commodity-wise accounts 182. The accounts of the Corporation do not indicate the results of transactions commodity-wise. In the absence of commodity-wise accounts, it is difficult to judge the efficiency of the Corporation in respect of the trade in individual commodities. This question was discussed by the Estimates Committee (1959-60) in their 86th Report. They observed as follows:—

“The question arises whether the detailed information could be withheld from the shareholders, who ultimately are the Parliament. This is a matter which the Committee consider should be gone into more carefully by the Government.”

183. Government's reply was that S.T.C. was being instructed to give as much information as possible consistent with its business interests. It is noted that the annual reports of the Corporation which have been published since then have not given much information in this regard. *It may be conceded that a trading organisation like S.T.C. may not like to disclose detailed information about each commodity but some method has to be devised by which Parliament may have an opportunity of judging the performance of the Corporation in regard to its trade in important commodities. The Committee consider that it may be possible for the Corporation to indicate the individual trading results in the following cases:*

Committee's
observation.

- (i) where a commodity has been entrusted to the Corporation with the prior knowledge that loss would be incurred, e.g. groundnut oil;
- (ii) trade in commodities in public interest, e.g. Buffer Stock Operations;
- (iii) where losses in trading in particular commodities exceed Rs. 1 lakh in a year.

184. Under the head 'Miscellaneous Expenses' pertaining to previous years, the Corporation has incurred sizeable amount of expenditure. The table given below shows the amount of expenditure incurred year-wise and the details thereof:—

Miscellaneous Expenses pertaining to previous years.

Year	Total expenditure	Details
1957-58	Rs.6,09,586	Interest paid to Government on the loan given to Egyptian Government and other miscellaneous expenses.
1958-59	Rs.7,12,766	Interest paid to Government on the loan given to Egyptian Government and other miscellaneous expenses.
1959-60	Rs.17,65,601	Interest on cement funds, loss on cement exports, wealth tax, despatch money payable to Government and other miscellaneous expenses.
1960-61	Rs.8,43,012	Adjustments in respect of purchases and sales on demurrage and interest accounts and other miscellaneous expenses.
1961-62	Rs. 23,02,156	Adjustments of purchase and sale value in respect of iron ore, manganese ore and other commodities and on demurrage and interest accounts, and self-insurance premium account, adjustment of customs duty and other miscellaneous expenses.

185. It will be seen that expenditure on various items e.g. interest paid to Government on loan, interest on cement funds, wealth tax, despatch money, adjustments in respect of purchases and sale values in respect of iron ore etc. has been grouped together under this heading.

Committee's
observation.

186. *The Committee feel that it would be better if expenditure incurred on each item is shown separately in the Profit & Loss Account instead of adding them and showing them under the head 'Miscellaneous Expenses'. Some expenditure has been incurred in 1960-61 and 1961-62 on account of "adjustments of purchase and sales values" which has been shown under 'Miscellaneous Expenses'. As the detail furnished is not clear, the Committee suggest that in regard to such items, descriptive notes should be given in future.*

VI

MISCELLANEOUS

187. The time taken by the Corporation in laying its Annual annual reports on the Table of the House is shown below Reports. year-wise:—

Year	Date on which laid on the Table	Time taken in laying after close of year
1956-57 .	21st November, 1957	5 months
1957-58 .	29th April, 1959	10 months
1958-59 .	19th April, 1960	10 months
1959-60 .	7th August, 1961	1 year and 4 months
1960-61 .	6th August, 1962	1 year and 4 months
1961-62 .	4th December, 1962	8 months
1962-63 .	13th March, 1964	11 months

188. The Estimates Committee (1959-60) had recommended in their 73rd Report that the annual reports should be laid on the Table as early as possible after the close of the year and in any case before the presentation of the general budget for the following year. That Committee further recommended that a time limit should be fixed by Government for the presentation of the annual reports. It is regrettable that no time limit was fixed and the Estimates Committee (1962-63) reiterated the recommendation in their 9th Report (Third Lok Sabha). Earlier recommendation of the Committee.

189. It will be seen from para 187 *ante*, that in the years 1959-60 and 1960-61 the Corporation took one year and 4 months in submitting its report to Parliament. The report for the year 1962-63 has not been laid on the Table of the House so far. *The Committee consider that Government should fix a time limit for the presentation of the annual reports by Public Undertakings and should ensure that it is adhered to.* Committee's observation.

Bifurcation of S.T.C.

190. The Committee are informed that the State Trading Corporation has been bifurcated into two separate Corporations viz. Minerals and Metals Trading Corporation of India

Ltd. and State Trading Corporation of India Ltd. with effect from the 1st October, 1963. The Minerals and Metals Trading Corporation will deal with minerals and metals trade and the S.T.C. with other items of imports and exports. This step is stated to have been taken to make the growing volume of trade manageable particularly in respect of iron ore and other mineral ores which is expected to increase considerably in the next five years. It has further been stated that there was in any case need for strengthening and expanding the organisation and hence it was considered advantageous to set up another Corporation to handle minerals and metals trade.

191. The additional expenditure likely to be incurred as a result of bifurcation is stated to be Rs. 2 lakhs per annum and so far eight additional posts in the Officers' level have been created.

