

**ESTIMATES COMMITTEE
1958-59**

**FIFTY-FOURTH REPORT
(SECOND LOK SABHA)**

**MINISTRY OF FINANCE
(Department of Revenue)
NARCOTICS DEPARTMENT**



**LOK SABHA SECRETARIAT
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C O R R I G E N D A

Fifty-fourth Report of the Estimates Committee on Narcotics Department.

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24	68	4	<u>For</u> "recommend" <u>read</u> " "recommended".
34	Appendix V	Col. No. 3, line 2:	<u>For</u> "in" <u>read</u> "is".

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ESTIMATES COMMITTEE 1958-59

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INTRODUCTION

I, the Chairman, Estimates Committee having been authorised by the Committee to submit the report on their behalf present this Fifty-fourth Report on the Ministry of Finance (Department of Revenue)—Narcotics Department.

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

3. The Committee wish to express their thanks to the Chairman Central Board of Revenue and other officers of the Ministry of Finance (Department of Revenue) for placing before them the material and information in connection with the examination of the estimates.

NEW DELHI;

*The 24th April, 1959.
Vaisakha 4, 1881(S).*

BALVANTRAY G. MEHTA,

*Chairman,
Estimates Committee.*

I

INTRODUCTORY

India has been a producer of opium for many centuries. India is also one of the leading opium exporting countries of the world and after Iran went out of the field in 1955 it has become the largest source of supply of raw opium to the world.

2. In the past profit from sale of opium was an important source of revenue. It was freely sold as an intoxicant within the country and exported for the same purpose to the Far Eastern countries, particularly China. The grave harm caused by the unrestricted consumption of opium and of the drugs made therefrom became the subject of international discussions in 1912 and subsequent years as a result of which a measure of control came to be exercised over the production and consumption of opium.

3. The international Opium Convention, 1912, formulated the basic principles for the international control of narcotic drugs, namely, limitation of the manufacture, sale and use of manufactured narcotic drugs to medical and legitimate needs, control of production and distribution of opium and gradual suppression of opium smoking. Subsequently, many more conventions were held to consider the implementation of the principles. As one of the major opium producing countries in the world and a signatory of the conventions there is a responsibility on India to implement the decisions of the conventions.

4. In 1949 a high level All-India Opium Conference was convened by the Government of India at the instance of the Government of Assam with the avowed purpose of laying down an All-India policy of prohibiting the internal consumption of opium for non-medical purposes. The Conference recommended the policy of gradual reduction in the supplies of opium with a view to total prohibition within ten years. In 1956 another Conference was held to consider the steps taken to implement the recommendations of the earlier Conference. That Conference *inter alia* recommended total prohibition of consumption of Ganja for non-medical and non-scientific purposes by 1959 and Bhang by 1961. The International Conventions and the All-India Opium Conferences referred to above have governed the policy of the Government of India with regard to opium and other narcotic drugs from time to time.

II

ORGANISATION

A. Origin

5. Opium was a highly profitable article of trade for the East India Company. For that reason the Company obtained monopoly in opium produced in Bengal, Bihar and Orissa. Initially the monopoly was operated by contracting out the exclusive right to manufacture opium. Under the Bengal Regulation of 1807 manufacture of opium was entrusted to a Government agency. In 1819 the control over the agency was vested in the Board of Revenue in customs, salt and opium.

6. The opium agent was in charge of the opium agency. He was head of the Opium Department till 1945 when it was placed under the Collector of Central Excise, Allahabad and the post of Opium Agent was converted into that of a Deputy Collector, Central Excise.

7. In 1950 when as a result of the Federal Financial Integration poppy cultivation in the then Madhya Bharat and Rajasthan areas came under the administration of the Central Government, the post of Narcotics Commissioner and his office were created.

B. Transfer of the Department to the Ministry of Commerce and Industry

8. As stated earlier, the opium monopoly was a major source of revenue and hence it came to be a part of the Board of Revenue in customs, salt and opium. However, *owing to historical changes the basic purpose of the administration of the monopoly is no longer the collection of revenue but the social object of prevention of opium addiction combined with the production of opium and alkaloids such as morphine for therapeutic purposes. In the circumstances, the Committee doubt if there is adequate justification for the Narcotics Department continuing to be part of the Department of Revenue*

9. In this connection, the Committee were informed that the question of transferring the control over the opium factories to the Health Ministry was considered in 1947 when Shri K. R. K. Menon, the then Member, C.B.R. suggested that the whole subject of opium manufacture, distribution and control should be dealt with in that Ministry. It was felt that the D.G.H.S. who already had under him the Medical Stores Department of the Central Government should be the appropriate authority to administer the opium factories. The

Ministry of Health, however, stated that in their opinion the prevention and control aspects were the most important aspects of opium administration and that these could best be administered by the Excise and Customs staff under the Central Board of Revenue and therefore there was no particular advantage in their taking over the opium factories from the C.B.R. In view of these considerations it was decided to maintain the *status quo*.

10. It was further stated that the Narcotics Department had broadly two functions—one regulatory and the other productive. Both the functions were interrelated. The control over production and distribution of all narcotic drugs was administered through the State Excise authorities. The suppression of illicit traffic in opium and other dangerous drugs was carried out by the Narcotics Department in collaboration with the State Excise and Police Departments and the Customs and Central Excise Departments. As the Customs, Central Excise and Narcotics Departments were working under the same Ministry it was possible to establish close liaison among them which could not perhaps be secured if the Narcotics Department was placed under another Ministry.

11. The Committee recognise that there may be some advantage in the present arrangement. They, however, feel that as under the Constitution prohibition of consumption of intoxicating drinks and drugs and the suppression of illicit traffic in them is primarily the duty of the State Governments and the cultivation, manufacture and sale for export of opium is a Central subject the responsibility of the Narcotics Department is greater in respect of the latter function. As will be pointed out later there is much need as well as scope for the development of the Alkaloids industry in the country and for promoting the exports of the alkaloids. *The Committee feel that it may be more advantageous if the Narcotics Department were to be transferred to the Ministry of Commerce and Industry which deals with the development of industries and promotion of exports. They, therefore, suggest that the feasibility of transferring the Department to the Ministry of Commerce and Industry may be considered.*

12. The Committee were informed that the Narcotics Commissioner being Head of the Department had to deal with many administrative matters. He was assisted by the Chief Accounts Officer who exercised audit control over expenditure and other financial and administrative functions. In this connection, the Committee were further informed that a Chief Accounts Officer was posted at the Headquarters of each Collectorate of Central Excise and the Office of the Narcotics Commissioner functioned for all intents and purposes on similar lines.

13. The Committee understand that the audit and accounting responsibility of the Narcotics Department rests with the Comptroller and Auditor General. They doubt if there are any special needs for which the Narcotics Commissioner might require the assistance of a Chief Accounts Officer. They also feel that the functions of the

..... much different from those of the

Central Excise Department and they are not sure if an analogy could be drawn between them which might justify the appointment of a Chief Accounts Officer in the Office of the Narcotics Commissioner. *They, therefore, recommend that the necessity of maintaining the post of the Chief Accounts Officer may be reviewed.*

C. No. of Class IV Staff

14. Out of the total sanctioned strength of 482 (excluding 609 labourers in the Ghazipur factory) in U.P. unit the number of the Class IV staff as on 1st April, 1958 was 275. On the same date out of the total sanctioned strength of 393 in Madhya Pradesh and Rajasthan unit the number of the Class IV staff was 269. These figures seem to suggest that the number of Class IV staff employed in the Department is on the high side. No reasons have, however, been given by the Ministry for maintaining such large staff. *The Committee, therefore, recommend that the number of Class IV staff may be reduced in consultation with the S.R.U.*

D. Confirmation of staff

15. The Committee understand that at present there are no permanent posts sanctioned in the subordinate establishment of the Narcotics Department except in the Uttar Pradesh unit. In explanation they were informed that the charge over cultivation in Madhya Pradesh and Rajasthan Unit was taken over by the Central Government on the Federal Financial Integration in 1950 and the Office of Narcotics Commissioner was also set up in 1950. The personnel taken over from the Madhya Pradesh and Rajasthan were granted central scales of pay and allowances only in 1954 and they could not be considered for confirmation until they completed the prescribed tenure of three years of service. The question of converting 50% of such temporary posts which were in existence for more than three years into permanent ones was under consideration. Meanwhile such of the employees as were holding permanent posts before the integration, had been absorbed in permanent capacity against supernumerary posts. *The Committee are, however, concerned to note that though it is nine years since the integration no confirmation has yet been made of the temporary employees taken over from the States. They, therefore, urge that early decision may be taken on the proposed conversion of temporary posts into permanent ones and early action taken to confirm the employees against those posts.*

E. Transfer of Headquarters

16. The Office of the Narcotics Commissioner, the Headquarters of the Narcotics Department, was originally set up in Delhi. Due to congestion it was shifted in September, 1952 to Simla. In this connection the Committee were told that the location of the Office in Simla was for reasons unconnected with the necessities of the situation in so far as the administration of opium was concerned and that the Ministry of Finance was considering shifting the Office to

a suitable place. One of the places in view for shifting was stated to be Gwalior. Although the opium factory was in Ghazipur it was stated to be not a suitable place for location of the office. *The Committee feel that the Headquarters office of the Narcotics Commissioner should be located at the centre of the main field of activities. They, therefore, suggest that the headquarters office may be shifted to Neemuch or Ghazipur where the opium factories are situated or to a central place in the area where poppy is cultivated at an early date in order that firstly, there may be better control over the field areas by the Narcotics Commissioner and secondly the expenditure involved in the maintenance of communication between the headquarters and the field areas may be reduced.*

III

CULTIVATION OF POPPY AND INDIAN HEMP

A. Area under cultivation of Poppy

17. Cultivation of poppy for opium is Government monopoly. It is grown in the traditional tracts of Uttar Pradesh, Madhya Pradesh and Rajasthan by licensing the farmers and the entire quantity of opium produced by them is purchased by Government.

