

32549

P.A.C. No. 245

PUBLIC ACCOUNTS COMMITTEE (1969-70)

(FOURTH LOK SABHA)

EIGHTY-SEVENTH REPORT

[Action taken by Government on the recommendations of the Public Accounts Committee contained in their 43rd Report (Fourth Lok Sabha) on Appropriation Accounts (Civil), 1966-67 and Audit Report (Civil), 1968 relating to the Ministry of Food, Agriculture, Community Development & Co-operation (Department of Food.)]



**LOK SABHA SECRETARIAT
NEW DELHI**

December, 1969/Pausa 1891(S),

Price : Rs. 0.60 Paise

336-395112
K9

**LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA
SECRETARIAT PUBLICATIONS**

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
ANDHRA PRADESH					
1.	Andhra University General Cooperative Stores Ltd., Waltair (Visakhapatnam)	8	12.	Charles Lambert & Company, 101, Mahatma Gandhi Road, Opposite Clock Tower, Fort, Bombay.	30
2.	G.R. Lakshminipathy Chetty and Sons, General Merchants and News Agents, Newpet, Chandragiri, Chittoor District.	94	13.	The Current Book House, Martin Lane, Raghunath Dadaji Street, Bombay-1.	60
			14.	Deccan Book Stall, Ferguson College Road, Poona-4	65
ASSAM					
1.	Western Book Depot, Pan Bazar, Gauhati.	7	15.	M/s. Usha Book Depot, 585, A. Chira Bazar, Khan House, Gurgaon Road, Bombay-2 P.R.	5
BIHAR					
4.	Amar Kitab Ghar, Post Box 78, Diagonal Road, Jamshcepur.	37	MYSORE		
			16.	M/s. Peoples Book House, Opp. Jaganmohan Palace Mysore-1.	16
GUJARAT					
5.	Vijay Stores, Station Road, Anand.	35	RAJASTHAN		
6.	The New Order Book Company, Ellis Bridge, Ahmedabad-6.	63	17.	Information Centre, Government of Rajasthan, Tripolia, Jaipur City.	38
HARYANA					
7.	M/s. Prathu Book Service, Nai Subzimandi, Gurgaon (Haryana).	14	UTTAR PRADESH		
			18.	Swastik Industrial Works, 59, Holi Street, Meerut City.	2
MADHYA PRADESH					
8.	Modern Book House, Shri Vilas Palace, Indore City.	13	19.	Law Book Company, Sardar Patel Marg, Allahabad-1.	4
MAHARASHTRA					
9.	M/s. Sunderdas Gianchand, 601, Gurgaon Road, Near Princess Street, Bombay-2	6	20.	Granthaloka 5/1, Ambica Mookherjee Road, Belgharia, 24 Parganas.	10
10.	The International Book House (Private) Limited, 9, Ash Lane, Mahatma Gandhi Road, Bombay-1.	22	21.	W. Newman & Company Ltd., 3, Old Court House Street, Calcutta.	44
11.	The International Book Service, Deccan Gymkhana, Poona-4.	26	22.	Firma K. L. Mukhopadhyay, 6/1A, Ranchharam Akrur Lane, Calcutta-12.	82
			23.	M/s. Mukherji Book House, 8-B, Duff Lane, Calcutta-6.	4

CORRIGENDA TO THE EIGHTY-SEVENTH REPORT OF
P.A.C. (1969-70) PRESENTED ON 5TH MARCH, 1970.

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
5	1 of action taken	3	his	this
		4	vested	vetted
7	Recommend- ation	3	need	needs
8	1	4	1 supposed	It is proposed
11	last table	2 of column 2	7,429	7,479
12	first table	4 of column 2	2,560	5,560
	second table	heading of column 2	foodgrains 1968	foodgrains in 1968.
		1 of colu- mn 2	3,11,059	3,11,049
		1 of colu- mn 4	49.0	19.0
18	table	1 of column 3	27,40,423	27,40,473
20	-	4	pla ed	placed
26	Recommend- ation (1st)	10	and	could
37	2	1	6f	of
		2	1.50	1.61

336.39512
12

C O N T E N T S		PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (1969-70)		(iii)
INTRODUCTION		(v)
CHAPTER I. Report		1
CHAPTER II. Recommendations/Observations that have been accepted by Government		5
CHAPTER III. Recommendations/Observations which the Committee do not desire to pursue in view of the replies of Government		24
CHAPTER IV. Recommendations/Observations replies to which have not been accepted by the Committee and which require reiteration		30
CHAPTER V. Recommendations/Observations in respect of which Government have furnished interim replies		31
APPENDIX : Summary of Main Recommendations/Conclusions		37

336.39512

PUBLIC ACCOUNTS COMMITTEE

(1969-70)

CHAIRMAN

Shri Atal Bihari Vajpayee

MEMBERS

2. Shri Syed Ahmed Aga
3. Shri Bhagaban Das
4. Shri C. Chittibabu
5. Shri K. G. Deshmukh
6. Shri Bimalkanti Ghosh
7. Shri K. M. Koushik
8. Shri Mohan Swarup
9. Shri H. N. Mukerjee
10. Chaudhary Nitiraj Singh
11. Shrimati Sushila Rohatgi
12. Shri Ram Awtar Sharma
13. Shri Ramshekhar Prasad Singh
14. Shri Tayappa Hari Sonavane
15. Shri Balgovind Verma
16. Dr. Z. A. Ahmad
17. Shri A. P. Chatterjee
18. Prof. Shanti Kothari
19. Shri S. S. Mariswamy
20. Shri G. H. V. Momin
21. Shri N. R. M. Swamy
22. Shri Tarkeshwar Pande

SECRETARIAT

Shri A. L. Rai—*Deputy Secretary.*

Shri K. Seshadri—*Under Secretary.*

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this 87th Report on the Action Taken by Government on the recommendations of the Public Accounts Committee contained in their 43rd Report (Fourth Lok Sabha) relating to the Department of Food.

2. On the 7th June, 1969, an "Action Taken" Sub-committee was appointed to scrutinise the replies received from Government in pursuance of the recommendations made by the Committee in their earlier Reports. The Sub-committee was constituted with following Members:—

- | | | |
|---|---|-----------------|
| 1. Shri N. R. M. Swamy— <i>Convener</i> | } | <i>Members.</i> |
| 2. Shri H. N. Mukerjee | | |
| 3. Shri K. M. Koushik | | |
| 4. Shri Tayappa Hari Sonavane | | |
| 5. Prof. Shanti Kothari | | |
| 6. Smt. Sushila Rohatgi. | | |

3. The draft Report was considered and adopted by the sub-committee at their sitting held on the 15th November, 1969 and finally adopted by the Public Accounts Committee on the 6th December, 1969.

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

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

NEW DELHI;
22nd December, 1969
1st Pausa, 1891 (S)

ATAL BIHARI VAJPAYEE,
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

This Report of the Committee deals with action taken by Government on the recommendations contained in their 43rd Report (Fourth Lok Sabha) on Appropriation Accounts (Civil), 1966-67 and Audit Report (Civil), 1968 relating to the Ministry of Food, Agriculture, Community Development and Co-operation (Department of Food), which was presented to the House on the 21st February, 1969.

1.2. Out of 20 recommendations contained in this Report, action taken notes/statements have been received in respect of 19* recommendations.

1.3. The action taken notes/statements on the recommendations of the Committee contained in the Report have been categorised under the following heads:—

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

S. Nos. 1, 2, 4, 5, 6, 9, 10, 11, 16 and 20.

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

S. Nos. 8, 13, 14, 15, 17 and 18.

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

S. Nos. 7, 12 and 19.

1.4. The Committee hope that final replies in respect of those recommendations to which only interim replies have so far been furnished will be submitted to them expeditiously after getting them vetted by Audit.

1.5. The Committee will now deal with the action taken by Government on the recommendation at S. No. 19 (Para 5.9).

*In respect of the remaining one recommendation (S. No. 3), the Ministry have stated that it refers to a factual statement and no reply to it would appear to be necessary.

Non-recovery/delay in the recovery of extra cost in repurchase.
Paragraph 5.9—S. No. 19.

1.6. In paragraph 5.9, the Committee had referred to a case in which Chief Director of Purchase had to place contracts for supply of 700 tonnes of channa whole for Defence Services on various firms on 4 occasions in view of successive defaults by different firms. There was consequently an extra expenditure of Rs. 2.42 lakhs in the transaction. The Committee made the following observations:

“The Committee note that Government had to purchase the stores in this case at an extra cost of Rs. 2.42 lakhs, owing to successive defaults on the part of three firms on whom the orders were placed one after another. Government now suspect one of the three firms to be fictitious and a possible collusion between the other two firms, which they have referred to the Central Bureau of Investigation for examination (in December, 1967). The Committee would like to be apprised in due course of the results of the enquiry, as also of the arbitration that is stated to be in progress in regard to the question of recovery of general damages of Rs. 1.61 lakhs from one of the firms involved. The Committee regret to note that while placing an order on unregistered firm ‘B’, there has been a failure to ensure compliance with the requirements of rule 12 of the General Financial Rules according to which, ‘in selecting the tenders to be accepted, the financial status of individuals and firms tendering must be taken into consideration in addition to all the relevant factors’. The Committee trust that responsibility for this failure will be fixed and that, in the light of the experience gained in this case, Government will evolve adequate procedures to ensure that contracts are placed only with firms whose bonafides and reliability can be established beforehand.”

