

**PUBLIC ACCOUNTS COMMITTEE
(1964-65)**

THIRTY-EIGHTH REPORT

(THIRD LOK SABHA)

[Appropriation Accounts (Civil), 1962-63 and Audit Report (Civil), 1964 relating to the Ministries of Industry and Supply (Department of Supply & Technical Development), Information & Broadcasting, Transport (including Port Trusts of Calcutta, Bombay & Madras), Department of Social Security and Audit Report (Commercial), 1964 relating to the Ministry of Information & Broadcasting].



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1965 Vaisakha. 1887 (Saka)

336-3951R

KS

Price : Rs. 2.71

**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			11.	Charles Lambert & Company, 101, Mahatma Gandhi Road, Opposite Clock Tower, Fort, Bombay	30
1.	Andhra University General Cooperative Stores Ltd., Waltair (Visakhapatnam)	8	12.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1	60
2.	G. R. Lakshmiopathy Chetty and Sons, General Merchants and News Agents, Newpet, Chandragiri, Chittoor District	94	13.	Deccan Book Stall, Ferguson College Road, Poona-4	65
ASSAM			RAJASTHAN		
3.	Western Book Depot, Pan Bazar, Gauhati	7	14.	Information Centre, Government of Rajasthan, Tripolia, Jaipur City	38
BIHAR			UTTAR PRADESH		
4.	Amar Kitab Ghar, Post Box 78, Diagonal Road, Jamshedpur	37	15.	Swastik Industrial Works, 59, Holi Street, Meerut City	2
GUJARAT			16.	Law Book Company, Sardar Patel Marg, Allahabad-1	48
5.	Vijay Stores, Station Road, Anand	35	WEST BENGAL		
6.	The New Order Book Company, Ellis Bridge, Ahmedabad-6	63	17.	Granthaloka, 5/1, Ambica Mookherjee Road, Belgharia, 24 Parganas	10
MADHYA PRADESH			18.	W. Newman & Company Ltd., 3, Old Court House Street, Calcutta	44
7.	Modern Book House, Shiv Vilas Palace, Indore City	13	19.	Firma K. L. Mukhopadhyay, 6/1A, Banchharam Akur Lane, Calcutta-12	82
MAHARASHTRA			DELHI		
8.	M/s. Sunderdas Gianchand, 601, Girgaum Road, Near Princess Street, Bombay-2	6	20.	Jain Book Agency, Connaught Place, New Delhi	1
9.	The International Book House (Private) Limited, 9, Ash Lane, Mahatma Gandhi Road, Bombay-1	22	21.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi	3
10.	The International Book Service, Deccan Gymkhana, Poona-4	26	22.	Atma Ram & Sons, Kashmere Gate, Delhi-61	9
			23.	J. M. Jaina & Brothers, Mori Gate, Delhi	11

CORRIGENDA TO THE THIRTY-EIGHTH REPORT OF P.A.C. (1964-65)
 PRESENTED TO LOK SABHA ON 29.4.1965.

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
(i)	-	7 from bottom	L 5	135
(v)	-	2 from top	Thirty-eight	Thirty-eighth
3	1	7 from top	Delete 'be' after 'should'	
5	3	11 from top	depricate	deprecate
12.	7	6 from top	Add "with" after "tally"	
12	8	14 from bottom	Add "of" after "number"	
19	12	11 from top	evpenditure	expenditure
51	30	16 from top	itmes	items
	31			u:
53	32	14 from top	rlevant	relevant
54	Col.4	4 from top	Administrative	Administrative
54	Col.4	9 from top	sotres	stores
54	Col.1	2 from bottom	GENERLA	GENERAL
56	33	13 from top	sif'n'cant	significant
59	34	6 from bottom	The	They
59	34	5 from bottom	meet'ngs	meeting
62	35	19 from top	3st	31st
62	35	15 from bottom	Put 'Rs.' after 'was'	
69	40	13 from bottom	afaer	after
71	41	17-18 from top	commulative	cumulative

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
71	42	2 from bottom	wherfage	wharfage
77	44	6 from bottom	Delete 'above' after 'Trust'	
78		4 from top	Put 45 in place of (i)	
84	47	1 from top	adanced	advanced
84	48	6 from bottom	Delete (iv) after 48	
103	APP.I	9 from top	sent	went
113	Col.6	9 from top	breacho	breach
123		16 from top	Add 'be' after 'to'	
131		9 from top	1962163	1962-63
133		5 from bottom	port	ports
135		16 from top	Gneral	General
173		3 from top	adopted	adopt
175		18 from top	automonous	autonomous
188		16-17 from top	uncertaini- ties	uncertainties
190		14 from top	Delete 'of' after 'development'	
224	Col.2		6	5
229	Col.4	15 from top	Add 'in' after 'to'	
241	Col.4	3 from bottom	Delete 'above' after 'the'	

CONTENTS

		PAGE
	Composition of the Public Accounts Committee (1964-65)	(iii)
	Introduction	(v)
	Ministry of Industry & Supply (Deptt. of Supply & Technical Development)	1
II.	Ministry of Information & Broadcasting (including All India Radio)	19
III.	Ministry of Transport (including Port Trusts of Calcutta, Bombay & Madras)	47
IV.	Department of Social Security (including Khadi & Village Industries Commission, All India Handicrafts Board, Central Social Welfare Board)	73

PART II*

Proceedings of the sittings of the Public Accounts Committee :

- (i) 52nd Sitting held on 18-1-1965 (f.n.).
- (ii) 56th Sitting held on 20-1-1965 (f.n.).
- (iii) 59th Sitting held on 21-1-1965 (a.n.).
- (iv) 60th Sitting held on 22-1-1965 (f.n.).
- (v) 61st Sitting held on 22-1-1965 (a.n.).
- (vi) 65th Sitting held on 25-1-1965 (a.n.).
- (vii) 75th Sitting held on 21-4-1965.

APPENDICES

I.	**Statement showing awards going against Government in arbitration Cases	103
II.	Details of the Case re proofing of canvas cloth	116
III.	**Ministry's explanation regarding Security deposit	123
IV.	Statement showing extra amount paid for buying paper through printers	124
V.	Note regarding Agreement with News Agency	125
VI.	**Procedure regarding Contribution to Depreciation Fund	125
VII.	**Capital and Revenue Accounts	15
VIII.	**Statement of loans and Grants paid to Khadi and Village Industries Commission	137
IX.	Details regarding Intensive area Centres	138
X.	Minutes of the meeting regarding Staff Strength of the All India Handicrafts Board and the Report of the Work Study Team thereon	196
XI.	Summary of Main Conclusions/recommendations	222

*Not printed. One cyclostyled Copy laid on the Table of the House and Five Copies placed in Parliament Library.

**Not vetted by Audit.

PUBLIC ACCOUNTS COMMITTEE

(1964-65)

CHAIRMAN

Shri R. R. Morarka

MEMBERS

2. Shrimati Akkamma Devi
3. Shri Ramchandra Vithal Bade
4. Shri J. B. S. Bist
5. Shri N. T. Das
6. Shri Gulabrao Keshavrao Jedhe
7. Shri R. Keishing
8. Shri V. C. Parashar
9. Shri Nanubhai N. Patel
10. Shri C. L. Narasimha Reddy
11. Dr. Ranen Sen
12. Shri Ravindra Varma
13. Shri P. Venkatasubbaiah
14. Shri Vishram Prasad
15. Shri Ram Sewak Yadav
16. Shri M. P. Bhargava
17. Shri Chandra Shekhar
18. Shri S. C. Deb
19. Shri R. S. Panjhzari
20. Shri Ram Sahai
21. Shri S. S. N. Tankha
22. Shri Atal Bihari Vajpayee

SECRETARIAT

Shri H. N. Trivedi—*Deputy Secretary.*

Shri R. M. Bhargava—*Under Secretary.*

INTRODUCTION

I, the Chairman of the Public Accounts Committee, do present on their behalf this Thiry-eight Report on the Appropriation Accounts (Civil), 1962-63 and Audit Report (Civil), 1964 in so far as they relate to the Ministries of Industry and Supply (Department of Supply and Technical Development), Information and Broadcasting, Transport (including Port Trusts of Calcutta, Bombay and Madras), Department of Social Security and Audit Report (Commercial), 1964 relating to the Ministry of Information and Broadcasting.

2. The Appropriation Accounts (Civil), 1962-63, Audit Report (Civil), 1964 and Audit Report (Commercial), 1964 were laid on the Table of the House on the 11th March, 1964. The Committee examined these at their sittings held on the 13th, 20th, 21st, 22nd and 25th January, 1965. A brief record of the proceedings of each sitting forms part of the Report (Part II).*

3. The Committee considered and finalised the Report at their sitting held on the 21st April, 1965.

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

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

They would also like to express their thanks to the officers of the Ministries etc. concerned, for the co-operation extended by them in giving information to the Committee during the course of evidence.

NEW DELHI;
April 23, 1965.
Vaisakha 3, 1887 (Saka).

R. R. MORARKA,
Chairman,
Public Accounts Committee.

*N printed. One cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library.

I

MINISTRY OF INDUSTRY AND SUPPLY

(DEPARTMENT OF SUPPLY AND TECHNICAL DEVELOPMENT)

Audit Report (Civil), 1964

Cases under arbitration—Para 78, Pages 94-95

At the end of 1958-59, 291 cases referred to arbitration were pending disposal.

During the period 1959-60 to 1962-63, 234 fresh cases were referred to arbitration and awards were given in 249 cases out of which the period covered by the arbitration proceedings was more than 2 years in 141 cases.

After allowing for 20 cases which were dropped or settled outside arbitration, there were 256 cases pending at the end of 1962-63, of which 170 cases had been pending for more than 2 years.

The main reasons for delay in arbitration as stated by the Department, are that the proceedings of the arbitration cannot be speeded up by the Directorate General of Supplies and Disposals, that all the processes of law have to be complied with and that there are no effective means available to counter the dilatory tactics which are sometimes adopted by the contractors.

Awards were given in favour of the Government in 108 cases involving recovery of an amount of Rs. 12.57 lakhs, and against the Government in 141 cases involving the payment of an amount of Rs. 37.32 lakhs. The awards do not, generally, mention the reasons justifying them; the reasons for awards going against the Government in cases where they have been given by the arbitrators fall under the following categories:

- (i) Delay in carrying out inspection, or inspection not carried out in the presence of the contractor.
- (ii) Breach of the contract on the part of the Government.
- (iii) Failure of the Government to prove the loss and/or to establish that the market price was higher than the contracted rate on the date of breach.

- (iv) Claims of the contractors considered as reasonable with reference to the terms and conditions of the contracts and/or in the circumstances of the case.

In respect of decrees/awards given by courts of Law/arbitrators up to April, 1963 in favour of the Government, a recovery of a total sum of Rs. 16.01 lakhs involving 44 cases still remains to be effected. Of this, Rs. 11.86 lakhs relate to the period 1947 to 1953 and another Rs. 2.33 lakhs to the period 1954 to 1958.

The Committee desired to know the actual position in regard to the cases pending arbitration, the reasons for delay in arriving at a settlement and the steps taken to minimise the time lag in disposing of these cases. Explaining the position the Secretary of the Ministry stated that a majority of the cases related to contracts resulting from acceptances of tenders invited before 1st September, 1956. At that time the arbitration clause in the contracts provided for a reference to arbitrators and in the event of disagreement between the two arbitrators for the appointment of umpires. It was difficult to get the other party name a proper arbitrator and for both the arbitrators to agree on an umpire. To suit the convenience of the parties, time was also given to them when asked for.

After 1956 in consultation with the Ministry of Law a sole arbitration clause was included in the contract from which led to great improvement. The number of pending cases at the end of 1962-63 was actually 262* and not 256 out of which 59 had been decided. The position as on 31st December, 1964 was that 265 cases were pending arbitration and those that resulted from contracts after 1st September, 1956 were subject to sole arbitration. Of these pending cases, 202 were more than 2 years old out of which 82 were with a arbitrators, 76 with an umpire and 44 with the sole arbitrator.

The witness further stated that they had also constituted a Negotiating Committee consisting of the Additional Director General Supplies and Disposals and a representative each from the Ministries of Finance and Law to look into the claims of the value of Rs. 50,000 or less which could be settled by negotiation. The negotiating Committee were in the process of examining the histories of these cases to arrive at a negotiated settlement.

Asked as to what happened to the arbitration proceedings, the witness added that the proceedings were not held up as there was no guarantee that the negotiations in all cases would be successful.

*According to Audit the number of pending cases was actually 256.

Explaining the reasons why cases were pending for two years, the witness stated that it was because of lack of evidence, validity of claims being challenged in the court of Law and the adjournments sought by the parties to suit their convenience. He however, agreed that such delays should be eliminated.

The Committee desire that the Negotiating Committee already constituted should be expeditiously process the old cases and try to reduce the back log through negotiated settlement. The Committee would like to be informed of the progress made. The Negotiating Committee should also be directed to record their reasons for the settlement reached and also to submit a report (separately, if necessary) drawing specific attention to the lapses if any which led to the disputes. The Committee trust that this report will enable the Ministry to take remedial steps which would minimise the occurrence of similar disputes in future.

2. The Committee inquired whether there was any machinery to keep a watch on the progress of the pending cases. The witness stated that there was an officer on special duty on loan from the Ministry of Law to keep a continuous watch on these cases. He also submitted monthly progress reports. The officer on special duty added that progress had been obstructed many a time because of the tactics adopted by the other party. The co-arbitrator was made to remain absent because the party apprehended that the arbitrator might not agree to an adjournment. It was also found that partisan attitude was adopted by the co-arbitrator. The Committee enquired whether the party would adopt the same attitude where it had claims on Government. The Committee were informed that most of the claims were from Government and the claims of the parties were mostly based on false and frivolous grounds made to counter the claims preferred by Government.

In a statement furnished at the instance of the Committee (Appendix I) the Ministry have stated that the number of cases in which awards were given against the Government was 135* and not 141 as mentioned in the Audit para and out of these reasons for award were given only in 37 cases. This statement brings out a number of cases where Government could not establish their claims before the arbitrator. In one case the Committee find that the adverse decision was due to the fact that no contract was concluded between the parties. The Committee find that in many cases Government were held responsible for breach of contract. They would, therefore, suggest that these cases should be carefully studied with a view to determine how many of them were lost due to

*According to Audit the number of cases was 141.

procedural defects and delay on the part of officers. The Committee feel that in the light of the experience thus gained, suitable measures may be taken to stream-line the procedure so as to reduce their recurrence to the minimum. They would further like to stress that there should be proper coordination with the Ministry of Law so that legally weak cases are not preferred. In view of what is stated in the previous paragraph it is astonishing that awards should be given against Government in as many as 141,135 cases. This indicates that either the statement in the last para is not correct or that the cases are not properly argued before the arbitrators. The Committee feel that the matter needs careful examination by the Ministry.

3. The witness proceeded to explain the considerable delay that sometimes occurred in implementing the award given by arbitrator in favour of Government. Citing a case from a list of cases in which large sums had been awarded in favour of Government, the witness stated that according to a contract entered into in 1945 Government had given some canvas cloth to a Calcutta contractor for proofing. The contract was not fulfilled and the contractor did not deliver the cloth either. Government went to arbitration and got an award for Rs. 9,91,000 against the party on 19th July, 1951 but the money could not be recovered and the party was still being pursued. The latest position was that some assets of the party were located in Calcutta and Banaras.

Asked whether the matter continued since 1945, the witness stated that it was taken up in 1951 and during the six intervening years due to several attempts, some cloth could be recovered. The Committee enquired why Government found it difficult to locate the whereabouts of the contractor when usually the contractors were registered and there must have been some basis for registration. The witness stated that sometimes if the rates were attractive enough, orders were placed even with unregistered persons from whom a security deposit was taken. The delay in arbitration proceedings offered enough opportunity to the parties to manoeuvre. In this particular case, a security deposit of Rs. 10,000 was taken and the contract also provided that the contractor was only a trustee on behalf of Government for the cloth until it was returned and in case of default he was to be considered guilty of breach of trust. In answer to a question, the witness stated that a review was made once in every three years of the financial standing of the registered contractors.

From the details of the case (Appendix II) furnished by the Ministry, the Committee find that the firm was an unregistered one and a security of Rs. 10,000 was accepted for an order of Rs. 7,08,333. In addition 17,23,204 sq. yds. of grey canvas costing Rs. 34,46,408 (at the rate of Rs. 2/- per sq. yd.) was also given to the firm for which no security was demanded. The Committee are surprised how the Government could be satisfied with such a small amount of security when they could have asked for nearly Rs. 70,000 (being 10 per cent of the value of contract) as provided in the rules. The Government also failed to provide an adequate safeguard for the supply of canvas. The Committee deprecate the placing of such a huge order with an unregistered firm without proper verification of its standing, assets etc. as a result of which Government dues could not be recovered from this firm. It is also not known to the Committee why the Ministry of Law advised to allow the application of arrest of the judgment debtor before Alipore Court to be dismissed. From all these, the Committee feel that lapses, both procedural and legal, were allowed to be perpetuated which led to the present muddle. The Committee would urge that the case is pursued with vigour and the Committee informed of the final outcome.

4. The Committee desired to know whether any award had gone against the Government because of lapse on the part of Government officers and if so, whether any responsibility had been fixed. The witness admitted that there were such cases where explanation was called for from the concerned officers and disciplinary action taken against them.

The Committee enquired whether the general instructions regarding inspection procedure laid down in the Manual of Office Procedure of DGS&D were adhered to. The witness stated that efforts were made to conform to the instructions stipulated therein and the instructions were that inspection was to commence within one week of the suppliers request irrespective of value of stores offered for inspection and location of supplies and should be completed as early as possible. The Committee wanted to know the action taken against the officers who did not conform to these instructions and the parties won their claims as a result thereof. The Committee were informed that where specific responsibilities could be fixed, after taking the explanation of the officer concerned, his promotion was stopped or other severe punishment given. A Deputy-Director General in charge of inspection was entrusted to ensure that such cases did not recur.

The Committee suggest that in cases where awards went against Government the reasons for the same must always be investigated and necessary corrective and disciplinary action taken.

Purchase of Jute Goods:—Para 79, Pages 95—97

(i) *Rejection of Stores on Inspection*

5. The contracts for the purchase of Jute goods provide for the submission by the firms of notices regarding the goods which are ready for inspection (inspection challans) well before the due date of delivery. In respect of four contracts valued at Rs. 28·83 lakhs, entered in to by the Director of Supplies and Disposals, Calcutta, during the period January to March, 1961, the goods were tendered for inspection on the last date of delivery stipulated in the contracts. The goods were inspected and rejected after intervals varying from 13 to 35 days after the last date stipulated for delivery. Extensions of time were subsequently granted to the firms to enable them to make good the rejected supplies. If this had not been done, but fresh purchases had been made in the market in these cases, Government would have incurred less expenditure to the extent of Rs. 1·13 lakhs approximately, as the market prices obtaining at the time of granting extensions were lower than the contract rates.

It has been held that sending the rejection advices after the stipulated date of delivery had the effect of keeping the contracts alive beyond the stipulated date and that Government were bound to extend the delivery period to enable the suppliers to fulfil the contract. However, according to advice subsequently given by the Ministry of Law in November, 1962, Government could have refused inspection in the cases referred to, on the ground that the goods were not tendered 'well within the stipulated date of delivery'. The Ministry of Law further observed that the clause 'well before the date of delivery' in the contract left room for considerable doubt and dispute, and suggested that a definite period should be prescribed before which the stores should be tendered for inspection. The Department of Supply have, however, stated in November, 1963 that 'as purchase of Jute goods had its peculiar features, the *status quo* should continue to be followed.'

As regards the practice in the jute industry in Calcutta the witness stated that when a pucca delivery order was given with a stipulated date for supply and the goods were offered on that date, immediate payment was obligatory. In practice, it would not

be possible to fix one date for offering goods for inspection and another for the goods to be passed and for the payment to be made. Because of delays of inspection, there was a certain premium which the Government had to pay over the current market price for the jute goods. They were trying to do away with the system of inspection as it was possible to prescribe standards and the Indian Standards Institution had been requested to prescribe standards for gunny bags. Until ISI would offer their scheme of certification, Government proposed to make purchases from jute mills whose goods were not rejected during the last two or three years. In reply to a question whether Government would forfeit the right of inspection, the witness stated that under the trade practice goods were offered only on the last date and after that inspection was done and automatically the period of validity of the contract was extended. The witness added that there had been a long-standing dispute between the jute industry and Government in the manner of purchase of jute goods and the former had refused to conform to the normal manner of procurement of supplies. The witness added that the Ministry was investigating whether it was possible to devise a procedure in conformity with the trade practice without involving Government in any liability or loss or to make the jute industry conform to the usual procedure of procurement of stores. They were also considering whether a kind of rate contract with the jute industry could be experimented, indicating to the industry Government's minimum annual requirements and spreading the purchases over the whole year. The whole matter was being investigated and it was expected that a satisfactory procedure would be evolved shortly to eliminate all the possibilities of loss.

When the Committee pointed out that Government being an important purchaser could impose a special condition which would be acceptable to at least some jute manufacturers, the witness stated that their experience was otherwise as there was a certain solidarity in the jute industry. The Committee enquired since in Calcutta market 90 per cent of the delivery orders were not backed by any goods whether the delivery order method would be satisfactory despite the ISI mark unless goods were actually delivered and inspected. The witness informed the Committee that Government did not propose to accept a delivery order but delivery of materials.

The Committee are constrained to note that Government are compelled to pay premium over the current market price for jute goods, because the industry offer goods only on the last date as against a date 'well before the time of delivery' stipulated in the

contract and thereby cause delay in the inspection of goods. The Committee feel that the suggestion of the Ministry of Law of stipulating an inspection date prior to the last date of the delivery leaving enough margin for inspection of goods, its acceptance or rejection and finalisation of the deal within the period of contract should be insisted upon. The Committee are no doubt of the opinion that acceptance of goods with ISI mark may help to improve the existing position. However, the Government's proposal to accept the goods from mills whose supplies had not been rejected during the last two or three years till such time as the ISI mark is available cannot be treated as a satisfactory substitute to inspection, for under this procedure the sub-standard goods will be detected only after they are accepted. The Committee are therefore of the view that the normal procedure of prior inspection before acceptance and delivery should be followed in the case of jute goods also. Since the Government have been buying jute goods from times immemorial, it is astonishing that till today this problem is not solved.

The Committee invited the attention of the witness to two cases where despite the supplier's failure to submit goods for inspection on a stipulated date provided in the contract, he was allowed to supply. The witness explained that the jute industry had been unwilling to come in line with anything that Government wanted and hence the procedure was being revised.

The Committee regret to note this plea of helplessness and desire that Government should take steps to ensure that the jute industry falls in line with the normal procedure laid down for safeguarding public funds.

(ii) *Loss due to non-recovery of full security deposit*

6. A contract was placed by the Director of Supplies and Disposal, Calcutta on 16th September, 1960 for the supply of 2,000 bales of B.Twill bags, on F.O.B. basis for shipment to Madras. The firm did not deliver the stores either by the date stipulated in the contract (30th November, 1960) or by the extended date (12th December 1960). The entire quantity was consequently cancelled at the risk and expense of the firm. Out of 12 tenders received for risk purchase, the lowest offer of Rs. 134.54 for 100 pieces was from the defaulting firm who quoted the same rates as in their original contract.

in cases where the defaulting firm's quotation happens to be the lowest acceptable one, the rules provide that in order to safeguard against a second default, the defaulting contractor may be called upon to furnish a security deposit equivalent to the difference between his quotation and the next best quotation, or 10 per cent, whichever is more. The contract, in this case was, however placed with the defaulting firm at a total cost of Rs. 8.17 lakhs, after obtaining a security deposit of Rs. 20,000 only instead of Rs. 2.47 lakhs (approx.) as permissible under the prescribed procedure. The firm again failed to supply the stores by the stipulated date of delivery and the contract was cancelled. The entire quantity was repurchased in January, 1961 at the risk and expense of the defaulting firm, at an extra cost of Rs. 3,03,317. The security deposit of Rs. 20,000 was forfeited, but the firm denied outright the claim for the recovery of the extra cost, when they were requested to pay the balance. It was proposed to take legal action to recover the amount (August, 1963).

The witness admitted that on the facts and figures of the case it was an instance of an error of judgment. At the time, the risk purchase was being made prices had gone up by 50 per cent and as the supplier had quoted the same old rate, the officer was tempted to accept it as he wanted to buy for Government at as economic a price as was possible. The Committee wanted to know whether one of the reasons which might have tempted the supplier to quote lower price was to save interest on the security and also to pay the minimum possible security when he should have been asked to pay higher security for having defaulted earlier. The witness stated that the contractor was asked to pay ten per cent deposit which the latter refused. The witness added that in spite of his refusal, the contract was given to him because according to the reputation of the party, he was capable of fulfilling the contract. In answer to a question, the witness stated that the party was black listed as a result of his second default; he was given one more chance as Government wanted to get things 50 per cent cheaper. As regards the present position of the case, the witness added that a suit had been filed on 8th May, 1963.

From a note (Appendix III) furnished at the instance of the Committee they find that the concerned purchase officer had misinterpreted the rules and the failure to get Government's sanction for waiving/reducing the security deposit was a bonafide mistake. With a view to avoiding misinterpretation in future, necessary clarification to all concerned were being issued.