192. *The Committee are not convinced with the reasons advanced for bifurcating the S.T.C. In their opinion there is no need for having two independent Corporations to handle the increasing business of the S.T.C. The formation of two Corporations is open to the criticism that there is a tendency in Government Organisations to proliferate.*

193. *The setting up of the two separate independent Corporations would apparently result in:*

- (i) *setting up of two Boards of Directors;*
- (ii) *lack of unified policy decisions in the matter of handling trade and the two boards taking independent decisions on similar subjects;*
- (iii) *Delays and difficulties in finalising Link and Barter deals where they concern both the Corporations;*
- (iv) *higher administrative and overhead expenses;*
- (v) *opening of separate regional and Branch Offices and Service Sections etc.*

Even the extra expenditure which is at present estimated at Rs. 2 lakhs annually, is bound to be much more and would ultimately add to the cost of the commodities handled by the Corporation.

194. *The Committee consider that the purpose of handling additional business and strengthening the organisation might have been well served by setting up two units with separate General Managers under the same Corporation—one dealing with minerals and metals trade and the other*

with the remaining items. Such an arrangement, besides economy, will have the advantages of a unified policy direction at the top by the Board. At the same time, the units will have sufficient autonomy in their day-to-day working. In fact there are already other public undertakings which have been functioning successfully with more than one unit under one Board of Management, viz., Hindustan Machine Tools Ltd., Heavy Electricals Ltd., Hindustan Steel Ltd., Fertilizer Corporation of India etc.

195. In their 80th Report (Second Lok Sabha) the Committee had recommended that even for taking up new activities in the line the existing organisation should be utilised rather than creating new bodies for the purpose. The Committee regret that in spite of the fact that the above recommendation has been accepted by Government the S.T.C. has been split up to carry on even its existing activities.

196. The Committee called for information on various points relating to the working of the Corporation. It is noted that the figures supplied by the Ministry/Corporation in reply to the questionnaire and the points arising out of evidence do not agree with each other, and are also different from those supplied to the Committee in 1959-60 at the time of the earlier examination. A few examples* are given below:—

Total export of manganese ore from the country

Year	According to 86th Report of E.C.	According to reply to Qn. 7 of Questionnaire	According to reply to Qn. 15 of points arising out of evidence
	(Qty. shipped) (lakh tons)	[Annexure V(b)] (lakh tonnes)	(lakh tonnes)
1956-57	15.93	9.23	14.76
1957-58	13.13	Not given	15.85
1958-59	9.56	29.70	8.81

*At the time of factual verification, it was explained that there were differences in the figures, because they related to different periods, i.e. quota policy year (July-June) at one place and financial year at another. As regards footwear, it was stated that at one place figures relating to all kinds of footwear, i.e. shoes, chappals, sandals etc. were given, while at another place figures relating to shoes only were given.

Total export of iron ore from the country

Year	According to 86th Report of E.C.	According to reply to Q. 7 of Questionnaire [Annexure V(b)]	According to annual reports of S.T.C.
	(Lakh tons)	(lakh tonnes)	(lakh tons)
1956-57 . . .	21·37	18·28	
1957-58 . . .	21·20	22·40	
1958-59 . . .	23·90	18·55	25·76
1959-60 . . .	..	28·28	23·36
1960-61 . . .	..	31·53	30·72*
1961-62 . . .	..	33·16	31·06(M/T)
1962-63 . . .	..	37·97	37·37(M/T)

*As stated in the annual report for the year 1961-62.

Total export of footwear from the country

Year	According to reply to Q. 7 of Questionnaire [Annexure V(b)]	According to reply to point 12 of points arising out of evidence
	('000 pairs)	('000 pairs)
1956-57 . . .	3090	4386
1957-58 . . .	4945	4137
1958-59 . . .	3733	3054
1959-60 . . .	5232	5317
1960-61 . . .	4901	3958
1961-62 . . .	4602	1692
1962-63 . . .	5452	4600

Export of woollen fabrics by the Corporation and total exports from India

Year	According to reply to Q. 7 of Question- naire [Annexure V(a)]	According to reply to Q. 7 of Question- naire [Annexure V(b)]	
	Country's exports (Metres)	Exports by S.T.C. (Metres)	
1956-57	50,000	3,393	
1957-58	86,000	1,46,154	} Qty. of S.T.C's ex- ports is more than the coun- try's exports
1958-59	4,22,000	4,74,481	

197. It is thus evident that proper statistics are not maintained by the Corporation, and this has been partly responsible for the delay in furnishing the information to the Committee. The Committee are not happy that such a state of affairs has been allowed to grow. These disparities should have been detected by the Ministry and reconciled before the information was furnished to the Committee. They therefore recommend that immediate steps should be taken by the Government to streamline the procedure of maintaining records, so that such a situation does not arise in future.

NEW DELHI;
The 21st March, 1964.
Chaitra 1, 1885 (Saka).

ARUN CHANDRA GUHA,
Chairman,
Estimates Committee.

APPENDIX I

(Vide Para 19)

List of Commodities traded by S.T.C.

I. EXPORTS

1. Iron Ore
2. Manganese Ore
3. Chrome Ore
4. Manganese di-oxide
5. Tobacco
6. Gunny bags
7. Sugar
8. Sandalwood Oil
9. Handicrafts
10. Shoes
11. Woollen Fabrics
12. Cotton Waste
13. Salt
14. Hemp
15. Coffee
16. Mica
17. Kyanite Ore
18. Bauxite
19. Pig Iron
20. Coking Coal
21. Pepper
22. Vetiver Oil
23. Masoor Dal
24. Raw Jute
25. Handloom goods
26. Cotton yarn
27. Hockey sticks

28. Red Oxide of Iron
29. Ferro-Manganese
30. Stone-chips
31. Shellac
32. Sheep casings
33. Leon grass oil
34. Copra Cake