1.7. In their reply dated the 15th July, 1969, the Department of Food stated:—

“The Committee’s recommendation that it may be apprised of the results of the inquiry by the CBI as also the arbitration in regard to the question of recovery of general damages of Rs. 1.61 lakhs from firm ‘C’ has been noted.

The present position is as under:

- (a) The CBI, in addition to making inquiries into the alleged collusion between the parties concerned, is now investigating the circumstances under which contracts were placed with firm ‘B’ presumably with a view to determine whe-

ther any procedural irregularity has been committed. All the relevant information required by the CBI has been furnished.

- (b) As regards the recovery of general damages of Rs. 1.61 lakhs from firm 'C', the matter is still in arbitration. The result will be intimated as soon as the arbitrator declares his award.

As regards non-compliance with Rule 12 of the General Financial Rules, the position is that in order to verify the bonafide and financial status of a tenderer, the terms and conditions of tender enquiry and application for purchase of tenders provide for furnishing the following also alongwith the tender:

- (a) An earnest money of Rs. 500.
 (b) Banker's name ..
 (c) Income Tax Clearance Certificate.

The requirements of earnest money and banker's name were duly complied with by firm 'B', and necessary action to confirm their financial position was taken by making a reference to their bankers. Regarding Income Tax Clearance Certificate, it is provided in our terms of contract that if a tenderer is unable to submit the income tax clearance certificate, etc., with his tender, he can be asked to do so within 15 days of the issue of acceptance of tender. This, as well, was done in this case. Since no reply was received from the bankers till 22nd July 1966, the last date upto which the offers were open for acceptance, and since the tender of firm 'B' was otherwise in order and the lowest, it was accepted in the interests of the Government. It was only after the acknowledgement of our Acceptance that the party chose to disappear.

The question of fixing the responsibility for failure, if any, to ensure compliance with the requirements of any existing rules will be considered on receipt of the report from the CBI.

In the meanwhile, the existing procedure has been further tightened up. The procedural and financial requirements to deal with unregistered firms have since been carefully considered and it has been decided that in case of unregistered firms, the purchase sections/officers will ensure that the following documents are furnished by the tenderers along with the tenders and these documents are carefully scrutinised before placing the contract:—

- (a) A bank report in support of their financial standing from their bankers.

- (b) **The Income Tax Clearance Certificate(s) of the previous year, if it is not possible to furnish upto-date Income Tax Clearance Certificate(s).**
- (c) **A Limited Company registered under the Companies Act will furnish a Certificate of Incorporation and also the names of the present Director.**
- (d) **A firm registered under the Indian Partnership Act, 1932, will furnish the partnership Deed, in original, and an attested copy of the statement in the register of the Registrar of Firms indicating names of the partners.**
- (e) **The Co-operative Society will furnish the registration number and date under which the Co-operative Society is registered with the Registrar of Cooperative Society."**

1.8. The Committee further desired to know whether C.B.I. had finalised their inquiry and submitted any report and also when the arbitration proceedings started and whether they had come to an end.

1.9. In their reply dated the 28th October, 1969, the Department of Food stated that a report had been received from the CBI and that it was under the consideration of the Central Vigilance Commission. The arbitration case had started in 1967 and was at the evidence stage.

1.10. The Committee note that, though the case was taken up for investigation in December, 1967, with a view to determining whether there were any mala fides, the final findings have still not become available to Government. The Committee would like proceedings to be expeditiously taken against those found at fault; if the present procedure in this regard leads to delay it should be suitably streamlined.

1.11. The Committee also note that recovery of general damages amounting to Rs. 1.61 lakhs from one of the defaulting firms is still under arbitration. The Committee trust that the arbitration proceedings will be speeded up. The Committee would like to be apprised of the outcome.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

The Committee note that the State Trading Scheme in foodgrains resulted in a loss of Rs. 94.49 crores in 1966-67, out of which Rs. 23.18 crores was the loss on wheat, Rs. 34.29 crores on rice, and Rs. 23.16 crores on other grains. While the Committee note that the main reason for these losses was devaluation, which necessitated subsidising of imported grains on a larger scale than before, they would like to draw the attention of Government to the recommendations made in para 4.55 of their 27th Report (Fourth Lok Sabha) where they had suggested that Government should critically review the entire functioning of State Trading in foodgrains and in particular the grant of subsidy on rice and other foodgrains in the light of the requirements of the country and the accumulated losses suffered so far in respect of each type of foodgrains. The Committee understand that their recommendations are still under the consideration of Government. They would like Government to expedite their decision in the matter.

[S. No. 1 of Appendix VII (Para No. 1.10) of 43rd Report (4th Lok Sabha).]

Action taken

Forty copies of the Note in reply to para 4.55 of the Twenty-seventh Report (Fourth Lok Sabha) to the Public Accounts Committee have since been sent with his Ministry's U.O. No. 23/68-69/Budget/27th Report dated 30.5.1969 duly vested by Audit.

2. State Trading in foodgrains has been undertaken to bring about price stability and it is, therefore, meant to achieve the objectives of Government's price policy. Government's price policy is on the one hand to provide incentive prices to the farmer and on the other reasonable prices to the consumer, particularly the vulnerable sections of the society. This objective is sought to be achieved by State procurement of foodgrains at incentive prices and releasing the same to the consumers through the public distribution system at reasonable prices. To maintain price stability over a longer period, it is essential to build a buffer stock. Foodgrains are, therefore, being purchased internally as well as from abroad for building buffer stock.

3. Government have reviewed the functioning of State Trading in foodgrains. Until recently there were two agencies who were implementing Government's food policies—the Department of Food (the Executive wing) and the Food Corporation of India. With effect from the current financial year, all the executive functions of the Department of Food have been handed over to the Food Corporation of India. The Food Corporation of India is now the sole agency through which the Central State Trading Scheme is being implemented. The conversion of dual agency into a single agency for state trading scheme is likely to bring efficiency and economy in state trading through rationalisation of procedures, costs and margins.

4. The Government decided to withdraw all subsidy on the distribution of indigenous foodgrains with effect from 1st January, 1968. In pursuance of this decision, the issue prices of indigenous coarse rice are being fixed/revised from time to time based upon the economic cost of this rice. In so far as imported coarse rice is concerned, its economic cost is much higher as compared to the economic cost of indigenous coarse rice or for that matter even higher than the economic costs of certain superior varieties of indigenous rice. In view of this position, it is not considered justified to fix the issue prices of imported coarse rice based upon its economic cost. The quality of indigenous and imported coarse rice is more or less the same. The fixation of separate issue prices for indigenous coarse rice and imported coarse rice based upon their economic costs would be anomalous and would lead to innumerable malpractices. In consideration of these facts, the issue price of imported coarse rice is being kept at the same level as that of the indigenous coarse rice and this involves subsidy in the distribution of imported coarse rice. In addition to imported coarse rice, the Government is also subsidising in the distribution of imported milo. Milo is a cheap grain and is normally consumed by the poorer sections of the society. To cater to the needs of these vulnerable sections of society particularly in the scarcity affected areas, it is necessary that this grain is issued at a subsidised price.

The Government is at present subsidising only imported rice and imported milo for the reasons mentioned above. The extent of reduction in subsidy can be judged from the fact that while subsidy on foodgrains during 1967-68 was Rs. 91.96 crores the estimated subsidy for 1968-69 is Rs. 17.78 crores only. In budget estimates 1969-70, only Rs. 20 crores have been provided. Since the subsidy is only on small quantities of imported rice and imported milo, it is expected that the quantum of subsidy would be further reduced and finally completely abolished when imports are discontinued.

[Department of Food U.O. No. 23/69-70/Budget/43rd Report/IFA.II
Dated the 20th August, 1969]

Further Information

Please state:—

- (i) *Whether any fine varieties of rice are also being imported, and if so, from which countries;*
- (ii) *whether import of fine varieties of rice is also being subsidised, and if so, the extent thereof and the justification therefor.*

Reply

(i) Rice imported from abroad is generally of coarse variety. Recently, we received some stocks of American Long Grain rice which according to our classification is a fine variety of rice. Imports of rice from U.S.A. are governed by bilateral agreements and we have to import such grains as are specified in the purchase authorisation that are issued.