The Committee feel that an undue indulgence has been shown to the contractor in this case. The contractor defaulted for the first time when he did not supply Twill bags by the date stipulated in the first contract viz., 30th November, 1960 or even by the extended date i.e. 12th December, 1960. When tenders were invited for risk purchase, the Department accepted a security of Rs. 20,000 from this contractor instead of Rs. 2.47 lakhs approximately as required under rules knowing fully well that this very firm had defaulted once against the previous contract. It is also not clear to the Committee how the purchasing officer assumed that even though the firm could not give security of Rs. 2.47 lakhs, he would be able to execute order at 50 per cent cheaper rate. This assumption does not appear to have been based on a sound premise as the same firm had refused to submit to the normal business traditions and over and above had failed to live up to its reputation, a factor which weighed heavily with the Government for granting the contract second time and further, there could hardly be any question of higher prices being paid by government by ignoring this firm. Since extra cost could surely have been recovered from the firm in view of their default. The Committee also regret to note that there was a lapse on the part of the officer who accepted a security of Rs. 20,000 against the security of approximately Rs. 2.47 lakhs which was required under the rules. As the rules regarding acceptance of tenders as well as recovery of security from firms who have defaulted once, are quite clear, the Committee are not convinced with the argument that the mistake was a bona-fide one. The Committee suggest that the case might be re-examined with a view to fixing responsibility.

The Committee also note that the firm in question has been black listed as a result of second default. They would also like to be informed of the result of suit filed by Government on 8th May, 1963 against the defaulting firm.

Loss due to irregular Placing of Contracts—Para 80, Pages 97-98.

7. In April, 1959 the Director General of Supplies and Disposals invited tenders for the supply of about 1.75 lakhs of jerseys/pull-overs woollen, against an indent of the Defence Department for the year 1960-61 with the following specification:

“The worsted yarn used shall be spun from top-dyed wool. If facilities for dyeing wool in top form are not available, the jerseys may be knitted from dyed yarn with prior sanction of the Chief Superintendent Technical Development Establishment, Textile and Clothing Kanpur . . .”

Out of 26 tenders received in July, 1959, it was decided to ignore offers for stores made from hank-dyed yarn as the indenter had intimated on 7th September, 1959 that jerseys should be purchased from top-dyed yarn. Orders were, accordingly issued on 22nd September, 1959, to seven firms, incorporating the clause 'jerseys made from top-dyed yarn only will be accepted'. The deliveries were stipulated to commence from April, 1960 and be completed by October, 1960.

On receipt of the order, one firm represented that the description of the stores given therein did not conform to that given in the tender notice. No supplies were made by four other firm within the stipulated delivery period. The orders placed with these firms were cancelled in March, 1961 and the stores. Viz., 1,61,730 numbers, were repurchased from other sources at an extra cost of nearly Rs. 6.2 lakhs. The expenditure incurred in the repurchase could not, however, be recovered from the firms as the Ministry of Law held in January, 1962, that as the deviation in the specification introduced in the acceptance of tender, viz., that jerseys made from top-dyed yarn only would be accepted amounted to a counter-proposal, there was no concluded contract, and that, consequently, it would not be possible to enforce any risk purchase on the firms, or to recover any loss or damage from them.

The placing of contracts with changed specification without the prior concurrence of the firms thus resulted in a considerable extra expenditure to Government.

The case was reported by Audit to Government on 2nd December, 1963 and their remarks were awaited till February, 1964.

The Committee desired to know whether any investigation was made into the irregularities committed in the matter and responsibility fixed. They were informed that the explanation of the officer concerned was taken and it was being examined in the vigilance section.

The Committee learn from Audit that the indent was received by the Director General Supplies and Disposals in May, 1958 and tenders called for by him in April, 1959 were opened in July, 1959. After the receipt of the tenders the Department took the decision in consultation with the indenter to purchase jerseys made from top-dyed yarn only and acceptances of tenders were issued accordingly.

The Committee are at a loss to understand why the matter regarding the specifications could not be settled with the indenter soon

after the indent was received in May, 1958 or atleast before inviting tenders several months later in April, 1959. They are further unable to follow why firms were not consulted and their consent obtained before placing the order on them stipulating that only jerseys made from top-dyed yarn would be accepted. The Committee deprecate that the elementary principle that the terms of tender should tally those of the contract was not followed in this case and a deviation from the terms of the tender was made in the contract without assessing the legal implications of such a change and the financial liability that might follow therefrom.

8. In answer to a question, the witness stated that there was no officer in the Ministry well conversant with Mercantile Law and Contracts Act to examine the various contracts entered into and added that in cases of doubt or where any confirmation was necessary; the advice of the Ministry of Law was taken. The Committee felt that all these pitfalls could be avoided if the Ministry had an officer well versed in Mercantile Law such as contract Act, Companies Act, Sale of Goods Act etc. as the Deptt. was entering into contracts worth crores of rupees and it was not possible to go to the Ministry of Law for advice in the case of each contract. The witness agreed to have the proposal examined.

The Committee feel that such cases could be avoided if there was an officer well versed in Mercantile Law such as Contract Act, Companies Act etc. in this Ministry. As large number contracts are entered into by the Supplies and Disposals Organisation and the Ministry of Law cannot be consulted in all cases they suggest that the desirability of appointing such officer in this organisation may be considered.

The Committee would also like to know the result of the disciplinary proceedings against officers found responsible for the lapse in this case.

*Delay in the Realisation of Inspection and Testing Fees—Para 81,
Page 98.*

9. The Regional Directorates of Inspection under the Director General of Supplies and Disposals undertake inspection and testing work at prescribed rates on behalf of Government Departments and private parties. The table below shows that the recovery of the

cost of such works had been in arrears and that the amount of such arrears had gone up considerably in recent periods:

(In lakhs of rupees)

	Claims preferred upto December, 1960 not recovered upto end of July, 1961	Claims preferred upto July 1962 not recovered upto December, 1962
(i) Government Departments (including Railways)	16.04	32.40
(ii) Government Companies	2.66	6.38
(iii) Other Parties	0.31	1.59
TOTAL	19.01	40.37

Out of the amount of Rs. 40.37 lakhs, Rs. 10.40 lakhs relate to claims preferred prior to 1960-61, and Rs. 29.97 lakhs, to claims preferred during April, 1960 to July, 1962.

The Ministry stated in September, 1961 that a revised procedure for ensuring payment of bills without undue delay was under consideration in consultation with the Railway Board from whom the major part of the recoveries were pending. In December, 1963, the Ministry informed Audit that 'no appreciable progress in the recovery of Inspection and Testing Fees from the Railways could be made, largely on account of procedural delays at various levels in the Railways.

The Committee desired to know whether any settlement had been made with the concerned Ministries etc. in regard to the recovery of inspection and testing fees. The witness stated that the largest amount of arrears was outstanding against the Ministry of Railways (Railway Board) who had recently paid Rs. 5.5 lakhs and the matter was still being pursued. In addition there were one or two private parties who were also the large defaulters and they were also being pressed to settle their dues. The witness further added that instructions were issued to the authorities concerned to inform the defaulters to settle their accounts within a month failing which no further inspection would be done on their behalf.

Asked to explain the difficulties encountered in settling the arrears the representative of the Ministry of Railways (Railway

Board) stated that originally about Rs. 30 lakhs were outstanding of which about Rs. 5 lakhs were cleared leaving a balance of Rs. 25 lakhs. It was agreed at a meeting that the Department of Supply would send to the Railway Board a list of outstandings so that the matter could be taken up at the highest level with the railways to get the arrears cleared. Out of the outstanding amount of Rs. 25 lakhs, statements covering about Rs. 11 lakhs had been received of which about Rs. 5.5 lakhs had been cleared and for the remaining Rs. 14 lakhs statements were under preparation in the Supply Department and on receipt of them prompt action would be taken.

The Committee wanted to know if the delay in clearing arrears was due to the delay in preparing statements by the Supply Department. The representative of the Ministry of Railways (Railway Board), while explaining the procedure stated that when an inspection was done by the Directorate of Inspection on behalf of the Railways, the inspecting officer would prepare a voucher in duplicate and send the same to the consignees who were spread over all the Railways. The consignees on receipt of the vouchers in duplicate would accept them and return them to the inspectorate of D.G.&S.D. who would thereafter pass them on to the Pay and Accounts Officer who in turn would send a bill monthly to the Railway Accounts Officer concerned. In this process, because of the large number of consignees involved some accumulations had occurred. He further added that they were conscious of the fact that there had been delay and that they were trying to set it right.

The Committee wanted to know how the payment could be delayed when the procedure followed was the same as those of other Government payments. The Secretary of the Ministry stated that in order to obviate such delays arrangements had been made with the Railways of adding half per cent to the payment for the stores on account of inspection without worrying about any meticulous charge that had to be made in each particular case. The witness added that the consignees used to put away the bills and the Ministry also did not take steps to remind or press them for payment. The witness concurred with a suggestion that his Ministry should be more on the alert than the Railways in recovering arrears. In answer to a question the witness stated that the amounts were due from the following private parties TELCO, Jamshedpur; the Chief Engineer, Sikkim Public Works Department; Municipal Corporation, Madras; the Steel rolling mills of Hindustan Steel; National Iron and Steel; Guest, Keen and Williams; Andhra Steel Corporation and other miscellaneous parties.

The Committee would like to stress that the preparation of statements in respect of arrears of Rs. 14 lakhs should be expedited so as to facilitate its recovery. They would also like to know whether the remaining Rs. 5.5 lakhs out of Rs. 11 lakhs in respect of which statements had been prepared has since been recovered.

The Committee are glad to know that a workable procedure has been evolved to simplify the procedure of realising inspection charges. They hope that the Ministry will make concerted efforts to realise arrears from all the parties and avoid such accumulations occurring in future.

Avoidable Expenditure—Para 82, Pages 98-99.

10. Between January, 1961 and the first week of April, 1961 the Director General of Supplies and Disposals received four indents from different indentors for a total supply of 11,787 woollen blankets, all of the same specification. Instead of bulking all the four demands and issuing one tender enquiry for the total quantity, the Director General issued a tender enquiry on 11th April, 1961 for the supply of 3216 blankets covering two months only, and entered into a contract with the lowest tenderer on 2nd August, 1961 at the rate of Rs. 22.00 each.

The tender enquiry in respect of the other two indents for 8,571 blankets was issued on 20th May, 1961 and five offers with rates ranging from Rs. 22.25 to Rs. 24.54 each, open for acceptance upto 14th August, 1961, were received. The Directorate General did not, however, finalise the purchase even after obtaining an extension of time from the tenderers upto 14th September, 1961 beyond which the firms which had submitted the four lowest quotations did not agree to a further extension.

A fresh tender enquiry was issued on 18th November, 1961 but again the purchase was not finalised, either before the 8th January, 1962 upto which the quotations were initially valid, or during the extended period of time upto 7th April, 1962 to which most of the tenderers had subsequently agreed.

An order for 206 blankets out of the 8,571 was placed after negotiations at Rs. 26.00 each on a firm which had originally quoted Rs. 25.50 on 7th December, 1961.

A fresh tender enquiry was issued on 6th June, 1962 for the remaining 8,365 blankets; orders were placed on two firms in August and October, 1962 for the supply of 4,000 Nos. at the rate of Rs. 29.50 and 4,365 Nos. at the rate of Rs. 29.60 each, respectively.

The initial omission to include the full requirements in the tender enquiry issued in April, 1961 resulted in an extra expenditure of nearly Rs. 64,000; this would have been reduced by Rs. 62,000 if a prompt decision had been taken on the tenders opened on the second occasion, and by Rs. 34,000 if a timely decision had been taken at least when tenders were invited and examined for the third time.

The Committee desired to know whether the lapse on the part of the D.G.S.&D. to bulk all the four indents for the supply of woollen blankets causing an extra expenditure of nearly Rs. 64,000 had been enquired into and the steps taken to avoid recurrence of such incidents. The witness stated "It is the view of the deptt. and the Ministry itself that this is a thoroughly bad case which is completely indefensible and we do not want to make any defence, because there has been delay after delay and so many extensions of the delivery period." He added that disciplinary action was being taken against the persons concerned. Explaining the bulking of the four indents, he added that the first two indents were bulked together and the third could not be bulked because the delivery periods were very different. The delivery period of the first two indents was April to June, 1961 and the Third which was a forward indent, was from 1st April to December, 1962. As regards other aspects of the case, the witness added that they would not like to defend the action of the department.

The Committee are distressed to note that an avoidable expenditure to the extent of Rs. 64,000 had to be incurred owing to lapse in bulking the tenders. The Committee further note with regret that delivery dates had been extended many a time and at no stage efforts were made to reduce the loss by taking prompt decision. The Committee would like to be informed of the disciplinary action taken against the erring officers. They would further stress that suitable instructions should be issued to all concerned so that similar cases do not recur.

Extra expenditure due to delay to finalising the purchase of Aircraft Spares—Para 83, Pages 99-100.

11. In three cases, an extra expenditure of £6262 (Rs. 83,493) was incurred as indicated below on purchases of aircraft stores in England owing to delay in the placing of orders by the Director General, India Store Department, London.

(i) 53 pieces 'Fuel pump with inverted flight valve', The lowest quotation was received on 3rd February, 1960 valid upto 4th April, 1960. The validity was subsequently extended by one month.

No order was placed within this period but a request for a bulk discount was made to the firm on the 4th April, 1960 taking into account another indent for the same item, received in March, 1960.

The firm, however, quoted a higher rate valid upto 24th June, 1960 stating that the manufacturers' prices had gone up. Again, no order was placed and in March, 1961, the firm was approached to keep the offer open.

The firm refused and requoted still higher prices on 4th April, 1961.

The purchase was eventually made in June, 1962 from other sources at £150 each as against £98-5-5 each quoted in February, 1960 resulting in an extra expenditure of £5,018 (Rs. 66,906).

(ii) 48 'non-return valves' and 44 'water extractors'.—The lowest quotation was received on 20th June, 1960 valid upto 16th July, 1960. In March, 1961 when the firm was approached to keep their quotations open until 15th April, 1961, the firm refused and requoted on 1st May, 1961. On the 30th June, 1961, a letter of intent was issued on the basis of original quotation but was refused by the firm who claimed the increased prices.

Again a formal contract was sent to the firm on 16th March, 1962 at the original rate; this was also not accepted by the firm.

The purchase was made eventually in June, 1962 from other sources at rates of £8-8-10½ and £98-5-4½ each as compared with the quotations of £3-14-6 and £92-11-8 each received in June, 1960 resulting in an extra expenditure of £476 (Rs. 6,347).

(iii) 35 (Subsequently raised to 50) 'indicators position,' 45 'accelerometers' and 45 'indicators turn and slip'.—The lowest quotations were received on 20th June, 1960 from the firm referred to in the preceding sub-paragraph and were valid upto 9th August, 1960.

A letter of acceptance of the quotations was issued only on the 30th December, 1960.

The firm intimated that as their June, 1960 quotation had expired, they would notify revised price and delivery schedule.

Despite this, a letter of intent was issued on the 30th December, 1960 followed by a formal contract on the 13th April, 1961 on the basis of the earlier quotations; this was not accepted by the firm.

The purchase was eventually made from other sources at higher rates, involving an extra expenditure of £763 (Rs. 10,240).

The Committee desired to know whether any disciplinary proceedings were initiated against the then Director of Purchase for not ensuring prompt action on the letters received from the firms resulting in a total loss of Rs. 83,493 on the purchase of aircraft spares. The witness stated that responsibility had been fixed for delay in correspondence on the officer who was on loan with the Indian Supply Department, London from the Hindustan Aircraft Ltd. but no action could be taken against the officer concerned as he had resigned from the Hindustan Aircraft Limited after his return from England. In answer to another question, the Committee were informed that in the first case the quotation of £150 was accepted against £98 as it was the lowest tender offered by a different party and that there was no *malafide*. In regard to the steps taken to avoid recurrence of similar cases, the witness stated that all uncovered indents were now being discussed every month by the Director General of the Supply Mission in London who would issue instructions for expeditious disposal of indents pending for some time and submit periodical statements to the Director General, Supply and Disposals who in turn would send a monthly statement to the Ministry showing pending indents, their value and the progress made in the matter.

The witness informed the Committee that the same officer was involved in transactions of 48 'non return valves' and 44 'water extractors' which were all aircraft spares. The Committee wanted to know the action taken against the officer concerned between 1960 and 1962 when the irregularity had occurred in 1960 and the officer was in service upto 20th July, 1962.

The witness stated in evidence that the irregularity came to light after the second contract had been entered into and it was not practicable to take disciplinary action against the officer as he was in service only for a few months.

The Committee cannot but regret the multiple lapses on the part of the Director of Purchase, India Supply Mission, London in dealing with the letters of intent of the firms which led to a loss of Rs. 83,493. The Committee hope that under the existing practice the Director General of Supply Mission in London will exercise effective control to ensure that Government are not made to suffer losses due to the negligence of an individual officer.

II

MINISTRY OF INFORMATION AND BROADCASTING

Directorate of Advertising and Visual Publicity—Para 46, Pages 49—54

12. The Directorate is responsible for (i) the planning, production and release of display advertisements to newspapers and periodicals, (ii) the designing and production of printed publicity materials, and (iii) the issue of classified advertisements on behalf of the various Ministries, Departments and some of the autonomous bodies.

The expenditure on this Directorate during 1962-63 amounted to Rs. 1.63 crores (Rs. 19 lakhs on establishment and the balance of Rs. 1.44 crores on publicity and other activities).

Avoidable extra expenditure on purchase of paper—Sub-para 1, Pages 49-50

The Chief Controller of Printing and Stationery is responsible for meeting the requirements of paper of the Department; indents for this purpose are required to be placed well in advance. It was noticed that an additional expenditure of Rs. 6 to 8 lakhs a year had been incurred during the three years ending 31st March, 1963 due to the fact that instead of Department supplying the paper to the printers who were entrusted with the printing jobs, the printers were asked to use their own paper. For indigenous paper, the Mill rates for the supply to Government were about 19 per cent lower than those at which the paper was made available by the Mills to the trade. In addition to the price paid for the paper by printers, it had been stated by the Department that the printers charged normally 15 to 20 per cent more on account of handling charges, interest on investment, etc. The following table shows that during the three years ending 1962-63 the proportion of paper supplied by the printers to the total consumption was 84 to 96 per cent in regard to 'Offset and cartridge Paper' and 72 to 86 per cent in case of 'Art Paper'

(The figures in the brackets indicate the quantities of imported paper included in the total):

	Reams indented from CCP&S	Supplied by CCP&S	Supplied by the printers	Total consumption	Percentage of the paper supplied by the printers to the total consumption
<i>Offset and Cart-ridge Paper :</i>					
1960-61	4,000	3,231	28,969	32,200	90
1961-62	12,520	818	17,520	18,338	96
1962-63	31,600	5,414	27,717	33,131	84
<i>Art Paper :</i>					
1960-61	..	785(266)	2,015(1534)	2,800	72
1961-62	411	1,745(780)	4,942(2283)	6,687	74
1962-63	140	840(519)	5,128(2114)	5,968	86

The Ministry had stated that the paper had to be arranged through the printers mainly due to non-receipt of adequate quantity of paper against the indents placed on Chief Controller of Printing and Stationery; and that in the case of imported paper the Ministry of Finance was meeting only a part of foreign exchange requirements of the Department. It was noticed, however, that although indents had been placed with the Chief Controller of Printing and Stationery sufficiently in advance, the actual quantities for which indents had been placed were considerably less than the total quantities consumed. Further, it was not clear how private importers of paper were able to obtain foreign exchange to cover Government requirements, while Government Departments were unable to get such exchange.

The Committee enquired about the reasons for the department meeting the bulk of their requirement of paper from the printers at a higher cost instead of obtaining it through the Controller of Printing and Stationery. The Secretary of the Ministry stated that the quotas for paper were allotted by the Ministry of Commerce, and the Advertising and the Visual Publicity Directorate had invariably

been getting less than what they asked for every year. The Ministry of Commerce also allotted quotas to private individuals. The Committee asked how the actual quantities for which indents had been placed were considerably less than the total quantities consumed. The representative of the Ministry stated that they first discussed with the Chief Controller of Printing and Stationery and the Ministry of Commerce about their actual requirements and agreed to place indents only for the quantities which were likely to be allotted. The actual quantities supplied by the Controller of Printing and Stationery were less than even what was indented. The Department were asked by the Controller of Printing and Stationery to restrict their requirements. The Committee asked how the private parties were able to get allotment of quotas while the Department did not get their requirement. The witness stated that the Department got what was made available by the Controller of Printing and Stationery. In the case of imported paper, they had to approach the Department of Economic Affairs for allotment of foreign exchange. But the foreign exchange was not allotted as its availability for the Government Departments was limited, and the private users' quota could not be divested. Asked if the Department had represented to the Ministry of Commerce to increase their quota, the witness replied that that was invariably done. The Secretary stated that the Commerce Ministry were reluctant to reduce the trade quota in order to meet the larger demands of the I. & B. Ministry. The Secretary agreed that the I. & B. Ministry should not restrict their indents to the quantities which were likely to be allotted but press for their full requirements. The Committee asked if the Ministry of I. & B. which recommended allotment of imported paper to the various users could not recommend release of the material to their own Department. The Secretary stated that the imported quota was extremely limited because of the difficulty in getting foreign exchange. The total quantity imported was much less than what was wanted by newspapers and they were not able to meet their demand in full. The quantities released to the newspapers in the past could not be reduced. The Committee drew attention to the statement made by the I. & B. Ministry that early in 1962, the Finance Ministry had informed that in view of the difficult foreign exchange situation, they had no objection to the continuance of the DAVP meeting their requirement of imported paper from private printers in some cases. The Secretary stated that they had asked the Ministry of Finance either to agree to their importing the paper direct or to pay the extra money demanded by trade. The extra amount paid on this account during the three years 1961-62 to 1963-64 was stated as about 30 per cent to 40 per cent. The Committee desired to be furnished with a statement showing the actual amount

which had to be paid extra for buying paper through the printers instead of directly through the Controller of Printing and Stationery in years 1960-61, 1961-62, 1962-63 and 1963-64. The statement is at Appendix IV.

The Committee are surprised to note that private importers of paper were able to get foreign exchange to the extent that they were able to cover Government requirements while the Directorate of Advertising and Visual Publicity was itself unable to get sufficient foreign exchange to import paper for its own use.

They are also perturbed to find that the Ministry of Finance instead of releasing foreign exchange to the D.A.V.P. agreed to its purchasing imported material through the trade at a higher price. The Committee would like the Ministry of Finance to examine this matter and intimate the results in due course.

From the statement (Appendix IV) furnished at the instance of the Committee, it is observed that in the years 1960-61, 1961-62, 1962-63 and 1963-64, the Government incurred an extra expenditure of Rs. 4.91 lakhs, Rs. 5.19 lakhs, Rs. 5.87 lakhs and Rs. 5.37 lakhs in getting paper both indigenous and imported from printers instead of getting it through the Chief Controller of Printing and Stationery. In view of the heavy extra expenditure, the Committee can hardly over-emphasise the necessity of getting increased quota of paper through the Chief Controller of Printing and Stationery. The Committee hope that the Ministry of I. & B. will take up this matter with Chief Controller of Printing and Stationery with a view to meet their full requirements.

Payment of Commission to the space selling agents for the Government advertisements received direct—Sub-para 3, Page 51.

13. Under the terms of the Agreements with the "space selling agents" all advertising business, emanating from the territory assigned to the space selling agents was credited to their respective accounts. During three years ending 31st March, 1961, the Directorate received advertisements valued at Rs. 67,698 direct from the State Governments, Railways and autonomous bodies and Rs. 28,024 from the advertising agencies. The commission paid to the space selling agents on these advertisements amounted to Rs. 11,117. Though the space selling agents did not make any efforts to collect advertisements from these bodies, the question of amending the terms of the agreement had not so far (January, 1964) been examined.

The Secretary of the Ministry stated that the space selling agents were entitled to get over-riding commission in respect of the advertisements received direct from their regions. This had been allowed on the basis of a convention.* The Committee drew attention of the witness to the Ministry's letter dated the 27th February, 1964 to Audit stating that this was more of an administrative matter rather than an audit matter. The witness admitted that this was an audit matter and not purely an administrative matter. He assured that the matter would be looked into. He added that the current agreements had now been reviewed and that action had been taken.

The Committee do not consider it to be a satisfactory arrangement that space selling agents were paid commission for advertisements which were received direct from the State Governments, Railways and autonomous bodies and in respect of which the agents did not make any efforts whatsoever. The Committee are also not convinced by the explanation that payments were made to the agents on the basis of a convention. They would like to be informed what steps have been taken to remedy the defects in the agreements with a view to put a stop to this practice.

Agreement with space selling agent in the Eastern Zone—Sub-para 4, Pages 51—53.

14. A firm was appointed as the sole space selling agent for the Eastern Zone, initially for a period of three years with effect from 28th June, 1955. No tenders were invited before their appointment and negotiations were carried on with this firm only. The contract was also extended from time to time till June, 1963. The amounts of commission and bonus for the period 28th June, 1955 to 27th June, 1962 works out to Rs. 3.91 lakhs and Rs. 0.78 lakh respectively.

Some other features noticed in this arrangement are indicated below:—

- (a) Although the space selling work was awarded to the firm from 28th June, 1955, the agreement was executed after more than two years on 27th December, 1957. The Ministry of Finance whose concurrence was sought only in July, 1957 commented on the failure to obtain their prior concurrence.