II. IMPORTS

35. Caustic Soda
36. Soda Ash
37. Raw silk
38. Ammonium sulphate
39. Chilean Nitrate
40. Skimmed milk
41. Muriate of Potash
42. Copper
43. Zinc
44. Aluminium
45. Lead
46. Tin
47. Flourspar
48. Ferro-Silicon
49. Sodium Sulphate
50. Mercury
51. Hops
52. Pilsen Malt
53. Sodium Bicarbonate
54. Potassium Chlorate

- | | |
|------------------------------|-------------------------------------|
| 55. Newsprint | 77. Cotton yarn |
| 56. Rayon Grade Caustic Soda | 78. Spun Silk Yarn |
| 57. Rock Phosphate | 79. Ferro Vanadium |
| 58. Rangolite 'C' | 80. Art Silk Yarn |
| 59. Potassium Permanganate | 81. Copra |
| 60. Hydro-Sulphate of Soda | 82. Copra Oil |
| 61. Camphor | 83. Marino Sheep |
| 62. Glass Chatons | 84. Ferro-chrome |
| 63. Wheat | 85. Rock salt |
| 64. Cotton. | 86. Cloves |
| 65. Platinum | 87. Cassia |
| 66. Cold Rolled Steel | 88. Coconut Oil |
| 67. Stainless Steel | 89. Bleached Sulphate pulp of reeds |
| 68. Sulphate of Potash | 90. Tacks lasting & Pin Heels |
| 69. Polysterene | 91. Yanmar Diesel Engines |
| 70. Sulphur | 92. Polyster Fibre |
| 71. P.V.C. Powder | 93. Staple Fibre |
| 72. Phenol | 94. Hyper Phosphate |
| 73. Codeine Phosphate | |
| 74. Betel Nuts | |
| 75. Spices | |
| 76. Cinema Carbons | |

INTERNAL TRADE

95. Cement

Procurement and supply of essential raw materials like iron and manganese ore to the steel plants in the public sector.

APPENDIX II

(Vide para 162)

FUNCTIONS OF THE REGIONAL OFFICES

(a) *Functions pertaining to Minerals Division*

- (i) Minerals Sections of the Regional Offices look after the progress of purchases of all mineral ores handled at the Headquarters Office such as Iron Ore, Manganese Ore, Bauxite, Manganese di-oxide, etc.
- (ii) the movement of ores from mine-head loading stations to the ports under the jurisdiction of each Regional Office.
- (iii) dumping and proper storage of ores prior to shipment.
- (iv) proper weightment and quality control before and during shipment, as necessary.
- (v) solving of shipment problems.
- (vi) to see that Charters are accepted in accordance with our foreign sales-examination of charter parties, preparation of proper layday statements, earning of valuable foreign exchange by way of despatch money.
- (vii) co-ordinated shipments consisting of many suppliers during busy shipment season.
- (viii) synchronising movement with ship's arrivals when necessary.
- (ix) advance planning up of shipment programme with foreign buyers for all ports under the jurisdiction of each Regional Office to ensure availability of stocks for shipment in time, to avoid demurrage and to assist suppliers to see that stocks do not idle away at the ports indefinitely.
- (x) to send regular confidential progress reports of suppliers to Headquarters Office.
- (xi) to advise Head Office on practical conditions prevailing at ports and mining centres to enable the office to draw out

purchase contracts in a most practical and realistic manner.

(xii) to send out regular fortnightly market reports to Head Office.

(xiii) to handle the clearance, storage and distribution of non-ferrous metals imported by the Corporation such as Copper, Zinc, lead and aluminium, etc.

(b) *Functions pertaining to Business & Trade Division*

(i) General liaison work requiring consultation with or information from a party within the jurisdiction of the Regional Office. Maintaining contact with the local or State Government, Port, Railway and Customs authorities where their association is essential for the satisfactory discharge of the functions of the S.T.C.

(ii) making arrangements for clearing of imported goods at the ports where this is the responsibility of the S.T.C.

(iii) to keep a watch on the distribution of imported items such as Caustic Soda, Soda Ash, Chemicals of various kinds. Photographic goods, machinery of various kinds.

(iv) to arrange distribution/allocation of Milk Powder, Newsprint, Mercury and such other items as may be entrusted to them from time to time by the Head Office and also storage of various items for which the STC is responsible.

(v) where goods are released by the STC for sale in the market through selling agents as in the case of caustic soda and soda ash, to keep a watch whether the distribution is taking place in an equitable manner so as to satisfy essential needs of consumers.

(vi) to maintain a close liaison with the business circles, so as to be able to arrange the despatch of samples to foreign buyers as required by the Head Office or secure their participation in the submission of tenders.

(vii) to secure the collaboration of local suppliers to meet the commitments entered into by the Head Office with the foreign buyers and watch the implementation of contracts.

(viii) to supervise loading and unloading operations wherever necessary and for this purpose keep in touch with Port-Railway and Custom authorities.

(ix) to apprise the Head Office as regards the prevalent market conditions.

(x) exploring the possibilities of increased trade by personal discussions with the local Trade Representations of the foreign countries.

(c) Functions pertaining to Cement Division

(i) to receive the destination-wise break-ups of the requirements from the Central Co-ordinating authorities and the State Governments.

(ii) to issue authorisations on the factories/Selling Agents in accordance with the rationalisation of movement of cement against destination-wise break-ups to the extent of the quantity of cement made available by the Ministry from a particular factory.

(iii) to issue authorisations in such a way that the freight leads are kept within a reasonable limit as far as possible.

(iv) to ensure that authorisations are issued equitably on all factories/Selling Agents so that no factory suffers a greater disadvantage than another in case of shortage of workable orders.

(v) to assist all concerned in the matter of regulating supplies, arranging wagon supplies, and issuing priorities in case of immediate demands etc.