(ii) According to the present Policy of the Government of India, no subsidy is to be incurred in the distribution of indigenous rice. In pursuance of this policy, the issue prices of various varieties of indigenous rice have been fixed based upon their economic costs. As from Quality angle the issue prices of imported rice could not be fixed at rates higher than the comparable varieties of indigenous rice, the issue prices of coarse and fine varieties of imported rice have thus been fixed at the same levels as those of indigenous coarse and fine varieties of rice. In view of the fact that imported rice is costlier compared to the issue prices fixed for these on basis of issue prices of comparable varieties of indigenous rice, the subsidy is involved in the distribution of imported rice whether of coarse variety or fine variety. The subsidy involved in the distribution of imported fine rice is not more than the subsidy involved in the distribution of imported coarse rice.

[Deptt. of Food OM No. 23/69-70/BFC-I/43rd Report Dt. 1-11-69.]

Recommendation

The Committee find that storage losses in respect of rice have been much higher than similar losses in respect of wheat. During 1966-67, the loss in storage in respect of rice was about 2.5% of the quantity stored, against a loss of 0.2% in respect of wheat. While the Committee note Government's explanation that the higher percentage of loss was due to higher moisture content of indigenous rice and the relatively larger quantities of that grain stored, they feel that the matter need further study by Government, with a view to devising effective measures to reduce the losses.

[S. No. 2 of Appendix VII (Para No. 1.13) of 43rd Report (4th Lok Sabha)].

Action Taken

A sustained effort is being made by Government to reduce loss of foodgrains in storage. The following measures have been taken or are being taken for the purpose.

1. Storage capacity owned by the Government/the Food Corporation of India, which is damp and rodent proof, is being progressively increased. During the year 1968-69, Government undertook to construct 9.6 lakh tonnes of new capacity. I supposed to construct another 6.25 lakh tonnes capacity in 1969-70.

2. In hired godowns which are not rat proof, technical staff carry out rat control operations with modern techniques. Adequate dunnage is used in godowns which are not damp proof for reducing damage by moisture.

3. Training in scientific methods of storage is imparted to workers which include Government employees, representatives of private firms and farmers at the Grain Storage Research and Training Centre, Hapur, and other temporary centres. About 2,500 workers have been trained so far.

4. With assistance from the United Nations Development Programme, the Grain Storage and Training Centre at Hapur is being developed into a full-fledged Institute with a view to developing and demonstrating improved type of storage structures suitable for use at the farms and markets under widely varying climatic conditions prevailing in different parts of the country.

5. Demonstrations, exhibitions and symposia are held in various parts of the country to promote adoption of scientific methods of storage of foodgrains.

6. The Agricultural Universities/Colleges have been moved to include the subject of storage in the courses of study.

7. A scheme for establishment of rice mills in the country is under implementation to improve the techniques of milling, processing and handling of rice, so that losses are reduced. Modern Rice Mills have been set up at seven centres and there is a programme to set up another 24 such mills. Mechanical drying of paddy is being adopted in this programme for reducing loss of indigenous rice in storage.

[Dptt. of Food OM No. 23/69-70/Budget/IFII/43rd Report Dated
2-9-1969.]

Recommendation

The Committee had examined last year the performance of the Railways in the Third Plan and had pointed out in their 22nd Report (Fourth Lok Sabha) that, as against the target capacity of 249 million tonnes of originating goods traffic to be created at an additional cost of Rs. 1325 crores, the actual capacity developed at an expense of Rs. 1,686 crores was 225 million tonnes (approx.) of originating traffic while the actual movement in the last year of the Third Plan was only 203 million tonnes. It would thus appear that, while there is spare capacity available on the Railways, it is the lack of an adequate number of covered wagons which acts as a constraint on the safe movement of foodgrains. The Committee would like the Railways to review carefully, in consultation with the Department of Food, the rail transport required for the movement of foodgrains from surplus to deficit States in the light of the recent increases achieved in food production in the country.

[Serial No. 4 of Appendix VII (Para 1.21) of Forty Third Report, (Fourth Lok Sabha).]

DEPARTMENT OF FOOD

Action Taken

Meeting have been held between the Department of Food and the Railway Board as also between the Department of Food, the Railway Board and the Planning Commission to assess the volume of traffic in foodgrains requiring movement by rail during the year 1969-70 and also during the Fourth Five Year Plan period. Meetings have also been held between the Department of Food, Food Corporation of India and the concerned Zonal Railways to project the estimated volume of traffic in foodgrains which is likely to develop in 1969-70 particularly in Punjab, Haryana and Uttar Pradesh served by the Northern Railway. A detailed programme with regard to the procurement and movement of foodgrains from Punjab and Haryana during the ensuing *rabi* season (1969) has been drawn up and communicated to the Northern Railway *vide* letter No. 10(2)/69/MI dated 5th April 1969. The Railways on which the traffic will terminate have also been apprised of the position. Close coordination is being established between the States, Railways, Food Corporation of India and the Department of Food.

[Department of Food U.O. No. 23/69-70/Budget dated the 20 June, 1969.]

MINISTRY OF RAILWAYS

(RAILWAY BOARD)

Action Taken

While maximum assistance is being given by the Railways in supplying covered wagons for movement of imported and indigenous foodgrains from the various ports & producing centres to different areas and more and more covered wagons are being procured, it is not possible to ensure the movement of the entire foodgrain traffic offering for despatch by rail in covered wagons due to the following reasons:—

- (i) Production and procurement are seasonal involving heavy movement during peak procurement period.
- (ii) All covered wagons available on Indian Railways cannot be isolated and utilised entirely for foodgrain movements during peak periods, as such a railway operation would not be possible, without creating serious movement problems and without seriously affecting the movement of other goods. It is not possible to bring all the open empties back from the unloading points and feed cent per cent covered empties as the capacity available will not permit such extensive cross running of empties. The trends and patterns of railway operations, the movement of loaded and empty wagons, the available capacity on certain sections, particularly saturated routes, have to be taken into consideration.

1.1. The use of open wagons to a limited extent for loading imported and indigenous foodgrains during the years 1966, 1967 and 1968 was necessitated by the following unavoidable and unusual factors:—

- (i) In 1966 and 1967, there was appreciable increase in the movement of imported foodgrains by rail, as may be seen from the following comparative figures:—

Year	(Figures in Million tonnes)	
	Imports	Despatches by road from ports
1964	6.26	5.51
1965	7.45	5.58
1966	10.34	8.37
1967	8.78	7.41
1968	5.65	4.77

In view of the emergency, which existed at that time due to scarcity conditions in Bihar and U.P., and the need for transporting imported foodgrains within a short time to the scarcity areas in Bihar and U.P., the Food Ministry had to match the handling capacity at different ports with the quantum of imports resulting in long lead movements of imported foodgrains from the ports of Madras and Kandla to distant consuming areas in Bihar and U.P. The following comparative figures are worth mentioning:—

Port	(In Million Tonnes)		
	Despatches to UP & Bihar		
	1965	1966	1967
Madras	0.11	0.13	0.78
Kandla	0.40	0.45	0.54
TOTAL	0.51	0.58	1.32

- (ii) In the Rabi season in 1968 in Punjab and Haryana, due to some unfortunate delay in the post-harvesting operations on account of late rains and the initial price uncertainty, the market arrivals increased from 2 lakh tonnes in the first half of May 1968 to 13 lakhs tonnes in the subsequent 6 weeks. This unexpected and sudden increase in market arrivals and the non-availability of adequate storage accommodation in Punjab and Haryana created temporary movement and storage problems as the wheat had to be moved to storage depots in consuming areas before the onset of monsoon in Punjab and Haryana as the school buildings, which were temporarily used by the F.C.I. for storing foodgrains had to be vacated before the commencement of the academic session. The impact of the movement may be seen from the following figures of movement in different periods:—

(Daily average loading in tonnes)

10 day period ending	Covered Wagons	Open Wagons	Total
10-5-68	5,403	169	5,572
20-5-68	7,429	340	7,819
31-5-68	8,976	2,836	11,752
10-6-68	10,078	3,921	13,999
20-6-68	11,579	2,150	13,729
30-6-68	12,730	2,345	15,075
10-7-68	14,403	1,524	15,927
20-7-68†	12,177	273	12,450
31-7-68	10,034	24	10,058

- (iii) Availability of labour and storage accommodation at certain terminals not being sufficient to deal with this sudden heavy movements, there was hold up of wagons for unloading for which the return of tarpaulins and covered wagons for further clearance of foodgrains from Punjab and Haryana was delayed. The use of some open wagons without tarpaulins for movement of foodgrains from Punjab and Haryana became inescapable due to unexpectedly heavy and unprecedented arrival of wheat in the mandis which due to storage difficulties, had to be moved expeditiously so that the producer and procurement did not suffer. The number of broad gauge and metre gauge wagons loaded with indigenous and imported foodgrains and detained for unloading at the terminals during the months of May, June and July were as follows:—

Month	B.G.	M.G.
May 1968	4646	3573
June 1968	8353	3183
July 1968	2560	2610

1.2. The number of open wagons loaded with foodgrains on Government account formed only a small percentage of the total number of wagons moved in 1968, as will be evident from the following table:—

	Total No. of wagons loaded with foodgrains 1968	No. of open wagons loaded with foodgrains in 1968	Percentage of opens to total
Broad Gauge	3,11,059	59,080	49.0
Metre Gauge	1,27,182	9,098	7.0

1.3. There were some complaints about damage to foodgrains carried in open wagons. A special Committee comprising of representatives of Ministries of Food & Agriculture and Railways assessed the damage to foodgrains carried in open wagons to be negligible, being only 0.55% of the total despatch. Even this damage could have been reduced if wagons were unloaded promptly at the various terminal stations. The risks involved in arranging movement in opens was, therefore, negligible.