18. The acreage placed under cultivation of poppy and the quantity of opium produced from 1954-55 to 1957-58 is given below:

	Uttar Pardesh Acres	Uttar Pardesh Mds.	Madhya Pardesh Acres	Madhya Pardesh Mds.	Rajasthan Acres	Rajasthan Mds.
1954-55	12522	3116	18841	3393	12075	2780
1955-56	12489	2569	18727	4142	12377	2848
1956-57	19334	4197	21530	5335	17762	4038
1957-58	17102	*	28172	*	17539	*

(* Figures not available)

During 1958-59 the total area under poppy cultivation was stated to be about 1,20,000 bighas.

19. The Committee were informed that the programme for cultivation of poppy was drawn up every year in advance with reference to the quantity required for export to foreign countries, oral consumption within the country and manufacture of alkaloids for sale in India and to the extent possible for export. It was also stated that while the internal demand for opium had been falling, the external demand had been rising. The acreage under cultivation had, therefore, been increased correspondingly to meet the increased world demand for opium.

20. The Committee were also informed that the permanent Central Opium Board had assessed the current world demand for medical purposes at 860 tons per annum of which Turkey and India between them had been supplying about 700 tons leaving a gap of about 160 tons between the visible supply and the world demand. *As opium is a good source of earning foreign exchange the Committee fail to see why advantage is not taken to step up the production of opium for export by increasing suitably the cultivation of poppy for opium. The Committee, therefore, recommend that the desirability of increasing the area under cultivation of poppy may be considered with reference to potential demand for export of opium.*

B. Control over illicit cultivation of poppy.

21. Manufacture of opium being the monopoly of the Government of India and the Government being a party to International Conventions under which the cultivation of poppy plant is required to be limited and regulated in order to control the production and distribution of opium, the Government is required to exercise close control over cultivation of poppy. The control is secured by a system of licensing the grower and also by means of detailed supervision of the growth of the poppy plant.

22. In order to enable close supervision over growth of poppy plant licences for cultivation of poppy are issued in respect of certain specified contiguous areas. Cultivation of poppy in other areas without licences is prohibited. The Committee were informed that there were adequate safeguards to prevent illicit cultivation of poppy and that except possibly on small scale in remote and inaccessible hilly areas of Himalayas there was no illicit cultivation of poppy anywhere in the country.

C. Leakage of Opium

23. The Committee understand that it is very easy to smuggle opium and there is great incentive to smuggle it because the price of opium in the illicit trade is many times higher than the price paid by the Government. (While the price paid by Government ranges from Rs. 33 to 35 per seer the black market price ranges from Rs. 600 to Rs. 1200 per seer.) In order to minimise the chances of smuggling close supervision is exercised by Government over its cultivation. The area under cultivation of poppy is divided into 12 divisions, each under the charge of a district opium officer, who is associated by a number of subordinate officials in issuing licences, supervising the cultivation and collection of opium. Licences are also issued only to persons who hold good record. The Committee were informed that despite all these checks there was bound to be some leakage of opium as some unscrupulous cultivators might not tender full and proper account of their produce to the Department. In this connection, the Chairman, Central Board of Revenue, stated during his evidence 'The quantity grown is about 17,000 mds. and I am also told that what goes into illicit traffic is roughly about 150 mds. i.e., it is less than 1 per cent. *The Committee, however, feel that though in terms of percentage of total production the volume of opium which enters illicit trade may appear to be small, by itself it is large. They, therefore, urge that effective steps may be taken to stop the leakage.*

D. The process of extraction

24. The process of extraction of opium and morphine obtaining in India at present is to lance ripening poppy capsules when the juice exudes and solidifies on the surface of the capsules as opium. The opium contains morphine and other alkaloids in concentrated form and this opium is taken as the raw material for the extraction and manufacture of morphine in India. The Committee understand that

there is another process known as the Hungarian process in which the capsule is not lanced at all but is allowed to dry and morphine is produced from the poppy straw directly without the intermediate stage of production of opium. *The Committee understand that under the Hungarian process the chances of leakage of opium would be much less than under the present Indian system and that the economics of the process is under examination and if it is found economical it would be introduced. The Committee suggest that the examination of the process may be expedited.*

E. Purchase of opium by Government

25. Under the existing system of licensing for the cultivation of poppy no cultivator is eligible for a licence unless he undertakes to sell to Government a minimum quantity of opium prescribed by the Narcotics Department. As the actual output of opium of a farm cannot be accurately forecast beforehand it cannot be ascertained that that minimum would cover the total quantity of production. It is, therefore, always likely that the farmers retain a portion of that produce for illicit trade. The Committee were informed that as an incentive to the farmers to sell to Government such portions of opium which they might have retained, they were now being offered higher price for the opium sold in excess of the minimum quantity. The Committee do not consider that that system is very satisfactory. *They suggest that Government may devise an alternative system by which Government might take over the whole produce from the farmers leaving no scope for illicit trade. In this connection, they suggest that instead of the present arrangement of the farmers lancing the poppy and selling raw opium to Government the feasibility of Government taking over the poppy crop itself at harvest time and undertaking the lancing operation may be considered. In this event the poppy cultivated in various fields may be collected at a few specific points and opium may be extracted under guard.*

F. Cultivation of poppy for poppy seeds

26. Poppy for poppy seeds was for many years being cultivated under licence in the districts of Dehra Dun and Tehri Garhwal of Uttar Pradesh and Jullundur, Kapurthala, Hoshiarpur and Patiala districts of Punjab. The continuance of cultivation of poppy for poppy heads and poppy seeds was reviewed by the All India Narcotics Conference, 1956. It was brought to the notice of the Conference that with the reduction in supplies of opium there had been considerable increase in the consumption of poppy heads for purposes of intoxication, and there was also a possibility of cultivation of poppy for poppy heads being actually misused for extraction of opium. *The Committee, therefore, recommend that so long as cultivation of poppy for poppy heads and poppy seeds is permitted to continue strictest possible supervision and control should be exercised thereon so as to prevent illicit extraction and disposal of opium.*

27. The representatives of the Punjab Government announced at the Conference itself that their Government had decided to ban the cultivation of poppy for poppy heads with effect from 31st March, 1958. The Government of Uttar Pradesh, however, represented that cultivation of poppy seeds might be allowed to continue for a maximum period of four years by which time it was expected that necessary development measures would have been taken to enable the cultivators to raise alternative crops in lieu of poppy. In order to prevent illicit extraction and marketing of opium the State Government agreed to set up several Preventive Check Posts in and around the area for the period for which such cultivation was proposed to be continued. The Government of India agreed to the State's request.

28. The Government of India have no establishment for prevention of illicit cultivation of poppy or illicit extraction of opium in areas other than those where poppy is grown on behalf of the Government for production of opium. Prevention of illicit traffic in opium extracted from poppy grown for poppy seeds rests solely on the State Government. *As, however, the Government of India is responsible for the implementation of the national policy of prohibition of consumption of opium for non-medical purposes, the Committee feel that certain degree of responsibility to prevent illicit traffic in opium extracted from poppy grown for poppy seeds should also be assumed by the Government of India. The Committee, therefore, suggest that suitable steps may be taken by the Narcotics Department to ensure that there is adequate control over the cultivation of poppy for poppy seeds allowed in U.P.*

G. Cultivation of Indian Hemp

29. The Indian hemp, which is also called cannabis, is a source of addiction producing drugs, like charas, bhang and ganja. The Committee were informed that the cultivation of cannabis plant and the manufacture of drugs therefrom other than charas, including medicinal hemp was not centrally controlled but was left to the States. The policy of the States with regard to the cultivation of the plant varies. In some States it is cultivated under licence for production of ganja and bhang, in some other States it is permitted under licence but no licence in practice is granted and in some other States it is prohibited. Thus there is no uniformity with regard to the control over the cultivation of the plant. *As, however, the national policy of prohibition includes prohibition of consumption of ganja, bhang and charas, the Committee consider that it would be desirable for the Central Government to evolve a uniform national policy with regard to cultivation of the plant.*

30. In this connection the Committee were informed that the question of destroying the wild growth of Indian hemp was considered at the All India Opium Conference, 1956 which recognised that it would be quite impossible to attempt successfully its destruction in all the areas where such growth was present. However, the Conference

recommended that the States should undertake the destruction of wild growth in and around the inhabited areas where it was easily accessible. The matter had been brought to the notice of the State Governments and some action had been taken to ~~destroy~~ the wild growth. But it was not easy and it could not be completely destroyed. *The Committee cannot understand how the prohibition of ganja, bhang and charas could be effectively enforced so long as wild growth of the plant is allowed. They, therefore, recommend that the problem may be referred to the Indian Council of Agricultural Research or the Forest Research Institute, Dehra Dun so that a virus capable of destroying the plant may be discovered and a scheme worked out to check the wild growth of the plant.*

IV

MANUFACTURE OF OPIUM

A. Organisation of the Factories

(i) *General*

31. There are two opium factories producing opium for sale and export. One is at Neemuch and the other at Ghazipur. The Ghazipur factory was established at the present site in 1797 and the Neemuch factory in 1935*.