(d) Functions pertaining to Finance & Accounts Division

The functions of Regional Accounts Officer are :—

(i) to compile accounts of the regions in accordance with the prescribed rules and directives issued by the Head Office and from data furnished.

(ii) to see that monetary commitments are made by the Regional office only in accordance with Head Office orders and time to time instructions.

(iii) to scrutinise bills pertaining to purchases and effect payments according to purchase contracts.

- (iv) to scrutinise foreign letters of Credit and shipping documents promptly and satisfactorily.
- (v) to look after sales-tax responsibilities.
- (vi) as internal auditor charged with the responsibility of applying certain checks to the suppliers and other bills, etc., before payment and to the regional accounts; and
- (vii) as Local Financial Director to tender advice to the regional manager on all matters involving financial implication.

APPENDIX III

Statement showing the financial position of S.T.C.
(Vide para 179)

(Rs. in lakhs)

	1956-57 (July-June)	1957-58 (July-June)	1958-59 (July-June)	1959-60 (July-June)	1960-61 (Apr.-March)	1961-62 (April- March)	1962-63 (Apr.- March)
1. Total Capital (1)	9.02.79	8,93.36	15,63.53	14,39.23	21,76.57	18,66.77	20,42.55
2. Paid-up Capital	1.00.00	1.00.00	2.00.00	2.00.00	2.00.00	2.00.00	2,00.00
3. Net worth (2)	1.28.00	2,30.00	4,58.72	5,80.00	7,13.48	8,90.00	10,16.11
4 Current assets and Loans & Advances	7.47.28	7.43.79	15,34.83	17,73.50	21,31.11	18,16.79	18,88.45
(i) Current assets(3)	3,57.61	2,89.77	8,11.80	8,73.08	18,73.26	16,49.31	16,19.98
(ii) Loans & Advances(4)	3,89.67	4,54.02	7,23.05	9,00.42	2,57.85	1,67.48	2,68.47

5. Current Liabilities	7,68.15	6,55.71	1,104.39	8,69.97	14,62.29	9,76.66	10,25.69
Provisions and Loans							
(i) Current Liabilities	2.38.49	2,98.08	6,80.38	6,45.68	9,75.01	6,45.99	7,92.72
(ii) Provisions (5)	60.15	1,10.95	122.48	1,48.73	22.65	56.22	1,91.58
(iii) Loans	4,69.51	2,46.68	301.53	75.56	4,64.63	2,74.45	41.39
6. Reserves and Surplus	28.63	1,30.64	2,59.13	3,80.39	5,14.28	6,90.11	8,16.86
(i) Reserves	28.00	1,30.00	2,58.72	3,80.00	5,13.48	6,90.04	8,16.11
(ii) Surplus	0.63	0.64	0.41	0.39	0.80	0.07	0.75

(1) Total of assets side of Balance sheet less fictitious assets and contra entries.

(2) Paidup Capital Plus reserves.

(3) Includes stock-in-trade goods in transit and debtors.

(4) Includes items shown under the head 'other accounts' in the balance sheets.

(5) Includes provision for taxation but not dividends.

* Amount received from Government as grant-in-aid.

APPENDIX IV

(Vide para 179)

Statement showing the results of the working of the S.T.C. during the years 1956-57 to 1962-63

(Rs. in lakhs)

	1956-57 (July- June)	1957-58 (July- June)	1958-59 (July- June)	1959-60 (July- March)	1960-61 (April- March)	1961-62 (April- March)	1962-63 (April- March)
1. Total turnover (Direct trade only)	9,19.00	28,58.00	35,95.00	42,82.00	64,69.00	77,39.00	86,81.00
2. Total capital employed	9,02.79	8,93.36	15,63.53	14,39.23	21,76.57	18,72.77	20,42.55
3. Net profit—including interest and taxes	90.00	2,39.00	2,85.42	2,68.92	2,85.50	3,84.92	4,36.16
4. Percentage of Net Profit including interest and taxes to turnover	9	8.36	8.0	6.4	4.5	5.0	5.0
5. Net worth, i.e. paid-up capital and reserves & funds	1,28.00	2,30.00	4,58.72	5,80.00	7,13.48	8,90.00	10,16.11

6. Net profit excluding interest on loans & taxes	32.63	1,05.07	1,33.99	1,40.72	1,44.50	2,01.92	1,41.16
7. Percentage of Net Profit to net worth	25.5	45.7	29.2	24.3	20.2	22.7	13.8
8. Ratio of turnover to total Capital employed	1:0.9	1:0.3	1:0.43	1:0.34	1:0.34	1:0.25	1:0.24
9. Establishment expenses	9.14	31.45	42.11	41.69	60.39	68.13	73.24
10. Percentage of establishments to turnover	0.9%	1.1%	1.2%	1.0%	0.95%	0.9%	0.84

*Excluding cement agency business.

**Total of assets side in the balance sheet less fictitious assets and contra entries.

†Includes Directors' remuneration, Chairman's remuneration and contributions for rent, foreign service and provident fund.