*In a note furnished subsequently by the Ministry of Information and Broadcasting, it has been stated that in accordance with the terms of the agreement, commission at the full rate was being paid to space selling agents on all advertisements, including those received direct from State Governments, Railways, autonomous bodies, etc., which emanated from the territory in which they were appointed sole agents.

The agreement with the firm was renewed from time to time without inviting any fresh tenders as indicated below:—

Period of Agreement	Date of execution of the Agreement
(i) 28-6-1958 to 27-6-1960	5-10-1959
(ii) 28-6-1960 to 27-6-1962	14-11 1960
(iii) 28-6 1962 to 27-6-1963	3-10-1962

The Ministry had informed Audit in October, 1963 that—

“.....repeated experience has proved that calling tenders is utterly ineffective in locating good space selling agents specially for our media which are of second class quality.” and that the execution of the agreements took some time as the terminology thereof had to be finalised in consultation with the Ministry of Law.

The Committee asked why the firm was appointed as the sole space selling agent initially without inviting tenders and why the agreement with the firm was renewed from time to time without inviting fresh tenders. The Secretary of the Ministry stated that in order to explore the possibility of finding out a suitable agent in the Eastern Zone, the Director, AVP had visited Calcutta and interviewed various parties, who following the interview put in formal applications for the agency. But none of them, except two, had the required qualifications, experience and financial resources. One of the two parties, who was already working as space selling agent for the Akashavani group of journals, owed the Government nearly Rs. 70,000 and it, therefore, stood disqualified for the new agency. This left only the second party as prospective agent. This party was also selling agents for Betar Jagat. On enquiries from Betar Jagat, the Director was satisfied that the firm was of good standing and its business turnover for the journal was quite appreciable. Besides this was the only party who was prepared to place a security deposit of Rs. 50,000 with Government. Thus, having fulfilled the conditions required, the firm was appointed as the sole space selling agent in the Eastern Zone. In justification of not following the procedure of calling tenders, the witness stated that the percentage of commission charged by advertising agencies according to the prevalent trade

practice was more or less fixed i.e. 15 per cent of gross advertisements plus 6½ per cent payable to canvassers. So the space sellers had to pay approximately 21 to 23 per cent of gross advertisement revenue as commission for the business secured. The only consideration for the choice of a space selling agent was the suitability of the firm concerned which might be desirous of working for the D.A.V.P. In the present case the particular firm's work was found to be satisfactory. The witness added that the efforts made for appointment of space selling agents in other zones through tenders were not successful especially because their media were of second quality (media of first quality were Newspapers). Asked whether after the termination of the first contract in the Eastern Zone, any further attempt was made to find out another agent, the witness stated that because of their experience in other zones, no action was taken in this behalf. The Committee asked about the experience of the Directorate about locating of selling agents in the Eastern Zone before 1955. The representative of the DAVP stated that before 1955, the other media units of the Ministry who were bringing out magazines and journals were canvassing for advertisements directly. It was felt in 1955 that Government could get more revenue from advertisements if their procurement was centralised in one unit. It was then decided that the DAVP should look after the work of procurement of advertisements for all journals brought out by the various media units of the Ministry. Asked how the Ministry came to the conclusion that the tender system was "utterly ineffective", the Secretary stated that this conclusion was based only on the experience of the then Director, AVP in Calcutta in 1955, who could find only two firms for the selling agency and the subsequent experience in the South Zone and other places.

Explaining the reason for delay of more than two years in executing the first agreement, the representative of the DAVP stated that its terms were drawn up and referred to the Ministry of Law in June 1955, but it was not finalised till July 1957, when a reference was made to the Ministry of Finance. The Secretary of the Ministry admitted that the concurrence of the Ministry of Finance should have been obtained in 1955 before making a commitment. Asked if the Ministry of Finance were consulted with regard to the subsequent agreements the witness stated that the Ministry had made a query with regard to the subsequent agreement, but it was pointed out then that the agreement was essentially an enlargement of the earlier one. The Finance Ministry, thereupon observed that, as long as the I. & B. Ministry considered the terms to be competitive and no cheaper arrangement was possible, there was no objection to the proposals. The witness added that no financial concurrence

was obtained with regard to the offer of 1962, as with the increase in the delegation of powers in 1961, the matter fell within the competence of the Administrative Ministry. The Committee asked about the reasons for delay in the execution of the subsequent agreements for the years 1958—60, 1960—62 and 1962-63; the representative of the DAVP stated that the question of the renewal had been taken up before the commencement of these agreements, but the Ministry's approval after consultation with the Finance Ministry was conveyed to the Directorate on 8th October 1958, 27th July, 1960 and 21st June, 1962 respectively. Thereafter, the execution of the agreements took some time, as the terminology had to be finalised in consultation with the Ministry of Law.

In reply to a question, the Secretary of the Ministry stated that the agreement with the firm had since been terminated.

The Committee are unhappy to note that in this case the Director of Advertisement and Publicity instead of following the well established procedure adopted an unusual method for selection of space selling agent. They are surprised at the explanation offered by the Ministry to Audit that "repeated experience" had proved that calling of tenders was utterly ineffective in locating the good space selling agents specially for their "media which are of second class quality".

Further the fact that the percentage of Commission charged by the advertising agents was more or less fixed was no justification for dispensing with tenders which deprived Government of the benefit of competitive rates and possibly also of the services of more experienced and better organised agencies in the field.

As stated in evidence, the Ministry of Finance had indicated that if the I. & B. Ministry considered the terms to be competitive and no cheaper arrangement was possible they had no objection to the proposed extension of the agreement. In the absence of open tenders, the Committee do not see how the Ministry of I. & B. verified the reasonableness of the terms of the contract. The Committee trust that the Ministry will issue suitable instructions in the matter to avoid recurrence of such cases.

The Committee also suggest that in future if the normal and establishment procedure is to be deviated then a prior permission of the Secretary of the Ministry, if not the Minister, should be taken.

Additional Expenditure—Sub-para 4(b)

15. In June, 1960, the Ministry sanctioned payment of bonus amounting to Rs. 24,153 on the entire business done by the firm during the period from 28th June, 1955 to 27th June, 1958. It was held in audit that the sanction of the bonus on the

entire business (including the minimum guaranteed business of Rs. 1.2 lakhs specified in the agreement) was irregular and against the terms of the agreement. The Ministry of Law, who were consulted in the matter opined as under:—

“.....The language of sub-clause (ii) of Clause 5 of that agreement can be interpreted only in one way, that the agent was to receive a bonus of 1 per cent for every additional gross business of Rs. 15,000 in excess of the minimum guarantee specified in sub-clause (i) of Clause 5”.

“.....The agent's interpretation that she was entitled to the additional bonus on the entire amount of business including the minimum guaranteed business was not compatible with the express terms used in sub-clause (ii) of Clause 5. If that was the intention of the parties, clause 5(ii) did not give effect to it, it was for the administrative Ministry to decide whether they would, revise that clause by a further supplementary agreement.”

It was noticed subsequently that on a reference made by the firm soon after the execution of the agreement in December, 1957, the Director had confirmed by a letter issued to the firm on the 6th February, 1958 (without obtaining financial concurrence) that an over-all bonus upto a maximum of 5 per cent would be paid on the entire business. The bonus clause of the agreement had, therefore, to be modified by the execution of a supplementary agreement in October, 1962 to provide for the payment of bonus on the entire gross business at sliding scale including the minimum guaranteed business. The concurrence of the Ministry of Finance was not obtained since the matter fell with their own powers under the increased delegation of powers to Ministries which took effect from the 14th September, 1961. As a result of the modified agreement Government had been put to an additional expenditure of Rs. 42,771 upto June, 1961.

The Committee asked whether any action was taken against the officer of the Directorate who confirmed by letter to the firm on the 6th February, 1958 that an overall bonus upto a maximum of 5 per cent would be paid on the entire business. The representative of the Ministry stated that there was no intentional lapse on the part of the officer. The intention throughout the correspondence between the DAVP and the firm was that the firm was entitled to a bonus on the entire business secured by it, but unfortunately the wording

of the relevant clause in the agreement was defective and conveyed the impression that it was entitled to a bonus only for the business in excess of the minimum guarantee in terms of the agreement. The Law Ministry, who were consulted in the matter expressed the opinion that the language of the relevant clause could be interpreted only in one way i.e. the agent was to receive a bonus of one per cent for every additional gross business of Rs. 15,000 in excess of the minimum guarantee. The witness added that action was taken to execute supplementary agreement with the firm to give effect to the intention of Government in regard to bonus. The Ministry of Information and Broadcasting were themselves competent in the matter in pursuance of the enhanced powers delegated to the administrative Ministries by the Finance Ministry. Asked if the interpretation given by the Law Ministry was communicated to the firm, the witness replied in the negative. The Secretary of the Ministry stated that the firm had insisted on payment in accordance with the terms communicated to it in the Directorate's correspondence. In spite of the interpretation of the Law Ministry, the Ministry of Information and Broadcasting, in fairness to the commitments made by the Officer of the Directorate on behalf of the Ministry had to pay the firm its dues and revise the agreement accordingly.

The Committee asked about the circumstances in which the matter was referred to the Ministry of Law, after the Officer of the Directorate had already clarified the position in his letter dated 6th February, 1958 regarding admissibility of over all bonus in reply to the firm's letter dated the 27th December, 1957 seeking clarification of terms of the agreement in this regard. The representative of the Ministry of I & B stated that it was later found that the clarification given by the Officer of the Directorate was incorrect. The Ministry, therefore, referred the matter to the Ministry of Law in 1961, who also held the view that the clarification given by the Officer was incorrect in the terms of the existing agreement. But since the letter had already been issued in February, 1958, which amounted a commitment between the Ministry and the firm, a supplementary agreement was entered into. The witness also stated that if supplementary agreement had not been entered into, then the Government would have been guilty of dishonouring its own commitment. In reply to a question the Secretary stated that no explanation of the officer who gave incorrect clarification was called for.

The Committee are sorry to note that no explanation was called for from the Officer who gave wrong interpretation of the terms of the agreement which resulted in a loss of Rs. 42.771 to Government.

They are also surprised at the contention that the intention of the Département throughout was that the firm was entitled to bonus on the entire business and that the agreement was worded incorrectly. If that be accepted there appeared to be no reason for (i) making a reference to the Ministry of Law and (ii) holding the view that the payment was made in fairness to the commitments made by the Officer.

The Committee feel that the circumstances in which the Officer of the Département made a commitment contrary to the clear provisions of the agreement may be enquired into, responsibility fixed, and suitable action taken.

Adequacy of the percentage levy on advertisements and heavy Outstandings—Sub-para 5, Page 53 (i)

16. Since 1959 certain autonomous bodies financed wholly or substantially by Government grants had been routing their advertisements to newspapers, periodicals etc., through the Directorate.

Despite the fact, that the administrative expenses of the Directorate ranged between 17.72 and 19.89 per cent of the total expenditure during the years 1961-62 and 1962-63, a charge of only 10 per cent was levied from autonomous bodies for their advertisements. This levy was intended to cover the 'over-heads' of the Département. Under the Orders of Government issued in June, 1959, a review of the departmental charges was also contemplated and was due in 1961; such a review had not been done till January, 1964.

The Ministry had informed Audit that this review was now being undertaken.

The Secretary of the Ministry stated that the rate of levy of 10 per cent was fixed in September, 1959 and it was due for review in August-September, 1961. The proposals of the Directorate in this regard were received in the Ministry on the 24th December, 1963. On a review of the expenditure incurred on establishment and publicity, it had been decided in consultation with the Ministry of Finance to raise the rate of departmental charges from 10% to 12%. The witness added that Audit had also agreed to the recovery of the departmental charges at the rate of 12 per cent as calculated by the D.A.V.P. after taking into account the proportionate overhead charges which could legitimately be recovered from the paying departments and autonomous bodies. The percentage for the years 1959-60, 1960-61, 1961-62 and 1962-63 were 11.86, 11.25, 11.54 and 12.09 respectively.

As regards the delay in putting up the proposals for revision of the charges earlier, the Secretary stated that the Directorate had

explained that they had initiated the review in September, 1961, but it could not be processed expeditiously owing to the time and labour involved in collection and compilation of various figures which were not readily available and which had to be worked out. Further, owing to heavy pressure of work and casualties, adequate and continuous attention could not be paid by the Directorate to the review.

The Committee regret to note the inordinate delay in conducting the review of the departmental charges which was due in 1961. They hope that in future Department would be more prompt in dealing with matters affecting their earnings.

Sub-Para (ii)

17. The expenditure incurred on advertisements on behalf of autonomous bodies is being initially met from the Consolidated Fund of India. An examination of the accounts showed that a sum of Rs. 12.89 lakhs, as detailed below, was outstanding against such bodies in July, 1963:

	Amount due	Amount received	Balance Outstand- ing on the 10th July, 1963
	Rs.	Rs.	Rs.
1960-61	1,29,349	34,706	94,643
1961-62	3,96,932	1,68,831	2,28,101
1962-63	11,28,567	1,62,204	9,66,363

In evidence, the Secretary stated that only Rs. 5.59 lakhs out of this amount were yet to be recovered. The year-wise break-up of the balance of Rs. 5.59 lakhs was stated as follows: 1960-61, Rs. 40,151; 1961-62, Rs. 1,37,137 and 1962-63, Rs. 3,81,874. The witness added that efforts were being made to make recoveries. Explaining the reasons for delay in making recoveries the witness stated that previously the recovery statements were being sent to the autonomous bodies annually on the close of the financial year. With effect from the current financial year, the recovery statements were being sent to them quarterly. As a result, the position was expected to improve.

The Committee desired to be furnished with a statement showing the details of the autonomous bodies which were in arrears and the amounts outstanding against each.

From the statement which has since been furnished, the Committee find that further recoveries had been made from autonomous bodies and amount now due from them as on 18th December, 1964 was Rs. 2.59 lakhs. The Committee trust that steps will be taken to recover the outstanding amount expeditiously.

Stock Accounts of Blocks—Sub-para 6, Page 54.

18. A sum of Rs. 4 to 5 lakhs was spent every year in the preparation of blocks supplied to the private presses for various jobs of printing and publicity. These blocks were returned by the Presses after completion of the jobs and were required to be stored by the Directorate for possible use in future. It was observed that no stock accounts of the used blocks were being kept by the Directorate. The arrangement for the storage of blocks was also not satisfactory. In November, 1959, it was reported that white ants had eaten up the wood on many of the blocks, and that a number of colour blocks had been rendered useless due to bad storage.

In July, 1963, it was stated that there would be more or less 4,500 blocks in each of the 4 production sections of the Directorate. The blocks which were made of copper or zinc, carry appreciable disposal value.

The Committee asked about the action taken to prepare stock accounts of the blocks. The Secretary of the Ministry stated that the Directorate had been instructed to maintain proper accounts of blocks. The blocks which were likely to be used were required to be retained and the rest disposed of periodically to the best advantage of Government. Out of 18,000 blocks approximately held by the Directorate, they had disposed of by auction in March and August, 1964, 5,878 blocks, which had been declared unserviceable. The representative of the Directorate stated that most of these blocks were not of much use, as these could not be used again having been used in printing of a large number of copies. Their only value was their metal content (Copper/zinc).

The Committee asked why out of 18,000 blocks only 5,878 had been disposed of so far. The representative of the Directorate stated that the blocks were to be sorted out and those which were of some use kept for some time.

Asked about the steps taken for proper storage of blocks which were required for future use, the representative of the Directorate stated that these were stored in the space available to them. The

Committee desired to be furnished a statement showing the amount spent on the blocks and amount recovered by way of sale proceeds of metal during the last 10 years.

A note has been received from the Ministry of I & B wherein it is stated that it is difficult to give figures of expenditure on blocks for the last ten years because no separate record had been maintained of blocks as such. The expenditure on blocks is incurred in each printing job according to its requirements and that forms part of the expenditure on that job. The Ministry have, however, compiled the figures of expenditure on blocks from April, 1964 to 31st December, 1964 and it comes to Rs. 58,477.

The Committee are surprised that no figures of expenditure on these blocks are available even for the last two or three years, if not earlier. The Committee desire that proper arrangements for storing used blocks should be made and their account kept properly to safeguard against any pilferage etc. They also desire that early steps may be taken to dispose of the unserviceable and un-wanted blocks.

Irregular employment of Daily Wage Labour—Sub-para 7, Page 54.

19. An examination of the statistics of the work-charged staff showed that on an average, 64 persons had been employed daily involving an expenditure of Rs. 3,763 per month since October, 1962. Some of them were employed on work of a regular nature like typists, peons, sweepers, chowkidars, etc.

The engagement of large number of work-charged staff or staff paid from contingencies for work of a regular nature amounted to evasion of the sanction for the creation of the posts by the competent authority and of the existing orders of Government imposing a ban on recruitment of staff.

The Secretary of the Ministry stated that no typists or clerks were employed as such by the Directorate as work charged staff. Packers who were employed on a daily wage at the rate of Rs. 1.92 were put on the job of typing or extra work. They were not paid as typists. The witness added that the evasion of the rules in this case was cheaper to Government than employment of typists etc. The Committee asked how it was justifiable to employ persons as packers and deny them the benefits of the posts of typists. The witness replied that packers had to be engaged from time to time depending on the amount of packing to be done at the rate of Rs. 1.92 per day as against permanent cadre costing Rs. 100 p.m. They were employed

on typing also on occasions but were not solely for typing. As the amount of packing could not be predetermined, casual daily wage workers had to be engaged for certain periods. After the packing work was finished, the officer concerned put them on despatching or addressing envelopes and packing, if they were capable of doing that work.

The representative of the Directorate stated that employment of casual labour for the purpose was not a regular feature. Soon after the declaration of the emergency, a lot of material had to be produced and sent urgently to various places in the whole country. Due to inadequate staff, the casual labour was employed which did all the work of putting the material in bundles, writing of postal addresses, affixing stamps etc. Besides Delhi, the practice of employing casual labour for the purpose was resorted to in Calcutta, Bombay and Madras. Asked whether some of the persons employed as casual labour had continued to serve for long period, the Secretary of the Ministry stated that there were quite a number of such cases. He added that the question of creating additional posts for absorbing these persons was under examination of Ministry at present.

The Committee do not appreciate the irregular method adopted by the Ministry to augment their establishment by putting casual labour on regular jobs. This amounted to evasion of the sanction for creation of posts by competent authority and was also in contravention of the orders imposing a ban on recruitment of staff. At the instance of the Committee the Ministry have furnished a note stating that on an average 25 daily wage workers (casual labour) were employed by them during the last six months. This included daily wage chowkidars (2) and sweeper (1). It is also stated that 12 daily wage workers have been working continuously for more than three months.

The Committee feel that in case casual labour is to work continuously for months together then the proper course for the Ministry is to absorb them against regular posts.

Publications Division—Para 47, Pages 54—57.

20. The Publications Division functions as a Government Agency for the production, distribution and sale of pamphlets, books and journals, dealing with matters of national importance with a view to provide to the general public, at home and abroad, authentic information about the country. The expenditure incurred on this Division for the three years ending 1962-63 was Rs. 26.33 lakhs,

Rs. 26·18 lakhs and Rs. 29·24 lakhs respectively. This did not, however, include expenditure incurred on supply of paper, printing, etc., by the Chief Controller of Printing and Stationery.

Printing Costs—Sub-para 1, Pages 54-55.

The books were got printed through the Chief Controller of Printing and Stationery either from the Government presses or by the private presses. In cases where the Publications had been got printed through the Government presses, the actual cost of production was generally intimated by them after a lapse of two to three years of printing of books; a test check disclosed that the cost price as thus intimated exceeded the estimated production cost worked out by the Publications Division on the basis of the scheduled rates laid down by the Chief Controller of Printing and Stationery, as shown below:

	No. of copies ordered for printing	Total estimated cost of production as worked out by Publications Division	Total value as per cost of production intimated by Government presses
		Rs.	Rs.
Better Citizenship (English) .	5,000	2,275	4,883
Chidion Ka Darbar (Hindi) ¶ .	5,000	4,453	6,697
Durgapur Steel Project (English) .	3,000	670	1,168
Metric Measures Conversion Table	30,000	3,640	5,442
Co-operative Marketing . . .	10,000	880	1,267
Second Five Year Plan of the Indian Union (pocket Edition) .	25,000	6,000	10,600
Social Welfare in India . . .	5,000	13,846	25,842

It was explained that the cost worked out by the Chief Controller of Printing and Stationery included overheads and was much above the market rates and that if it was taken into account it would make the publication unsaleable.

As regards printing costs of publication, the representative of the Ministry informed the Committee that as it took a long time to get

information about the actual cost of production from printing presses, the Directorate of Publications Division had to fix the highest of the schedule of rates approved by Government. The witness added that if the information regarding the actual cost data to be supplied by the Government printing presses had to be awaited, the publications could not have been priced and sold for considerable length of time.

In reply to a question as to why the printing presses took two to three years to supply the information, the witness stated that after an informal discussion, the press had agreed to make the cost data available quickly though in actual practice they were able to supply the information only six months after a publication was out. The A.G.C.R.* who were consulted in this connection, while appreciating the difficulty involved had suggested the following three alternatives:

- (1) the Controller of Printing and Stationery should prescribe a special schedule of rates for printing done in Government presses in regard to publications of the Publications Division;
- (2) the Director of Publications Division should continue to work out the costs on the basis of 'A' class scheduled rates which the C.C.P. & S. had fixed for the better class printing presses, and the Ministry of Information and Broadcasting should approve this basis through a special order;
- (3) getting the printing done at outside presses.

In reply to a question the witness agreed that the present Government directives on the subject had to be reconsidered. As regards the cost of production in Government presses which was very much higher than the Commercial presses, the witness stated that certain notional overheads were calculated for the capital outlay. In addition, the cost was calculated on an hourly basis and even when the machines had remained idle for certain reasons beyond control, the idle hours were also added to the cost of production of a particular job. The witness added that the cost of the paper was worked out on the basis of actual price paid by Government and 100 to 200 per cent was added to cover the bookseller's discount and certain other direct overhead charges like direct editorial expenditure or payment for photographs etc. In addition 5 to 10 per cent was charged for left overs and 10 to 15 per cent for Proof Reading if sent

*According to Audit, the suggestions were made by the Publications Division.

outside and all these were added to determine the cost. The witness further added that a minimum of 100 per cent was added to direct cost in case of publications of general interest while for specialised publications 200 to 300 per cent was added to the direct cost.

The Committee feel concerned to note that the cost of the production had not been estimated realistically and Government had to suffer losses on this account. In their opinion such losses can be eliminated if the Chief Controller of Printing & Stationery communicates the cost of production of publications as soon as they are printed, in order to enable them to fix the appropriate price. In this connection the Committee would also like the Ministry of I & B to examine the suggestion that the Controller of Printing and Stationery should prescribe a special schedule of rates for printing done in Government Presses in regard to Books etc. for the Publications Division. Alternatively the Division should continue to work out the costs on the basis of 'A' class scheduled rate which the CCP & S had fixed for the better class printing presses. Incidentally the Committee are perturbed to learn that the cost of production in Government presses was very much higher than that in the private presses. The Committee therefore recommend that the Government should have an enquiry made into the reasons for the high cost of production in Government presses and take suitable measures to bring down the cost.

Journals—Sub-Para 2, Pages 55-56.

21. During the year 1962-63, the Division brought out 8 journals upto September, 1962 and 17 journals thereafter. In a majority of cases, the actual cost of production was much above the sale price. The loss on this account in the years 1961-62 and 1962-63 was Rs. 5·09 lakhs and Rs. 4·83 lakhs respectively.

The main reason for the losses was stated to be inadequate revenue from the advertisements. There had been a progressive decline in the advertisement revenue as shown below:

1961-62	....	1,82,170
1962-63	....	1,57,542
April, 1963 to September, 1963		62,257*

No specific policy for the pricing of these journals had been laid down by Government. Between the years 1960-61 and 1961-62, the price of seven out of 16 journals was increased but during the year 1962-63 the price of two out of these seven journals was reduced, in view of a significant drop in their sales. The reduction in price did

not, however, result in any corresponding increase in the sale of journals.

The decision of Government was awaited (January, 1964) on a review of the position of the journal conducted by the Ministry soon after declaration of the Emergency.

The witness informed the Committee that out of seventeen journals, twelve were being published by the Director of Publications Division on behalf of other Ministries and 75 percent of the losses incurred related to the journals brought out for other Ministries. The witness added that a Committee had been set up to go into the question of journals and periodicals published by the different Ministries of Government and to suggest which of them should be continued and on what terms and the said Committee were also considering the possibility of combining one or two journals viz. *Panchayati Raj* and *Yojana* to reduce losses considerably.

The Committee would like to know the decision taken in the matter of amalgamation of journals of similar nature and the efforts made to reduce the losses incurred thereon. In this connection they would invite reference to their recommendation contained in para 37 of 14th Report (Third Lok Sabha).

22. In regard to the annual loss incurred on these journals, the witness stated that it was to the tune of about Rupees Five lakhs out of which *Panchayati Raj* and *Yojana* were alone responsible for a loss of about Rupees two lakhs. The said committee pending approval by the Ministry of Community Development and Planning Commission, had come to a tentative decision that the three journals *Kurukshetra*, *Panchayati Raj* and *Yojana* could be combined into one and the loss could thereby be reduced, if not eliminated altogether.