2. With a view to avoiding recurrence of the difficulties experienced during the rabi season in 1968, the following measures have been suggested to the Ministry of Food and Agriculture (Deptt. of Food)

to reduce the strain on rail transport during the peak rabi season from May to July:—

- (i) To spread over the movement of foodgrains evenly throughout the year instead of concentrating the movement within a limited period of three months by arranging adequate storage accommodation at the producing and procurement centres for storage of surplus wheat.
- (ii) To reduce the quantum of imports of foodgrains during the rabi season, which would not only reduce the strain on rail transport capacity, but would also enable the Food Department to utilise fully the storage accommodation and labour at terminals for the heavy grains moving from the Punjab and Haryana.
- (iii) To arrange unloading of foodgrains wagons round the clock at points where arrivals are heavy or siding accommodation is limited.
- (iv) Augment storage accommodation and labour at various terminal points.
- (v) To equip existing central storage depots and also those under construction or proposed to be constructed with separate Railway siding for direct unloading of foodgrain wagons.

2.1. During the last rabi crop season, storage accommodation (owned and hired) was available for 83.75 lakh tonnes with the Deptt. of Food, Food Corporation of India, State Govts., State Warehousing Corporations and Central Warehousing Corporation. The total owned accommodation available for storage in the public sector (Food Corporation of India, Central Warehousing Corpn., State Warehousing Corporations and State Govts.) was for 4.7 million tonnes at the beginning of the Fourth Plan period. This is planned to be raised to 8.4 million tonnes to store 7 million tonnes of foodgrains and allow for space for operational purposes, alley-ways, stores etc.

2.2. In Punjab and Haryana, the total storage accommodation (owned and hired) was raised from 4.7 lakh tonnes in 1968 to 10.4 lakh tonnes in 1969. With further construction and hiring of godowns by Food Corporation of India, the total capacity in Punjab and Haryana during the next 2 or 3 years is expected to be about 12.5 to 13 lakh tonnes. The Ministry of Railways have advised the Ministry of Food that storage accommodation in Punjab and Haryana should be sufficient to store the procurements anticipated during the two peak months allowing for the simultaneous rail movement of 7000-8000 tonnes per day.

3. Apart from procuring additional covered wagons and the Ministry of Food arranging for additional storage accommodation including 'silos' at different ports and storage centres, the Railways have programmed for additional line capacity works on the congested trunk routes, particularly the routes from Delhi to the South and additional capacity works on different routes and in areas in which heavy foodgrain traffic is expected to move and to be loaded and unloaded.

3.1. Furthermore, a Study Group has been appointed under the aegis of the Planning Commission to assess the impact on existing storage and transport not only of agricultural revolution in Punjab and Haryana, but also the likely increase in the production of foodgrains in other areas of the country. The Ministry of Food and Agriculture and the Ministry of Railways are represented on this Study Group, which will look after the advance planning for the satisfactory handling of the vastly increased foodgrains production anticipated in different parts of the country.

4. With the staggering of the movement over the year by providing adequate storage accommodation at procurement centres, no difficulties are anticipated in arranging satisfactory movement of foodgrains in future. The peak traffic for the Rabi season 1969-70 has already been cleared smoothly and nearly 9 lakh tonnes have been cleared from Punjab and Haryana during the two months of May and June against the programme of 10 lakh tonnes for the three months ending July 1969.

This has been seen by Audit.

[M/o Railways (Railway Board) O.M. No. 69-B(C)PAC/IV/43 dated 21-8-1969/Sravana 30, 1891.]

Recommendation

1.22. In planning for transport facilities for the movement of foodgrains the Committee would like Government to take note of the great improvement made in road transport in the country, so as to make increasing use of it in the interests of expeditious transport of foodgrains.

[Serial No. 5 of Appendix XVII (Para 1.22) of Forty Third Report, (Fourth Lok Sabha.)]

Action taken

Foodgrains are being transported by road wherever it is not unduly uneconomical to do so. The movement of foodgrains by road is being resorted to, particularly from Haryana to Delhi and

from certain ports in the south serving Madras and Kerala. In other sectors also, road movement will be resorted to, wherever necessary, provided it is not too costly.

[Department of Food U.O. No. 23/69-70/Budget dt. 2 June, 1969.]

Recommendation

1.23. When the use of open wagons for carrying foodgrains becomes inescapable due to the non-availability of closed wagons and heavy movements arising from sudden large arrivals of foodgrains in the markets, the Committee would like to stress that the foodgrains should be adequately protected both against the vagaries of weather and pilferage. Government should also consider whether, on occasion when market arrivals are heavy, movement by road should be encouraged and movement by rail could be so spaced out, through provision of local storage facilities, as to facilitate the use of closed wagons as they become progressively available.

[Serial No. 6 of Appendix VIII (Para 1.23) of Forty Third Report,
(Fourth Lok Sabha)]

Action taken

It has been agreed that the Railways would move maximum possible quantity of Government foodgrains in covered wagons. Whenever it is not possible for the Railways to clear the entire quantity of foodgrains in covered wagons, the Ministry of Food would accept open wagons in block rakes during non-monsoon months only. Such rakes of open wagons, as far as possible, would be loaded for short hauls and in any case, not beyond the jurisdiction of the zonal Railway on which the traffic originates, so that the supervision over the measures for the proper protection of foodgrains in rail transit is more effective, and responsibility for lapses, if any, could be fixed. The Department of Food/Food Corporation of India have also taken up this year's crash programme for the construction of storage godowns of the capacity of 9.6 lakh tonnes in important centres in various States by March, 1970. It is expected that by the end of May this year, additional storage accommodation to the extent of 3.0 lakh tonnes would be available, including 2.5 lakh tonnes in Punjab and Haryana alone. In addition, temporary storage accommodation to the extent of 4.25 lakh tonnes, including 1.5 lakh tonnes in Punjab and Haryana is also expected to be ready by May, 1969. This would enable the Food Corporation of India to space out the movement of foodgrains in

covered wagons as they become available. Even after this, if it is necessary to make use of the costlier road transport to cope with heavy market arrivals on any particular day, the Government will not hesitate to utilize the same.

[Deptt. of Food U.O. No. 23/69-70/Budget/43 RD Report,
dt. 20 June, 1969.]

Recommendation

The Committee note that the demurrage in respect of food-grain shipments amounted to Rs. 151.89 lakhs in 1966-67, as against Rs. 12.42 lakhs in 1965-66 and Rs. 87.34 lakhs in 1967-68. While the Committee appreciate the fact that the ports had to cope with very heavy arrival in 1966-67, they would like to point out that the actual clearance ranged from 1 to 1.12 million tonnes, against targeted clearance of 1.2 million tonnes expected to be achieved as a result of the implementation of the recommendations of the U.S. Study Team. The Committee note that, though the Department was working to a target of 1.2 million tonnes, port handling equipment to augment capacity was purchased more or less on the scale considered appropriate by the Study Team for reaching a peak clearance of 1.5 million tonnes. In view of the substantial investment of Rs. 148 lakhs made in these items of equipment (about Rs. 96 lakhs of it in foreign exchange), the Committee cannot stress too strongly the need to ensure that the equipment is put to optimum use.

[S. No. 9 of Appendix XII (Para 2.20) of Forty-third Report,
(Fourth Lok Sabha)]

Action taken

The observations of the Committee have been noted and have also been brought to the notice of the Food Corporation of India vide letter No. 7/5/69-SPO.III dated 16-7-1969 (annexure) who have taken over the Port Operation work from Food Department.

[Department of Food U.O. No. 23/69-70/Budget/43rd Report/IFA.II
dated the 21st August, 1969.]