APPENDIX V

Summary of Conclusions/Recommendations

Sl. No.	Ref. to para No. in the Report	Summary of Conclusions/Recommendations
(1)	(2)	(3)
1	16	<p>The Committee agree with the observations of the Mudaliar Committee that there is a general misconception of the role and functions of the State Trading Corporation and they feel that there is room for clarifying them more specifically. The misconception is principally regarding the commodities the export or import of which would be undertaken by the Corporation or the directions in which its activities would increase in future. The apprehensions of trade, if they are to be allayed, would call for a clearer indication of the commodities which would be taken up by the Corporation as also the principles which would govern their selection. It would be desirable if at the time of entrusting any additional commodity to the Corporation for trade or increasing its activities in any direction, the reasons thereof are made known so that the position is fully appreciated by all concerned and there is no ground for unjustified criticism. It would also be helpful if the particular sub-clause of the Objects Clause under which any activity is entrusted to the Corporation is clearly indicated in all such cases. Government should also periodically review the effect of the Corporation's entry in the trade of various commodities so that the original purpose of such entry is constantly kept in view.</p>
2	20	<p>The Committee feel that if import of any commodity is to be entrusted to State Trading Corporation, it should be by means of specific and direct instructions from Government.</p>

- | (1) | (2) | (3) |
|-----|-------|---|
| 3 | 22-23 | The Corporation's share of the country's foreign trade amounts to 4.8 per cent only which can by no means be considered significant. The Committee are, therefore, unable to appreciate the allegation that the operations of the Corporation have prejudicially affected the opportunities of the private traders. |
| 4 | 24 | The Corporation has now been functioning for nearly eight years and has gained sufficient experience in trading practices. The Committee, therefore, feel that a larger share of the Corporation's total turnover should now be in the form of direct trade. |
| 5 | 29 | The Committee note that the Corporation's efforts have facilitated exports by private traders. They, however, feel that after creating a climate for exports, the Corporation should not have passed on the entire benefit to the private traders, but should have undertaken at least a part of the export on its own. |
| 6 | 30 | As the Corporation was responsible for introducing new items of export, the Committee feel that proper record should have been kept of new items whose export was developed by it. They hope that this will be done in future. |
| 7 | 34 | The Committee are not unaware of the difficulties in exploring new markets for exports or developing new lines of exports in the face of keen international competition. Nevertheless they feel that the efforts of the Corporation in this direction have not been quite satisfactory particularly its direct exports to the new markets. The Committee, therefore, urge that the Corporation should make more energetic and concerted efforts in this regard and keep a close watch on the progress made from time to time. |

(1)	(2)	(3)
8	36	<p>The Committee are not aware if any study has been made of the commodities in which the exports to East European countries have declined and the reasons therefor. Considering the foreign exchange position of the country and the imperative need for expanding exports, the Committee feel that the matter needs to be investigated with a view to evolving remedial measures immediately.</p>
9	39	<p>The Committee feel that in view of the anticipated rise in the world demand there is ample scope for the Corporation increasing exports of iron ore by capturing new markets and developing the existing ones. They trust that the Corporation will take energetic steps towards this end.</p>
10	41	<p>As Iron Ore is an important foreign exchange earner, the Committee cannot overemphasise the need to reduce its cost of production so that the competitive strength of this commodity in the international market is not only retained but improved. They recommend that a study of the cost structure of this commodity should be undertaken immediately with a view to reducing the cost of production. At the same time the desirability and the possibility of arriving at an understanding regarding price with other iron ore producing countries may be explored.</p>
11	48	<p>It is regrettable that timely action was not taken by Government and the trade to investigate the causes of decline of exports of manganese ore from the country and to remedy the position. The Estimates Committee welcome the setting up of a Committee, though belated, for examining the various problems of manganese ore export trade. The Committee trust that in the light of the find-</p>

(1)	(2)	(3)
		ings of the proposed Committee, appropriate steps will be taken to boost the country's export of manganese ore.
12	49	Manganese Ore, like iron ore, is a commodity that lends itself to bulk handling and long-term contracting. like iron ore. The Committee, therefore, suggest that the question of canalisation of its exports through State Trading Corporation may be re-examined.
13	51	The Committee feel that since the cement agency surplus has been earned on an all-India basis, its utilisation for the benefit of a few States is not a healthy practice. However, if it has been decided to use it to improve ore carrying roads, the proper course would have been to assess the requirements of funds for developing such roads in various States and then to make the funds available according to requirements, after the approval of Parliament.
14	53	The Committee hope that there will be proper co-ordination between the railway authorities and the Corporation and that the carrying capacity by rail will be developed to fully match the requirements of movement of ores.
15	50-60	The Committee recommend that the requirements of foreign exchange for building carrier vessels and its economics may be examined by Government and the same made available to the extent possible.
16	64	The Committee consider that the requirements of the European markets for terylene mixed woollen fabrics should be given priority

(1)

(2)

(3)

and efforts should be made to meet them by expanding the production capacity and by making available sufficient quantity of terylene. At the same time possibility of finding new markets for the mixed fabric containing wool and cotton may be explored.

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The Committee trust that all efforts will be made not only to expand the existing markets but to explore new ones for the export of cotton textiles. It is of importance that high standards of quality and speed in the execution of orders are maintained and a study of the tastes and fashions of the market are made so as to ensure a steady stream of orders in future. It is also hoped that the increase of the exports of the Corporation will not be achieved by a diversion of the existing exports of this commodity.

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71-72

The Corporation's efforts in expanding the exports of difficult-to-sell items have not so far met with any great success. The Committee realise that there may be initial difficulties in finding markets for difficult-to-sell items and facilitating their exports to any large extent. But considering the fact that the Corporation has been functioning for over seven years, better results were expected in this direction. The Committee trust that the Corporation would at least now take effective steps to increase the export of these items.

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There may be a case for a Government agency like State Trading Corporation stepping in to maintain the exports even at a loss if there is an apprehension of a substantial decline in the export of any commodity which earns sizeable foreign exchange. It is to be expected that whenever a Government Agency enters the trade or any commodity to a sizeable extent, there would be a visible impact on the internal trade and on the

(1)	(2)	(3)
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prices of the commodity. It is, therefore, very necessary to exercise the greatest caution to ensure that the prices are not pushed up artificially which usually benefit the middlemen only.