The Committee enquired whether there had been a progressive decline in revenue from advertisements. The witness conceded that it was so and the actual revenue earned from advertisements in 1963-64 was Rs. 1,13,000 (as compared to Rs. 1,57,542 in 1962-63 and Rs. 1,82,170 in 1961-62). The Committee enquired whether it was a fact that most of the advertisement revenue came from Government companies and Corporations. The witness stated that at least 60 percent would be from private enterprises. The Committee enquired whether due to high advertisement rates, the advertisers were reluctant to give advertisement. The witness replied in the negative and stated that the rates were decided more or less on commercial lines by tallying them with similar magazines in the private

sector and accepted by the Commercial houses. The commercial houses had a certain percentage out of their annual quota earmarked for advertisements in Government publications which they distributed among the publications irrespective of the fact that their number had gone up. Explaining the reasons why Government were not getting enough advertisements, the witness stated that the circulation of government publications was low and it was a secondary media and sometimes government rates were high as compared with commercial magazines because Government's production was on art paper and their production values were definitely better. The witness, however, stated that Government were not getting so much of advertisements which they could if the rates were lower and circulation higher and something ought to be done in that direction.

Asked about the cost involved in printing the advertisements, the witness stated that the rate of advertisement was fixed higher than the cost of printing. The Committee desired to know why the revenue had fallen when the rates of advertisement were higher than the production cost and there were a considerable number of advertisements from the public sector. The witness agreed to look into the matter and felt that the reasons could be due to the fall in circulation and cuts in the publicity budgets of some of the advertising institutions.

The Committee were informed that practically all publications were priced below the cost of production. The Committee enquired whether in order to make the publication of the journals an economic proposition, efforts were made to increase their sale and also advertisements. The witness stated that advertisements had not increased according to their expectation and it could not be made more economical. He added that even if the circulation had increased, the reduction in the charges for composition would have been marginal. The witness further stated that Government had taken a policy decision that in respect of publications meant for publicity purposes certain amount of loss was inevitable. As regards augmenting the circulation, the witness stated that in case of certain magazines it had not been possible to increase the circulation but in some cases like *Bal Bharati* the circulation could be increased upto 20,000. In reply to a question whether any special effort had been made either for increasing the circulation or through other means to increase the revenue from advertisement, the witness stated that efforts were being made in these directions and from about 1955 onwards, the procurement of advertisement was centralised under the supervision of DAVP as it was felt that by so doing the revenue would increase. It was decided only in April,

1964 to decentralise the procurement procedure and the publisher concerned was made responsible for procuring advertisement for his own magazines. As regards the result of the present procedure, the witness stated that it was premature though it was hoped that it would lead to better results. Apart from this, they were contacting the prospective advertisers directly also. In reply to a question whether the sale of journals had become difficult because of the free issue of a large number of copies of them, the witness admitted that it was so and stated that during the last two years the free mailing list for the journals of Information and Broadcasting Ministry had been curtailed but in regard to the publications of other Ministries, they had no control as they acted as the publishing agents only.

The Committee regret to learn that there had been decline in the revenue from advertisements. They desire that the Ministry should explore the ways and means and take suitable steps to secure advertisements so that the losses incurred on publications may be minimised. Efforts should also be made to increase the sale of these publications. The Committee would like to be apprised of the action taken in this regard.

Stock Accounts of Publications—Sub-para 3, Page 56.

23. A physical verification of the stock of the priced publications conducted departmentally in 1961, after a lapse of 7 years showed that against a book balance of Rs. 20.64 lakhs, there were shortages valued at Rs. 2.26 lakhs and excesses valued at Rs. 49,502. The discrepancies were stated to be due to mistakes in the maintenance of records such as:—

- (a) quantities written off not posted on the issue side of the ledger,
- (b) omission to post issue of copies of publications which had been sold by the Division or by field units,
- (c) mistakes in carrying forward balances, and
- (d) wrong posting in the ledger.

On further reconciliation, the final shortages and excesses were reduced to Rs. 1.68 lakhs and Rs. 43,842 respectively. Another physical verification is in progress (January, 1964).

No physical verification of the unpriced publications had been conducted by the Department.

The Committee desired to know the special reasons why the verification of stocks could not be held for the last seven years. The witness stated that mainly because of paucity of space no physical verification of stocks could take place. The witness added that there was so much shortage of space that they had to keep cases containing books even inside their office rooms. Asked about the rate of increase of publications, the witness stated that in 1953-54 the number of titles produced were 73, while the corresponding figures for 1954-55 and 1955-56 were 150 and 173 respectively. The number started increasing from 1954-55 and it had exceeded 200 target in 1957-58. In reply to a question as to how the physical verifications could be carried out in 1960, the witness stated that adequate space was provided by the Ministry in 1958-59, and regular physical verification was started by the end of 1959 and completed in three to four months, though reconciliation of figures had taken some more time. The witness stated that another verification was completed in 1964 and a third verification had started. In reply to a question the witness stated that in pursuance of a suggestion by the Audit, verification of unpriced publications was undertaken in the third verification. The witness added that after this Audit Report was received a cent per cent verification was undertaken and the result so far was that out of the total stock 0.5 per cent had been lost while the permissible limit of loss in publishing business varied from 2 to 5 per cent and in certain cases even upto 7 per cent and the physical verification had at least brought out the fact that there was no undue shortage.

In so far as the writing off of these losses was concerned, the witness added that the Ministry should have laid down certain permissible limits of losses, which they had failed to do and stated that Government would, after the complete physical verification was over, lay down these permissible limits depending on trade practices and the past experience.

In answer to a question the Committee were informed that the total value of stocks was about Rs. 40 lakhs on the basis of sale price. At this, the Committee pointed out that there was a shortage of Rs. 1.62 lakhs and in relation to the stocks, the figure worked out at 4 per cent. The witness stated that the number of books sold during the last few years which were also under review was valued at Rs. 1 crore and odd and the figure of Rs. 1.62 lakhs had to be considered in relation to the total amount of sales effected during the period plus the total amount of stock available. The witness added that the figure of Rs. 1.62 lakhs for shortage also included excesses which had resulted from wrong supply of pamphlets owing to similarity in the titles and wrong entries in the stock ledgers or in totalling or in wrongly reading of figures like 3, 5 or 8.

When the Committee wanted to know who was in charge of verification, the witness stated that it had since been decided that the Accounts Officer himself should do it.

The Committee are surprised to find that due to paucity of space no physical verification could be done for the seven years during the period 1954—1961. In their opinion the physical verification of publications must be done annually as verification done after seven years could not be effective in discovering irregularities and taking timely remedial action. They are also surprised to note that space problem remained to be solved for so many years. They desire that Ministry should make proper arrangements for storing publications and ensure their safe custody. They would also like the Ministry to ensure that there are no losses due to unauthorised issue of priced publications and proper vigilance is kept on the stock of publications.

Free issue—Sub-para 5(ii), Page 57.

24. Government issued *ex-post facto* sanctions regularising excess issues of publications over the free mailing list during 1952-53 to 1958-59 of the value of Rs. 1.62 lakhs.

The excess issue of Rs. 48,283 for the period 1st April, 1959 to 30th June, 1962 was awaiting regularisation (December, 1963).

The Ministry had stated (January, 1964) that the Director had been instructed not to make any free supply over and above the figures incorporated in the revised free mailing lists.

The Committee desired to know the basis of the *ex-post facto* sanction regularising the excess issue of publications over the free mailing list during 1952-53 to 1958-59 of the value of Rs. 1.62 lakhs. The witness confessed that the Director of Publications Division had exceeded the instructions regarding the free mailing lists and the reasons given by the Director for doing so were examined by the Ministry of Finance and with their concurrence the matter was regularised.

The Committee regret to note that the Director of Publications Division exceeded the instructions regarding the free mailing list and that the Government had to accord *ex-post facto* sanction regularising the excess issue of publications. The Committee hope that such cases will be avoided in future.

As regards free issue of publications, the Committee feel that the Ministry should ensure that free issue of publications is restricted to

the minimum. A system should be evolved where by magazines are sent free only to those persons who are really interested in them and had made request for continuing their supply instead of mailing them mechanically according to the list as besides an economy in their numbers it would also make a saving on account of postage etc.

Audit Report (Commercial), 1964

ALL INDIA RADIO—PARA XXII, PAGES 94-95

Radio Publications—Sub-para 2, Page 94.

25. (a) The All India Radio publishes programme Journals in Assamese, Bengali, English, Hindi, Gujarati, Tamil, Telugu and Urdu. The Journal in English is published weekly and the others fortnightly and contain forthcoming programmes and reading material based on broadcast scripts. A comparative statement of income and expenditure of all the radio programme Journals for the last 4 years is given below:—

	1959-60	1960-61	1961-62	1962-63
	Rs.	Rs.	Rs.	Rs.
1. Total income	13,44,019	14,84,602	16,66,065	16,84,002
2. Expenditure	15,99,638	16,75,436	19,69,698	19,87,208
3. Loss	2,55,619	1,90,834	3,03,633	3,03,206

It may be seen from the above figures that as compared to 1960-61, the loss in 1962-63 increased by about 58·9 per cent. In 1962-63 there was a fall in circulation, in the case of all journals varying from 3·6 per cent to 25·9 per cent as compared to 1961-62. Audit had been informed that these losses were mainly due to increase in printing charges of these journals.

The Committee asked for the reasons for the increase in the loss on the Radio publications from Rs. 1,90,834 in 1960-61 to Rs. 3,03,206 in 1962-63.

The Secretary of the Ministry stated in evidence that the increase in the loss was due to higher cost of printing and printing paper. The witness urged that these programme journals were primarily meant for publicising the radio services and it was not possible to run them on a self-financing basis. All over the world such journals were being run at a loss, as they were supposed to be servicing journals and not commercial journals. The witness added that steps

were being taken to minimise the loss as far as possible. Asked if the question of reviewing their selling prices which was fixed in 1958-59 had been considered, the witness stated that a departmental committee had been appointed in December, 1959 to review the aspect. In their report submitted in 1961, the departmental committee recommended against increasing the price of these journals, as it was felt that an increase in the price would not reduce the loss as it would reduce the sale also. Asked how the circulation of the journals was going down in spite of increasing number of radio licences, the witness stated that the circulation of English, Hindi and Urdu editions was going down, as majority of people depended on daily newspapers for broadcasting programmes. The witness added that it was being examined why the Hindi journal should have a low circulation as compared with Tamil, Telugu and Bengali journals.

On being asked about the action taken by the Ministry on the earlier recommendations of the P.A.C. relating to the publication of these journals, the witness stated that attempts were being made to reduce the printing cost by allotment of imported newsprint for printing these journals. At present these were being printed on more expensive indigenous white paper. It was also being considered whether the losses could be reduced by reducing the number of journals and improving their quality. The witness added that in this connection a committee had been appointed consisting of the Secretary to the Prime Minister, Secretary, Ministry of Finance and Secretary, Ministry of Information and Broadcasting to go into the entire question of publication of all the journals published by the Ministry of Information and Broadcasting and other Ministries including the All India Radio journals.

The Committee would like to be informed of the findings of the enquiry Committee and the action taken/proposed to be taken to reduce the number of journals and improve their quality.

26. As regards the other recommendation of the P.A.C. the witness stated that the number of complimentary copies distributed to officials had been reduced. Previously the A.I.R. stations used to get free copies, but now they had to pay for them. The number of free copies of Akashvani had come down to 13,227 in 1963-64 as compared to 16,789 in 1961-62 and 14,720 in 1960-61.

In reply to a question, the Secretary of the Ministry stated that the All India Radio had about 500 selling agents for the sale of their journals and they were paid 25 per cent commission. The

rate of commission paid for advertisements was stated to be 23 per cent. The witness added that income from sales and advertisement had fallen during 1963-64, as compared with that in 1960-61, 1961-62 and 1962-63. The Committee desired to be furnished with a note stating the reasons for gradual deterioration in the sale of Radio publications and whether the falling trend had been investigated and action taken to reverse it.

In a note* furnished by the Ministry, it has been stated that the programme journals in their present form do not meet the expectations or requirements of listeners in adequate measures. It has been added:—

The remedy lies in having a programme journal which provides the listener with an attractive presentation of what A.I.R. has to offer him. The "radio time" of B.B.C. (which, incidentally, is perhaps the only programme journal which is a commercial success) devotes several pages to a single day's programme in respect of a single transmission; whereas with A.I.R. a single day's programme for the entire service is accommodated in barely 4 or 5 pages.

The best way to improve the position is to have two journals one containing programme details *in extenso* and another containing texts of the broadcasts of various categories which make for attractive reading.

The Committee feel that it is of no use incurring losses on the publications which do not satisfy needs of people. They suggest that keeping in view the public needs, efforts should be made to reduce losses on the Radio publications, whose circulation may be increased by making them more attractive.

Agreement with the News Agency—Sub-para 3, Page 95.

27. Payments to the extent of Rs. 59,583, Rs. 63,750, Rs. 63,750 and Rs. 82,500 per month were made to a News Agency for the supply of news items during 1959-60, 1960-61, 1961-62 and 1962-63 respectively on *ad hoc* sanctions. Since such payments would continue from year to year, it is essential to have proper agreement executed with the News Agency fixing the rates, etc. regulating these payments.

The Committee enquired why the payments to the news agency were made on the basis of *ad hoc* sanctions and why no proper agreement had been entered into with them. The Secretary of the

*Not vetted by Audit.

Ministry stated that the News Agency received approximately Rs. 10 lakhs over a year for the services rendered by them. The *ad hoc* payments were being made according to the rates already agreed upon between the All India Radio and the News Agency. The News Agency had been rendering news service on agreed terms, even though no formal agreement was entered into with them. The witness added that a draft agreement with News Agency had been vetted by the Ministry of Law, but it had got to be signed.

On being asked about the basis on which the payments were made to the News Agency from year to year, the witness stated that the News Agency had asked for the rates to be increased in accordance with the increase in the number of licences for radio sets. But the Ministry's contention was that the increase in the number of licences was not due to the efforts of the News Agency and hence there was no agreement on this point. The Ministry laid down a slab system in accordance with which the rates had been paid. Asked to state the reasons for not entering into an agreement with the News Agency earlier, the witness stated that all the time the News Agency had been reluctant to sign an agreement on a long-term basis. The Ministry had been pressing the News Agency to arrive at an agreement from the very time they took over from the Reuter—API after 1949. The AIR and the News Agency had since come to an agreed arrangement for the next four or five years and they were prepared to sign an agreement.

The Committee drew attention to the recommendations made in their 7th Report (1st Lok Sabha) that it would be more equitable and businesslike if the payments to the new agencies were made on the basis of wordage and to the reply of the Ministry given in 1954 that the matter was under consideration. The Committee asked about the outcome of this examination and the reasons for continuing the system of payment based on the number of radio licences. The Secretary of the Ministry stated that the News Agency were not agreeable to payment on the basis of wordage. The whole matter was considered by the cabinet and a decision was taken in favour of slab system. The witness urged that being the only news agency, they were in a pretty strong position. All the same, the witness added that the total cost to the A.I.R. on this account was within reasonable limits. In his opinion the amount paid to the News Agency under the present scheme or services rendered by them seemed to be very satisfactory. He informed the Committee that newspapers were charged by the News Agency certain surcharge when their circulation went up. In reply to a question the Secretary of the Ministry stated that the payments to a second News Agency were also used to be made on the basis of number of

licences. Even in the case of the B.B.C. the number of radio licences was an important factor in determining the rates payable to the news agencies.

The Committee asked about the payments made to the second News Agency and the basis on which these were being made every month from September, 1963. The Director General, A.I.R. stated that these payments were being made to the second News Agency on an *ad hoc* basis, taking into consideration their limited coverage, and limited service area and other relevant factors. The Committee pointed out that according to Audit a monthly payment of Rs. 16,666-66 was being made to the second News Agency from September-October, 1963 and a draft agreement had been forwarded to the News Agency stipulating a payment of Rs. 2 lakhs per annum. **The Committee are surprised that the Secretary and other officers did not appear to be even aware that such an arrangement with the second News Agency existed till it was pointed out by Audit.**

The Committee asked if this system of making fixed payments could not be applied in the case of the first News Agency also which were no longer in monopolistic position. The Secretary of the Ministry promised to examine the whole matter and submit a detailed note to the Committee, indicating, *inter alia*, the action so far taken and proposed to be taken. This note has since been received and is enclosed as Appendix V.

The Committee are unhappy to note that no formal agreement was entered into with the News Agency for more than 15 years and payments continued to be made on an *ad hoc* basis. Further, the Committee do not regard the present system of payment on the basis of radio licences as fully satisfactory. They would, therefore, suggest that the feasibility of evolving a suitable formula on scientific lines which will link the payments with the services rendered should be examined further, in the case of both the News Agencies, as also any other News Agencies, that may come into the field.



III
MINISTRY OF TRANSPORT
Audit Report (Civil), 1964
(KANDLA PORT)

Para 55; Pages 66—69.

28. (a) *General.*—The Kandla Port has been under the direct management of the Ministry of Transport. The Major Port Trust Act, 1963, which provides for the setting up of a Board of Trustees for the Port (with its separate financial and accounting arrangements) will come into force from such date as may be notified by Central Government, as provided in the Act.

(b) The financial results of the Port for the three years ending 1962-63 are summarised below:—

	(Figures in lakhs of rupees)		
	1960-61	1961-62	1962-63
<i>Capital at Charge</i>			
At the beginning of the year	424·51	452·55	463·22
At the close of the year	452·55	463·22	1274·29
<i>Gross earnings</i>			
(excluding Pilotage account and draws from Reserve Funds)	85·66	83·09	110·69
<i>Gross working expenses</i>			
(excluding pilotage account but including payment of interest on loan and contributions to Kandla Port Depreciation Fund)	80·60	70·73	86·71
Net earnings	5·06	12·36	23·98
Percentage of working expenses to gross earnings	94	85	78
Percentage of net earnings to mean Capital at Charge	1·15	2·69	2·76

(1) The value of assets shown in the General Balance Sheet did not take into account, the expenditure on account of establishment,

tools and plants, losses and Suspense Heads, etc. which had to be ultimately distributed amongst the assets when the Project Accounts are closed.

(2) The capital at charge shown in the above table for the years 1960-61 and 1961-62, excluded Rs. 6·04 crores, representing the value of assets made over by the Government of India to the Port. This amount was formally included in the capital account of the Port only in the accounts for 1962-63. As all these assets were in use during the preceding years also, their value should have been taken into account for working out the correct percentage of return on capital during these years. On this basis, the percentage of net earnings to the mean Capital at charge for the years 1960-61 and 1961-62 would work out to 0·49 and 1·17 respectively.

(3) Interest and depreciation on capital assets had been charged on *ad-hoc* basis; the former was stated to be related to the Ports' capacity to pay such charges. The *ad-hoc* depreciation charged worked out approximately to only 0·4 per cent of the value of assets for 1961-62 and 0·7% for 1962-63. It was stated by the Government in October, 1963 that the Development Commissioner of the Port had been empowered to fix the life and scrap value of the assets, and after this had been fixed the depreciation charges would be accurately worked out in accordance with the accepted commercial principles.

In evidence, the representative of the Ministry informed the Committee that the Kandla Port became a major Port on the 29th February, 1964 under the Major Port Trust Act, 1963.

With regard to sub-para (b) the representative of the Ministry stated that the slightly revised figures of percentage of net earnings to Capital-at-charge were 1·16, 2·96, and 2·76 respectively for the years 1960-61, 1961-62 and 1962-63. He added that Kandla Port was a developing port requiring a lot of investment and the percentage was bound to be low. The total expenditure incurred on Kandla Port was Rs. 86 lakhs in 1962-63; Rs. 107 lakhs in 1963-64 and for 1964-65, the budgeted figure was Rs. 129 lakhs. The total Capital investment at the close of 1963-64 was Rs. 17·9 crores.

The Committee enquired as to why the assets of the value of Rs. 6·04 crores which the Government of India handed over to the port were not taken as Capital-at-charge till 1962-63. The witness stated that until the works were completed they were not taken to revenue side. He, however, admitted that certain capital expenditure booked to the accounts of the Government of India was being used by the port but not included in the Capital assets of the port

and that the figures of the percentage of the net earnings of the mean capital at charge for 1960-61 and 1961-62 were inflated figures to that extent.

The Committee desired to know the progress of work, regarding fixation of the life of the scrap value of various assets. The witness stated that they had completed the work of fixing life and scrap value of assets worth Rs. 13·81 crores.

In answer to a question as to on what basis they calculated depreciation of their assets, the witness stated that they estimated the life of the assets and the scrap value and taking 3·75% interest, they calculated the amount on Sinking Fund method. The amount to be contributed for an asset was fixed in such a way that the amount would be the same when the life of the asset was over. He added that after contributing Rs. 37 lakhs during the current year all the arrears of the past years would be met. He added that there was no uniformity in depreciation rate in other ports at Bombay, Calcutta and Madras.

At the instance of the Committee the Ministry have submitted a note explaining the procedure regarding contribution to the Depreciation Fund which is at Appendix VI. It has been stated that in the earlier years, contribution to depreciation fund was being made from revenue on an *ad hoc* basis only since the life and scrap value of the assets had not been fixed. Now that the same have been fixed the amount of depreciation has been calculated on the basis of sinking fund method earning interest at 3·75% in respect of assets costing more than Rs. 5,000 each. Further it has been stated in the note that as the method followed by different ports for contribution to the depreciation fund is different *viz.* some ports not taking into account the assets having life of 30 years and more, some ports contributing to the depreciation fund partly on sinking fund method and partly on an *ad hoc* basis etc. it is not possible to work out the percentage of contribution to the depreciation fund as compared to the total value of the assets.

The Committee suggest that the Ministry of Transport should examine the feasibility of adopting a standard uniform procedure by all major ports for making contributions to the Depreciation Fund.

29. (c) *Non-preparation of Capital and Revenue accounts of residential buildings.*—The Port owned residential buildings costing Rs. 85 lakhs (approx.) on 31st March, 1963. Although the Port decided in September, 1961 to prepare the Capital and Revenue Accounts of these buildings, these had not so far been prepared (October, 1963). It was not, therefore, possible to assess the correct annual

cost of maintenance of the buildings and ascertain as to how far the return on the capital cost was adequate and whether the amounts of standard rent require revision.

The Committee desired to know the present position regarding the preparation of capital and Revenue accounts for 1962-63 in respect of residential buildings. The representative of the Ministry stated that these accounts were prepared once in five years, in order to compare the rent received *vis-a-vis* the economic rent. They were also got checked by audit. He added that the rent that was being charged from the employees was 10 per cent of the emoluments.

The witness also added that the accounts for 1961-62 had been completed, but not for 1962-63. Every year for the buildings which were constructed and let out the accounts were prepared. He, however, admitted that the accounts should have been prepared and they should have been really completed in 1962-63. The witness stated that the Ministry would depute an Accounts Officer to the place to settle the outstandings as expeditiously as possible.

A note furnished at the instance of the Committee giving the latest position of the Capital and Revenue Accounts of the buildings is at Appendix VII. It has been stated *inter alia* that the capital and Revenue Accounts of the buildings for the year 1962-63 have been prepared and sent to Audit on 1-2-1965. The Committee hope that such delays in the preparation of Accounts will be avoided in future.

30. (d) Stores Control.—(i) No proper system had so far been introduced by the Port for the Survey, segregation and disposal of unserviceable surplus and obsolete stores. It was stated in April, 1961 that a committee had been appointed in January, 1961 to examine the actual requirements of stores and suggest proposals for weeding out the unserviceable and obsolete stores. The Committee had not yet (October, 1963) submitted its report. It was, however, stated by Government that the work of segregating the surplus and unserviceable stores was nearing completion and thereafter necessary action for disposal of these stores would be taken.

(ii) No reconciliation between the quantity and value accounts had been done so far. The work was stated to be in progress (October, 1963).

(iii) The Stores Accounts (for the Revenue side) for the years 1961-62 and 1962-63 had not so far been prepared (October, 1963).

The Committee desired to know whether the Report of the Committee appointed in January, 1961 to examine the actual require-

ments of stores and to suggest proposals for weeding out the un-serviceable and obsolete stores, had been received. The representative of the Ministry stated that the Committee had reported in July, 1961 and their report was that the stores officer should prepare the list of surplus articles. The witness added that the list of surplus stores had been prepared showing separately the serviceable and un-serviceable stores. On being pointed out that the Committee which was appointed in 1961 had not yet submitted the final report, the witness stated that the said Committee held five meetings and the minutes submitted would be taken as the final report of the Committee.

He added that steps had also been taken to reconcile the discrepancies and some progress had been made irrespective of whether the Committee report was there or not. Out of 8,000 items 6,619 items had been reconciled. There were about 1400 items valued at Rs. 2.25 lakhs left for reconciliation. He added that those items related to 1952 and the discrepancies might be due to incorrect postings. The Committee desire that steps should be taken to reconcile the remaining 1400 items at the earliest as they relate to the year 1952 and are pending for a long time. The witness also stated that surplus items included iron pipes worth Rs. 1.26,000. He further added that if those iron pipes already declared surplus were required by some Municipalities, State Health Departments and others, these could be sold for a good amount but if auctioned, they would not fetch much.

The Committee would like to be informed of the action taken to dispose of Rs. 1.26 lakhs worth of surplus iron pipes etc.

31. (e) *Extra expenditure.*—The construction of the sixth cargo berth started in May, 1957 was stopped in July, 1958 after incurring an expenditure of Rs. 12.91 lakhs (March, 1963) owing to difficulties arising from the soil conditions in the area. It had been stated that the investigations which were carried out before the work was started did not indicate the "pockets of unfavourable soil conditions in the area of quay wall and open stacking ground of the sixth berth", which came to notice while the work was in progress.