(ii) *The Neemuch Factory*

32. The Neemuch factory was engaged till lately in the manufacture of two special varieties of opium, namely, hard ball and biscuit opium, which were consumed in the Rajasthan and Madhya Bharat (now part of Madhya Pradesh) area. The Committee were informed that the manufacture of these drugs had since been stopped as a result of the policy of gradual reduction in the supplies of opium for oral consumption and the factory had ceased to exist as a manufacturing concern and its activities had for the time being been reduced mainly to warehousing of the stocks of opium earmarked for supply to the Madhya Pradesh and Rajasthan States. During 1957-58, however, with a view to meeting the mounting pressure of demand of opium for export the factory undertook drying operations of opium collected from adjoining areas to supplement the activities of the Ghazipur factory and it was proposed to continue the arrangement so long as the demand for exports remained at the existing level.

33. Thus the Neemuch factory is neither closed nor allowed to function normally with the result that the cost of production in the factory went up from Rs. 1845 per maund in 1955-56 to Rs. 3674 in

* During evidence the Committee were informed as follows in reply to a question as to the necessity of having two opium factories:

'So far as the Neemuch Factory is concerned, that is a factory which came to us after Federal Financial Integration. It was not our factory. It was in one of the Madhya Bharat States.'

When the draft Report was sent for factual verification the Committee were informed as follows:

'The Assistant Narcotics Commissioner, Neemuch, has now informed us that the Neemuch Opium Factory was originally a Central Government undertaking and it was not taken over from any State Government'.

The Committee are surprised that the Department did not have correct information in their possession when they appeared before the Committee for evidence. Besides, the factual corrections intimated by the Ministry leaves their earlier question regarding the necessity of having set up two opium factories unanswered.

1956-57 and the factory also suffered a loss of Rs. 46,364 during that year. Though during the subsequent year (1957-58) the factory earned a small profit the Committee feel that it is not desirable to operate a factory in such indefinite and irregular manner. *They, therefore, suggest that the necessity of maintaining the factory may be reviewed and if there is adequate justification to continue it, the factory may be reorganized so that it may function efficiently and show profit. Otherwise it may be closed down and the Ghazipur factory suitably strengthened to cope with the additional demand.*

(iii) *Alkaloids Factory*

34. The Ghazipur factory is made up of two units:—

- (i) a very large and old unit in which raw opium is processed into saleable opium; and
- (ii) a very small and recent unit in which opium alkaloids are manufactured.

The Alkaloids factory at Ghazipur was constructed during World War II in order to supply the urgent demands of opium alkaloids of the armed forces. The factory was built in a hurry without any expert advice. It was stated to be a patched up affair. It had a very limited capacity of 4500 lbs. in terms of finished alkaloids. The Committee were informed that the unit was never intended to be employed or equipped as a commercial undertaking and in fact the finishing process of the alkaloids could be conducted in the unit only on a laboratory scale. The percentage recovery of morphine from opium in the unit was originally 50 and it had been raised to 75 after several improvements; yet the percentage recovery was much below the rate of 95% to 100% obtaining in some western countries.

If a higher recovery was to be obtained the existing plant would have to be scrapped and an entirely new unit set up on modern lines on a commercial scale. Some manufacturers had offered to give the know-how for improving the efficiency of recovery and also to set up a new plant. But the Government were going slow with the negotiations in that respect for the following reasons:—

- (i) The proposals would involve heavy expenditure in foreign exchange;
- (ii) The existing plant could meet the internal demand fully and there was little external demand therefor. There was, therefore, no hurry to set up the new factory; and
- (iii) The economics of the Hungarian method of extraction of morphine were being examined and for this purpose it was proposed to set up a pilot plant. Should it prove economical, the whole system of manufacture of opium and the opium alkaloids would have to be changed.

35. During oral evidence of the representatives of the Department of Revenue, the Committee suggested that in order to save expenditure in foreign exchange involved in the proposals which had been received for making improvements in the Alkaloid Works, the problem of

evolving a better process of manufacture of alkaloids might be referred to the National Research Laboratories concerned and their advice obtained. In reply to the suggestion the Department of Revenue stated in a note furnished to the Committee that there was no person or institution in India (not excluding the National Laboratories) possessing practical experience or the perfect know-how of this industry. Whatever knowledge and experience was available in the country in the field was stated to be confined to the scientists working in the Alkaloid Works and they had brought about several improvements already. As they were alive to the necessity of making further improvements they were best fitted to do so. The Department, therefore, considered that it would be most economical to leave the problem to the scientists and technicians at Ghazipur and that no advantage would be gained in referring the problem to any of the National Laboratories.

36. The national research laboratories have been organised at immense expense and provided with the best talent and equipment. *The Committee feel that with all the facilities at their disposal the laboratories should be able to make useful contribution to the problem of the factory if their advice were to be sought earnestly. They, therefore, suggest that while the scientists of the factory may continue their study and experiments, the matter may also be referred to the concerned national laboratories for further examination.*

B. Commercial Undertakings

37. The Committee were informed that the opium factories had not so far been declared as commercial undertakings because of the fact that the entire expenditure in the factories was directly charged to Government revenue and there had not been any borrowed capital invested in them. It was further explained that the manufacture of opium was a simple process, not requiring the use of power driven machinery, and the present system of operation of the factory was entirely satisfactory. It was considered quite essential that the same Department which was responsible for the field organisation should retain control over the factories in order to deal with the preventive problem. *The Committee, however, feel that opium being a source of revenue and a monopoly of Government it would be desirable to regard the production of opium as a Government commercial enterprise and organise it as such so that it may be operated economically and profitably subject to control and regulation by Government with regard to the volume of production of opium and its distribution. The Committee feel that the reasons offered by the Department for not declaring the factories as commercial undertakings are not very convincing. They, therefore, recommend that early steps may be taken to reorganise the factories as commercial undertakings.*

C. Production

38. The Ghazipur Opium and Alkaloid Works is at present engaged in the production of:—

- (i) excise opium for internal supply;

- (ii) opium for export; and
- (iii) manufacture of alkaloids.

The volume and value of production of the various categories of products is shown in Appendix I.

39. *The Committee note that while the volume of production of the various products except excise opium indicate a rising trend, it has fluctuated from a year to year. The Committee suggest that the reason for the fluctuations may be investigated and as opium is a good source of revenue and foreign exchange, steps may be taken to ensure that a steadily rising rate of production is maintained.*

40. As stated earlier, the capacity of the Ghazipur Factory to produce alkaloids is limited. The Committee were informed that during 1956-57 the following quantities of alkaloids and semi-refined drugs were produced in the factory:—

Finished alkaloids	..	4473 lbs.
Semi-refined morphine	..	3030 lbs.
Semi-refined codeine natural	..	707 lbs.

The quantity of opium utilised for the manufacture of alkaloids during a year was stated to be 550 maunds against the total production of 17,000 maunds per annum. The percentage of opium so utilised to the total quantity of opium produced works out to about 3%. As, however, the ultimate use of opium permitted under international conventions lies only in the production of such alkaloids and the opium exported to other countries is also intended for the same purpose the Committee are surprised that the production of alkaloids in the country which is the major source of opium of the world is still so low.

41. In this connection, the Committee were informed that the present volume of production of alkaloids was adequate to meet the internal demand fully and that there was not much external demand. They were further informed that the possibility of exporting semi-refined drugs or finished alkaloids in lieu of opium was examined in 1955-56. The Indian Delegate to the Twelfth Session of the Commission on Narcotic Drugs was particularly directed to explore the possibility of securing a market for the semi-refined drugs and alkaloids in the opium purchasing countries. It was reported that the firms purchasing Indian opium were not agreeable to buy semi-refined drugs. In view of this and the fact that the foreign countries had banned the import of opium derivatives the proposal of exporting alkaloids in lieu of opium could not make much headway.

42. The export of alkaloids in lieu of opium has the following advantages:—

- (1) It would enable the adoption of the Hungarian process of extraction of morphine under which there are less chances of leakage of opium into illicit trade.
- (2) It would provide more employment to Indians.

(3) As the price of the finished products is always likely to be higher than the price of the opium it is likely to earn more revenue and foreign exchange.

(4) It would help the balance of trade.