20 87 The Committee are doubtful whether Government which have directed the Corporation to undertake the export of groundnut oil, had they known in advance that for earning foreign exchange of Rs. 3.44 crores, a loss of Rs. 2.13 crores would be incurred. Considering the fact that on a transaction of a little less than Rs. 6 crores a loss of Rs. 2.13 crores has been incurred i.e. 33.05 per cent., which is very abnormal, the Committee recommend that a thorough enquiry into the transaction and the circumstances leading to the losses should be made expeditiously.

21 88 The Committee further suggest that while entrusting to the Corporation the trade of commodities, in respect of which loss is anticipated. Government should assess and indicate clearly the extent of loss which is likely to arise from these transactions. However, if these measures are to be successful and to achieve the desired results, they should be planned well in advance and for a sufficiently long period.

22 89 In the case of devided linseed cake, in respect of which the rate of export subsidy and the exporters through whom the exports are to be effected are determined by Government and the losses are also ultimately reimbursed to the Corporation, the Committee see no advantage in routing such transactions through the State Trading Corporation. On the other hand, such a procedure obviously results in avoidable duplication of paper work. They, therefore, recommend that the feasibility of S.T.C. itself undertaking the exports or Government directly dealing with the exporters in such cases may be considered.

(1)	(2)	(3)
23	91	<p>While there may be scope for both the Export Houses and the Corporation to increase and diversify the country's exports, the Committee consider that effective steps should be taken by Government from the very beginning to ensure that there is utmost coordination between the Export Houses and the Corporation so that they are supplementary to each other and do not indulge in unhealthy competition in the international market.</p>
24	97	<p>(i) While there has been a reduction in the Corporation's purchase price of the commodities whose imports are wholly canalised through S.T.C., the resultant benefit has not, in most of the cases, been passed on to the actual user or consumer.</p>
	99	<p>(ii) The object of bringing down the prices by canalising the imports through the Corporation has not been achieved. The manner in which the charging of high profits by the Corporation has been sought to be justified by the Secretary of the Ministry, is a clear indication that the main object behind the canalisation of imports has been lost sight of. Instead of devising ways and means to regulate the prices and to see that the consumer got the goods at lower prices, the Corporation and the Government appear to have reconciled themselves to charging of high prices as the only way out. It is true that the Corporation might have encountered some difficulties in arranging the supply of goods to the consumers, in the initial stages, but the same cannot be considered to be insurmountable, particularly now when it has been functioning for over seven years. It has to be realised that State trading, which is not universally supported has to create a good image of its working in the public mind. The benefits it brings to the consumer is the measure of its success. The Committee, therefore, recommend that suitable measures should be</p>

(1)	(2)	(3)
		devised in this regard by the Corporation immediately.
25	103	It is clear that partial canalisation of imports through State Trading Corporation has not resulted in imparting stability to the ruling market price or in bringing them down. In cases, where a commodity is partly imported by the Corporation and partly by the private traders and the same is not available in the market at the selling prices fixed by the Corporation, allegations of malpractices are likely to be made against the Corporation also. It is, therefore, necessary to ensure that that these commodities are made available to the consumers at the fixed prices. For this purpose, the cooperation of other importers may be sought. If there is no improvement in the position and there are difficulties in enforcing fixed prices, the question of canalisation of such items wholly through the Corporation may be examined.
26	107	The Committee consider that in the interests of quick distribution, the Corporation should draw up a programme of distribution well in advance of the arrival of shipment and ask the distributors to hold themselves in readiness for receiving the goods and transmitting them to the actual users. Such a step will result in considerable saving in time and it is likely that the whole process of issuing release order and effecting distribution may be completed within one month. It may also eliminate the chances of malpractices arising out of delay. Higher officers in the Corporation should exercise a strict check over the distributing machinery and in cases of delay or malpractice take prompt action to remedy the defects.
27	110	It is true that no rigid purchase procedure can be followed by a trading organisation like the

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(3)

State Trading Corporation for all the commodities. But it is essential that it should give the widest publicity to its purchases so that all the intending sellers have a fair chance of quoting their rates and the Corporation obtains the commodities at cheap price. The system of limited tender, followed by the Corporation, does not serve any useful purpose as most of the members of the trading community in any particular commodity would come to know of the intended purchases of the Corporation. On the other hand, the system lays the Corporation open to the allegations of favouritism and nepotism. The Committee would, therefore, recommend that wide publicity should be given by the Corporation to its purchases and as far as possible, public tenders should be invited for the purchases made by it. This will also help to remove misgivings, if any, in the minds of the public and the trading community at large about fairness in the selection of suppliers by the Corporation.

28 115-116

The Committee trust that the procedure regarding taking of guarantee from agents for after-sales service will be implemented without delay and the Corporation will study other difficulties, if any, experienced by the actual users and take steps to remove them.

29 117

The Committee suggest that the Corporation should not automatically accept the agents selected by foreign suppliers but should independently decide about their suitability for the purpose. The Committee feel that for more than one reason, particular care should be exercised in the selection of agents. They would rather emphasise that the Corporation should itself take over agency functions in these cases unless there are specific difficulties which necessitate the appointment of outside agencies.