ANNEXURE

Copy of D.O. letter No. 7/5/69-SPO III dated the 16th July, 1969 from Shri Onkar Nath Vij. Deputy Director. Department of Food, New Delhi to Shri K. D. Narayan, Manager (Port Opn.), Food Corporation of India, New Delhi.

I am enclosing herewith a copy of para 2.20 of the Forty-third Report of the Public Accounts Committee (Fourth Lok Sabha) relating to demurrage incurred in respect of foodgrain shipments. It

will be seen that the Public Accounts Committee has stressed upon the need for optimum use of the available discharging equipment. This observation of the Committee is being brought to your notice for necessary action.

Recommendations

The Committee note that 90 per cent of the demurrage paid was due to ships waiting for berths at ports as a result of bunched arrivals. As pointed out by the American Expert Team this situation suggests the need for advance "planning of loading dates of chartered ships, so that arrivals are not bunched any more than chance dictates."

[S. No. 10 of Appendix VII (Para 2.21) 43rd Report (Fourth Lok Sabha).]

Action Taken

As the Committee are already aware, heavy demurrage was incurred in 1966 due to substantial increase in the import of food-grains to avert near-famine conditions in certain parts of India. The position has since improved and all possible steps are being taken by Government for planning the loading dates and unloading of food-grains and fertilizers from vessel as quickly as possible, with a view to avoiding/reducing demurrage. These steps *inter alia* include:

- (1) Acceleration of discharge and clearance of cargo to the maximum extent possible;
- (2) Diversion of vessels to the extent feasible from more congested ports to less congested Ports;
- (3) Adjustment of import programme so as to avoid bunching of ships as far as possible.

The work of handling foodgrain shipments at all ports on the East Coast has since been transferred to the Food Corporation of India with effect from 16th December, 1968 and on the West Coast with effect from 1st April, 1969. From the above dates onwards the despatch/demurrage is on F.C.I. account. The recommendations of the Committee are being brought to the notice of the Food Corporation of India with the request that these suggestions may be kept in view while arranging the future planning of shipments.

[Deptt. of Food U.O. No. 23/69-70/Budget/43rd Report/I.F. II, dated 6.10.69.]

Recommendation

The Committee also observe from the data furnished to them that, of the total demurrage of Rs. 251.65 lakhs paid during the three years ending 1967-68, a sum of Rs. 241.90 lakhs accrued to foreign shipping interests. The Committee would like in this connection to draw attention to their observations in para 4.72 of their 27th Report (Fourth Lok Sabha) in which they had stressed the need to press more and more Indian vessels into service for the transport of foodgrains. This would ensure that not only freight but also any demurrage that may become inescapably payable accrues to the country minimising the drain on scarce foreign exchange resources.

[S. No. 11 of Appendix VII (Para 2.22) of 43rd Report (Fourth Lok Sabha).]

Action Taken

The Shipping and Chartering Organisation of the Ministry of Transport and Shipping, utilise to the maximum extent possible the Indian vessels which are available at competitive rates at the required time.

As will be observed from figures in the Table below there has been an appreciable increase in the use of Indian vessels for transport of foodgrains:—

Year	Qty. in Long tons lifted by Indian vessels	Qty. in Long tons lifted by foreign vessels (non-U.S./non-Indian)	Total Quantity	Percentage for Indian vessels
Jany. to Dec. 1968	12,11,578	27,40,423	39,52,051	30%
January to June, 1969	8,01,720	5,84,181	13,85,901	57.8%

The quantities brought by U.S. Vessels are not included because some U.S. Flag vessels have to be necessarily engaged because of obligations under the P.L. 480 Agreement. Incidentally it may be mentioned that in case Indian vessels are able to secure better freighted cargoes in the world shipping market, it would not be justified to expect them to lift lesser freighted grain cargoes.

This has been vetted by Audit.

[Department of Food U.O. No. 23/69-70/Budget/43rd Report/I.F., II dated the 6th October, 1969.]

Recommendation

The Committee note, after the cancellation of the contract, the Joint Director (Food) issued a testimonial to the contractor which was cited by the Contractor in the arbitration proceedings. They understand from Audit that the Regional Director of Food, Bombay, had himself, in a written communication to the Ministry expressed the view (20th October, 1964) that "production of the documents has put the Government in an embarrassing position in the arbitration proceedings". The Committee, therefore, feel that the issue of testimonial by a senior official after the termination of the contract was improper and desire that clear instructions should be issued to all concerned to avoid a lapse of this nature.

[S. No. 16 of Appendix VII (Para 3.13) of 43rd Report (Fourth Lok Sabha).]

Action taken

Information on the points raised has been supplied earlier to the Committee and have been discussed in Paragraph 3.9 of the Report. Instructions have been issued to all the officials of the Department not to issue any certificates to the contractors in future *vide* letter No. 121(103)/56-PDI/III/IV dated 21st August 1969 (Annexure). Since the entire work of handling of foodgrains, both imported and indigenous, has been transferred to the Food Corporation of India, the Corporation has also been requested to ask their officers not to issue any certificates to contractors.

This note has been vetted by Audit.

[Department of Food U.O. No. 23/69-70/IF II/dt. 27-9-1969/43rd Report.]

ANNEXURE

No. 121(103)/56-PD.I/III/IV

GOVERNMENT OF INDIA

MINISTRY OF FOOD & AGRICULTURE

(DEPARTMENT OF FOOD)

New Delhi, the 21st August, 1969

To

The Regional Directors (Food).

Bombay, Calcutta, Madras.

Sir,

I am directed to say that in one of the Arbitration Proceedings against the termination of a contract, the party concerned produced a certificate issued by a senior official of this Department to the

effect that the contractor had the experience in the line and that his work had been satisfactory. The party, therefore, contended that the contract, which had been extended for one year, was terminated with mala fide intentions. This placed the Government in a very embarrassing position. The award also went against the Government. The issue of the certificate has been adversely commented upon by the P.A.C. which observed that the issue of a testimonial by a senior official after termination of the contract was improper.

2. In order to avoid such occurrences in future, it has been decided by Government that no official of the Food Department should issue any testimonial to any contractor. Suitable instructions may, therefore, be issued to all concerned under intimation to the Department. Failure to observe these instructions would be viewed seriously.

3. Please acknowledge receipt.

Yours faithfully,

R. S. TALWAR,

Joint Secretary to the Govt. of India.

Copy to:—

1. Shri J. A. Dave,
Managing Director,
Food Corporation of India, New Delhi.
With the request that similar action may be taken in the F.C.I.
2. Director, Residuary Cell,
C.T.O. Building, New Pusa, New Delhi.
For information and necessary action.

R. S. TALWAR,

Joint Secretary to the Government of India.

Recommendation

The Committee fail to understand how the Department construed the rate quoted by the lowest tenderer for supply at points of despatch as valid for supply at destination point and placed an order on this basis. In the result, the Department could not avail of the next acceptable offer, which would have saved them Rs. 49,300, in comparison to the rate at which the stores were ultimately procured after a fresh tender. The Department's argument that the offer of the lowest tenderer could not be accepted on his terms, but only on the Department's terms, as stipulated in the tender notice,

lacks substance, since the Department ought to have known that an acceptance, which was not in terms of the offer could not constitute a contract but could at best be only a counter offer. Moreover, the Department themselves had doubts about the offer and had asked the tenderer to clarify whether his rates would be valid for supply at destination. If the clarification was not forthcoming, the Department should have taken the logical step of placing the order on the next lowest tenderer whose terms coincided with those stipulated in the tender notice. The Committee hope that the Department will take steps to guard against a recurrence of costly lapses of this nature.

[S. No. 20 Appendix VII (Para No. 6.12) of 43rd Report (4th Lok Sabha).]

Action taken

The recommendations of the Public Accounts Committee have been noted and necessary instructions have been issued to all concerned to ensure that there is no recurrence of such cases in future. A copy of the instructions issued is shown in annexure.

[Department of Food U.O. No. 23/69-70/Budget/43rd Report, dated 22nd July, 1969.]

ANNEXURE

No. 4/2/69-CDN

GOVERNMENT OF INDIA

MINISTRY OF FOOD, AGRICULTURE, CD&C

DEPARTMENT OF FOOD

(ARMY PURCHASE ORGANISATION)

New Delhi-1, the 19th May, 1969

ROUTINE NOTE NO 993

SUBJECT:—*Extra expenditure in the purchase of whole Urd-recommendation of the Public Accounts Committee.*

The recommendation of the Public Accounts Committee (1968-69) in their Forty Third Report on a case involving extra expenditure to the Government in the purchase of Whole Urd. is reproduced below alongwith the Brief History of the case, for the guidance of all concerned.