As India enjoys a condition of semi-monopoly in opium the Committee believe that it should be possible for the Government to organise the trade in that commodity in such a way as to derive maximum advantage therefrom. *The Committee, therefore, recommend that fresh efforts may be made to explore export markets for Indian alkaloids and the feasibility of increasing the production of finished alkaloids or semi-refined drugs for export in preference to opium may be re-examined.*

In this connection, the Committee feel that export promotion is an art by itself and it may be better if promotion of export of opium derivatives were to be entrusted to Directorate of Export Promotion in the Ministry of Commerce and Industry.

D. Synthetic Drugs

43. The Committee were informed that at present no synthetic drug was being manufactured in India. There was, however, demand for about 300 kgms. of such drugs. The question of undertaking manufacture of pethidine which was the principal synthetic drug at present imported was stated to be under examination of the Government in consultation with the Russian Drug Team. *The Committee suggest that the examination may be expedited and steps taken to attain self-sufficiency in this respect early.*

E. Cost of Production

44. The cost of production of opium is determined in the manner prescribed by the Government of India and approved by the Comptroller and Auditor General of India. It comprises:—

- (i) Cost of Opium.
- (ii) Manufacturing Charges.
- (iii) General Charges.
- (iv) Interest Charges.

A statement showing the cost of production of the various products is given in Appendix II. The Committee note that the cost of production in the factory has fluctuated widely. In Government Opium and Alkaloid Works, Ghazipur production cost of excise opium per maund at 90° consistency varied from Rs. 2687.50 in 1953-54 to Rs. 1533.60 in 1956-57 and production cost of semi-refined morphine and semi-refined codeine per lb. varied from Rs. 190.64 in 1953-54 to Rs. 260.01 in 1956-57. In Government Opium Factory, Neemuch production cost of excise opium per maund at 90° consistency varied from Rs. 1985.02 in 1952-53 to

Rs. 4724.03 in 1956-57. The Committee, therefore, suggest that the variations in cost of production should be reduced to the minimum in future.

F. Price of Opium

45. Excise opium is supplied to State Governments on a no profit and no loss basis. The selling price of export opium is fixed by the Government taking into account the cost of production of export opium, the demand for opium in international market and the price offered by other opium producing countries.

46. The Committee feel that as the cost of raw opium forms the major element of the cost of production of saleable opium and that cost is fixed without reference to the market value of the commodity the present system of fixation of the sale price of opium is not realistic enough. They also feel that there might be scope for earning larger revenue for Government if the sale price were to be determined more on the basis of what the market can bear than on the basis of the unrealistic cost of production. They, therefore, recommend that the method of fixing the sale price of opium might be re-examined.

G. Financial Results

47. The following is a statement of profit/loss of the opium factories:

	Ghazipur	Neemuch
1950-51	92,52,231 profit	5,48,078 profit
1951-52	39,91,735 ..	3,92,400 ..
1952-53	34,97,93 ..	1,89,709 ..
1953-54	32,07,903 ..	3,66,585 ..
1954-55	30,03,37 ..	3,83,049 ..
1955-56	32,58,975 ..	2,32,925 ..
1956-57	39,74,839 ..	46,364 Loss
1957-58	68,97,809 ..	37,349 Profit

The Committee note that the profit earned by the Ghazipur factory fell sharply in 1951-52 and continued to fall till 1954-55 after which it has been rising again slowly. Though the profit earned by the factory during 1957-58 appears to be higher than the profit earned during the previous five years it is still very much lower than the profit earned during 1950-51. The Committee do not appreciate why, when the Government has a monopoly in opium within the country and enjoys a state of semi-monopoly without, the net earnings of the factories should vary so largely. The Committee recommend that the reasons for the fluctuations in the financial results of the factories might be investigated. If the investigation were to indicate any defect in the organisation and working of the factories suitable steps may be taken to rectify it.

H. Replacement of Plant and Machinery

48. The Committee were informed that there were about 171 items of plants and machinery installed at the Government Opium and Alkaloid Works, Ghazipur out of which about 94 items were overaged. Replacements and additions were being made according to a phased programme. In this connection, the Committee were also informed that the question of adopting the Hungarian method of extracting morphine from the poppy straw was under consideration of Government. *The Committee suggest that an early decision may be taken with regard to the feasibility and advisability of adopting the Hungarian process before large scale expenditure is incurred on replacement of the existing plant and machinery so that the necessity of replacing the plant and machinery once again when the new process is adopted might be avoided.*

I. Stores

49. The value of opium and other stores held in stock at the end of 1956-57 was stated to be Rs. 2.16 crores. It included raw materials and miscellaneous stores and it was exclusive of the finished products of the value of about Rs. 20 lakhs held in stock. A statement showing the value of the raw materials held in stock in the opium factories during the years from 1952-53 to 1956-57 is given in Appendix III. It would appear therefrom that at the end of each of the years from 1952-53 to 1955-56 the quantity of raw opium held in stock was in excess of the total quantity of raw opium utilised during the respective years and the value of such stock exceeded Rs. 1.5 crores. The value of miscellaneous stores held in stock at the end of 1956-57 was stated to be over Rs. 91 lakhs. *The Committee doubt whether it would be necessary to maintain such large stock of raw materials and miscellaneous stores. As holding large quantities of stores in stock would involve locking up of public funds unnecessarily and the interest charges thereon would go to add to the cost of production of the factories the Committee suggest that the stock position may be reviewed and the possibility of reducing it may be considered.*

J. Labour

50. The following is a statement showing the sanctioned strength of the labour establishment during the last five years:

	1954-55	1955-56	1956-57	1957-58	1958-59
Skilled workers.	55	55	49	49	49
Semi-skilled workers.	252	252	109	109	109
Unskilled workers.	316	316	465	465	451

The Committee regret to note that while in any enlightened industry the ratio of skilled and semi-skilled workers to unskilled workers is progressively increased, it has moved in a retrogressive manner in

the opium factory and the number of skilled and semi-skilled workers has been reduced and the number of unskilled workers has been increased. During evidence they were informed by the representatives of the Department of Revenue that no such change had actually taken place. It was explained that there was a reorganisation of the labour establishment sometime back and the strength of the different kinds of labour was fixed on a rational basis. The figures shown under the years 1954-55 and 1955-56 represented the re-organised sanctioned strength of the establishment. There were however some unskilled workers actually working at the time of the reorganisation in excess of the sanctioned strength of such workers. In order to avoid retrenchment of those workers they were retained against the sanctioned posts of skilled and unskilled workers. *The Committee consider it a sad commentary on the administration of the factory that though there was a reorganisation it remained only on paper and the status quo has been maintained. They wonder if after so many years of working some of the unskilled workers could not have been promoted to higher grades instead of all of them being retained as such. They recommend that the feasibility of upgrading some of those workers who have put in long years of devoted service to higher grades and giving effect to the reorganised pattern of the establishment may be considered and that steps may be taken to provide opportunity to the workers to realise their natural aspirations. In this connection, the Committee further recommend that in order to equip the workers better for rising to higher grades the desirability of giving them some training as is being done elsewhere in the modern factories set up in the public sector may also be considered.*

V

PROHIBITION

A. General

51. With the adoption in 1949 of the policy of gradual reduction of supplies of opium for non-medical internal consumption with a view to its total prohibition within a period of ten years, a programme was launched and the Government of India consistently cut down supplies to the State Governments by 10 per cent every year. The supplies were expected to cease by 31-3-1959. The Committee were informed that consumption of opium for non-medical purposes had already been prohibited in several States and the other State Governments had agreed to close down opium shops latest by the 31st March, 1959 and had given wide publicity to the decision. In any case, as the sole source of supply the Central Government would stop issue of opium to the States after March, 1959.

B. Medical Facilities for Addicts

52. The Committee understand that opium addiction is the worst form of addiction and the withdrawal of the drug from an addict causes acute physical and mental distress. The All India Opium Conference, 1949, believed that by the process of gradual withdrawal of the drugs most of the addicts could be weaned from the habit. The Conference was, however, aware that in some cases hospital treatment would be necessary. The All India Opium Conference, 1956, also recognised that some of the addicts would have to be administered the drug for relief of pain on medical grounds even after the introduction of total prohibition of consumption for non-medical purposes and that they would have to be weaned from the habit by treatment. The Conference, therefore, recommended firstly, that those who would need the drug even after the introduction of total prohibition should be issued permits for issue of opium in gradually decreasing quantity and secondly, that the States should take suitable steps to provide facilities for institutional treatment of the addicts to wean hem from their habits.