Subsequently, on the basis of a traffic survey conducted in August, 1960 and the latest trend of traffic and the handling capacity of the existing berths it was found that the sixth berth (under construction) would be required only by 1965-66. An estimated expenditure of Rs. 2 lakhs would be incurred on bracing" the piles already driven.

The expenditure incurred so far (March, 1963) included a sum of Rs. 1.60 lakhs spent on the maintenance of a protective bund and for dewatering the construction pit. The maintenance of the protection bund was estimated to cost Rs. 15,000 annually.

The Committee desired to know when the construction of the 6th berth was taken up, technical survey made, and the latest position in this regard. The witness stated that the required effected soil survey was undertaken as many times as was necessary for four berths. It was then presumed that the adjoining soil was also in order and superficial survey was made for 5th and 6th berths. This presumption for the 5th berth was correct but the presumption proved to be wrong for the 6th berth and it would require additional expenditure for piling up and other engineering works just because the soil was soft and they did not want to change the site.

The witness added that the construction of 6th berth would be completed within 2 years.

The Committee regret to observe that construction of the 6th berth was taken up without adequate preliminary investigation of the soil condition which resulted in extra expenditure. They are of the opinion that instead of being guided by mere presumptions, the authorities should better err on the safe side and undertake proper surveys before commencing construction works involving huge amounts.

Delay in clearance of the items under "Suspense".

32. (1) *Miscellaneous Public Works Advances.*—An amount of Rs. 13.32 lakhs comprising 1,175 items and relating to the period up to 31st March, 1963 was outstanding for recovery/regularisation as on 30th September, 1963 as shown below:—

- (i) Sales of materials on credit in respect of which recovery of sale-proceeds was awaited (Rs. 4.74 lakhs).
- (ii) Expenditure incurred on deposit works in excess of contribution (Rs. 3.49 lakhs).
- (iii) Losses and retrenchments (Rs. 0.1 lakh) awaiting recovery or regularisation.
- (iv) Other items (Rs. 5.49 lakhs) pending adjustment.

Out of the above, an amount of Rs. 3.50 lakhs related to 226 old items pertaining to the years 1951-52 to 1957-58.

(2) *Purchases.*—The value of materials received for a work was debited to the account of the work and simultaneously the amount was credited to the head 'Purchases' pending payment of the cost of the stores by cash or by adjustment. The balances outstanding under this head, should, therefore, normally represent amounts awaiting payment to suppliers on account of stores received for works.

An amount of Rs. 12.35 lakhs comprising 940 items relating to periods upto 31st March, 1963 was outstanding under this head as on 30th September, 1963 and this included a sum of Rs. 6.00 lakhs comprising 334 items awaiting clearance for more than three years.

The outstandings were stated to be mainly due to non-linking of the payments for the purchases with the corresponding credits.

(1) *Miscellaneous public works advances:*

The Committee desired to know the present position about these suspense items and how many had been regularised. The witness stated that out of 13.8 lakh items approximately 3.81 lakhs had been cleared and special efforts were being made to regularise the balance still outstanding since 1951 and it would take about a year to clear them. The witness assured the committee that every effort would be made to connect the outstanding items with the relevant vouchers and steps would be taken to avoid such accumulation in future.

(2) *Purchases:*

In regard to the present position, the witness stated that out of Rs. 12.35 lakhs they had cleared Rs. 9.61 lakhs and out of 940 items pending, the balance left was 401. Out of the 334 items amounting to Rs. 6 lakhs awaiting clearance for more than 3 years, about 65 items were pending which amounted to Rs. 1.03 lakh.

The Committee desire that effective steps may be taken by the Department for the clearance of outstanding items under Suspense Heads, Miscellaneous P.W. Advances and "Purchases".

MINISTRY OF TRANSPORT

Audit Report on the Accounts of the Port of Calcutta for the year 1962-63

33. An analysis of the Income & Expenditure on Revenue Accounts for the year 1962-63 under broad headings is given below. Figures for 1961-62 have also been given for purpose of comparison.

(Figures in Lakhs of Rs.)

Income			Expenditure		
1	2	3	4	5	6
1961-62			1962-63		
I. GENERAL ACCOUNT			I. GENERAL ACCOUNT		
(a) Incomes under head 'general' (Sundry receipts mainly on account)	44.59	36.82	(a) General charges. Establishment charges (excluding allowances)	309.86	295.55

	1	2	3	4	5	6
of coal trimming, dock permits, engineering Supervision charges on capital jobs & contribution recovered from Eastern Railway for single control working).				stores, maintenance & repairs, labour & other contingent charges in respect of Administrative Departments.		
(b) Docks & Wharves. (Receipts mainly on account of landing, wharfage, storage, crane hire charges, berthing & mooring charges)	529·60	608·99	(b) Docks & Wharves. Establishment charges (excluding allowances) stores, maintenance & repairs, labour and other contingent charges.	371·84	505·32	
(c) Port and Port approaches. (Receipts mainly on account of mooring, hire of vessels, port dues, detention fees, hauling in & outfees & transporting charges.	49·41	51·38	(c) Rentable lands & Buildings. Establishment charges (excluding allowances), maintenance & repairs & other contingent charges.	19·07	24·30	
(d) Surcharge on charges other than port dues	45·02	47·49	(d) Railway Department Establishment charges (excluding allowances), stores, maintenance & repairs, labour & other contingent charges.	104·49	141·37	
(e) Surcharge on port dues.	255·78	290·37	(e) Port & port approaches. Establishment charges (excluding allowances), Stores, maintenance & repairs, labour, dredging & other contingent charges.	198·98	274·96	
(f) River dues	226·09	246·97	(f) Dearness allowance	128·85	41·80	
(g) Overside charges	14·51	14·64	(g) Compensatory allowances	27·57	29·34	
(h) Lands and buildings (Ground and godown rents and rents of quarters etc.)	127·60	141·80	(h) House allowance	26·68	37·88	
(i) Railway Department. receipts, mainly on account of freight, terminal local haulage & demurrage Charges)	200·67	249·82	(i) Miscellaneous expenses (Staff amenities, medical treatment outside own Hospital, P.T.O. concession etc.)	10·25	10·28	
TOTAL—I. GENERAL ACCOUNT	1493·27	1688·33	TOTAL—I. GENERAL ACCOUNT	1197·59	1360·80	

	1	2	3	4	5	6
II. INTEREST ON INVESTMENTS AND MISCELLANEOUS				II. DEBT CHARGES		
(a) Interest on deposit .	6.59	2.45		(a) Interest on Loans .	195.25	217.02
(b) Interest on investments.	1.44	1.15		(b) Sinking Fund .	21.84	57.89
(c) Miscellaneous .	4.54	4.56				
TOTAL—II. INTEREST ON INVESTMENTS & MISCELLANEOUS.	12.57	8.16		TOTAL—II. DEBT CHARGES;	217.09	274.91
III. SPECIAL RECEIPTS				III. SPECIAL EXPENDITURE		
Profits on investments .	0.01	0.49		(a) Contribution to Capital Account.	83.00	52.00
				(b) Contribution to Renewals & Replacement Fund.	8.45	9.00
				TOTAL—III Special Expenditure .	91.45	61.00
IV. PILOTAGE ACCOUNT.	38.68	39.36		IV. PILOTAGE ACCOUNT.	46.21	59.39
GRAND TOTAL	1544.53	1736.34		GRAND TOTAL	1552.34	1756.10

The revenue income and expenditure of 1962-63 (excluding income and expenditure on Pilotage Account) recorded a total increase of Rs. 191.13 lakhs and Rs. 190.58 lakhs respectively over those for 1961-62. The increase in income was due mainly to more receipts under the heads 'Income from Docks & Wharves', 'Surcharge on Port dues', 'Income from River dues', 'Income from Railways' and 'Income from Lands & Buildings'. The increase in expenditure was due mainly to more expenditure under the heads 'Docks & Wharves', 'Railway Department', 'Port & Port Approaches' and 'Interest, Commitment and Sinking Fund Charges'.

The working results of the Port for the two years 1961-62 and 1962-63 are summarised below. (For purpose of this comparison (a) transactions relating to the interest on Investments and Miscellaneous and

Debt charges (b) Special Receipts and Expenditure and (c) Receipts and Expenditure under Pilotage Account have been excluded).

(Rs. in lakhs)

	1961-62	1962-63
Gross earnings	1493.27	1688.33
Gross Working Expenses	1197.59	1360.80
Net Earnings	295.68	327.53
Percentage of working expenses to Gross earnings	80	81
CAPITAL AT CHARGE :		
At the beginning of the year	5931.73	6449.35
At the close of the year	6449.35	6939.79
Percentage of net earnings to mean capital at charge	5.0	5.1

The Committee desired to know why there had been no significant increase in the earnings of the Calcutta Port during 1962-63 as compared to 1961-62. The Chairman of the Calcutta Port Trust stated that while there had been no significant increase in the net earnings, gross earnings were roughly Rs. 2 crores more than in 1961-62. Explaining the position the witness stated that owing to the draught limitations of the Calcutta Port, certain traffic had to be kept out of it. The modern bulk carriers could not reach the Calcutta port which had an average draught of about 22 to 23 feet nor they could be brought in fully loaded. Till 1961-62, the traffic was round about 9½ million tons but it had slowly gone up to 11½ million tons by now. The witness felt that with the setting up of the satellite port at Haldia which would probably have a draught of 35 feet or more, the volume of traffic would appreciably increase as the bulk carriers would be able to come in and it would be possible to export coal and also to increase the export of iron ore.

Answering a question the witness stated that expenditure had increased because of the increase in wages and dearness allowance given to the staff.

He further added that originally it was planned to complete the work at Haldia by the end of 1967 but owing to delay in getting loan from the World Bank, it would be completed latest by 1968.

As regards advance planning for utilisation of funds, the witness informed the Committee that land was being procured which was a time consuming process.

In regard to expenditure under item I (b) which had increased from Rs. 371·84 lakhs in 1961-62 to Rs. 505·32 lakhs in 1962-63 the witness stated that cost differed from port to port and that it had provided for labour, and increase in pay and allowances of the staff. As regards the reduction in expenditure under I(a) General charges which had come down from Rs. 309·86 lakhs in 1961-62 to Rs. 295·55 lakhs in 1962-63, the witness added that the fluctuation was not a significant one.

Explaining the system of calculating depreciation on various assets, the witness stated that they had no depreciation fund. They had a Renewal and Replacement Fund but for big assets there was no such fund. The witness agreed that it would have been ideal if they had a depreciation fund but for the present it was not possible, as in that case the port charges would have to be increased which were already higher than at other ports because a great deal of money (Rs. 3½ crores annually) had to be spent on maintenance of the river i.e., on dredging etc. and they had to recover this from the traders as river dues which was not levied at any other port. In 1963-64, the port charges had to be raised to earn a revenue of Rs. 80 lakhs but those could not be increased any further. A Committee of Consultants had examined this system. Under the present system the Calcutta port did not have a surplus for putting money into the sinking fund for repayment of loans on dates of maturity. He also stated that even the foreign ports had to face similar problems.

In reply to a question as to how without having a 'Depreciation Fund' or 'Amortisation Fund', the loans could be repaid, the witness stated that they had created a sinking fund out of the revenue for repayment of all loans whether taken from Government or International Bank etc. and this fund was related to the life of the assets. The witness added that this fund was, however, not related to Depreciation Fund. Firstly, the loan had to be repaid, and secondly depreciation of all the assets had to be provided for. As a result of Haldia Port's coming into existence, they might be able to think about the Depreciation Fund.

The Committee pointed out that due to the non-inclusion of depreciation charges, the accounts had presented an unreal picture. The witness stated that there was no surplus revenue and the fund could only be created by raising the port charges which was not possible. The Committee desired to know whether by plugging the loopholes and by reducing expenses more profits could be earned. The witness stated that there had been a great demand for reduction of port charges and with a view to effecting economy no expenditure was incurred unless it was unavoidable.

The Committee felt that even though the Port had some amount of money in the various funds like the Revenue Reserve Fund, Vessels Replacement Fund etc., they had no scientific system of a depreciation fund.

The Committee are surprised to note that the Calcutta Port Trust is not maintaining any depreciation fund for their big assets. They are also perturbed to find that the Trust did not have a surplus for putting money into the sinking fund for repayment of loans on dates of maturity.

The Committee feel that the Calcutta Port Trust should give a serious thought to this question and devise ways and means to create depreciation fund in due course so that when the life of their assets is over and it requires replacement they may not find it difficult to acquire replacements. They also desire that fresh efforts should be made to augment the revenue so that money may be made available for the sinking fund. In view of the fact that the port charges are already very high, it is necessary that the port should take economy measures and improve efficiency to increase its earnings.

Loans from the International Bank for Reconstruction and Development—Para 4, Page 3.

34. For carrying out a programme of rehabilitation and improvement of the port of Calcutta, two loan agreements were executed with the International Bank for Reconstruction and Development:—

- (a) for 29 million U.S. Dollars (Rs. 13·80 crores approximately) in June, 1958 carrying interest at 5½ per cent and repayable in 31 half-yearly instalments beginning with April 1963, and
- (b) for 21 million U.S. Dollars (Rs. 10·00 crores approximately) in August, 1961 carrying interest at 5½ per cent and repayable in 41 half-yearly instalments beginning with May, 1966.

Both the loans were guaranteed by the Government of India as to the repayment of the principal and payment of interest and other charges.

According to the loan agreements, the drawal of the first loan of 29 million U.S. Dollars was to be completed by 30th September, 1962 and that of the second loan of 21 million U.S. Dollars is to be completed by 30th September, 1965. Against the first loan, Rs. 8·11 crores were drawn upto 30th September, 1962 i.e., the date stipulated

in the original agreement for completion of the drawal. The date of completion of drawal of the first loan had subsequently been extended upto 31st March, 1965 by the International Bank for Reconstruction and Development.

The amounts of loan drawn upto the end of 1962-63 were Rs. 931·51 lakhs against the first loan and Rs. 45·26 lakhs against the second. The Bank had been committed to set aside the sums of 29 million dollars and 21 million dollars as referred to above for withdrawal by the Commissioners for the Port of Calcutta and the Bank was to be paid a commitment charge at the rate of $\frac{1}{4}$ per cent per annum on the principal amount of the loans not withdrawn from time to time. Commitment charges which had accrued to the end of 1962-63 for non-drawal of the two loans, amounted to Rs. 33·91 lakhs and Rs. 10·83 lakhs respectively.

The circumstances under which the first loan could not be completely drawn so far (April, 1964) had been stated by the Port Authorities to be as follows:—

- (i) The original programme of acquiring vessels and connected equipment had to be revised as certain new items of floating crafts were found necessary.
- (ii) The preparation of specifications for these crafts and the placing of orders therefor necessitated prolonged consultation with the Consulting Engineers and led to unavoidable delay.
- (iii) Extension of time had to be allowed to contractors for execution of certain engineering works.

On account of the delay in withdrawals of the loan amounts, the Commissioners had to pay commitment charges for a much longer period than originally anticipated.

No contribution was made to the General Sinking Fund Account to meet the repayment liability but the Port Authorities expect that as a result of modernisation and expansion of port facilities with the help of the loans, the earnings would be sufficient to meet the repayment liability according to Amortisation Schedules appended to the agreement. The also contemplated increase of Port charges for meetings the service charges on these loans in the event of revenue earnings proving inadequate to cover such expenditure.

The Committee desired to know the reasons for delay in drawal of loans from the International Bank for Reconstruction and Development as a result of which commitment charges to the extent of about

Rs. 45 lakhs had to be paid. The witness accepted that the delays were not entirely unavoidable; particularly delay relating to actual construction work could have been avoided. Explaining the factors that had caused delays, the witness stated that no work could be started unless the World Bank loans had been negotiated and agreed upon because even for preparation of specifications and detailed tender documents, the foreign consultants had to be approached for which also foreign exchange was required. For most of the items preparation of detailed specifications had to be done before they could go out for a tender and this entailed delay for about a year which was almost unavoidable. Another point about the World Bank loan was that global tenders had to be invited which were submitted direct to Calcutta with copies to the consulting engineers in U.K. who studied them and after discussions and negotiations with the foreign parties submitted a report to the port authorities. The witness added that in accordance with the term of the World Bank loan the clearance of the Bank had to be obtained where they differed from the consulting engineers which involved more time and as such delay in regard to the World Bank loans was unavoidable. The witness further stated that they had probably gone wrong as they were much too optimistic in estimating their rate of spending.

In reply to a question the witness stated that a sum of Rs. 22 lakhs had been paid to foreign consultants while the total commitment charges paid were Rs. 55 lakhs upto 31st October, 1964, Rs. 37 lakhs on the first loan and Rs. 18 lakhs on the second loan. On being asked by the Committee whether all these matters including consultancy of these foreign experts could not have been processed before taking loan from World Bank, the witness stated that in that case tenders could not be invited as in the tender document itself it had to be mentioned how the foreign exchange would be met. Foreign contractors would not submit tenders unless they were sure about it and big parties would come forward if it was financed by the World Bank. Answering a question why the date of the drawal of the loan could not be suitably adjusted, the witness stated that strenuous efforts were made to have the second loan in two phases, but it did not materialise as the Bank had insisted on getting commitment charges on the total amount.

The Committee enquired why the date of commitment could not be extended. The witness stated that they had made efforts in this direction but could not succeed in getting the procedure of the Bank changed. On being pointed out by the Committee that the only alternative was to break the loan into 4 or 5 loans, the witness stated that the process of negotiation would then have entailed longer time. In regard to Haldia the World Bank was approached for loan in 1960.

but till 1965 the loan was not received. In reply to a question the witness stated that by the end of December, 1964, Rs. 12·97 crores had been drawn against the first loan of Rs. 13·8 crores and a sum of about Rs. 80 lakhs had been left against guarantee payments the period for which was extended to 31st March, 1965. Explaining the extension of the date of drawal from 1962 to 1965, the witness stated that after the loan was taken, the Balari bar in Calcutta shoaled appreciably and was about to be closed down for navigation. The World Bank was approached to change the scope of the list of goods and to provide for expansion of dredging fleet and to extend the date of the drawal upto 31st March, 1965 which was agreed to by the Bank.

In regard to the second loan, out of Rs. 10 crores, a sum of Rs. 3 crores had been drawn by the end of December, 1964. The witness added that in this case too an extension would have to be sought i.e., instead of 1965 it should be 1966. Explaining the reasons the witness stated that following the practice in regard to the first loan, tenders had been invited for launches and small crafts in India but the World Bank had questioned the procedure and had insisted for global tenders. After prolonged negotiations, the view of the Bank was accepted, and Indian tenders were rejected. In reply to a question the witness stated that the interest charges for the extended period was @ 5½ per cent.

As regards the repayment of the loan, the witness stated that the first loan was repayable from April, 1963 and payments in regard to 31 half-yearly instalments had already started. Repayment of the second loan would commence from May, 1966 in 41 half-yearly instalments. The loans were 15 and 20 years loan respectively.

The Committee feel that the difficulties and factors explained during evidence for drawal of loans from the International Bank of Reconstruction and Development should have been foreseen by the Calcutta Port Trust as those were not of unusual character. They also feel that before making commitment for the date of drawal of loans the Port Trust should have taken all the relevant factors into consideration. The Committee regret to note that over optimism on the part of the Port Trust while estimating their rate of spending resulted in the payment of commitment charges to the extent of Rs. 55 lakhs upto 31st October, 1964 (Rs. 37 lakhs on the first loan and Rs. 18 lakhs on the second loan). They hope that in future the Calcutta Port Trust will deal with such cases more realistically. The Committee also hope that the Port Trust Authorities have properly investigated and taken suitable measures in connection with the avoidable delays in actual construction, work.

Whatever the reasons and whatever the difficulties, the Committee are perturbed to find that a large amount of Rs. 75 lakhs (Rs. 55 lakhs by the Calcutta Port Trust as stated above and Rs. 20 lakhs by the Madras Port Trust as stated in para 44 of this Report) has been spent in foreign exchange without any benefit to anybody. Looking to the difficult foreign exchange situation in which our country is placed requiring conservation of Foreign Exchange to the utmost, the Committee regard this infructuous expenditure most unfortunate. The position becomes worse when it is reported to the Committee that some of the delay at least was avoidable.

Secondly, the Committee regret that though the Indian tender was suitable, the World Bank insisted on the global tender and when this view was accepted the Indian tender had to be rejected. In such circumstances the Committee feel that wherever Indian goods are available, no foreign exchange should be spent on them. This point should be suitably settled with the World Bank.

Outstanding Dues—Para 6, Page 4

35. (a) The amount of rent outstanding in respect of Commissioners' Lands and Buildings for more than six months as on 31st March, 1963 was Rs. 21.14 lakhs. Of these Rs. 18.19 lakhs were due from private bodies and Rs. 2.95 lakhs from Government Railways and Other Statutory bodies. Of the amounts due from private parties claims for Rs. 4.72 lakhs had been disputed by them. For the realisation of claims amounting to Rs. 12.43 lakhs, law suits had been filed against the parties by the Commissioners.

(b) The amount of 'Miscellaneous Bills' outstanding for more than three years as on 31st March, 1963 was Rs. 7.47 lakhs. Of this, the amount due from private parties was 0.24 lakhs. A sum of Rs. 5.14 lakhs was outstanding against the undivided Government of Bengal for maintaining, on their behalf, an Armed Police force during the period 1st April, 1946 to the 15th July, 1947. Although the claim had been turned down by the Application Committee set up for settlement of prepartition claims for the reason that the salary bills for the entire period were not available, a representation had been made to the Government of West Bengal to admit the claims partially but no settlement had yet been arrived at.

The Committee desired to know the position regarding the outstanding dues of rent in respect of Commissioners' Lands and Buildings and the steps taken to recover the same. The witness stated that by 30th November, 1964, the dues had come down to Rs. 18.47 lakhs. The dues for the recovery of which suits had been filed amounted to Rs. 11.5 lakhs; Rs. 3.19 lakhs was under dispute; dues

against Government amounted to Rs. 2.4 lakhs and bills outstanding against private parties totalled to Rs. 0.86 lakhs. Out of Rs. 18.47 lakhs Rs. 6.17 lakhs were with them as deposits which had not yet been adjusted. The witness stated that an advance of three months' rent was also realised from the parties in addition to the deposits. Apart from Rs. 6.17 lakhs, an additional amount of Rs. 12 lakhs had to be recovered. Asked to state the reasons for constant outstanding of rent inspite of 3 months' rent being taken in advance, the witness stated that they had numerous big parties who had advanced 3 or 6 months' rents but some parties were in default and one of the reasons for the disputes was that in some cases rents had been raised and the parties had appealed to Commissioners and this had been going on.

The Committee are surprised that inspite of the system of taking 3 months' rent in advance, heavy amounts of rent should have remained outstanding. This clearly indicates the need for tightening up the executive machinery for realising advance rents. The Committee desire that vigorous efforts should be made to recover the outstanding dues. They would like to be informed of the results achieved. They also hope that rents will not be allowed to accumulate in future.

Extra Expenditure due to Non-acceptance of Lowest Tender—Para 9(a), Pages 5-6

36. The contract for construction of dredger CHURNI was awarded by the Port Commissioners, Calcutta to Messrs. William Simons & Co. @ £ 11,40,000 (Rs. 1,52,00,000) for delivery ex-Clyde in Scotland within 15 months disregarding the lowest tender of £ 10,80,000 (£11,05,000 including the estimated cost of modifications in the original specifications etc.) from Messrs. I.H.C. Holland (certified as well known builders of high class dredgers by the Port Commissioners' Consultants in the United Kingdom, for delivery within 15 months (with a possibility of reduction in the delivery period by 2 months).

The reasons advanced for acceptance of the higher tender were urgency, reasonableness of price and resources and advantage of the firm in commencing the work and their ability to adhere to the promised time schedule for delivery. The date of delivery in both the cases was the same (with possibility of early delivery in the case of lower tender. Actually there was a delay of 99 days in delivery of the dredger. The price was higher than the lowest tendered rate by Rs. 4.67 lakhs.

Although the Consulting Engineers of the Port Authorities in the United Kingdom had recommended a fine of £ 350 per day for delay

beyond the stipulated date of delivery, the contract provided for a fine of £ 5 per day only. Even this penalty was condoned for the first 75 days.

While recommending the case to the Government of India for acceptance of the contract, it was mentioned that the firm would take 13 months' time for delivery. However, in the contract-deed, time for delivery was fixed at 15 months.

The Committee desired to know the reasons for accepting a higher tender resulting in a loss of about Rs. 4.67 lakhs and why the firm had taken more than fifteen months in fulfilling the contract. The witness stated that in regard to navigable channel the situation at Calcutta became very serious in 1959 and it was apprehended that the port might have to be closed down. They got earlier a completely satisfactory dredger 'Bhagirathi' from Messrs William Simons & Co. and so a repeat order for the dredger 'Churni' was placed with them. The witness added that it was expected that the firm would quote reasonable price but consequently the price that they had quoted was more than the price they had offered in the previous order and it was not acceptable to the Commissioners. A limited tender system was then adopted with the idea of testing the price. The same firm then came down on the price and gave two quotations. The witness continued that in the original specifications of the 'Bhagirathi' dredger, the firm had agreed to a delivery period of 17 months in the case of a repeat order. At that stage the other firm, Messrs. I.H.C. Holland, had quoted the delivery period as 21 months as against 17 months by Messrs. William Simons. The Commissioners ultimately decided in favour of Messrs William Simons as the consulting engineers were of the view that this firm would be able to do the work better than Messrs I.H.C. Holland as they had all the experience, drawings and specifications of the job and would in all likelihood be able to adhere to the delivery date very closely.