(1)	(2)	(3)
30	119	<p>It appears to the Committee that the supervision exercised by the Corporation is not adequate as the benefit of the price fixed by State Trading Corporation does not reach the consumers. They, therefore, consider it appropriate that widest publicity should be given to the prices fixed by the Corporation and that vigilance should be exercised to see that the commodities are available to the consumer at those prices.</p>
31	121	<p>In view of the imperative need for increasing exports from the country, the Committee consider that where import licences issued in the name of S.T.C. are transferred to private parties, the feasibility of making it obligatory on the part of such importers to effect exports of a percentage of the value of their import licences may be examined. In case it is not feasible, the whole question of indirect imports may be reviewed to see whether the Corporation could do it itself.</p>
32	129-30	<p>There is considerable overlapping of functions between the State Trading Corporation and selling agents and between selling agents and stockists in the matter of cement distribution. The Committee consider that there is no need for all these agencies which unnecessarily add to the cost of cement for the consumers. It appears to the Committee that the selling agents who are the nominees of the factories do not serve any vital and useful functions and are only intermediaries and middlemen between the factories and stockists. While there may have been good reasons for their retention in the initial stages so as not to disturb the existing channel of distribution, there is no longer any justification for their continuance in the present scheme of cement distribution by the Corporation. The existence of these agencies only add to avoidable paper work and delays and higher price.</p>

The Committee feel that there is urgent need to effect economy in the distribution arrangement.

(1)	(2)	(3)
		and that the functions of the selling agents can be taken over by the Corporation without much additional expenditure. They have no doubt that such an arrangement, besides saving about Rs. 1 crore annually, will result in streamlining the distribution process as the Corporation will be dealing directly with the factories on the one hand and stockists on the other. The Committee trust that this matter will be examined without any delay.
33	135	There is justification for reducing and rationalising the remuneration of the Corporation for cement distribution. The Committee have earlier recommended in para 130 that the Corporation should take over the functions of the selling agents. This might require a marginal readjustment of its remuneration. The Committee would, therefore, suggest that the entire price structure of cement may be reviewed so as to effect economy in the various elements of cost and pass on the benefit to the consumer. It would be desirable if such a review is conducted by an agency, outside the Corporation.
34	138	The Committee are glad to note that there has been steady increase in the business of Corporation under link/barter deals during the last three years. They trust that this trend will not only be maintained but improved.
35	141	Considering the importance of the E.A.S.I. scheme, the progress made by the Corporation is not significant. The Committee do not appreciate the delay in inspecting the units which applied for assistance. They hope that earnest efforts will be made by the Corporation to make the scheme a success by affording assistance speedily. It is also necessary that wide publicity is given to the Scheme and that difficulties, if any, in its implementation are examined and remedied, wherever possible.
36	149	The Committee consider that if the objective of helping the primary producer in getting a reasonable price is to be achieved, the first step is to

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ensure that a much larger number of primary producers are covered by the buffer stock operations of the Corporation. The Committee hope that the Corporation will take steps to set up the required number of centres to cover all jute growing areas. In this context the question of organising the primary producers into co-operatives should be given earnest attention.

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While the Committee appreciate that though the buffer stock operations do not fall within the normal commercial functions of a trading organisation, the Corporation has undertaken them as a measure of price support for the benefit of the primary producers. They are, however, concerned about the multiplicity of agencies which, as admitted by the Chairman of State Trading Corporation, increases the margin between the producer and the ultimate consumer. There is thus an urgent need to eliminate the superfluous agencies and to reorganise the pattern of operations accordingly. The Committee hope that Government, in consultation with the Corporation, would take effective measures expeditiously. In addition to streamlining the procedure as indicated above, the Corporation should also ensure that widest possible publicity is given to the prices paid by the Corporation for such commodities, so that the primary producer is protected from exploitation by intermediaries.

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The Committee regret to note that the Corporation has not yet assessed the extent of loss that is likely to be incurred on account of the buffer stock operations. They consider that an assessment of the likely loss should be made in the very beginning by Government so that they can keep a watch over the operations of the Corporation.

(1)	(2)	(3)
		<p>The Committee have already pointed out in para 88 <i>ante</i>, that in cases where transactions, involving loss, are entrusted to the Corporation, Government should indicate the estimated loss likely to be involved. They hope that suitable steps would be taken in this direction.</p>
39	156	<p>The Committee regret that the Director who worked for about 2½ years in the Corporation did not submit his report on the assessment of staff requirements. It is rather surprising that the Board also did not insist on a report particularly when such an impression was given to the Committee in 1959-60.</p>
40	160	<p>The Committee deprecate the tendency on the part of public undertakings to follow Government pattern in creating a hierarchy of officers and in employing subordinate staff like Stenographers and peons on Government scale. The deputation of top officers from Government to the public undertakings, who are used to Government procedure, appears to be the principal reason for this situation. The Committee consider that a trading organisation like the State Trading Corporation should be guided by the practices and procedures followed by business houses in the private sector, if it has to work efficiently and economically. By eliminating some of the existing layers and introducing the jumping level system, it should be possible for the Corporation to distribute the work among a lesser number of officers. This will also help in reducing paper work and in expediting disposal of cases. The provisions of peons and stenographers should be made on the basis of the requirements of work rather than the status of the officer.</p>
41	161	<p>The assessment of staff requirements at various levels in the Corporation is of utmost and urgent importance. The Committee recommend that early action should be taken by the Corporation to</p>

(1)	(2)	(3)
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undertake a study of methods of work in the organisation with a view to fixing norms and assessing staff requirements. They hope that this will be done at an early date.

42 164 The Committee trust that the Corporation will initiate action to improve the functioning of the Regional Offices in the light of the suggestions referred to in para 163.

43 166 The Committee appreciate that it may not be possible to fix a uniform ratio of staff to turnover in respect of all the Regional Offices but it is necessary that the Corporation devise some yardstick to relate the number of persons employed to the quantum of work in each office with a view to keep the expenditure to the minimum. The Committee hope that this will be done early.