53. The Committee are not aware to what extent the process of gradual withdrawal of the drug has helped in weaning the addicts from that habit. The estimate of the present number of opium addicts is stated to be about 4 lakhs. The Committee feel that unless steps are taken to treat the addicts and cure them of addiction most of the addicts who were consuming opium prior to 31-3-1959 may continue to do so under medical permits. *They consider that so long as such a large number of persons continue to consume opium the policy of prohibition cannot be said to have succeeded.*

C. Issue of Medical Permits

54. The Committee were informed that the arrangements for issue of permits to addicts for consumption of opium after 31-3-1959 on medical grounds had not been completed in all the States. They were given to understand that in some States even the registration of the addicts had not been completed. *In the circumstances, they fear that the introduction of total prohibition might have caused distress to the addicts in those States where arrangements have not been completed for issue of permits. They, therefore, urge that the Department may take immediate steps to ensure that the arrangements to issue permits to deserving cases is completed quickly.*

D. Hospital Treatment

55. As regards treatment of the addicts for weaning them from their habit the Committee were informed that the Narcotics Commissioner had referred the matter to the Indian Council for Medical Research for advising the best method of treatment and that the I.C.M.R. had set up a Study Group comprising prominent experts in the field. The Study Group recommended that the treatment of addicts should be comprehensive and total (*i.e.* somatic, psychological, social and rehabilitative) and for this purpose they were strongly of the opinion that the patients should be institutionalised. They also suggested that four regional hospitals should be established in India and a group of experts should study the working of modern treatment centres in other countries and that in the meanwhile advantage should be taken of the existing hospitals by the establishment of special wards with adequate staff and equipments for preliminary study and follow-up of narcotic addicts.

56. The Committee are not aware as to what steps have been taken on the recommendations of the I.C.M.R. They were, however, informed that many States like Bihar, Madras, Bombay, Madhya Pradesh, Rajasthan, Manipur, Andhra, Orissa and Assam had set up adequate number of beds for treatment of addicts in the existing hospitals. The other States had stated that they were taking action to provide necessary facilities, keeping in view the resources available.

57. *The Committee feel that the progress so far achieved in making arrangements for hospital treatment of opium addicts has been negligible. They consider it regrettable that though the policy of prohibition is enforced for the last ten years and it was recognised from the beginning that hospital treatment would be necessary in some cases before total prohibition could be introduced little effort was made in that direction. They, therefore, urge that immediate steps may now be taken to provide full facilities for treatment of the addicts and to wean them from their habit soon so that the issue of opium on medical permits may also be discontinued at an early date.*

58. *In this connection, the Committee feel that in order that the problem of treatment of opium addicts is properly co-ordinated with*

other connected matters of health and medical service it should preferably be dealt with by the Ministry of Health. They, therefore, recommend that the feasibility of entrusting the responsibility in connection with providing medical facilities to opium addicts to the Ministry of Health, may be considered. At any rate, they urge that there may be close co-ordination between the Department of Revenue and Ministry of Health in this respect so that the care of the opium addicts is not neglected due to any blurring of responsibility.

E. Role of Central and State Governments

59. In this connection, the Committee were given to understand that the responsibility for prohibition of consumption of alcoholic drinks and narcotic drugs for the purposes of intoxication and suppression of illicit traffic in those articles was the primary duty of the State Governments. As, however, the Government of India is under obligation as a party to international conventions to maintain effective control over the narcotic drugs in order to limit their use for medical and scientific purposes only certain degree of responsibility rests with that Government for the implementation of the policy of prohibition and suppression of illicit traffic in the narcotic drugs. *The Committee, therefore, feel that Government of India should assume greater responsibility in this matter and take suitable steps to render maximum assistance to the State Governments in enforcing the prohibition of narcotic drugs without much hardship to the affected persons.*

F. Public Co-operation

60. In matters like prohibition a policy cannot be successful unless public co-operation has been secured in its implementation. The Committee understand that so far little has been done in the direction of securing public co-operation for the policy of prohibition of oral consumption of opium. *They apprehend that unless the public appreciate the policy and fully co-operate in its implementation, stoppage of issue of opium is likely to give an impetus to illicit traffic and thus demoralise the addicts further.* The Committee were informed that in Assam the policy of prohibition was very successful because the tempo of public opinion against the evil of drug addiction had been kept up and the people had offered full co-operation to the State Administration for the eradication of the evil. *The Committee recommend that the Government of India may initiate suitable steps to secure the co-operation of the public in the other States also for the success of the opium prohibition policy.*

VI

CONTROL OF ILLICIT TRAFFIC IN NARCOTIC DRUGS

A. General*

61. The control over the use of narcotic drugs for intoxication has given rise to large-scale illicit traffic in these drugs. The traffic is international in scope. There is a net-work of smugglers operating throughout the world and it also calls for a net-work of intelligence for their apprehension.

B. Extent of Traffic

62. A statement showing the statistics of cases detected during the last 5 years and of the value of the drugs involved is given in Appendix IV. *The Committee note that the number of cases of smuggling detected is generally steady and the volume and value of drugs involved therein are also large. It seems to suggest that the rate of smuggling is unabated and that the existing machinery for control of the traffic is not effective enough. The Committee apprehend that with the total stoppage of issue of opium for oral consumption with effect from 1st April, 1959 and the scheduled prohibition of consumption of ganja and bhang by 1961 the incidence of smuggling is likely to increase. They, therefore, consider that more vigorous and concerted efforts should be made to control the illicit traffic.*

63. The Committee were informed that the following agencies were engaged in the suppression of illicit traffic within the country:

- (i) Officers of the Narcotics Department;
- (ii) Officers of the State Police;
- (iii) Officers of the State Excise Department;
- (iv) Officers of the Land Revenue Department;
- (v) Officers of Customs at the Ports;
- (vi) Officers of Central Excise and Land Customs;
- (vii) Officers of the Drug Control Department; and
- (viii) Special agencies like the Armed Constabulary posted on the Indo-Pakistan borders, and special Anti-Smuggling Squads of the various States.

Co-ordination among these agencies is maintained by the Narcotics Intelligence Bureau, a special Wing functioning under the Narcotics Commissioner. It is in charge of a Senior Intelligence Officer of the rank of Superintendent of Central Excise Class I.

*Based on the Report of the Thirteenth Session of the U.N. Commission on Narcotic Drugs.

C. N. I. Bureau

64. The Narcotics Intelligence Bureau is independent of the Directorate of Revenue Intelligence which deals with all matters relating to smuggling and tax evasion. The Committee were informed by the representatives of the Department of Revenue during their evidence that N.I. Bureau could not be amalgamated with the Directorate of Revenue Intelligence because they were dealing with different persons. The Committee, however, understand that there is a close link between traffic in narcotic drugs and traffic in currency notes, precious metals etc. As stated in para 63 above the Department of Customs and Central Excise are also concerned with suppression of illicit traffic in narcotic drugs. *In the circumstances, they fail to see if it is necessary to maintain N.I. Bureau separately from the Directorate of Revenue Intelligence. They are not convinced that narcotic intelligence is different from intelligence relating to other kinds of smuggling. On the other hand, they feel that if narcotic intelligence were to be made a part of the bigger revenue intelligence system it is likely to yield better results. They, therefore, recommend that in order to avoid unnecessary expenditure involved in the duplication of establishment and also to secure better co-ordination among the various agencies collecting information with regard to smuggling the feasibility of amalgamating the N. I. Bureau with the Directorate of Revenue Intelligence may be considered.*

D. Selection of Personnel for N. I. Bureau

65. The Committee were informed that the N. I. Bureau was manned by officers who had an aptitude for the kind of work expected of them in the Bureau. They were selected by the Board from among the Superintendents of the Central Excise Department. They were further informed that it did not appear necessary to the Ministry that there should be any special qualifications for the officers of the Narcotics Intelligence Bureau. *The Committee, however, consider that as the nature of work performed in the Bureau is somewhat akin to the work of the Central Intelligence Department, it might be desirable for achieving better results, to employ for the work of the Bureau persons trained in the Intelligence Department. They, therefore, recommend that recruitment to the N. I. Bureau should be made through the U.P.S.C. and qualifications prescribed for the candidates should be the same as are prescribed for similar posts in the Central Intelligence Department.*

E. Informers

66. The Committee were informed that a number of informers were registered with the department and the officers maintained close contact with them to get information with regard to illicit traffic in narcotic drugs. They were paid rewards based on the importance of the information furnished out of the Secret Service Fund. *The Committee do not see why the number of informers is limited to those registered with the department only.*

67. During evidence the representatives of the Department of Revenue were asked whether any publicity was given to the rewards offered for information with regard to illicit traffic in the drugs. They stated that no publicity was given but that during growing season the officers of the department would address the cultivators of poppy and solicit information from them. They were not confident if it would be advisable to give wide publicity to the matter. *The Committee do appreciate that it might offer chances for black mail of the innocent people by unscrupulous elements. Yet they believe that for effective control over illicit traffic it would be necessary to invite the general public to share their knowledge of such traffic with the department. They, therefore, recommend that a measure of publicity may be given to the need for control of illicit traffic creating public opinion against it and encouraging the people who have knowledge of such traffic to pass on the relevant information to the department.*

F. Rules regarding Informers

68. Recognising the importance of a proper system of rewards to informers and departmental officers in the detection of offences under the various narcotics laws, etc. the All India Opium Conference held in 1956 recommend that (i) the State Governments should frame suitable rewards rules on uniform pattern, (ii) the scales of rewards provided in the rules should be made attractive enough to induce the informers to come forward with useful information, (iii) rules should also provide for prompt payment of rewards, and (iv) the State Governments should place at the disposal of the excise and police authorities adequate amount for purchase of information etc. The Committee were informed that each State Government had a set of rules of its own on the subject but uniformity in the matter of scale of reward and mode of payment had yet to be achieved. *The Committee feel that it is the essence of the recommendation of the Conference that there should be uniformity among the various sets of rules, and they regret that adequate attention has not been given to the implementation of the recommendation. They suggest that the Narcotics Department may take the initiative in that respect, examine the rules framed by the State Governments, suggest changes necessary for making them uniform and take suitable steps to ensure that such changes are carried out.*