Brief History

2. An advertised open tender enquiry was issued on 18th November 1966 for the purchase of various quantities of dals including 500 tonnes whole Urd for Defence Services. The tender enquiry was

for supplies to be delivered to the Military Grain Depot, Lucknow, where inspection was to be carried out. According to the terms of the tender enquiry the tenderers were required to quote the price F.O.R. Military Grain Depot, Sidings, Lucknow.

3. The offer of a new firm to supply 200 tonnes whole Urd at the rate of Rs. 101.00 per quintal was the lowest. But they had quoted this rate F.O.R. places of despatch in Assam as against F.O.R. Military Grain Depot, Sidings, Lucknow, as required in the tender enquiry. The quotation given by the firm was under the column "Price per quintal F.O.R. M.G.D., Sidings, Lucknow." This created some doubt regarding the actual terms of the offer i.e. whether it was F.O.R. M.G.D., Sidings, or F.O.R. Despatch pass. They were, therefore, asked telegraphically to confirm that the rate was inclusive of railway freight at Military Tariff rate upto Military Grain Depot, Lucknow.

4. No reply was received upto 19-12-66 the last date upto which the offers were open. In the circumstances, the offer of the firm which we assumed to be F.O.R. M.G.D., Sidings, Lucknow, was accepted and a telegraphic acceptance of tender was placed on them on 19-12-66 for the supply of 200 tonnes whole Urd at Rs. 101.00 per quintal F.O.R. Military Grain Depot, Sidings, Lucknow.

5. The firm disputed the validity of the contract on the ground that the terms of their offer had been varied in the telegraphic acceptance of tender. Consequently on the basis of legal advice the contract was cancelled on 14-3-67 without liability on either side. The cancelled quantity was later repurchased at a higher rate of Rs. 147.19 per quintal F.O.R. Military Grain Depot, Sidings, Lucknow. This involved an extra expenditure of Rs. 72 000/- to the Government (allowing Rs. 10/- per quintal towards the freight at Military Tariff Rate from places of despatch in Assam to the Military Grain Depot, Sidings, Lucknow).

Recommendation

6. The Recommendation of the Public Accounts Committee is given below:—

"The Committee fail to understand how the Department construed the rate quoted by the lowest tenderer for supply at points of despatch as valid for supply at destination point and placed an order on this basis. In the result, the Department could not avail of the next acceptable offer, which would have saved them Rs. 49 300/- in comparison to the rate at which the stores were ultimately procured after a fresh tender. The Department's argument that the offer of the lowest tenderer could not be accepted

on his terms, but only on the Department's terms, as stipulated in the tender notice, lacks substance, since the Department ought to have known that an acceptance which was not in terms of the offer could not constitute a contract but could at best be only a counter offer. Moreover, the Department themselves had doubts about the offer and had asked the tenderer to clarify whether his rates would be valid for supply at destination. If the clarification was not forth-coming, the Department should have taken the logical step of placing the order on the next lowest tenderer whose terms coincided with those stipulated in the tender notice. The Committee hope that the Department will take steps to guard against a recurrence of costly lapses of this nature."

7. All Purchase Officers, Section Officers and others concerned will ensure that the recommendation of the Public Accounts Committee is fully complied with and that in future there is no recurrence of such cases.

Sd/-

Brig. A. S. BHUJWALA,
Chief Director of Purchase.

CHAPTER III

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

Recommendation

The Committee observe that one of the major items of 'indirect expenses' on the scheme is on account of rent of godowns. This, however, does not bear any relationship to the storage position as reflected in the quantity of foodgrains stored by the Department. While the quantity of foodgrains stored declined from 47 lakh tonnes in 1965-66 to 43 lakh tonnes in 1966-67, the expenditure on rent, which was Rs. 68 lakhs in 1965-66 rose to Rs. 92 lakhs in 1966-67. The Committee would like the causes of this increase to be examined by Government. In particular, they would like to know whether, with the progressive transfer of storage work to the Food Corporation of India and the reduction in the quantities of foodgrains stored by the Department there has been a progressive release of godown space.

[Sl. No. 8 of Appendix VII (Para 1.34) of the 43rd Report
(Fourth Lok Sabha).]

Action Taken

The figures mentioned against item '5(a)—Rent of Godowns' in Appendix III of the P.A.C. Report include also the expenditure incurred on the maintenance and repairs of Godowns—Rs. 9.04 lakhs in 1965-66 and Rs. 14.55 lakhs in 1966-67. Further, as these figures represent the cash payments made, arrears of rent relating to earlier periods but paid in the respective years have also been included therein. In addition, during 1966-67 education cess for a period of three years in respect of the Bombay Port Trust Godowns was also paid. It is also stated in this connection that the "quantity of foodgrains stored" mentioned in para 1.12 of the P.A.C. Report represents the stock on hand at the commencement of the respective financial year *plus* the stocks received in the Godowns during the entire year. It does not, therefore, represent the storage capacity actually held by the Department during the respective years. The more appropriate standard would be to compare the storage capacity held and the rent payable for the two years *viz.* 1965-66 and 1966-67.

2. On the basis of the fortnightly reports received from the Regional Offices, the average fortnightly storage capacity and the rent payable for the years 1965-66 and 1966-67 were as follows:—

Year	Fortnightly average of storage capacity held	Rent payable
	(In Square metres)	(Rs.)
1965-66	3.90 Lakhs	59.18 Lakhs
1966-67	4.19 „	69.78* „

*Excludes Rs. 7.86 Lakhs on account of back-log payments.

3. On the basis of the unit rent payable for 1965-66 the rent payable for 1966-67 would be Rs. 63.58 lakhs. But the actual rent payable for 1966-67 was more than this figure by Rs. 6.20 lakhs, mainly due to the following reasons:—

- (i) In the case of the Port Godowns held at Kandla the rent was enhanced from Rs. 10.76 to Rs. 15/- per 10 sq. metres with effect from 23rd December, 1965. In addition, surcharge at 25 per cent of the rent payable was also imposed with effect from 23rd December, 1965 on the open storage space of 6,700 sq. metres. The extra liability on this account for 1966-67 was Rs. 1.81 lakhs.
- (ii) The quantity of foodgrains imported in 1966-67 (98.35 lakh tonnes) was much more than that imported in 1965-66 (80.38 lakh tonnes). As there was a heavy arrival of foodgrain consignments at the Calcutta Port during 1966-67 and as regular berthing facilities were not available to the extent required, godowns had to be hired at the Calcutta Jetty on a high rate of rent from M/s. River Steam Navigation Company. As against the normal rent of Rs. 12, rent had to be paid at Rs. 36 per 100 sq. ft. per month. The additional rent thus payable for 1966-67 was Rs. 1.74 lakhs.
- (iii) For the reasons stated in sub-para (ii) above, additional storage space amounting to 7,545 sq. metres had to be hired at the Madras Port also and rent had to be paid in this case at Rs. 40 and at Rs. 35 as against the average rate of Rs. 12 per 10 sq. metres. The extra liability on this account for 1966-67 was Rs. 1.07 lakhs.

4. With the progressive transfer of storage work in each Region to the Food Corporation of India, godowns in the respective Regions have also been transferred. The last batch of godowns in the

Westesn Region was transferred to the Food Corporation with effect from 1st March, 1969 and with this transfer, all the Central Storage Depots stood transferred to the Food Corporation.

5. This note has been vetted by Audit.

[Department of Food U.O. No. 23/69-70/Budget/43rd
Report/IFII dated 14th Nov. 1969.]

Recommendation

The Committee feel that tenders for the appointment of agents should have been invited in this case well before the existing contract was due to expire. Government have stated that they had the option to renew the existing contract and that the normal practice is to study the market three months in advance in order to decide whether the option available in such cases should be availed of or not. If this is so, the Committee fail to understand why the Regional Director called for tenders as late as February, about a month before the existing contract was to expire. This brought about a situation in which a decision and not be taken on the appointment of new agents before the expiry of the existing contract. Government were, therefore, obliged to renew the existing contract and the decision taken shortly after renewal, to terminate the contract naturally led to a dispute with the contractor.

[S. No. 13 of Appendix VII (Para 3.10) of 43rd Report
(Fourth Lok Sabha).]

Action Taken

The circumstances, in which calling of fresh tenders was delayed were intimated to the Committee earlier and have been discussed in Paragraph 3,6 of the Report. The Department did advise the Regional Director (Food) to make a study about 3 months before the expiry of the contract. In his judgment dated 7th February, 1957, the Regional Director felt that it might not be possible to get lower rates. He was again asked on 21st February, 1957 to call for fresh tenders. In this correspondence, some time was lost and the tenders were invited on the 23rd February, 1957.

Recommendation

The Committee also fail to understand why, when the existing contract gave Government the option for renewal for less than a year, Government chose to renew the contract for the full period of one year from April, 1957. This was unfortunate as Government knew, even before the expiry of the original term of the contract, that some of the parties, who had responded to tender enquiries, had

quoted lower rates from April, 1957 onwards. Government's argument that they were negotiating with these parties and that, in the meanwhile as a "measure of caution" they extended the existing contract for the full period lacks validity as the negotiations were only for securing "still lower rates." It was hardly reasonable to have supposed that these negotiations would last one full year.