The Committee desired to know the reason why Government was informed that the firm would complete the work in 13 months when the period stipulated in the contract was 15 months. The witness stated that the firm had assured them that the dredger would be ready for delivery in U.K. in 15 months but they would endeavour to reduce it to 13 months. The representative of the Ministry also stated that the decision taken in favour of M/s. William Simons was based on the consideration that since the specifications of the original 'Bhagirathi' dredger had been revised considerably, it would take a longer time for a new Company to accomplish the task.

The Committee wanted to know the reasons why the penalty for 75 days was condoned. The Chairman of the Calcutta Port Trust

stated, "This penalty clause does not mean much. It is there for one's mental satisfaction. More than imposing a fine, what was much more important was to get the price reduced." He added that they got the price reduced by £20,000 and the firm also had given £9,700 worth of free work involving modifications.

The Committee fail to understand the implications of the statement 'The penalty clause does not mean much—it is there for one's mental satisfaction....' and are of the view that so long as the penalty clause is there, it should be invoked in all suitable cases. This would act as a deterrent against any defaults in delivery schedules.

Audit Report on the Accounts of the Bombay Port Trust for the Year 1962-63

37. An analysis of the Income and Expenditure on Revenue Account for the year 1962-63 under Broad headings is given below. Figures for 1961-62 have also been given for purposes of comparison.

Income	1961-62 (Rs.)	1962-63 in lakhs	Expenditure	1961-62 (Rs.)	1962-63 in lakhs
1	2	3	4	5	6
I. GENERAL ACCOUNT			I. GENERAL ACCOUNT		
Wet docks, bunders and dry docks (Mainly Wharfage and demurrage charges)	889.72	939.32	(Pay and allowances, contingencies relating to Administrative departments etc.)	150.65	251.32
Lands and Buildings (Ground rent, godown rent, rent of quarters etc.)	252.07	187.60	Wet Dock and wharves (Pay & allowances, Labour charges, Maintenance of dock, plants etc.)	499.14	604.53
Railway Department (Mainly freight and terminal charges)	76.17	106.37	Lands and Buildings (Mainly repairs and maintenance)	43.29	43.25
Port Department (Port dues and Misc.)	15.46	15.09	Railway Department (Mainly Estt. charges and maintenance)	75.55	91.74
			Port Department (Maintenance of tugs, light vessels etc.)	29.05	32.00
			Renewals and replacements (Mainly works relating to docks, Railway and port Deptt.)	20.00	40.00
TOTAL—I. GENERAL ACCOUNT	1233.42	1248.47	TOTAL—I. GENERAL ACCOUNT	817.68	1062.84

1	2	3	4	5	6
II. INTEREST & MISC.			II. DEBT CHARGES		
Interest on Investments .	90.79	108.20	(a) Interest on loans .	31.42	30.75
Interest on cash balances .	32.92	24.90	(b) Sinking fund instalments .	5.53	5.43
Miscellaneous	23.49	20.85	(c) Provision for repayments for Govt. loans .	52.50	52.50
TOTAL—II INTEREST & MISCELLANEOUS .	147.20	153.95	TOTAL .	89.45	88.68
III. SPECIAL RECEIPTS			III. SPECIAL EXPENDITURE		
Interest on investments held in the General sinking Fund .	21.31	21.37	Contribution to Renewals and replacement Fund .	81.12	81.12
Contribution from other funds:			Interest on investment held in the General Sinking Fund transferred to Sinking Fund .	21.31	21.37
(a) General Reserve Fund	88.27	302.01	Expenditure on works withdrawn from:		
(b) Pilotage depreciation Fund	00.18	6.12	(a) General Reserve Fund	88.27	302.01
(c) Fire and Motor Insurance Fund	00.01	00.08	(b) Pilotage Depreciation Fund	00.18	6.12
(d) Renewals and Replacement Fund	36.20	30.83	(c) Fire and Motor Insurance Fund	00.01	00.08
TOTAL—III SPECIAL RECEIPTS	145.97	360.41	TOTAL	227.09	441.53
IV. PILOTAGE ACCOUNT	27.69	26.88	IV. PILOTAGE ACCOUNT	14.60	15.69
			Excess of receipts over expenditure	405.46	180.97
TOTAL	1554.28	1789.71	TOTAL	1554.28	1789.71

Balance Sheet: Asset Side—Para 4, Page 2**Stores and Materials (Rs. 1.79 crores).**

Shortage and Excesses.—The assessment of the value of excesses and shortages disclosed by the stock verification of stores (i) held by the Controller of Stores between 1958 and 1962 and (ii) in the workshop between 1957—59 and 1960—62 has not been completed (March 1964).

The Committee desired to know the reason why the value of excesses and shortages disclosed by the stock verification had not been assessed even after 3 to 5 years. The witness agreed that the process ought to have been accelerated and decision taken quickly. He added that in the seventh round of verification in respect of the Controller of Stores, the total number of survey sheets was 675 out of which 386 sheets had no discrepancies. Out of the remaining 289 sheets, 266 had been disposed of leaving a balance of 23 which had to be examined. Out of 266 sheets examined, excesses and shortages amounted to Rs. 32,834 and to Rs. 19,953 respectively leaving a net excess of the value of Rs. 12,881. As regards the latest position, he added, that the eighth round was in progress. In the verification of stores for 1961-62 the number of survey sheets was 890 out of which 303 were without any discrepancies leaving a balance of 587 sheets which were to be examined. Out of this balance, discrepancies in regard to 46 sheets had so far been solved and the remaining had still to be disposed of. The 46 sheets which had been disposed of showed total excesses of Rs. 739 and shortages of Rs. 353 leaving a net excess of Rs. 386. The Committee were also informed that the ninth round of verification of stores was in progress and that verification was held every two years. The witness further stated that the value of stores at the end of 1963-64 was Rs. 1 crore 90 lakhs. The Committee desired to know whether stock taking was done on any particular day of the year as was done in Hindustan Steel. The witness stated that the operations could not be completed in one day as the stores were wide-spread but he agreed to examine why it was not practicable to do it in one day. **The Committee may be informed about it.**

The Committee are unhappy to note that the value of excesses and shortages disclosed by the stock verification was not assessed even after 3 to 5 years of verification. They are of the opinion that the very purpose of stock verification is defeated if no action is taken in time to assess the value of shortages and excesses. They would, therefore, recommend that such lapses should not recur in future.

Balance Sheet; Liabilities Side Para 5, Page 2

38. **Sundry liabilities (Rs. 9.0 crores).**—These included sale proceeds of unclaimed cargo, amounting to Rs. 58.37 lakhs from 1949-50 to end of 1962-63. The allocation of this amount between the Port Trust and the Customs Department had not yet been made as the question of deciding priority of items of dues was reported to be under negotiations between the Customs Department, the Bombay Port Trust and the Government of India (March, 1964).

The Committee pointed out that the matter had been pending since 1949 inspite of the fact that the Public Accounts Committee had earlier recommended (*vide* para 7 of their sixth Report-Third Lok Sabha) that the Ministries of Finance and Transport and Communications should settle their differences and desired to know how the Calcutta Port authorities had dealt with the matter. The representative of the Ministry stated that the Calcutta Port authorities had good relations with the customs authorities and that under the Calcutta Port Trust Act expenses on sale were deducted first which was not the case under the Bombay Port Trust Act. The dispute at the Bombay Port centered round the question of priority between customs dues and port dues after the sale of abandoned property. The customs authorities had been insisting on customs duty becoming a prior charge and were not prepared to give the Port Trust its dues. The Committee were also informed by the Chairman, Bombay Port Trust, that the articles had been sold by the Port authorities and the money had been kept under the suspense account and it was earning interest. The representative of the Ministry stated that he had made efforts to bring about a quick decision on the issue but it was not possible as it was a question of *inter-se* priority between customs dues and port dues. He, however, assured the Committee that his Ministry would continue to make efforts to settle the matter. Asked whether a uniform law was desirable, the representative of the Ministry stated that the newly created ports were being governed by one Act.

The Chairman of the Calcutta Port Trust stated that both Calcutta and Bombay Port Trusts had referred the matter of revision of forms separately to certain foreign audit firm with a view to effecting improved accounts. He further stated that it was desirable to have uniformity in all the ports and he had suggested to the Transport Ministry that officers of the Auditor General's Office might be associated to go into the question further in consultation with the port authorities.

The Committee regret that in spite of their recommendation made in para 7 of their Sixth Report (Third Lok Sabha) the allocation of

the sale proceeds of unclaimed cargo from 1949-50 to 1962-63 between the Port Trust and the customs Deptt. is still not decided. They reiterate their earlier recommendation that the Ministries of Finance and Transport should settle this matter and arrive at agreed arrangements without any further delay.

The Committee desire that the Ministry of Transport should examine the feasibility of one uniform law for all the Port Trusts.

Outstandings Pertaining to Docks Department Provisional debits awaiting finalisation—Para 6(b), Page 3.

39. The parties who obtained services at the Docks lodged personal deposits with the Bombay Port Trust and they were to be debited with the actual charges when determined. In many cases the debits had been made provisionally pending finalisation of the charges. The amount of such debits awaiting finalisation was Rs. 46.9 lakhs on 31st March, 1963 out of which Rs. 6.6 lakhs related to items more than three years old. It had been stated that the total outstandings had since been reduced to about Rs. 15 lakhs (March, 1964).

The Chairman, Bombay Port Trust informed the Committee that outstandings amounted to Rs. 4.27 lakhs on 31st December, 1964 and there were no outstanding prior to 1961-62.

The Committee trust that prompt steps will be taken by the Bombay Port Trust to adjust the remaining outstandings of Rs. 4.27 lakhs. They will watch the progress through future audit reports.

Delay in Commissioning of Railway Engines—Para 8, Page 3

40. A set of ten Canadian Diesel Hydraulic Locomotives costing Rs. 34.52 lakhs was received in July, 1961. Only five of these were put into operation after about 2 years in April, 1963. The delay in the Commissioning of the locomotives had been attributed to the non-receipt of detailed drawings and instructions from the manufacturers as well as refusal of labour to operate the Engines without additional help. These five engines developed mechanical defects in a few months. At that time, it came to notice that the spare parts received alongwith the locomotives did not include some essential items and that some of the items received had rusted, as they were not protectively coated to withstand the climate.

Of the remaining five locomotives, four had since been put into commission (April, 1964). The Bombay Port Trust authorities had stated that the remaining one would be commissioned as soon as spare parts were available.

Explaining the causes for delay in commissioning the railway engines, the witness stated that some of the accessories had not been supplied along with the locomotives and some of these received were not upto the mark. The defects were found to be in hydraulic clutches and transmission parts. He also added that a shipment of spare parts had been received and the last i.e., the tenth locomotive would be commissioned within about three weeks after the receipt of the balance spare parts. The Committee desired to know how break downs could occur in five locomotives so soon after they had been received. The witness stated that he would look into the matter and added that the delay in commissioning the locomotives was partly due to labour trouble and they were also waiting the receipt of literature as to how these engines were to be operated. The special Secretary, Ministry of Transport informed the Committee that these locomotives came as a gift from the Canadian government to the government of India.

The Committee are constrained to learn that Canadian Diesel Hydraulic locomotives which were received in July, 1961, were not commissioned till March, 1962 due to late receipt of spare parts and accessories. They would like to know the reasons for delay in receipt of spare parts and accessories whether suppliers were asked to supply them along with the locomotives.

During evidence, the Committee were informed that some of the accessories received were not upto the mark and there were defects in hydraulic clutches and transmission parts. The Committee would like the Ministry to take up this matter suitably with the suppliers. The Committee also desire that the causes for the breakdown of the five locomotives may be investigated.

Bombay Port Trust Railway, para 2, p. 3.

41. The proforma working results of the Bombay Port Trust Railway had been showing losses for the past six years upto 1961-62. During 1962-63, however, there was a surplus of Rs. 18.12 lakhs due to the recovery of arrears of terminal charges amounting to Rs. 72.03 lakhs. If this had been excluded, the working results of the Railway would have disclosed a loss of Rs. 53.91 lakhs instead of a surplus. The cumulative loss incurred by the Bombay Port Trust Railway over a period of ten years ending 31st March, 1963 was Rs. 129.93 lakhs.

The Committee desired to know whether in view of the fact that the cumulative losses incurred over a period of ten years had run into Rs. 129.93 lakhs on the port railway, there was any possibility of revising the charges for the services rendered by the Port Trust

Railway. The witness stated that the major part of their income was made up by the terminal charges paid by the trunk railways. The Central and Western Railways had been approached to make payment of the terminal charges on the basis of supplementary charges levied by the port authorities that would increase latter's earnings. He further added that efforts were being made to raise to some extent the charges for moving the wagons though he felt that the scope was limited. The matter was, however, under their consideration. They were also trying to find out if the establishment charges could be reduced. The Committee pointed out that Madras Port had increased their railway terminal charges and thereby had earned Rs. 23 lakhs more in the year 1962-63. The witness stated that they were examining the question as to how to run port railway without incurring any loss. The Committee stressed that the loss of Rs. 54 lakhs incurred during 1962-63 (after excluding the recovery of arrears of terminal charges was a big amount. The witness stated that for the period 1963-64 the loss was Rs. 50,63,000 and according to the budget estimate for 1964-65 the loss was estimated to be Rs. 44,59,000.

The Committee regret to note that the Bombay Port Trust Railway has been continuously running at a loss, and that the cumulative loss incurred over a period of ten years ending 31st March, 1963 was Rs. 129.93 lakhs. What is more, the loss during 1963-64 was as high as Rs. 50.63 lakhs and estimated loss during 1964-65 is Rs. 44.59 lakhs. This trend is no doubt disturbing, and it indicates the need of improving the working of this Railway. The Committee hope that with the increase of terminal charges, reduction in the establishment charges and improvement in efficiency the loss will be minimised, if not altogether eliminated.

Audit Report on the Accounts of Madras Port Trust for the year 1962-63

42. An analysis of the Income and Expenditure on Revenue Account for the year 1962-63 under broad headings is given below. Figures for 1961-62 have also been given for purposes of comparison

Income	1961-62	1962-63	Expenditure	1961-62	1962-63
	(Rupees in lakhs)			(Rupees in lakhs)	
I. GENERAL ACCOUNT			I. GENERAL ACCOUNT		
West Docks & Wharves (mainly wherfage and demurrage charges)	288.75	332.32	General charges (Pay and allowances and contingencies relating to the Administrative Department)	56.27	63.65

Income	1961-62 Rupee in lakhs	1962-63	Expenditure	1961-62 Rupees	1962-63 lakhs
Land and Buildings (ground and godown rents, rent of quarters etc.)	20·07	21·39	Wet docks and Wharves (Pay and allowances and labour charges, main- tenance of Dock, Plants etc.)	120·12	125·24
Railway Department (mainly terminal charges)	28·77	51·86	Land & Buildings repairs and maintenance mainly	12·56	15·86
Port Department (Port dues and miscellaneous)	11·94	12·71	Railway Department (Establishment charges and maintenance)	21·22	31·40
			Port Department (main- tenance of Tugs, Light vessels, etc.)	6·81	6·98
TOTAL—I—GENERAL ACCOUNT	349·53	418·28	TOTAL—I—GENERAL ACCOUNT	216·98	243·13
II. INTEREST ON INVESTMENTS AND MISCELLANEOUS	23·59	22·82	II. DEBT CHARGES		
			Interest on loans	31·73	36·89
			Repayment of loan	2·95	18·87
TOTAL II—INTEREST ON INVESTMENTS AND MISCELLANE- OUS	23·59	22·82	TOTAL—II—Debt charges	34·68	55·76
III. SPECIAL RE- CEIPTS.			III. SPECIAL EX- PENDITURE		
From Pilotage Fund	4·00	4·00	Contribution to Capital Account	218·69	104·00
Revenue Reserve Fund	30·00	23·00	Renewals & Replacement Fund	36·05	28·00
Other Receipt (—)	0·34	0·05	General Insurance Fund	1·00	1·00
Miscellaneous	0·73	..	Loss on Investments	1·12	0·95
Loans from R&R Fund	155·00	..	TOTAL—III—SPECIAL EXPENDITURE.	256·86	133·95
TOTAL—II—SPECIAL RECEIPTS	189·39	27·05	IV. PILOTAGE ACCOUNT	8·80	9·48
IV. PILOTAGE ACCOUNT	8·80	9·37	GRAND TOTAL	517·32	442·32
GRAND TOTAL	571·31	477·52			

The increase in income under Wet Docks and Wharves (Rs. 43·57 lakhs) during the year 1962-63 has been explained as due to increase in the volume of traffic. The increase under Railway Department (Rs. 23·09 lakhs) was due to the revision of rates of terminal charges.

The increase in expenditure during the same period under 'General charges (Rs. 7.38 lakhs)', 'Wet Docks and Wharves (Rs. 5.12 lakhs)' and 'Railway Department (Rs. 10.18 lakhs)' has been generally explained as due to revision of scales of pay, increased maintenance charges, etc.

The increase of Rs. 21.08 lakhs under 'Debt Charges' during the year 1962-63 occurred under the following items:—

	Rs. in lakhs
Interest on Government loans	2.87
Interest on loan from International Bank	2.29
Repayment of loan to Government	1.96
Repayment of loan to International Bank	13.96
TOTAL	21.08

Para 5, Page 3

In the following cases, securities of the book value of Rs. 47.45 lakhs were transferred from the accounts of one Fund to the other.

Date of transfer	Account of the Fund from which transferred	Account of the Fund to which the transfer was made	Book value	Transfer	Difference
			of the securities transferred	value based on the market rate.	adjusted as profit as a result of the transfer
			Rs.	Rs.	Rs.
11-4-62	Revenue Reserve Fund	Revenue I	1,29,422	1,35,249	5,827
30-4-62	Do.	General Insurance Fund Renewals & Replacement Fund Capital I	21,21,187	22,08,469	87,282
11-4-62	General Insurance Fund	Revenue I	2,45,367	2,48,698	3,331
11-4-62	Renewals and Replacement Fund	Revenue I	9,11,004	9,52,959	41,955
27-3-63	Revenue Account	Capital II	13,36,806	13,41,955	5,149
	TOTAL		47,44,686	48,87,230	1,42,544

In these cases the transfer was treated as a sale from one Fund to the other at the prevalent market rate and the amount of losses and gains as compared with the book value was debited or credited

to the Fund from which the securities were transferred. This adjustment appeared unnecessary considering that the securities held in all the funds were valued at market rates at the end of the year and any depreciation in value was charged off to revenue. Any appreciation in value was not taken credit for, following the principle that no credit should be taken for profit which was not realised.

The witness explained that most of the securities were government securities and whenever there were not enough liquid assets in a particular fund to meet expenditure, it was the practice to transfer them to another fund where there were liquid assets and the transfer in question had been done in pursuance of that practice which was not objected to by the Audit. It was a question of selling from one fund to another without going to the market. The Committee pointed out that while effecting the transfers, an artificial profit of Rs. 1.43 lakhs had been shown, while it was the elementary principle in income-tax that one cannot make profit out of oneself. The witness agreed to examine the feasibility of changing the method.

The Committee may be informed of the action taken.

Works Accounts—Expenditure on works in excess of sanctioned estimates—Para 6, Page 3.

43. The expenditure incurred up to 31st March, 1963 on Capital works in excess of sanctioned estimates was as follows. These excesses are awaiting regularisation (February, 1964).

Account	Excess over sanctioned estimate	
	Nos. of works	Amount (Rs. in lakhs)
Capital II	20	57.16

Particulars of 4 works costing over Rs. 5 lakhs each, in which the expenditure upto 31st March, 1963 exceeded the sanctioned estimates by more than 10 per cent. are detailed below:—

S. No.	Name of the work	Sanc-tioned estimate	Actual expenditure	Percentage of excess over estimates	Year in which the excess first occurred.
1.	Construction of Coal berth	25.00	36.73	59.7	1959-60
2.	Reconstruction of South Quay II	29.25	33.27	13.7	1960-61
3.	Construction of Ore Berth	48.00	59.03	22.9	1960-61
4.	Construction of new Ad-ministrative Office	23.51	28.41	20.8	1960-61

The Committee desired to know the reasons for delay in regularising excesses involving Rs. 57.16 lakhs. The witness explained that it was due to the difficulties experienced in dredging operations and other operational difficulties in the foundation work. The Committee enquired whether there was any limit in incurring expenditure beyond the sanctioned estimate, as in one of the items the actual expenditure had exceeded the estimates by 60 per cent. The representative of the Ministry stated that the permission of the Central Government was obtained if the project was more than Rs. 21 lakhs and the excess was more than 10 per cent. He also informed the Committee that the work was started by the port authorities on the basis of the sanctioned estimate and when it was found that in the under-water works more expenditure had to be incurred, the port authorities incurred the expenditure and later on obtained the sanction of the Ministry. In this case the sanction was obtained after the work was completed. The Committee felt that the procedure should have been different as under the existing system estimates had no sanctity. The Committee desired to be furnished with a note indicating the dates on which estimates were exceeded in case of different works and the date on which the Ministry of Transport was approached for regularisation of excesses including the stage at which estimates were revised. **The information is still awaited.** Asked whether any progress report was received while the work was in progress, the Chairman, Madras Port Trust stated that monthly meetings were held where the physical and financial progress of the work was reviewed and revised estimates were submitted by engineers after they had explained the causes for excesses. During the last two years at the instance of the Ministry of Transport, the Engineering Department were submitting revised estimates to Government for sanction as they came to know that there would be excess over the estimates. The Committee felt that even the revised procedure was not working well and pointed out that there were five cases where excess to a tune of 67.62% had occurred in 1962, 1963 and 1964, but no sanction was obtained till December, 1964. The witness stated that revised estimates could be prepared for over ground civil works but it was not possible to prepare correct estimates in regard to under-water works.

The Committee find that in most cases the expenditure incurred by the Madras Port Trust was in excess of the sanctioned estimate and that the excesses had not been regularised in time. They, therefore, feel that under the existing system estimates have no sanctity and would like that the matter should be examined by the Port Trust so that future estimates should have more realistic basis. They

would also like to be informed of the exact position about the regularisation of the excess expenditure already incurred.

Loan from the International Bank for Reconstruction and Development—Para 8, Pages 3-4.

44. To meet foreign exchange requirements of the capital outlay of Rs. 15:77 crores on development works proposed to be carried out during the Second Plan Period a loan agreement was executed in June, 1958 with the International Bank for Re-construction and Development for 14 million U.S. Dollars (Rs. 6:67 crores approximately) carrying interest at 5½% repayable in half-yearly instalments commencing from 1st April, 1963. The loan was guaranteed by the Government of India as to repayment of the principal and payment of interest and other charges.

According to the agreement, commitment charge at ¾% per annum on the principal amount of the loan not withdrawn from time to time, was ayable to the Bank and the closing date of the loan was 30th June, 1962. The loan of Rs. 6:67 crores was proposed to be drawn from the Bank as indicated below:

Year	No. of instalments	Rs. in lakhs
1958-59	3	135·84
1959-60	4	267·26
1960-61	4	182·81
1961-62	1	80·83

As at the end of 30th June 1962, however, the Trust could draw only Rs. 258 lakhs. The period within which the loan should be utilised was subsequently extended to 30th June, 1965 and at the end of 28th February, 1964, the balance left undrawn was Rs. 204 lakhs.

The non-drawal of the entire loan by 30th June, 1962 was explained by the Port Trust as due to:

- (a) Delay in procurement of imported equipment arising out of the Government procedure in the matter of clearance from the Development Wing, release of foreign exchange, and obtaining import licence.
- (b) Availability of equipment and machinery indigenously for which foreign exchange was provided.

- (c) Procedural delays in carrying out works, such as protracted negotiations with the tenderers, regarding the terms and conditions of supply.

A total sum of Rs. 18.89 lakhs was paid up to October, 1963 towards commitment charges. The amount that would have been paid to the Bank if the loan had been drawn, as per the schedule drawn up by the Port Trust originally, would have been Rs. 7.29 lakhs only.

The Committee desired to know the reasons for delay in the procurement of imported equipment arising out of Government procedure in the matter of clearance from the Development Wing for the release of foreign exchange and obtaining import licence. Explaining the position the witness stated that when they would ask for an import licence the Development Wing would suggest that they should obtain the requisite items from certain indigenous sources. The indigenous items were accepted if found suitable; otherwise those were to be obtained from foreign market. The witness added that in 1958 when a World Bank loan was being negotiated, some items worth Rs. 40 lakhs could be obtained from indigenous sources. In this case too, the Development Wing had insisted that indigenous source should be tried first before import licences could be issued. On being pointed out by the Committee that all these eventualities should have been anticipated before drawing up the project scheme, the witness stated that the scheme had been drawn up in 1958-59 and the foreign exchange position during 1958 to 1961 was difficult. He further added that some factories had gone into production much later than expected and some items like diesel locomotives had been procured under Colombo Plan which could not be anticipated at the time of drawing up of the scheme. As regards the utilisation of the loan the Committee were informed that by the end of November, 1964, Rs. 417.78 lakhs had been utilised out of the total loan of Rs. 666.74 lakhs and it was expected that Rs. 65.61 lakhs would be spent before the date of expiry of the loan leaving a balance of Rs. 183 lakhs as left over. The World Bank had been approached for permission for utilisation of the savings for financing a three million ton iron ore port project.