VII

CONCLUSION

69. On the basis of the information furnished to the Committee and as a result of the discussion which the Committee had with the representatives of the Ministry of Finance, *the Committee cannot help drawing the conclusion that there are several lacunae in the narcotics administration some of which have been referred to in the foregoing paragraphs; e.g., the supervision exercised over the cultivation of poppy is inadequate, the process of extraction of opium and the technique of manufacture of opium alkaloids are outmoded; the organisation and management of the opium factories need to be streamlined, the enforcement of prohibition of and control of illicit traffic in the narcotic drugs need to be tightened and suitable steps taken to alleviate hardship caused to the addicts by enforcement of the policy of prohibition. All these aspects call for a comprehensive examination and careful planning of an integrated programme of action in the Centre as well as State spheres. The Committee suggest that the Department of Revenue may undertake such an examination and planning. They hope that the various suggestions and recommendations made in the course of this report will be useful to the Department in that endeavour.*

NEW DELHI;

BALVANTRAY G. MEHTA,

The 24th April, 1959.

Chairman.

Vaisakha 4, 1881 (Saka).

Estimates Committee.

APPENDIX

[Vide para

Statement showing the volume of production, total cost of production, value of sales of each Ghazipur and the Government Opium Factory, Neemuch during the years 1952-53, 1953-54,

Opium Year <i>i.e. from 1st Oct. to 30th Sept.</i>	Excise Opium				Export Opium				Volume of Sales Lbs.	
	Volume of Production		Sales		Volume of Production		Sales			
	Quan- tity Mds.	Value Rs.	Quan- tity Mds.	Value Rs.	Quan- tity Mds.	Value Rs.	Quan- tity Mds.	Value Rs.		
GOVERNMENT OPIUM AND ALKA										
1952-53	2361	6022366	2422	5329224	3597	7347162	3240	9948260	861	
1953-54	1799	4834914	1584	4058780	6740	14265918	7030	17531388	805	
1954-55	1549	3787303	1619	4522072	5445	11641889	5757	14197599	1004	
1955-56	679	1239089	891	2475306	7007	14820617	6678	15985925	1935	
1956-57	809	1240524	782	2124373	9195	18796490	8946	20421908	1410	
GOVERNMENT OPIUM										
1952-53	1069	1641683	697	1122128						
1953-54	602	1117211	1060	1855232						
1954-55	787	1353601	830	1697162						
1955-56	423	826998	765	1576424						
1956-57	78	286840	523	1012574						

of the various kinds of the commodities at the Government Opium and Alkaloid Work, 1954-55, 1955-56 and 1956-57

I.M.O. Cake			I.M.O. Power				Alkaloids			
Production	Sales		Volume of Production	Sales		Volume of Production	Sales			
Value	Quan- tity	Value	Quan- tity	Value	Quan- tity	Value	Quan- tity	Value		
Rs.	Lbs.	Rs.	Lbs.	Rs.	Lbs.	Rs.	Lbs.	Rs.		

LOID WORKS, GHAZIPUR

24891	803	36897	3067	119322	3002	149970	figures not available readily.
23852	944	43388	4086	166359	3750	191294	2741 576110 2820 1326015
29694	919	41705	4516	159424	4692	236398	3078 882688 2437 1237115
57004	2108	97057	5186	189259	4407	229159	2720 841300 3292 1620202
38313	1202	55306	3790	143156	4901	254862	4473 1302780 4608 2210463

FACTORY, NEEMUCH

APPENDIX II

[Vide para 44]

Statement showing the analysis of cost of production of Opium manufactured at the Government Opium and Alkaloid Works, Ghazipur and the Government Opium Factory, Noemukh for the year 1952-53, 1953-54, 1954-55, 1955-56, and 1956-1957.

Particulars of major head I	1952-53	1953-54	1954-55	1955-56	1956-57	Remarks 7
	2	3	4	5	6	

Government Opium and Alkaloid Works, Ghazipur.

Production cost of Excise Opium per Md. at 90°.

Cost of Opium .	1801.53	1888.13	1904.14	1890.33	1879.18
Manufacturing charges.	82.73	101.38	72.26	69.01	108.00

Packing charges .	10.82	9.89	11.72	13.50	11.61
Interest charges .	67.63	85.86	110.84	100.68	89.88
Adjustment towards :	487.42	513.58	250.12	348.75	641.15
Loss (+) Gain (-) .	(+)	(+)	(+)	(-)	(-)
General charges .	100.70	86.66	95.92	100.00	86.08
TOTAL .	2550.53	2687.50	2445.00	1824.77	1533.60

Production cost of Export Opium per Md. at 90°.

Cost of opium .	1823.57	1888.49	1883.11	1858.37	1835.20
Packing charges .	6.00	6.45	7.08	4.63	4.21
Manufacturing Charges.	44.58	41.65	42.78	50.14	48.13
General charges .	97.80	89.31	95.34	100.40	83.53
Interest charges .	70.63	90.70	109.78	101.57	73.14
TOTAL .	2042.58	2116.60	2138.09	2115.11	2044.21

Production cost of I.M.O. Powder per lb. @ 100°.

Cost of Opium .	24.36	25.16	25.48	24.89	24.29
Manufacturing Charges.	12.38	13.35	7.22	9.29	11.45
General charges .	1.38	1.17	1.32	1.36	1.11
Interest charges .	0.79	1.03	1.28	0.95	1.12
TOTAL .	38.91	40.71	35.30	36.49	37.77

I	2	3	4	5	6	-
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Production cost of I.M.O. Cake per lb. at 90°.

Cost of opium	22.54	21.67	23.00	23.20	22.08	
Manufacturing charges.	4.32	5.30	3.93	3.61	3.27	
General charges	1.22	1.09	1.17	1.23	1.04	
Interest charges	0.83	1.57	1.47	1.42	0.78	
TOTAL	28.91	29.63	29.57	29.46	27.17	

Production cost of semi-refined morphine and semi-refined codeine per lb.

Cost of opium	Account is not available	114.53	133.09	146.57	172.64	
Manufacturing charges	Do.	54.87	43.69	56.32	57.17	
General charges	Do.	9.30	10.86	14.01	10.54	
Interest charges	Do.	11.94	16.18	22.11	19.85	
TOTAL	Do.	190.64	203.82	239.01	260.01	

Alkaloids are manufactured from semi-refined morphine and codeine and as such whole expenditure relating to general charges and interest charges and a major part of the manufacturing charges are accounted for in calculating the production of semi-refined morphine and semi-refined codeine. In view of this, it is very difficult to analyse the production cost of finished Alkaloids. The production costs of major Alkaloids per oz. for the last four years are as under :—

Morphine and its Salts	Do.	11.72	13.56	15.56	16.72	
Codeine and its Salts	Do.	13.17	18.61	19.22	17.44	
Dionine	Do.	16.61	17.67	18.63	20.06	

Government Opium Factory, Neemuch.

Production cost of Excise opium per md. at 90°

Cost of opium	1628.25	1680.85	1707.57	1759.59	1787.39	
Manufacturing charges	125.63	256.09	167.92	291.83	1516.62	
Interest charges	46.46	233.97	168.08	339.01	882.88	
Indirect charges	184.68	210.75	167.24	125.09	537.14	
TOTAL	1985.02	2387.66	2210.81	2515.52	4724.03	

APPENDIX III

[Vide para 49]

Statement showing the value of Raw Materials, held in stock in the Government Opium and Alkaloid Works, GhaZIPUR and the Government Opium Factory, Neemuch at the commencement of the year, purchased and utilised during the year and left in balance at the end of Opium years 1952-53, 1953-54, 1954-55, 1955-56 and 1956-57

Opium Year	Quantity and value of Raw Materials						Remarks	
	held in stock at the commencement of the year		Purchased during the year		Utilised during the year			
	Quantity Mds.	Value Rs.	Quantity Mds.	Value Rs.	Quantity Mds.	Value Rs.		
							..	

GOVERNMENT OPIUM AND ALKALOID WORKS, GHAZIPUR

	Raw Opium		
1952-53 ¹	5820	8089078	15751
1953-54	12541	18063958	22344015
1954-55	11809	17324105	9030
1955-56	11089	1639931	12369135
1956-57	10305	15244920	12541
			18063958
			11809
			17324105
			11098
			1639931
			10305
			15244920
			8710
			12602090

Inferior Opium

952-53	152	109151	409	296887	421	303986	140	102062
953-54	140	102052	219	163663	273	202063	86	63652
954-55	86	63652	226	174447	165	125918	147	112181
955-56	147	112181	232	263758	187	185400	192	190539
956-57	192	190539	288	338347	277	305212	203	223674

Contraband Opium

952-53	93	31736	136	84069	207	104680	22	11125
953-54	22	11125	108	77678	130	88803	..	..
954-55	..	..	96	60894	96	60894	..	..
955-56	..	..	135	81002	132	79202	1	18cc
956-57	3	1800	95	56042	89	52530	9	5312

GOVERNMENT OPIUM FACTORY, NEEMUCH

952-53	350	448493	1180	1602709	952	1276545	578	774657
953-54	578	774657	688	960995	580	794565	686	941087
954-55	686	941087	558	790493	755	1050874	489	680706
955-56	489	680706	12	15809	419	582674	82	113841
956-57	82	113841	8	10094	82	114220	8	9715

APPENDIX IV.