[S. No. 14 of Appendix VII (Para 3.11) of 43rd Report
(Fourth Lok Sabha).]

Action Taken

The reasons for extending the contract by one full year have been explained earlier and the Committee has discussed them in Paragraph 3.7 of the Report. It is true that as a result of tender enquiry, lower rates were obtained and it was felt that there was scope for securing even lower rates through negotiations. It was decided that negotiations should be held by a team of officers including a representative of the Ministry of Finance. The period in which the negotiations could be completed, could not be anticipated. In the meantime, it was not possible to stop unloading operations at the ports. Since the Ministry of Law advised that once the term of the contract was extended for a shorter period, say, 2 months, then there would be no option available to the Department to extend the term further, should that become necessary, it was decided to extend the period of the contract for the full one year and to exercise the right of termination by giving the prescribed period of notice immediately after the negotiations were over.

Recommendation

The Committee also find it difficult to accept Government's view that the cancellation of the contract had no bearing on the Arbitrator's award, which went against Government since the Arbitrator gave no reasons for his award.

[S. No. 15 of Appendix VII (Para 3.12) of 43rd Report
(Fourth Lok Sabha).]

Action Taken

The reasons for the Government taking the view that the cancellation of the contract had no bearing on the Arbitrator's Award, have also been intimated to the Committee earlier and the same have been discussed in Paragraph 3.8 of the Report. Before the arbitration proceedings started, the contractor had submitted a statement of claims. These were referred to the Ministry of Law for advice.

That Ministry gave the opinion that the contractor had a sustainable case in respect of cleaning of wagons and compensation for detention and idling of labour. The claim on these two accounts totalled Rs. 1.11 lakhs. Since the Arbitrator awarded Rs. 1.05 lakhs, the Department came to the view that the amount of the Award related to the claim for cleaning of wagons and compensation for detention and idling of labour and not to termination of the contract.

[Deptt. of Food U.O. No. 23/69-70/IF/II, 43rd Report dt. 27-9-69.]

Recommendation

The Committee observe that the prices paid by the Army Purchase Organisation for Vanaspati procured under some of the contracts placed in January and July 1966, exceeded the 'fair prices' that the industry was to charge by virtue of an arrangement that came into force from June, 1964. While the total amount overpaid cannot be determined in the absence of complete information about the 'fair prices' chargeable for the various lots of supply, the Committee note that, in respect of 3,650 tonnes (out of a total of 8,375 tonnes procured), for which information about 'fair prices' is available, the net overpayment works out to Rs. 1.94 lakhs. The Committee appreciate the fact that these 'fair prices', being based on raw oil prices in the fortnight preceding delivery, could not have been determined while placing contracts for forward delivery over a period of one to three months. This difficulty, however, could have been avoided by a stipulation in the contracts that suppliers would be paid at fair prices to be fixed for the periods during which supplies were due. The Committee are not able to appreciate why this was not done.

The Committee note that with effect from September, 1968, the prices of vanaspati have been made subject to statutory control. They hope that Government will ensure that supplies for the Defence Forces are in future made strictly at rates not exceeding the controlled prices.

[Sl. Nos. 17 and 18 of Appendix VII (Paras No. 4.10 and 4.11) of Forty-Third Report (Fourth Lok Sabha)].

Action Taken

Para 4.10. In the absence of any statutory control over the prices of Vanaspati, the supplies for the Defence Department were being procured through the normal tender system followed by the Army Purchase Organisation as in the case with other items of foodstuffs procured for the Defence Department. As already brought out in

the discussions held in the PAC, the groundnut crop for the year 1965-66 was, adversely affected due to an erratic monsoon and extreme drought conditions in the groundnut producing States with the result that the oil prices shot up in all the markets. A further aggravating factor was the imposition of restrictions on the movement of groundnut and groundnut oil by the Gujarat Government. In these circumstances, it was found extremely difficult to procure the Defence requirements according to their delivery schedule.

2. Further, as already stated, the prices arrived at according to the understanding between the VOPC and the VMA could not be enforced as the understanding reached with the Industry in June 1964 was for a standard quality product, conforming to the specifications and packing requirements prescribed under the Vegetable Oil Products Control Order, 1947 and marketed in accordance with the normal commercial practice. This understanding could not be made applicable to the supplies for Defence since the supplies differed from a standard quality product in regard to specifications, packing and marketing conditions. Under the circumstances, the additional payment of Rs. 1.94 lakhs on 3650 tonnes i.e., about Rs. 53 per tonne appears to be not unreasonable keeping in view the additional expenses involved in fulfilling the special requirements for Defence Supplies regarding quality, warranty, interest on capital investment and the procedure regarding inspection and despatch of stores, and hence no over payment is involved.

3. The stipulation "Suppliers will be paid at fair prices to be fixed for the periods during which supplies were due" would have not only involved a commitment on the part of Government in all future tender enquiries, but also would have led the industry to quote rates on the basis of future 'fair prices'. This would have not only offended against the principle and sanctity of tender system/competition, but also would not have been beneficial to the Government. The latter conclusion is borne out by the fact that during the period from October 66 to June 68, the Army Purchase Organisation was able to make purchases at very competitive rates and paid a sum of Rs. 49,95,210 less than what would have been paid if any such stipulation had been made.

Para 4.11. Since the imposition of Statutory Price Control from September 1968, the purchases are being made for Defence within the controlled prices as applicable at the time when goods are tendered by suppliers for inspection/despatch by the Army authorities. The note has been vetted by Audit.

[Department of Food, U.O. No. 23/69-70/Budget, 43rd Report
1st July, 1969.]

CHAPTER IV

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

Nil

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Recommendation

The Committee note that there has been a progressive transfer of procurement, clearance and handling work from the Food Department to the Food Corporation. In para 4.33 of their 27th Report (Fourth Lok Sabha) the Committee had taken note of this position and stressed the need to maintain a close watch over the establishment expenditure of the Food Department to achieve maximum possible economies. In para 4.56 of that Report the Committee had also suggested that every effort should be made to avoid an overlapping of functions between the Food Corporation of India and the Department of Food. The Committee now observe that, while there has been some reduction in posts in the Food Department, the establishment expenditure has not been substantially reduced in the Regions and in fact has gone up at Headquarters. While the Committee note the Department's explanation that this is due to the creation of posts to cope with additional items of work, apart from factors like increase in dearness allowance, they would like Government to transfer the functions of the Food Corporation of India still performed by the Food Department to the Corporation and reduce the number of posts in the Food Department. The Committee would also like Government to undertake a comprehensive study of the work-load in the Food Department both at Headquarters and in the Regions to effect maximum economies possible by job analysing the work through the staff inspection Unit of the Ministry of Finance who have already conducted some studies in this respect. For any additional work-load a minimum number of posts might be kept on a purely temporary basis whose retention may be considered every six months in the light of actual work involved.

[Serial No. 7 Appendix VII, (Para No. 1.33) of Forty-Third Report
(Fourth Lok Sabha)]

Action Taken

All the field functions of the Department which, under the Food Corporations Act are the functions of the Food Corporation of India.

have since been transferred to the Corporation. The dates on which the remaining sectors of work, that is, the sectors in addition to those mentioned in paragraph 1.24 of the Committee's Report, have been so transferred to the Corporation are indicated below:—

- (a) *Eastern Region*
 Handling and clearance of foodgrains
 and depots in West Bengal. . . . 16-12-68
- (b) *Southern Region*
 Handling and clearance of foodgrains at
 Madras, Vizag and a few minor
 ports. . . . 16-12-68
- (c) *Western Region*
 (i) Handling and clearance of foodgrains
 at Bombay, Kandla and other ports
 on the Western Coast. . . . 1-3-69
 (ii) Depots in Gujarat and Maharashtra. . . . 1-3-69

2. The transfer of work in the above sectors has been accompanied by the transfer of officers and staff on 'as is where is' basis. The number of posts reduced as a result of these transfers is indicated below:—

<i>Number of Posts reduced</i>	
Gazetted	Non-gazetted
193	10,104

3. In addition to the work studies mentioned in paragraph 1.28 of the Committee's Report, the staff Inspection Unit of the Ministry of Finance made an assessment of the work-load in the offices of the Regional Director (Food) Madras and Joint Director (Food) Vishkapatnam. They suggested a reduction of 8 gazetted and 370 non-gazetted posts in these offices. As the work studies were conducted on the eve of transfer of these sectors of work to the Food Corporation of India the reports of the Staff Inspection Unit were passed on to the Food Corporation of India for suitable action. Three gazetted and 153 non-gazetted posts were, however, actually reduced before transfer to the Corporation.