The Committee regret to note that due to delay in drawal of loan from the International Bank for Reconstruction and Development, the Madras Port Trust above had to pay a sum of about Rs. 20 lakhs upto the 31st March, 1964 as commitment charges. They feel that before entering into an agreement all eventualities should have been foreseen. They desire that necessary steps should be taken to minimise such expenditure in future. In this connection, attention is invited to para 34 of this report.

IV

DEPARTMENT OF SOCIAL SECURITY

Audit Report (Civil), 1964

Khadi and Village Industries Commission—Para 120, Pages 149-150.

(i) The Khadi and Village Industries Commission continued, during 1962-63, its working on the implementation of the developmental programme specified in the Khadi and Village Industries Act, 1956. A summary of the Commission's receipts and payments during 1962-63 is given below:—

Receipts		Payments	
		(In Crores of rupees)	
Opening balance	1·56	Amounts remitted to Government towards payment of interest on loans received from them	2·10
From Governments:		Payments to institutions, etc.—	
Loans	5·12	Loans	18·53
Grants	12·09	Trading operations	3·92
		Grants	9·82
Receipts from institutions, etc.	17·21	Suspense	0·55
Repayment of loans	13·37		32·02
Refunds of amounts invested in trading operations	3·81	Administrative expenses	1·47
Refunds of unutilised grants etc.	1·21	Closing balance	1·86
Suspense	0·16		
	18·55		
Miscellaneous			
Receipts	0·13		
	37·45		
Total		Total	37·45

(ii) In para 101(ii) of the Audit Report (Civil), 1963, mention was made of the loans amounting to Rs. 19·55 crores which had fallen due for repayment to Government in October, 1962 but which had not then been repaid by the Commission. The question regarding the renewal of the loans repayable by the Commission was still under the consideration of the Government (December, 1963). The

total amount which has so far (October, 1963) fallen due for repayment is Rs. 27.58 crores.

The Committee desired to know the system of accounting in so far as the Khadi and Village Industries Commission were concerned *vis-a-vis* the Government and the institutions to which they gave subsidy and loans. The Chairman of the Commission stated that before the Khadi Commission came into being in 1957, there was an All India Khadi and Village Industries Board since 1953 and the system that prevailed now was the one that obtained at that time. The system was that Government used to give loans repayable at the end of every 5 years, which used to be renewed and these loans were under two different heads—Khadi and Village Industries separately. The witness added that in 1962 loans to the extent of Rs. 27.58 crores became due for repayment under both the heads of Khadi and Village Industries. As the loans were not repaid in instalments, the question arose why those were not repaid. The difficulty was that the Commission used to disburse loans to various institutions. The Commission was supposed to recover 10 per cent of the loans from those institutions every year. But it was found that this was merely a notional repayment because on the one hand the institutions repaid 10 per cent and on the other, the next day the Commission gave them another advance of 10 per cent because production had to be maintained. This business of payment or repayment was more or less in the nature of book entries and the Public Accounts Committee had criticised with justification (Para 1 of their Nineteenth Report—Third Lok Sabha) that the system of loans advanced to repay instalments due was not proper. The witness further added that they had, therefore, suggested to the Government of India that they were prepared to link up loan with production *i.e.* so long as production was maintained, the loan might remain with them and the moment the production fell short, the loan became repayable on demand. The Government of India accepted this rational approach in October, 1964 and these loans amounting to Rs. 34.02 crores were considered as working fund loans and were renewed upto 30th September, 1969. In extenuation the witness stated that as soon as the working fund idea had taken shape, they had appointed a Committee about 6 or 7 months ago to assess on a scientific basis the requirements of working capital, loans etc. of the Institutions and their report would be submitted by the end of this year. (1965)

The Committee desired to know the basis of Government's decision to convert the loans into working fund. The representative of

the Ministry stated that the Khadi Commission by its very constitution was a non-profit earning and non-capital forming body and so the question of repayment of the loan given to the Commission for its working did not arise unless it decided to wind up its activities. Therefore, this periodical requirement that the Commission must refund the loan and again Government should give them a fresh loan was just an avoidable work and the Government had taken a policy decision that as repayment of loans became due, it would be converted into working fund. Renewal of loan of Rs. 34.02 crore was an interim decision. They had not committed to renew every loan. There was no scientific formula but when it was worked out, it was their intention to link it to production. As the Khadi Commission had given this amount to the institutions and State Boards, it was not proposed to recall it because any such step would affect their production and sales. The witness further added that their decision did not in any way preclude or abridge their authority to evaluate the report of the Committee appointed to work out the investment output ratio and that the reason why they did not fix the exact figure.

The Committee desired to know how it would be possible for the Commission, which was not a profit-making body, to pay back the loan when production would fall down. The Chairman of the Commission stated that they had given loans to the various centres through State Boards and institutions to run their activities directly and by recalling those loans they would pay back the Government loan. Asked how it would be possible for the State Boards and institutions, which did not have any capital or reserves, to pay back the money to the Commission, the witness stated that they had sufficient hold on the institutions which depended mostly on the Commission for raw materials. Secondly, the Commission also hold stocks and in case any institution committed default, the Commission immediately took into their possession those stocks. In addition, the Commission had got the hypothecation bond over all the assets of the institutions.

When the Chairman of the Commission stated in answer to a question that they had actually asked for a working fund of Rs. 60 crores, the Committee desired to know on what basis they came to this figure. The witness stated that it was on the basis of requirements of the Third Plan and on the basis of their existing formula, which was adopted from the old Charkha Sangh, though it was not

scientifically worked out. Asked whether the Commission had reports of different institutions about their cost of production and also their production level, the witness stated that periodically they had to study the working of various institutions from an economic angle and it was done only by way of a sample survey covering bigger, medium-size and smaller institutions as it was not possible to undertake a detailed study of all the thousands of institutions and cooperative societies.

The Committee pointed out that the Gyan Chand Committee had proved that the total employment provided by Khadi worked out to 2,77,150 only whereas the Commission were claiming that near about 14 lakhs people were employed at that time. The witness stated that they did not agree with the computation by Gyan Chand Committee. According to the witness the computation was obviously defective because those who were given part-time employment could not be absorbed in any alternative industry for that part-time. He added that supplementary occupation would be only supplementary occupation and would have to be judged from that angle.

At the instance of the Committee, a statement has been furnished by the Department (Appendix VIII showing the total amount of loans and grants given to Khadi and Village Industries Commission by Government from 1st April, 1957, i.e., the date from which the Commission started functioning.

The Committee feel that before Government had decided to convert the loans amounting to Rs. 34.02 crores granted to the Commission into working fund, they should have made—

- (i) a scientific assessment about the requirements of working capital, loans etc. of the institutions; and
- (ii) a thorough study of the working of the various institutions from an economic angle to ascertain their cost of production and also their production level without relying on the sample survey.

The Committee fail to understand how it would be possible for the Commission to repay the loan if and when the level of production falls as the Commission was stated to be a non profit earning and non-capital forming body. In these circumstances the efforts of the Commission should be to stimulate production so as to make the institutions etc. self-supporting to the extent possible. In this connection the Committee would like to draw attention to the following extract from the report of the working group of Khadi and Village Industries:

“We consider that the requirements of the Working Fund as proposed by the Commission are based upon a certain amount of arbitrariness and look more like an attempt to capitalise the present proposition rather than to work them out on a scientific basis.”

The Committee desire that the committee already appointed by the Commission to work out a scientific basis of capital requirements should be asked to submit their Report at a very early date. The Committee would like government to examine in detail the financial implications of the proposals of that committee before accepting a particular figure as the Working Fund.

During the course of evidence the Chairman of the Khadi Commission stated that it would be possible to make the programme of Khadi stand on its own legs, only if the Government of India is prepared to accept reservation in spheres of production. The Committee suggest that this idea should be examined carefully and if feasible, implemented.

The witness admitted that in a fit of enthusiasm they worked out an ambitious programme of some 300 crores of yards for the Second Plan and thought in terms of employment to 75 lakhs of people but those Ambar Charkhas were still lying idle. They were now trying to review the wage structure and it had gone up to Rs. 65 from Rs. 53 during the last 3 or 4 years and efforts were now being made to raise it to Rs. 90 and it was expected that it would reach Rs. 100 during the Fourth Plan.

The Committee desire that before fixing any target there should be proper scrutiny of production capacity so that targets which are capable of achievement are fixed. The Committee would also like to be informed of the targets and actual achievements regarding Khadi production during the First, Second and Third Five Year Plans respectively and the reasons for shortfall.

46. The Committee drew the attention of the Department to the Audit Report on the accounts of Khadi and Village Industries Commission for 1962-63 wherein it was stated that the Commission had prepared separate Profit and Loss Accounts and Balance sheets for the different units engaged in production and trading activities for the year 1962-63. A consolidated profit and loss account for the Commission's activities as a whole had not been prepared since its inception, the matter was stated to be still under the consideration of the Commission.

The Committee desired to know why a consolidated profit and loss account for the Commission's activities as a whole had not been

prepared. The representative of the Commission stated that there were some practical difficulties because the nature of their trading activities was different and their activities were so multifarious that one consolidated profit and loss account might be very cumbersome. The witness added that they prepared annual accounts which also included trading results of each of their trading units. The witness admitted that they had separate accounts for Khadi and Village Industries Sections but not in the form of a Consolidated Profit and Loss Accounts and a balance sheet. The witness, however, agreed that they would devise a form in consultation with the C. & A.G. for preparing a consolidated Profit and Loss Account and a balance sheet.

The C. & A.G. stated that upto now the Commission had an objection in principle to preparation of such a consolidated profit and loss account, as according to them, this was not required by the Act. Now that this objection had been set aside, there would be no difficulty in devising jointly a suitable form.

The Committee regret that the Commission should have kept pending till now this question of preparation of Consolidated Profit and Loss Account.

The Committee desire that the Commission should devise a suitable form in consultation with the Comptroller and Auditor General of India and prepare a Consolidated Profit and Loss Account and a balance sheet as a regular annual feature without further loss of time.

47. (iii) As against the total amount of Rs. 13.13 crores representing loans and grants given by the Commission, in respect of which utilisation certificates were awaited as mentioned in para 101 (iii) of the Audit Report (Civil), 1963, utilisation certificates are still awaited in respect of Rs. 10.90 crores (December, 1963), According to the utilisation certificates received so far (December, 1963), a refund of Rs. 6.15 crores is due to the Commission from the different institutions, against which refunds have actually been received or fresh sanctions regularising the use of the amounts have been issued for a total amount of Rs. 2.81 crores. The amount which awaits refund/regularisation is Rs. 3.34 crores.

During 1961-62, a total amount of Rs. 25.30 crores was disbursed as loans to institutions, etc., information as to the total amount of utilisation certificates received against which is stated to be under compilation by the Commission (January, 1964).

Repayment of loans advanced by the Commission to the extent of Rs. 6.89 crores (inclusive of Rs. 3.33 crores due from State Boards) was overdue on 30th September, 1963, (as against Rs. 4.75 crores as on 30th September, 1962). In respect of loans totalling Rs. 9.35 lakhs legal proceedings for recovery have been or are proposed to be instituted by the Commission against 50 institutions, some of which have gone into liquidation.

As regards utilisation certificates, the witness stated that due to reorganisation of the system, the number of utilisation certificates outstanding as on 31st December, 1964 was to the extent of Rs. 6.33 crores only out of Rs. 35 crores outstanding as in 1960-61. It was expected that by the end of March, 1965 the back-log would be cleared. The witness added that they were reorganising the State Board's audit and the State Boards which were in arrears in relation to their accounts had been advised not to expand their work but to consolidate it and it was hoped that the finalisation of accounts upto date would be brought about by the end of the next financial year and then the affairs of the State Boards would be known. Similarly, they had introduced a system of Audit of the small institutions by Chartered Accountants by giving them partial assistance.

It is no doubt gratifying that due to reorganisation of the system, it was expected by the Commission to clear by the end of March, 1965 the entire back-log of Rs. 35 crores in respect of which utilisation certificates were outstanding. The Committee would like to be informed of the results achieved in this direction.

In the matter of recovery of loans the witness stated that they had set up a Recovery Section and outstanding loans to the tune of Rs. 1 crore had been recovered in the course of the last year and it would be possible to exercise complete budgetary control by the next year.

The Committee would like to be informed about the efforts made and the results achieved towards the recovery of loans of Rs. 6.89 crores that were overdue on 30th September, 1963.

48. (iv) In November, 1961 Government issued orders to the effect that interest on the loans given by the Commission to the State Boards for the development of Khadi and Village Industries through institutions, societies, etc., should be charged from the date on which they are actually disbursed to the institutions, societies, etc. concerned or the date of expiry of three months from the date of drawal of

loans by the State Boards, whichever is earlier. Further, any interest earned by the State Boards on the funds advanced to them before they are disbursed to the institutions, societies, etc., was required to be passed on by them to the Commission. A refund of Rs. 7 lakhs was made on this account by the Andhra State Board in June, 1963. The information regarding similar amounts due from the other State Boards is not available from the records of the Commission.

The Committee desired to know whether other State Boards had also refunded any amount towards interest like the Andhra State Board which had actually refunded Rs. 7 lakhs towards the same. The representative of the Department stated that the State Boards of Maharashtra, Uttar Pradesh and Gujarat had paid; no interest was earned by Madras, Kerala and West Bengal as they kept the funds in the Government treasuries and Rajasthan, Bihar, Orissa and Jammu and Kashmir had agreed to refund the interest which was being calculated. With regard to Assam, M.P. and Mysore they had a protracted discussion in the matter and their final reply was awaited and only the Punjab State Board had not yet agreed and the matter was being pursued.

In answer to a question, the witness stated that the amount due from Maharashtra was Rs. 2,23,000, the first instalment received from Gujarat was Rs. 1,142 as they had kept some of the amount in fixed deposits and they would pay the balance on maturity and for Uttar Pradesh it was Rs. 1,37,000 and the figure for Rajasthan was being worked out. Asked as to why they were given so much in advance, the witness stated that this was the earlier procedure and now they had changed it to imprest system by which 25 per cent of the annual budget requirements would be released to them as advance and their actual expenditure each month was being recouped and this problem would not, therefore, arise in future.

The Committee are surprised to learn that huge amounts of interest are due from various State Boards and that in certain cases even this amount has not been calculated though the Boards have agreed to refund it. In others in spite of protracted discussion nothing has so far been done to come to a final settlement. This is a rather unhappy state of affairs. There should, therefore, be greater initiative on the part of the Commission to realise the amounts due from the State Boards without further delay.

The Committee, however, note that the earlier procedure has since been changed to imprest system by which 25 per cent of the annual Budget requirements will be released to the State Boards as advance and their actual monthly expenditure will be recouped.

Failure of a Scheme—Para 121, Page 151.

49. In January, 1962, the Commission paid a sum of Rs. 3.37 lakhs (Rs. 2.62 lakhs by way of loans, and Rs. 0.75 lakh as grant) to the Akhil Bhartiya Sarva Seva Sangh, Wardha for production of Palm Sugar and its bye-products, on an experimental basis. The entire loan was interest-free for the first two years; thereafter 50 per cent of the loan was to be interest-free and the remaining 50 per cent was to carry interest at 2½ per cent. In November, 1962, the Sangh expressed its inability to proceed with the scheme. In May, 1963, an amount of Rs. 2.20 lakhs was repaid to the Commission against the loan. On the insistence of Audit, a sum of about Rs. 8,000 representing interest earned by the Sangh on investment of the funds given to them was also refunded to the Commission in December, 1963. The balance of the loan (Rs. 0.42 lakh) and the unspent balance of the grant (Rs. 0.27 lakh) has not yet been repaid to the Commission (December, 1963).

Further, the internal auditors of the Commission reported in March, 1963, that out of the portion of the grant utilised by the Sangh (Rs. 0.48 lakh) a sum of Rs. 18,225 had been expended on unauthorised items. The regularisation of this amount is still awaited (December, 1963).

In March, 1963, the Commission decided to take over certain assets on which the Sangh had incurred an expenditure of Rs. 0.28 lakh, and to dispose of them. The disposal has not yet been effected (December, 1963).

The Commission have stated in December, 1963 that the scheme had to be discontinued because of certain unforeseen factors such as lack of adequate electric power, anticipated losses consequent upon the necessity of sinking of more capital with probable less returns owing to its experimental nature.

The Committee desired to know when the scheme for production of palm sugar and its bye-products was sanctioned, why necessary precaution was not taken to ensure that it was successfully implemented rather than allowing Akhil Bhartiya Sarva Seva Sangh, Wardha to experiment it for some time resulting in all these problems about the refund of loan etc. The representative of the Department stated that the Akhil Bhartiya Sarva Seva Sangh being a very reputed institution and having considerable experience in palm gur manufacture was entrusted to carry out the scheme on the recommendation of the Director of Palm Gur Industry in the Khadi Commission but it so happened that the authorities of the Sangh decided

later on not to work any scheme on the basis of loan from Government. The Chairman of the Commission added that they had recovered everything except Rs. 41,000 out of which about Rs. 27,000 were invested by the Sangh in typewriters etc. which had also been transferred to the Commission. There was a change in the policy of the Maharashtra Government with regard to the sale of palm trees and the Sangh felt that they would not be able to do justice to the scheme. The net loss on the scheme would amount to Rs. 14,000 spent by the Sangh in the initial stages and the depreciation of the assets transferred to the Commission.

The Committee regret to note that the Commission had entrusted the scheme for production of Palm sugar and its bye-products to the Akhil Bhartiya Sarva Seva Sangh without taking adequate precaution about its successful implementation. They recommend that there should be proper planning before embarking on any new scheme so that the public funds may not be frittered away.

Intensive Area Scheme—Para 122, Pages 151-152.

50. The 'Intensive Area Scheme' was originally started in 1953 by the former All India Khadi and Village Industries Board. The objectives of the scheme included the creation of full employment at relatively low capital cost, the raising of the level of rural income through increased production, and the securing of a measure of local and regional self-sufficiency in the supply of essential consumer goods required by the rural population.

During the period 1955-56 to 1962-63, grants to the extent of Rs. 155.80 lakhs and loans to the extent of Rs. 125.06 lakhs were disbursed to registered institutions by the former Board from 1953 to March, 1957, and by the Khadi and Village Industries Commission from April, 1957 to March, 1963 for the starting of 'Intensive' and 'Pre-Intensive' Area Centres. 45 out of 118 centres thus opened, were closed during the period 1954-55 to 1962-63; the number of centres closed during the last five years is given below:—

1958-59	..	18
1959-60	..	7
1960-61	..	2
1961-62	..	6
1962-63	..	3

In respect of these centres, loans to the extent of Rs. 7.29 lakhs and unspent balances of grant to the extent of Rs. 8.76 lakhs are awaiting realisation.

Irregularities noticed in the accounts of the two of the centres were commented upon in paragraphs 122 and 123 of the Audit Report (Civil), 1962. A test-check of the accounts of some more selected Intensive Area Centres, conducted between November, 1962 and January, 1963 brought to light further irregularities such as diversion of funds, including grants of unauthorised advances, non-utilisation/wrong-utilisation of buildings and equipment purchased from the funds advanced to the Institutions; in one case the cash and bank balances as on 1st January, 1963 were found to be Rs. 532 only as against unspent balances exceeding Rs. 60,000 out of the grants and loans received by the Institution.

The Evaluation Committee appointed by the Government of India in February, 1959, to appraise the progress made by the Commission in the implementation of their programme, observed in their report (submitted in February, 1960) that "it is a matter of great regret that the expenditure of Rs. 75 lakhs incurred on the development of Khadi in Intensive Areas has no lesson for us from the point of view of the economics and benefits that can be realised through a programme of integrated development of Khadi and Village Industries."

The Commission have stated in January, 1964 that complete information is being collected from various centres and other records of the Commission's Head Office and Branch Offices, and that a fresh evaluation report on the scheme is expected to be received shortly.

The Committee desired to know whether the Commission had assessed the total amounts so far due in respect of all the institutions which were closed down and what action had been taken to secure refund of the amounts. The representative of the Deptt. stated that the latest position was that they had to recover about Rs. 23 lakhs (Rs. 14:06 lakhs under loan and Rs. 8:67 lakhs under grant) and the usual steps, of seizing the assets and taking the matters to the court of law, were being taken.

From the statements furnished at the instance of the Committee (Appendix IX) it would be seen that out of 121 Intensive and pre-Intensive Centres, 58 Centres are working, 4 centres have been converted to Gram Ekais and 59 centres have been closed.

The Committee regret to learn that the correct dues of each closed institution are yet to be worked out after final audit of each closed centre and also after reconciliation of figures of loans/grants. As the centres were closed during the period 1954-55 to 1962-63, there have been delays of about 10 years in some cases. They are unable to appreciate such delays in this matter.

As a huge amount of Rs. 23 lakhs is yet to be recovered from the various centre already closed, the Committee desire that expedi-

tious and serious action should be taken to effect recoveries. They would like to be informed of the results.

51. The witness added that the Evaluation Report of the Delhi Economy Group of which Prof. Rao was the Chairman, was being studied by them and the Commission, which had drawn out a detailed procedure and had fixed standards under which a centre would be classified as good, fair and bad and the centres would be closed down immediately, fair centres would be given assistance to come upto some level and good centres would be further encouraged. It was no doubt a very good scheme in the interest of rural regeneration and because of their past lessons they were now proceeding cautiously. In answer to a question, the Chairman of the Commission mentioned that 58 centres were being reorganised so that those might progress further to mitigate the loss entailed in the closure of 59 centres. The witness added that the assets of closed centres were being taken over; four centres were being transferred to major institutions nearby and some kind of managerial assistance was being given to other institutions so that they could function efficiently and repay the Commission's loss and the Commission would be in a position to give a picture of the net loss by the next year.

The Committee desired to be furnished with a note giving details of the basis on which and on whose advice these Intensive Area Centres were selected and the nature of supervision exercised on them. Reply is awaited from the Department.

The Committee enquired why it took over 3 years to appoint a Committee under the Chairmanship of Prof. Rao even after the series of complaints received in 1960-61. The representative of the Commission stated that the complaints were not of general nature in respect of the intensive area centres and after examining the position in the office itself, the balance sheets of these individual institutions were called for and after going through them the Evaluation Committee was appointed.

The Committee cannot help observing that the very fact that as many as 59 out of 121 centres had to be closed down indicates that the execution of the "Intensive Area Scheme" left much to be desired.

The reasons given in evidence for the delay of over 3 years for the appointment of a Committee under the Chairmanship of Prof. Rao are not convincing. The Committee would like to stress that such delays should be avoided.

The Committee are not happy to note that the following observation has been made in one of the recommendations of the Rao Committee:

"Increased activities in both the sectors might lead to increase in employment opportunities. Unfortunately neither the

agricultural sector nor the industrial sector is functioning in complementary directions. If the Intensive Area Scheme wants to establish an agro-industrial economy it is essential to achieve a large degree of self-sufficiency in respect of raw material supply and marketing of finished products. At present none of the intensive areas are anywhere near the stage of establishing an agro-industrial economy."

52. Asked whether the centres were disputing their claim, the witness stated that out of the money advanced by the Commission, Dhanora Centre had built a hospital and though the building was there, it might entail some legal proceedings to bring them round.

The Committee desired to know the details of the case where the cash and bank balances as on 1st January, 1963 were found to be Rs. 532 only as against unspent balances exceeding Rs. 60,000 out of the grants and loans received by one Institution. The representative of the Commission admitted that in the Murud Institution the cash balance stood at Rs. 153* while the unspent book balances amounted to Rs. 60,000 on assets etc. The witness, however, contended that this institution had been doing commendable work in respect of integrated development. The institution had agreed to repay this amount in instalments of Rs. 10,000 each and a sum of Rs. 5,138 had already been received. The witness admitted that there was no doubt a financial irregularity when the amount had been spent without the permission or authority of the Commission, however, laudable the objective might be.

The Committee are surprised to learn that inspite of the fact that the Dhanora Centre had built a hospital out of the money advanced by the Commission, no legal action has so far been instituted against the Centre. The Committee would like to be informed of the latest position.

Similarly, though the Murud Institution had agreed to repay Rs. 60,000 in instalments of Rs. 10,000 each, the Commission could so far realise only Rs. 5,138. The Committee desire that necessary steps should be taken to recover the balance in regular instalments of Rs. 10,000 each as agreed upon. They also trust that such financial irregularities will not recur in future.

Infructuous Expenditure Para 123, Pages 152-153.

53. The officer-in-charge of the Birnagar Khadi Production Centre, took a building on lease on behalf of the Commission (but without the Commission's approval), to accommodate an Ambar Charkha

*According to Audit the figure in Rs. 532.

Vidyalaya, on a rental of Rs. 250 per month. According to the terms of the lease, the Commission was required to pay an advance rent of Rs. 7,500 and to incur expenditure on repairs, additions and alterations to the building, up to Rs. 7,500. The total amount of Rs. 15,000 representing an advance of rent for five years, was to be adjusted against the monthly rent payable. The lease was to run for a period of 21 years from 1st April, 1959, but could be terminated by the lessee, on one month's notice, after the expiry of five years.

The training institute ceased to function after two years, from 21st May, 1961. An expenditure of about Rs. 20,000 on repairs, additions and alterations to the building had, in the meantime, been incurred by the officer-in-charge of the Centre, in addition to the advanced payment of Rs. 7,500 made in March, 1959.