(Vide Para 62)

Statement showing cases detected during the years 1953-57 and of the value of the drugs involved in these cases.

Opium

Year	No. of cases	Quantity of opium seized			Value	
		Mds.	Srs.	Tls.	Rs.	
1953	6341	155	4	50	24,81,850	
1954	5057	159	1	50	25,44,625	Value @
1955	4648	95	10	68	14,24,340	Rs. 400/-
1956	3983	109	26	6	17,58,430	per seer.
1957	4402	157	8	64	25,15,520	

Ganja

Year	No. of cases	Quantity of Ganja seized			Value	
		Mds.	Srs.	Tls.	Rs.	
1953	3939	301	5	34	24,09,085	
1954	8251	345	1	15	27,60,238	Value @
1955	9326	422	13	45	33,78,712	Rs. 200/-
1956	8528	464	31	68	39,18,370	per seer.
1957	10280	413	29	20	33,09,850	

Bhang

Year	No. of cases	Quantity of Bhang seized			Value	
		Mds.	Srs.	Tls.	Rs.	
1953	1877	133	0	40	1,59,615	
1954	2129	161	27	74	1,94,038	Value @
1955	2306	128	19	26	1,54,180	Rs. 30/-
1956	1877	173	30	54	2,08,520	per seer.
1957	1651	178	15	51	2,14,069	

Charas

Year	No. of cases	Quantity of Charas seized			Value
		Mds.	Srs.	Tls.	
1953	1751	12	36	37	1,54,939
1954	2212	10	6	55	1,22,006
1955	1963	11	33	70	1,42,163
1956	2341	15	3	60	1,81,125
1957	2372	20	26	60	2,48,025

Cocaine

Year	No. of cases	Quantity of Cocaine seized			Value
		Srs.	Tls.	Gr.	
1953	20	1	0	0	22,000
1954	14	0	72	34	19,845
1955	17	1	37	167	32,426
1956	15	0	9	38	2,532
1957	18	1	12	71	25,407

Morphine

Year	No. of cases	Quantity of Morphine seized			Value
		Srs.	Tls.	Gr.	
1953	..	..	..	..	..
1954	..	..	..	..	..
1955	1	0	38	161	value not known.
1956	26	5	4	158	"
1957	32	0	41	92	"

Pethidine Hydrochloride

Year	No. of cases	Quantity of Pethidine Hydrochloride seized			Value
		1	ampoules	of Pethidine Hydrochloride.	
1956	..	1	ampoules	of Pethidine Hydrochloride.	

APPENDIX V

Summary of conclusions and recommendations

S. No.	Paragraph No.	Recommendations
1	2	3
1	8	The basic purpose of the administration of the monopoly is no longer the collection of revenue but the social object of prevention of opium addiction combined with the production of opium and alkaloids such as morphine for therapeutic purposes. In the circumstances, the Committee doubt if there is adequate justification for the Narcotics Department continuing to be part of the Department of Revenue.
2	11	The Committee feel that it will be more advantageous if the Narcotics Department is transferred to the Ministry of Commerce and Industry which deals with the development of industries and promotion of exports. They, therefore, suggest that the feasibility of transferring the Department to the Ministry of Commerce and Industry may be considered.
3	13	The Committee recommend that the necessity of maintaining the post of the Chief Accounts Officer may be reviewed.
4	14	The Committee recommend that the number of Class IV staff may be reduced in consultation with the S. R. U.
5	15	The Committee are concerned to note that though it is nine years since financial integration no confirmation has yet been made of the temporary employees taken over from the States. They, therefore, urge that early decision may be taken on the proposed conversion of temporary posts into permanent ones and early action taken to confirm the employees against those posts.
6	16	The Committee suggest that the headquarters office of the Narcotics Commissioner may be shifted to

Neemuch or Ghazipur where the opium factories are situated or to a central place in the area where poppy is cultivated at an early date in order that firstly, there may be better control over the field areas by the Narcotics Commissioner and secondly, the expenditure involved in the maintenance of communication between the headquarters and the field areas may be reduced.

7 20 As opium is a good source of earning foreign exchange the Committee fail to see why advantage is not taken to step up the production of opium for export by increasing suitably the cultivation of poppy for opium. The Committee, therefore, recommend that the desirability of increasing the area under cultivation of poppy may be considered with reference to potential demand for export of opium.

8 23 The Committee feel that though in terms of percentage of total production the volume of opium which enters illicit trade may appear to be small, by itself it is large. They, therefore, urge that effective steps may be taken to stop the leakage.

9 24 The Committee understand that under the Hungarian process the chances of leakage of opium are much less than under the present Indian system and that the economics of the process is under examination and if it is found economical it would be introduced. The Committee suggest that the examination of the process may be expedited.

10 25 The Committee suggest that Government may devise a system by which Government might take over the whole produce of poppy from the farmers leaving no scope for illicit trade. In this connection, they suggest that instead of the present arrangement of the farmers lancing the poppy and selling raw opium to Government the feasibility of Government taking over the poppy crop itself at harvest time and undertaking the lancing operation may be considered. In this event the poppy cultivated in various fields may be collected at a few specific points and opium may be extracted under guard.

11 26 The Committee recommend that so long as cultivation of poppy for poppy heads and poppy seeds is permitted to continue strictest possible supervision and control should be exercised thereon so as to prevent illicit extraction and disposal of opium.

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12 28 As the Government of India is responsible for the implementation of the national policy of prohibition of consumption of opium for non-medical purposes, the Committee feel that certain degree of responsibility to prevent illicit traffic in opium extracted from poppy grown for poppy seeds should also be assumed by the Government of India. The Committee, therefore, suggest that suitable steps may be taken by the Narcotics Department to ensure that there is adequate control over the cultivation of poppy for poppy seeds allowed in U.P.

13 29 As, however, the national policy of prohibition includes prohibition of consumption of ganja, bhang and charas, the Committee consider that it would be desirable for the Central Government to evolve a uniform national policy with regard to cultivation of the plant.

14 30 The Committee cannot understand how the prohibition of ganja, bhang and charas could be effectively enforced so long as wild growth of the plant is allowed. They, therefore recommend that the problem may be referred to the Indian Council of Agricultural Research or the Forest Research Institute, Dehra Dun so that a virus capable of destroying the plant may be discovered and a scheme worked out to check the wild growth of the plant.

15 33 The Committee suggest that the necessity of maintaining the Neemuch factory may be reviewed and if there is adequate justification to continue it, the factory may be reorganized so that it may function efficiently and show profit. Otherwise it may be closed down and the Ghazipur factory suitably strengthened to cope with the additional demand.

16 36 The Committee suggest that while the scientists of the factory may continue their study and experiments, the problem of evolving a better process of manufacture of alkaloids may also be referred to the National Research Laboratories for further examination.

17 37 The Committee feel that the reasons offered by the Department of Revenue for not declaring the factories as commercial undertakings are not very convincing. They recommend that early steps may be taken to reorganise the factories as commercial undertakings.

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18 39 The Committee note that while the volume of production of the various products except excise opium indicate a rising trend, it has fluctuated from year to year. The Committee suggest that the reason for the fluctuations may be investigated and as opium is a good source of revenue and foreign exchange, steps may be taken to ensure that a steadily rising rate of production is maintained.

19 40 As the ultimate use of opium permitted under international conventions lies only in the production of alkaloids and the opium exported to other countries is also intended for the same purpose the Committee are surprised that the production of alkaloids in the country which is the major source of opium of the world is still so low.

20 42 *The Committee recommend that fresh efforts may be made to explore export markets for Indian alkaloids and the feasibility of increasing the production of finished alkaloids or semi-refined drugs for export in preference to opium may be re-examined.* The Committee also feel that export promotion is an art by itself and it may be better if promotion of export of opium derivatives were to be entrusted to Directorate of Export Promotion in the Ministry of Commerce and Industry.

21 43 The Committee suggest that the examination of the question of undertaking manufacture of pethidine may be expedited and steps taken to attain self-sufficiency in this respect early.

22 44 The Committee suggest that the variations in cost of production should be reduced to the minimum in future.

23 46 The Committee recommend that the method of fixing the sale price of opium might be re-examined.

24 47 The Committee do not appreciate why, when the Government has a monopoly in opium within the country and enjoy a state of semi-monopoly without, the net earnings of the factories should vary so largely. The Committee recommend that the reasons for the fluctuations in the financial results of the factories might be investigated. If the investigation were to indicate any defect in the organisation and working of the factories suitable steps may be taken to rectify it.