44 171 The Committee are unhappy at the failure of Government to implement a previous recommendation of the Committee which has been accepted by them. It is expected that once a recommendation has been agreed to, it would be acted upon without any delay. The Committee would also like to emphasise that in the case of their recommendations which are of general application and require to be implemented by more than one undertaking, the Ministry concerned should bring it to the notice of the other undertakings through the respective administrative Ministries.

45 174 (i) The Committee consider that the Corporation has not given sufficient publicity to its activities and has not maintained liaison with the trade to the desired extent. It is clearly the duty of the Corporation not only to remove the impression of private traders that the Corporation is shy of informing them about its imports, sales and exports, but also to instil confidence in them and secure

(1)	(2)	(3)
		their co-operation. They hope that the Corporation would take suitable and effective measures in this direction.
	175	(ii) The Committee feel that the need for an agency to conduct systematic publicity work should have been realised much earlier.
46	177	In addition to publicising its proposed purchases, sales, selling prices fixed by it for various imported items, etc., the Corporation should also establish more frequent contacts with the trading community by organising periodical meetings with them at important business centres. Circular letters to representative trade associations to keep them informed of the Corporation's activities would also help.
47	183	<p>It may be conceded that a trading organisation like S.T.C. may not like to disclose detailed information about each commodity but some method has to be devised by which Parliament may have an opportunity of judging the performance of the Corporation in regard to its trade in important commodities. The Committee consider that it may be possible for the Corporation to indicate the individual trading results in the following cases:—</p> <ul style="list-style-type: none"> (i) where a commodity has been entrusted to the Corporation with the prior knowledge that loss would be incurred, e.g. groundnut oil; (ii) trade in commodities in public interest, e.g. Buffer Stock Operations; (iii) where losses in trading in particular commodities exceed Rs. 1 lakh in a year.
48	186	The Committee feel that it would be better if expenditure incurred on each item is shown separately in the Profit & Loss Account instead of adding them and showing them under the head

(1)	(2)	(3)
		<p>'Miscellaneous Expenses'. Some expenditure has been incurred in 1960-61 and 1961-62 on account of "adjustments of purchase and sales values" which has been shown under 'Miscellaneous Expenses'. As the detail furnished is not clear, the Committee suggest that in regard to such items, descriptive notes should be given in future.</p>
49	189	<p>The Committee consider that Government should fix a time limit for the presentation of the annual reports by Public Undertakings and should ensure that it is adhered to.</p>
50	192—196	<p>The Committee are not convinced with the reasons advanced for bifurcating the State Trading Corporation. In their opinion there is no need having two independent Corporations to handle the increasing business of the S.T.C. The formation of two Corporations is open to the criticism that there is a tendency in the Government Organisation to proliferate. The setting up of two separate independent Corporations would apparently result in:</p> <ul style="list-style-type: none"> (i) setting up of two Boards of Directors; (ii) lack of unified policy decision in the matter of handling trade and the two Boards taking decisions twice, though parallel; (iii) Delays and difficulties in finalising Link and Barter deals which would concern both the Corporations; (iv) Higher administrative and overhead expenses; (v) Opening of separate regional and Branch Offices and Service Sections etc. <p>The Committee consider that the purpose of handling additional business and strengthening the organisation might have well been served by setting up two units with separate General Managers under the same Corporation—one dealing with</p>

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(2)

(3)

minerals and metals trade and the other with the remaining items. Such an arrangement, besides economy, will have the advantages of a unified policy direction at the top by one Board. At the same time the units will have sufficient autonomy in their day-to-day working. In fact there are already other public undertakings which have been functioning successfully with more than one unit under one Board of Management, viz., Hindustan Machine Tools Ltd., Heavy Electricals Ltd., Hindustan Steel Ltd., Fertilizer Corporation of India etc. In their 80th Report (Second Lok Sabha) the Committee had recommended that even for taking up new activities in the line the existing organisation should be utilised rather than creating new bodies for the purpose. The Committee regret that inspite of the fact that the above recommendation has been accepted by Government, the S.T.C. has been split up to carry on even its existing activities.

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It is evident that proper statistics are not maintained by the Corporation and this has been partly responsible for the delay in furnishing the information to the Committee. The Committee are not happy that such a state of affairs has been allowed to grow. These disparities should have been detected by the Ministry and reconciled before being furnished to the Committee. They, therefore, recommend that immediate steps should be taken by the Government to streamline the procedure of maintaining records, so that such a situation does not arise in future.

APPENDIX VI

Analysis of the recommendations contained in the Report

I. Classification of recommendations:

A. Recommendations for improving the organisation and working :

4, 5, 6, 7, 8, 9, 10, 12, 14, 15, 16, 17, 21, 24, 26, 27, 28, 29, 30, 35, 36, 38, 41, 42, 45, 46, 47, and 48.

B. Recommendations for effecting economy :

19, 20, 22, 32, 33, 37, 40, 43 and 50.

C. Miscellaneous :

1, 2, 3, 11, 13, 18, 23, 31, 34, 39, 44, 49, and 51.

II. Analysis of more important recommendations directed towards economy :

Sl. No.	Sl. No. as per summary of recommendations (Appendix V)	Particulars
1	32	S.T.C. should take over the functions of selling agents in regard to distribution of cement.
2	33	Entire price structure of cement should be reviewed so as to effect economy and pass on the benefit to the consumer.
3	37	Multiplicity of agencies in regard to buffer stock operations increases the price. Superfluous agencies should be eliminated.
4	50	There is no need for having two independent Corporations which would lead to higher administrative and overhead expenses.