4. At the Headquarters of the Department there is no functional transfer of work to the Food Corporation of India, as the functions like Administration Food Policy, with which the Secretariat is primarily concerned, continue to be the concern of Government in the Food Department. Nevertheless, an assessment of the effect of the transfer of all field functions to the Food Corporation of India on the headquarters strength of the Department has been made by the

O & M Division of the Department. As a result of this assessment it has been decided that 9 Gazetted and 59 Non-Gazetted posts should be reduced from around April/May 1969 and another 6 Gazetted and 24 Non-Gazetted posts should be reduced from around September/October, 1969. These decisions are being implemented. The residual strength includes provision for the completion of certain residual items of work. Further assessment of work-load in the Secretariat will, therefore, be made periodically by the O & M Unit. The Staff Inspection Unit of the Ministry of Finance are also expected to study the work-load at the headquarters of the Department sometime in August/September, 1969. The P.A.C. will be informed further.

[Department of Food U. O. No. 23/69-70/Budget/43rd Report
dated 2nd June, 1969.]

Further Information

Please state whether the staff Inspection Unit of the Ministry of Finance has since completed the study of the work load at the Head-quarters of the Department of Food and if so, please furnish a statement showing their recommendations and action taken thereon.

Reply

The staff Inspection Unit of the Ministry of Finance have not yet completed their study. Their report is expected by the end of December, 1969. The P.A.C. will be informed.

[Deptt. of Food O.M. No. 23/69-70/BFCI/43rd Report/IF.II dt.
28.10.69.]

Recommendations

The Committee note that the investigation of 62 demurrage cases of over Rs. 10,000 relating to the period February—December 1966 is still pending. They would like these cases to be quickly investigated and any remedial measures necessary in the light of such examination to be speedily taken.

[S. No. 12 of Appendix VII (Para 2.23) of Forty Third Report (4th Lok Sabha).]

Action Taken

Out of 62 outstanding cases, special reports in respect of 50 cases have since been finalised and accepted. The examination of these cases has revealed that the demurrage incurred was for reasons of bunching and consequential waiting for a berth and nobody could,

therefore, be held responsible for the same. The remaining 12 cases are still under investigation in consultation with our Regional Directors, and all efforts are being made to finalise them expeditiously. The P.A.C. will be informed in due course.

[Deptt. of Food U.O. No. 23/69-70/Budget/43rd Report dt. 19.5.69.]

Recommendations

The Committee note that Government had to purchase the stores in this case at an extra cost of Rs. 2.42 lakhs, owing to successive defaults on the part of three firms on whom the orders were placed one after another. Government now suspect one of the three firms to be fictitious and a possible collusion between the other two firms, which they have referred to the Central Bureau of Investigation for examination. The Committee would like to be apprised in due course of the results of the enquiry, as also of the arbitration that is stated to be in progress in regard to the question of recovery of general damages of Rs. 1.61 lakhs from one of the firms involved. The Committee regret to note that while placing an order on un-registered firm 'B', there has been a failure to ensure compliance with the requirements of rule 12 of the General Financial Rules according to which, 'in selecting the tenders to be accepted, the financial status of individuals and firms tendering must be taken into consideration in addition to all the relevant factors'. The Committee trust that responsibility for this failure will be fixed and that, in the light of the experience gained in this case, Government will evolve adequate procedures to ensure that contracts are placed only with firms whose bonafides and reliability can be established beforehand.

[S. No. 19 of Appendix VII (para No. 5.9 of 43rd Report (4th Lok Sabha).]

Action Taken

The Committee's recommendation that it may be apprised of the results of the inquiry by the CBI as also the arbitration in regard to the question of recovery of general damages of Rs. 1.61 lakhs from Firm 'C' has been noted.

The Present position is as under:

- (a) The CBI, in addition to making inquiries into the alleged collusion between the parties concerned, is now investigating the circumstances under which contracts were placed with Firm 'B' presumably with a view to determine whether any procedural irregularity has been committed. All the relevant information required by the CBI has been furnished.

- (b) As regards the recovery of general damages of Rs. 1.61 lakhs from Firm 'C' the matter is still in arbitration. The result will be intimated as soon as the arbitrator declares his award.

As regards non-compliance with Rule 12 of the General Financial Rules, the position is that in order to verify the bonafide and financial status of a tenderer, the terms and conditions of tender enquiry and application for purchase of tenders provide for furnishing the following also alongwith the tender:

- (a) An earnest money of Rs. 500/-
- (b) Banker's name.
- (c) Income Tax Clearance Certificate.

The requirements of earnest, money and bankers name were duly complied with by Firm 'B', and necessary action to confirm their financial position was taken by making a reference to their bankers. Regarding Income Tax Clearance certificate, it is provided in our terms of contract that if a tenderer is unable to submit the income-Tax Clearance Certificate, etc., with his tender, he can be asked to do so within 15 days of the issue of Acceptance of Tender. This, as well, was done in this case. Since no reply was received from the bankers till 22nd July 1966, the last date upto which the offers were open for acceptance, and since the tender of Firm 'B' was otherwise in order and the lowest, it was accepted in the interests of the Government. It was only after the acknowledgement of our Acceptance that the party chose to disappear.

The question of fixing the responsibility for failure if any, to ensure compliance with the requirements of any existing rules will be considered on receipt of the report from the CBI.

In the meanwhile, the existing procedure has been further tightened up. The procedural and financial requirements to deal with unregistered firms have since been carefully considered and it has been decided that in case of unregistered firms, the purchase sections/officers will ensure that the following documents are furnished by the tenderers along with the tenders and these documents are carefully scrutinised before placing the contract.

- (a) A bank report in support of their financial standing from their bankers.
- (b) The Income Tax Clearance Certificate(s) of the previous year, if it is not possible to furnish upto date Income Tax Clearance Certificate(s).

- (c) A Limited Company registered under the Companies Act will furnish a Certificate of Incorporation and also the names of the present Director.
- (d) A firm registered under the Indian Partnership Act 1932, will furnish the partnership Deed, in original, and one attested copy of the statement in the register of the Registrar of Firms indicating names of the partners.
- (e) The Cooperative Society will furnish the registration number and date under which the Cooperative Society is registered with the Registrar of Cooperative Society.

[Department of Food U.O. No. 23/69-70/BFC I/43rd Report, dt. 15-7-1969.]

Further Information

Please state:—

- (i) *Whether C.B.I. have finalised their inquiry and submitted any report;*
- (ii) *When arbitration proceedings started and whether they have come to an end.*

Reply

(i) A report has been received from the C.B.I. and it is under the consideration of the Central Vigilance Commission.

(ii) The arbitration case started in 1967 and is at the evidence stage at present.

[Deptt. of Food No. 23/69-70/Budget/IFII/43rd Report dt. 30-10-69.]

ATAL BIHARI VAJPAYEE,
Chairman,
Public Accounts Committee.

NEW DELHI;
22nd December, 1969
1st Pausa, 1891 (S)

APPENDIX

Summary of main recommendations/conclusions

Serial No.	Para No.	Ministry/Department concerned	Recommendations/Conclusions
1	1-10	Deptt. of Food	The Committee note that, though the case was taken up for investigation in December, 1967, with a view to determining whether there were any <i>mala fides</i> the final findings have still not become available to Government. The Committee would like proceedings to be expeditiously taken against those found at fault; if the present procedure in this regard leads to delay it should be suitably streamlined.
2	1-11	Do.	The Committee also note that recovery of general damages amounting to Rs. 1.50 lakhs from one of the defaulting firms is still under arbitration. The Committee trust that the arbitration proceedings will be speeded up. The Committee would like to be apprised of the outcome.

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
DELHI					
24.	Jain Book Agency, Connaught Place, New Delhi.	11	33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.	68
25.	Sat Narain & Sons, 3741, Mohd. Ali Bazar, Mori Gate, Delhi.	3	34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
26.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9	35.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	82
27.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11	36.	Hind Book House, 82, Janpath, New Delhi	95
28.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15	37.	Bookwell, 4, Sant Narankari Colony, Kingsway Camp, Delhi-9.	96
29.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20	MANIPUR		
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23	38.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annex, Imphal.	77
31.	Bahree Brothers, 188 Lajparrai Market, Delhi-6.	27	AGENTS IN FOREIGN-COUNTRIES		
32.	Jayans Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.	66	39.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON W.C.-2.	59

© 1969 BY LOK SABHA SECRETARIAT

PUBLISHED UNDER RULE 382 OF THE RULES OF PROCEDURE AND CONDUCT OF
BUSINESS IN LOK SABHA (FIFTH EDITION) AND PRINTED BY THE GENERAL
MANAGER, GOVERNMENT OF INDIA PRESS, MINTO ROAD, NEW DELHI.