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25 48 The Committee suggest that an early decision may be taken with regard to the feasibility and advisability of adopting the Hungarian process before large-scale expenditure is incurred on replacement of the existing plant and machinery so that the necessity of replacing the plant and machinery once again when the new process is adopted might be avoided.

26 49 As holding of large quantities of stores in stock would involve locking up of public funds unnecessarily and the interest charges thereon would go to add to the cost of production of the factories, the Committee suggest that the stock position may be reviewed and the possibility of reducing it may be considered.

27 50 The Committee recommend that the feasibility of upgrading some of those workers who have put in long years of devoted service to higher grades and giving effect to the reorganised pattern of the establishment may be considered and that steps may be taken to provide opportunity to the workers to realise their natural aspirations. In this connection, the Committee further recommend that in order to equip the workers better for rising to higher grades the desirability of giving them some training as is being done elsewhere in the modern factories set up in the public sector may also be considered.

28 53 The Committee consider that so long as a large number of persons continue to consume opium the policy of prohibition cannot be said to have succeeded.

29 54 The Committee urge that the Department may take immediate steps to ensure that the arrangements to issue permits to deserving cases is completed quickly.

30 57 The Committee consider it regrettable that though the policy of prohibition is enforced for the last ten years and it was recognised from the beginning that hospital treatment would be necessary in some cases before total prohibition could be introduced, little effort was made in that direction. They urge that immediate steps may now be taken to provide full facilities for treatment of the addicts and to wean them from their habit soon so that the issue of opium on medical permits may also be discontinued at an early date.

31 58 The Committee recommend that the feasibility of entrusting the responsibility in connection with providing medical facilities to opium addicts to the

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Ministry of Health, may be considered. At any rate, they urge that there may be close co-ordination between the Department of Revenue and Ministry of Health in this respect so that the care of the opium addicts is not neglected due to any blurring of responsibility.

32 59 The Committee feel that Government of India should assume greater responsibility and take suitable steps to render maximum assistance to the State Governments in enforcing the prohibition of narcotic drugs without much hardship to the affected persons.

33 60 The Committee recommend that the Government of India may initiate suitable steps to secure the co-operation of the public in the States other than Assam also for the success of the opium prohibition policy.

34 62 The Committee note that the number of cases of smuggling detected is generally steady and the volume and value of drugs involved therein are also large. It seems to suggest that the rate of smuggling is unabated and the existing machinery for control of the traffic is not effective enough. The Committee apprehend that with the total stoppage of issue of opium for oral consumption with effect from 1-4-59 and the scheduled prohibition of consumption of ganja and bhang by 1961, the incidence of smuggling is likely to increase. They, therefore, consider that more vigorous and concerted efforts should be made to control the illicit traffic.

35 64 The Committee feel that if narcotic intelligence were to be made a part of the bigger revenue intelligence system it is likely to yield better results. They recommend that in order to avoid unnecessary expenditure involved in the duplication of establishment and also to secure better co-ordination among the various agencies collecting information with regard to smuggling the feasibility of amalgamating the N.I. Bureau with the Directorate of Revenue Intelligence may be considered.

36 65 The Committee consider that as the nature of work performed in the Bureau is somewhat akin to the work of the Central Intelligence Department, it might be desirable for achieving better results, to employ for the work of the bureau, persons trained in the Intelligence Department. They, recommend that

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recruitment to the N.I. Bureau should be made through the UPSC and qualifications prescribed for the candidates should be the same as are prescribed for similar posts in the Central Intelligence Department.

37 66 The Committee do not see why the number of Informers is limited to those registered with the department only.

38 67 The Committee recommend that a measure of publicity may be given to the need for control of illicit traffic creating public opinion against it and encouraging the people who have knowledge of such traffic to pass on the relevant information to the department.

39 68 The Committee feel that it is the essence of the recommendation of the All India Opium Conference, 1956 that there should be uniformity among the various sets of rules, and they regret that adequate attention has not been given to the implementation of the recommendation. They suggest that the Narcotics Department might take the initiative in that respect, examine the rules framed by the State Governments, suggest changes necessary for making them uniform and take suitable steps to ensure that such changes are carried out.

40 69 The Committee cannot help drawing the conclusion that there are several lacunae in the narcotics administration, e.g., the supervision exercised over the cultivation of poppy is inadequate, the process of extraction of opium and the techniques of manufacture of opium alkaloids are out-moded; the organisation and management of the opium factories need to be streamlined, the enforcement of prohibition of and control of illicit traffic in the narcotic drugs need to be tightened and suitable steps taken to alleviate hardship caused to the addicts by enforcement of the policy of prohibition. All these aspects call for a comprehensive examination and careful planning of an integrated programme of action in the Centre as well as State spheres. The Committee suggest that the Department of Revenue may undertake such an examination and planning. They hope that the various suggestions and recommendations made in the course of this report will be useful to the Department in that endeavour.

APPENDIX VI

Analysis of the recommendations contained in the Report and the estimated economy likely to result from their implementation

I. Classification of Recommendations.

A. Recommendations for improving the Organisation and Working of the Narcotics Department (S. Nos. 1, 2, 5, 6, 8, 10, 23-25, 27-31, 34, 36 of the summary of Recommendations).	16
B. Recommendations for effecting economy which includes suggestions for increasing production (S. Nos. 3, 4, 7, 9, 15, 17-22, 26, 35 of the summary of Recommendations)	13
C. Miscellaneous (S. Nos. 11-14, 16, 32-33, 37-39, 40 of the summary of Recommendations)	11
TOTAL	40

II. Analysis of more important recommendations directed towards economy.

Serial No.	No. as per summary of Recommendations	Particulars
1	2	3
1	7	Increasing the area under cultivation of poppy with reference to potential demand for export of opium.
2	9	Expediting the examination of Hungarian process of extraction of alkaloids.
3	15	Necessity of maintaining Neemuch Factory to be reviewed.
4	17	Reorganisation of the factories as commercial undertakings.
5	22	Reducing variations in cost of production to the minimum.
6	26	Reviewing the stock position and reducing stores.

III. Economy.

It is not possible to calculate the money value of the economies suggested in the report.

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3.	British Book Depot, 84, Hazaraganj, Lucknow.	28.	City Book-sellers, Sohanaganj Street, Delhi.	52.	Hyderabad Book Depot, Abid Road (Gun Foundry) Hyderabad.
4.	Imperial Book Depot, 268, Main Street, Poona Camp.	29.	The National Law House, Near Indore General Library, Indore.	53.	(R) M. Gulab Singh & Sons (P) Ltd., Press Area, Mathura Road, New Delhi.
5.	The Popular Book Depot (Regd.), Lamington Road, 30. Bombay-7.	Charles Lambert & Co., 101, Mahatma Gandhi Road, Opp. Clock Tower, Fort, Bombay.	54.	(R) C. V. Venkatchala Iyer Near Railway Station, Chalakudi.	
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10.	Book Centre Opp. Patna College, Patna.	35.	University Publishers, Railway Road, Jullundur City.	59.	Azeec General Agency, 47, Tilak Road, Tirupati
11.	J. M. Jaina & Brothers, 36. Mori Gate, Delhi-6.	Students Stores, Raghunath Bazar, Jammu-Tawi	60.	Current Book Stores, Maruti Lane, Raghunath Dadaji Street, Bombay-1.	
12.	The Cuttack Law Times Office, Cuttack-2.	37.	Amar Kitab Ghar, Diagonal Road, Jamshedpur-1.	61.	A. P. Jambulingam, Trade Representative & Marketing Consultant, Prudential Bank Building, Rashtrapati Road, Secunderabad.
13.	The New Book Depot, Connaught Place, New Delhi.	38.	Allied Traders, Motia Park, Bhopal.	62.	K. G. Aseervandam & Sons, Clonghpet, P.O. Ongoli, Guntur Dist. (Andhra).
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15.	The Central News Agency, 23/90, Connaught Circus, New Delhi.	40.	Friends Book House, M. U., Aligarh.	64.	The Triveni Publishers, Masulipatnam.
16.	Lok Milap, District Court Road, Bhavnagar.	41.	Modern Book House, 286, Jawahar Ganji, Jabalpur.	65.	Deccan Book Stall, Ferguson College Road, Poona-4.
17.	Reeves & Co., 29, Park Street, Calcutta-16.	42.	M. C. Sarkar & Sons (P) Ltd., 14, Bankim Chatterji Street, Calcutta-12.	66.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi-5.
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22.	International Book House, Private Ltd., 9, Ash Lane, Bombay.	47.	Laxmi Narain Agarwal, Hospital Road, Agra.		
23.	Lakshmi Book Store, 42, M. M. Queensway, New Delhi.	48.	Law Book Co., Sardar Patel Marg, Allahabad.		
24.	The Kalpana Publishers, Trichinopoly-3.	49.	D. B. Taraporewala & Sons Co. Private Ltd., 210, Dr. Nitroji Road, Bombay-1.		
25.	S. K. Brothers, 15A/65, W.B.A., Karol Bagh, Delhi-5.				

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