A civil suit for the recovery of further Rs. 7,000 in connection with the repairs, etc., filed by a contractor against the Commission is also pending in a Court of Law.

The case was reported to Commission in August, 1961, but the action taken by them in the matter is not known and the premises still continue to be in possession of the Commission, without being put to any use (December, 1963).

The Committee desired to know why an expenditure of about Rs. 20,000 on repairs etc. was incurred in addition to the advance payment of Rs. 7,500 in taking a building on lease at Birnagar Khadi Production Centre on behalf of the Commission to accommodate an Ambar Charkha Vidyalaya on a rental of Rs. 250 per month. The representative of the Department stated, "We have examined the case very carefully. It is indeed a very bad case. There is nothing to defend. We have decided to start enquiries and fix responsibility." The representative of the Commission stated that there were a Centre-in-Charge and a Director of Trading Operations and the Centre-in-Charge exceeded his authority in giving the amount of Rs. 20,000 to the Director of Trading Operations. The trading operations in Calcutta were closed about a year ago and the Director was one of the Officers in charge of the trading operations. The Centre-in-Charge was no longer in service and the Director of Trading Operations had also been superannuated but he was kept even after 1961 because other activities were being undertaken in that particular centre.

In answer to a question that by the time a final decision was taken, all persons might have been superannuated, the witness assured that they would do this more expeditiously. The witness

added that when there was a notice from the lawyers asking them to hand over possession to the land-lord, the enquiry was made in the first half of 1964 and they came to the conclusion that it was a bad case. The Vidyalaya was closed on 21st March, 1961, but the trading activities were conducted in the same building till it was handed over last year. The witness further added that before this particular agreement of lease was made with the party, the document was considered by the Legal Department of the Commission and they thought it proper to enter into a lease for 21 years for an experiment institute and renewable for 25 years.

The Committee are surprised and regret to observe that though this case was reported by Audit to the Commission in August, 1961, no proper inquiry has yet been instituted by the Commission. In the meantime, Centre-in-charge had already left service. This indicates a certain amount of indifference on the part of the Commission also. The Committee would like the matter to be thoroughly investigated with a view to fixing responsibility for the various lapses. They would like to be informed of the result.

*Overpayment due to non-fixation of pay in the revised scales—
Para 124, Page 153.*

54. In February, 1960, Government issued orders revising the pay scales of certain posts (carrying pay above Rs. 500) in the Khadi and Village Industries Commission. The revision which was sanctioned with retrospective effect from 1st April, 1957, has not, however, been effected so far in six cases, and the incumbents continue to draw pay on the earlier scales. This has resulted in overpayments amounting to Rs. 30,440, upto November, 1963.

The delay was reported to the Government in October, 1960, but action has not so far been taken by the Commission (December, 1963).

The Committee desired to know the reasons for over-payment amounting to Rs. 30,440 due to non-implementation of the Government orders with regard to fixation of scales of pay of certain officers. The representative of the Deptt. stated that there was of course, some over-payment which had, however, been settled with the Accountant General. When the Committee pointed out that one particular officer of the Commission went on getting advances in lieu of salary, the Chairman of the Commission stated that it was true and under the Act they had to secure the approval of the Government of India for every person whose salary was Rs. 500/- and above. A Committee was appointed by the Commission to fix the scales and they gave a Report in 1959. The witness added that at that time option was given to all the officers except six who had no

right of option according to the Commission. Later on it was found that they had the option under F.R. 23 and in that sense there was no over-payment but technically it was over-payment because they did it without the permission of the Government of India.

The Committee are of the opinion that the Commission are no doubt at fault in not implementing the orders of the Government of India issued in February 1960, but they cannot help feeling that the Department concerned has also failed in not ensuring that such orders are implemented in time. They hope that such irregularities will not recur.

All India Handicrafts Board—Para 52, Pages 62-63.

55. (A) Expenditure: A broad analysis of the expenditure of the Board during the five years ending with 1962-63 is given below:

	1958-59	1959-60	1960-61	1961-62	1962-63
	(In lakhs of rupees)				
I. Establishment					
(i) Headquarters	7.98	9.76	10.30	11.31	11.62
(ii) Regional Offices . . . . .	..	1.29	2.57	2.64	2.86
Total	7.98	11.05	12.87	13.95	14.48
II. Foreign Experts	1.36	1.94	1.55	1.21	0.60
Total	9.34	12.99	14.42	15.16	15.08
III: Schemes.					
1. Design Centres	4.15	4.96	4.63	5.15	5.94
2. Pilot Centres	5.92	6.50	6.62	6.19	4.88
3. Research Centres	0.37	0.52	0.59	1.20	1.00
4. Publicity and Propaganda, Museum, Marketing, Training and Extension, Planning and Research, Exhibitions and Quality Control	(included in IB below)	8.20	6.76	10.14	4.98
IV. Grants-in-aid to Private Organisations	20.52	8.94	6.95	7.38	6.43
V. Loans to Private Organisations	5.91	..	10.76	5.00	5.00
Total	36.87	29.12	36.31	35.06	28.23

Expenditure on Schemes including disbursements of grants and loans).

While the expenditure on schemes (including the amounts disbursed as grants and loans) showed a decrease from Rs. 36.87 lakhs in 1958-59 to Rs. 35.06 lakhs during 1961-62 and was further reduced to Rs. 28.23 lakhs during 1962-63, the charges on 'establishment' (excluding foreign experts) increased from Rs. 7.98 lakhs in 1958-59 to Rs. 13.95 lakhs in 1961-62 and to Rs. 14.48 lakhs in 1962-63. The drop in the expenditure on schemes (including grants and loans) during 1962-63 is attributed to the strict economy exercised on account of national emergency, and to the giving up of certain schemes for lack of funds.

In para 19 of their 161st Report (2nd Lok Sabha—March, 1962), the Estimates Committee had drawn attention to the scope for reduction of staff in the headquarters office, but it has been stated (January, 1964) that since one of the main functions of the Board is to advise the State Governments and private organisations on the various problems concerning handicrafts, staff having special knowledge and experience of various aspects has to be maintained. Nevertheless, the staff position in the headquarters office of the Board is stated to be under examination.

The Committee desired to know while the expenditure on schemes showed a decrease from Rs. 36.87 lakhs in 1958-59 to Rs. 28.23 lakhs in 1962-63, why the charges on 'establishment' had increased from Rs. 7.98 lakhs in 1958-59 to Rs. 14.48 lakhs in 1962-63, though it was recommended by the Estimates Committee in para 19 of their 161st Report, 1961-62 that there was scope for reduction of staff in the Headquarter office. The representative of the Department stated that there was no increase in the salaries or number of people who were directly involved in the establishment but there were a number of specialists, experts, technicians connected with the different branches of handicrafts where specialists' services were required. As regards the increase in establishment at Headquarters from Rs. 7.98 lakhs in 1958-59 to Rs. 11.62 lakhs in 1962-63, the representative of the Board stated that they were spending over a lakh of rupees on establishment expenditure of the staff and they had to give assistance and advice to the 1800 exporters of handicrafts which were not reflected in their expenditure. The staff also carried out economic surveys for which there was no expenditure as such except on salaries of the economists and investigators. The witness added that in Headquarters staff, administrative expenditure was of the order of Rs. 3.50 lakhs in 1962-63 against Rs. 2.52 lakhs in 1958-59 and the remaining staff was technical staff which in 1958-59 accounted for Rs. 5.5 lakhs against Rs. 8.1 lakhs in 1962-63. In addition, there were regional officers in Regional Offices established in five different zones to help State Governments, but

there were no regional officers in 1958-59 and only two had been appointed in 1959-60 and the remaining three in 1960-61. The expenditure for regional officers in 1960-61 was Rs. 2.5 lakhs against Rs. 2.8 lakhs in 1962-63.

At the instance of the Committee the following statement showing the break-up of the expenditure on the Headquarters establishment between administrative and technical staff has been submitted by the Department:

(In lakhs of rupees)

Year	Expenditure on staff detailed for administrative work	Expenditure on staff detailed on technical work.	Total
1958-59	2.53	5.45	7.98
1959-60	2.75	7.01	9.76
1960-61	2.99	7.31	10.30
1961-62	3.04	8.27	11.31
1962-63	3.50	8.12	11.62

As regards Estimates Committee's recommendation, the witness stated that the Deptt. had appointed one Joint Secretary to go into the question of staff and after the enquiry it was found that except 3 or 4 clerical staff, there was no excess staff and even for this limited number of clerical staff, the export requirements were not taken into account.

From the statement furnished at the instance of the Committee (Appendix X) it is observed from para 3 of the Minutes of the Meeting held on the 7th and 15th December, 1964 to discuss the work study Group's report that the following posts were redundant to the requirements of the All India Handicrafts Board:

Assistant Director	..	One
Investigators	..	Four
Junior Accountants	..	One
U.D.C.	..	Five

It is also noticed from para 4.6 of the Report of the work Study Team on the work of the All-India Handicrafts Board that in the Exhibition Branch for the staff of 9 members there are as many as 5 officers and the Team feels that the proportion of the officers to the staff is most uneven.

The Committee hope that necessary action has already been taken by the All India Handicrafts Board to implement the above recommendations of the work study group. The Committee would like to be informed of the latest position.

56. (B) *Disposal of 'remnants'*: In September, 1960, the Board reported to the Ministry that it had in its stock "remnant" exhibits pertaining to exhibitions conducted abroad as well as in India, since 1954. In September, 1961, the Ministry of Commerce and Industry authorised the Board to dispose of them, as it had been stated that the "remnants" had lost their display value, and that many of them had got damaged beyond repairs in the course of handling and transshipment. Exhibits worth Rs. 3.54 lakhs, were disposed of during May to November, 1963, while goods worth another Rs. 53,000 were diverted to other branches, exhibitions, etc. The labelled value of goods which still await disposal (December, 1963) amounts to Rs. 2.43 lakhs.

The estimated cost of temporary staff sanctioned for the period 16th March, 1962 to 30th November, 1963 in connection with the disposal of remnants was Rs. 50,000.

The witness informed the Committee that many of these remnants related to exhibitions held abroad and the practice was that from one exhibition in one country they were moved to another country for the same purpose. When in 1957-58 the Indian Embassies and Missions abroad reported that these exhibits had either become damaged or were not worth displaying, it was decided to get them back and in 1960 they reached here. The witness added that in September, 1960, they had applied to Government for their disposal and they could start their work only in 1961 when Government had approved of it and as there were about 60,000 items and labels were missing on a number of them, they took about a year to sort them out. Asked as to why Government had taken one year to give their permission, the witness stated that there were two questions to be examined—one related to the policy of pricing and disposal and how it had to be done and what machinery should be there etc. and the other related to approval for temporary staff to be employed for this purpose.

In answer to a question as to why one year was taken to sort out the exhibits, the witness stated that all those 60,000 items were related to a number of exhibitions that moved from one country to another and they could not put them on sale without first relating each item to the particular exhibition to which it belonged. Moreover, because of emergency they had to shift their office twice from one place to another and in this process there was a delay of two months and because of shifting some of the sorting work had to be

redone. By now they had disposed of everything and realised Rs. 1,54,000 through auction and sale and articles worth Rs. 1,06,000 were found to be in such a condition that they could be used at the price value and were sent for other exhibitions.*

The Committee cannot understand why it was decided in 1960 to get these exhibits back when the Embassies and Missions abroad had reported in 1957-58 that they had become damaged or unfit for display.

Moreover, the Committee understand from the Audit that instructions regarding the disposal of remnants had already been issued by the Ministry to the Board in August, 1957 with the following directions.

“.....these remnants might be disposed of by the All India Handicrafts Board to the best advantage of the Government by organising sales through local auctions. For this purpose, a reserve price of 50 per cent of the mark-up prices may be fixed in the first auction. In cases where this fails to effect disposal, the reserve prices may be further reduced to 25 per cent of the original mark-up price in second auction.”

The Committee fail to understand why action to dispose of the remnants was not taken by the Board earlier. The Committee are not convinced that the time taken by Government viz., one year was really necessary to examine the two questions relating to (i) the policy of pricing and disposal and how it was to be done; and (ii) approval for the temporary staff to be employed for the purpose. The Committee, therefore, feel that had the Government completed the examination within a reasonable time, the whole work would have been finished even before the emergency and a lot of public money saved thereby.

Blind Relief Association—Para 87(3), pages 114-115.

57. On a request for a grant for construction of a building for the Industrial Home and School for the Blind Relief Association, the Association was informed by the Ministry in March, 1956 that a grant of Rs. 6.48 lakhs representing 66 per cent of the estimated cost of a two-storeyed building (Rs. 9.82 lakhs) would be paid, subject to the conditions that (i) the plans and estimates should be got counter-signed by the Chief Engineer, C.P.W.D. before actual construction work was started and that (ii) the Association should certify the availability of their share of expenditure (Rs. 3.34 lakhs).

*According to information furnished to Audit in July, 1964, the amount realised by auction or by sale in cash amounted to Rs. 1,63,296.35 for goods with a labelled value of Rs. 5,81,600.13. Articles worth Rs. 1,17,594.06 were either diverted or retained at the full labelled prices.

The first instalment of Rs. 1 lakh was released in March, 1956 in advance of the allotment of land which was made on lease basis in January, 1957 by the Ministry of Works, Housing and Rehabilitation.

The utilisation certificate furnished by the Institution in September, 1962 indicated that only a sum of Rs. 76,585 (out of the first instalment of the grant) had been utilised. Although one of the conditions of the grant made in 1956 was that the building should be completed by March, 1958, the building has not been completed so far (December, 1963), and is in the meantime, being utilised as godown from 1st January, 1963 for the storage of paper by the National Council of Educational Research and Training (an autonomous body).

In June, 1963, Government released the second instalment of the grant of Rs. 30,000 to enable the Association to undertake further construction and repairs essential for the safety of the portion of the building already constructed.

The Committee desired to know how the amounts could be released to the Association before the prescribed conditions were fulfilled. The representative of the Deptt. stated that the Association were in actual possession of the land from Government but a decision was taken by Government to cut a road across it and another site was given in exchange and when the first instalment of Rs. 1 lakh was released, they were asked to complete the building by 3-3-1958, but the building had so far been only partially completed. Asked as to why the Association could not complete the building expeditiously, the witness stated that their main supporter had died in 1959 and they could not get donations from the public and so they were inactive for 4 to 5 years. Now, with the support of some well-known social workers they had collected Rs. 50,000 and the second instalment of Rs. 30,000 was released to enable them to complete the roof of the building. In answer to a question, the witness stated that the building was given to the National Council of Educational Research on 1-4-1963 for keeping a large quantity of paper received by them in bulk as free gift for production of text books for children. Now, there would be some agreement between the Association and the Council on the question of rent.

The Committee find that though the building was given to the National Council of Educational Research on 1st April, 1963, no agreement was entered into on the question of rent even in January, 1964. The Committee feel that the question of rent should have been settled before the building was given to the N. C. E. R.

Central Social Welfare Board—Para 88, Pages 115-116.

58. In paragraph 90 of the Central (Civil) Audit Report, 1963, it was mentioned that the Board had no separate legal existence as a Statutory Body or a Registered Society. The position has continued unchanged so far (December, 1963).

At the outset the Committee desired to know the present status of the Board. The representative of the Deptt. stated that it was an autonomous body for all practical purposes and at the same time a part of Government. The Committee pointed out that the following note had been received from the Ministry as a result of the action taken on their earlier recommendation (*vide* para 37 of their Nineteenth Report, Third Lok Sabha):

“The proposal to give statutory status to the Central Social Welfare Board has been agreed to by the Ministry of Education. Meanwhile, the Department of Social Security has been established and the above proposal is being given fresh consideration in the broader and expanding context of social security.”

The witness stated that because of all the different views taken by the Education Ministry at different times, it was thought expedient not to rush to any immediate change but to keep the *status quo* for the time being. On being pointed out by the Committee that it was wholly unconstitutional to give grant to such a body, the witness stated that as regards difficulty of giving money to other institutions, the Ministry of Law who were consulted had not raised any legal difficulty and they were, therefore, taking some time to come to an ultimate decision. At this the Committee drew the attention of the witness to the following Government standing orders regarding grants-in-aid:

“A grant-in-aid can be given only to a person or body which is independent of the Government. One Department of the Government cannot make a grant-in-aid to another Department. An organisation set up by Government Resolution or an executive order does not have an independent juridical personality. It is only a limb of the Government. Government cannot give a grant to such an organisation.”

The Committee are perplexed to know that though the proposal to give statutory status to the Board had been agreed to by the Ministry of Education, this could not be implemented by the Deptt. of Social Security when the Board was placed under that Department.

The Committee are further surprised to learn that even the Ministry of Law were consulted had not raised any legal difficulty in giving money to the Central Social Welfare Board which has no separate juridical personality. The Committee, however, reiterate their earlier recommendation contained in para 37 of the 19th Report (Third Lok Sabha) and desire that the Board which was set up more than a decade before, should be placed on a statutory footing without further delay.

59. (a) *Expenditure on Jeeps.*—The Board had a surplus stock of 86 jeeps lying unused with different State Boards on 1st April, 1961. Instead of drawing on this surplus stock, sums of Rs. 18,830 and Rs. 19,000 were paid to Gandhi Samarak Gram and Rural Welfare Association in February, 1962 and December, 1962 respectively for the purchase of two new jeeps and their conversion into mobile vans. It has been stated that most of the surplus jeeps already with the Board would require major heavy repairs to make them road-worthy and that they would not be acceptable to the institutions in lieu of the grants paid to them.

The Committee desired to know why the sums of Rs. 18,830 and Rs. 19,000 were paid to two institutions in February and December, 1962 for the purchase of new jeeps and their conversion into mobile vans, though the Central Social Welfare Board had 86 jeeps in their possession. The Chairman of the Board stated that it was true that they had about 86 jeeps in April, 1961 but the two jeeps purchased were for rural medical service to be used as ambulance and travelling dispensary vans in the two institutions in the rural areas of Kerala and Madras where the jeeps already in use were 7 years old and it was thought that it would be waste of money if those were converted into medical vans. The witness added that all the 86 surplus jeeps were practically sanctioned in 1955 and the cost of converting a jeep into a medical van would come to Rs. 10,000 to Rs. 12,000.

About surplus jeeps the witness stated that they had bought 588 jeeps, of which the welfare extension Centres were using 273; Mahila Mandals were using 163 jeeps, State Boards were using 20 jeeps, 45 jeeps were given to State Governments, Central Government agencies were given 9 jeeps, Demonstration Projects for children were given 12 jeeps, certain voluntary agencies were given 19 jeeps and they had written off a few jeeps as it was impossible to use them and the balance left with them was 26, which they wanted to keep as they were not likely to get any more. The witness added that they had allowed the Welfare Extension projects to repair the jeeps which was always undertaken by Government workshops. Asked

as to how the jeeps that were written off were disposed of, the witness stated that the jeeps were still lying with them as they had not yet allowed them to be called scrap and they had also written back to the State Boards to find out whether these could be repaired and made use of.

The Committee feel that before the two new jeeps were purchased, the Board should have examined the possibility of the conversion of the two old jeeps into mobile vans.

60. (c) *Building Grants*.—In July, 1955, the Board decided to render assistance upto a ceiling of Rs. 5,000 to each Project Centre for the construction of a building for conducting various activities of the welfare extension projects. Upto March, 1963 a sum of Rs. 43·04 lakhs was released to the State Boards for 1126 Project Centres. Out of this, grants amounting to Rs. 37·97 lakhs were released upto March, 1961. The Board has stated in December, 1963 that in 65 cases construction work has not been initiated and that the State Boards have been asked to refund immediately the grants not utilised. 685 buildings have so far been completed but the actual cost of the construction of these buildings was not available with the Board; the information was stated to be under collection from the State Boards. (December, 1963).

The Committee desired to know what was the time limit within which the grant in each case was to be spent. The Chairman of the Board stated that these centres were being built in rural areas by institutions conducted by women and it was not very easy for them to get things done quickly. As a matter of fact on an assurance from them that they were getting free lands, the Board would give them the grant which was usually Rs. 2,000 or Rs. 2,500 ceiling being Rs. 5,000 and it was on a matching contribution which was to be collected from the people and sometimes people would promise to give but afterwards go back and so it was delayed. The Board was, however, reluctant to take back the grant hoping that they would be able to get contribution from the people and build ultimately. The witness agreed that there was no doubt great delay and they were hurrying through to see that these buildings were used for the centres and the number of buildings completed now was 832 which meant that 147 had been completed in the meantime.

In answer to a question, the witness stated that the grants were not entirely for the institutions but also for the project Implementing Committees appointed by the State Boards to expand their work to the villages. When the Project Implementing Committee were able to get suitable land, the Central Social Welfare Board would grant them Rs. 2,500 for the construction of the building and no

matching contribution was required. But if the cost of the building was more than Rs. 2,500 a further grant subject to a maximum of Rs. 2,500 might be sanctioned on a matching basis. The witness added that in every case the Project Implementing Committee were to send them a blueprint and local engineers' estimate before the grant could be sanctioned for the construction of the building.

The Committee regret to note that there was great delay in the completion of the buildings in various Project Centres and even where the buildings were completed, their actual cost of construction was not available with the Board. They, therefore, recommend that urgent steps should be taken for the expeditious completion of the remaining buildings and the actual cost of construction of the buildings already constructed should also be ascertained without further delay so as to ensure that the grants given had been fully utilised.

NEW DELHI;

R. R. MORARKA,

April 23, 1965.

Chairman,
Public Accounts Committee.

Vaisakha 3, 1887 (Saka).

APPENDIX I

(Vide para 2 of Report)

DEPARTMENT OF SUPPLY AND TECHNICAL DEVELOPMENT

Statement showing awards going against Govt. in arbitration cases

A statement analysing the cases mentioned in the Audit Para which went against the Government and the action taken against the officers found responsible, is attached.

It may be stated that while the Audit Para mentions 141 cases in which the awards sent against the Government, DGS&D's records show only 135 such cases as detailed below:—

(i) Cases where no reasons have been given by the Arbitrators	..	47
(ii) Cases where reasons have been given	..	37
		<hr/>
(iii) Consent awards	..	51
		<hr/>
	TOTAL	135

NEW DELHI;

The 8th February, 1965.

N. R. BANSOD,
Joint Secretary.

Statement showing cases in which award went against Government.

Serial No.	A/T No. and Date	Amount under dispute	Date of arbitration award	Amount of award	Reasons	Whether any officer found responsible
1	2	3	4	5	6	7
		Rs.		Rs.		
1	SRO/ISC/DIS/W/84831 & 84879 dt. 12-10-50 & 6-12-50	13,974.00	15-6-59	13,500.00	No reasons have been given by the Sole Arbitrator.	
2	SYL/25261-E/I/3680 dt. 28-7-54	₹ 1,500.00	16-6-59	Government claim for Rs. 1500/- dismissed.	The Arbitrator has held that the time was no longer of the essence of the contract and its cancellation was, in the circumstances, premature and without right. The Government has accepted the award.	
3	SE-1/3627-F/II dt. 13-2-56	9001-8-0	13-8-59	Government claim dismissed.	No reasons have been given by the Arbitrators.	
4	MP/73705/C-4/3116 dt. 19-7-44 MP/75566/C-4/767 10-1-45 MP/76638/C-4/816 dt. 10-4-55	3,06,369.00	3-9-59	4,00,352.00 plus 5 % interest.	Govt. committed breach of contract inasmuch as they failed to supply full quantity of steel, issue M.C. notes and cancelled part quantity of stores. These cases are under appeal to Supreme Court.	
5	MP/69142/R-35/4GP/1000 dt. 30-9-44 MP/75932/R-35/1048 dt. 26-6-45	57,681.75	2-9-59	1,84,851.00 plus 5% interest		

6	SCI/3527-C/25/1/3099 dt. 26-2-53	375.00	29-9-59	375.00	No reasons have been given by the Arbitrators.
7	SCI/RC-3276/1608 dt. 19-8-50 SCI/2466-B/2293 dt. 8-8-51	1,050.00	21-11-59	315.00	
8	SW61/18534-E/4629 dt. 20-1-55	4,446.00	3-12-59	4,446.00	
9	SM-1/25910-D/III/2646 SM-1/25771-E/III/2645	1,286.45	28-12-59	1,086.45	
10	SW21/Spl/15224-E/V/303 dt. 4-2-55	22,050.00	30-12-59	10,800.00	
11	SG-1/25869-FE/5561 dt. 29-10-56	6,301.13	30-12-59	3,951.13	
12	SE2/2099-A/MT/III/2036 dt. 10-4-52	20,813.25	Jan. 1960	Rs. 8813/25 in favour of firm. Govt. claim of Rs. 11,000/- dismissed. Rs. 1,000/- in favour of the firm.	Consent award.
13	Sale release order No. 20375 dt. 28-4-56	4,000.00	Jan. 1960	3,900.00	No reasons have been given by the Sole Arbitrators.
14	SD2/RC-3286/C/50-51/Rlys/456 dt. 18-10-50	77,441.00	30-6-59	Rs. 75,337 plus interest	No reasons have been given by the Arbitrators.
15	SW-1/18467-D/5/4325 dt. 18-8-54	4,885.00	21-1-60	3,885/- in favour of firm and Rs. 1,000/- in favour of Govt.	Consent award. Officers found res- ponsible warned. (vide U.O. No. VO/Conf/321 dt. 15-2-62)

1	2	3	4	5	6	7
		Rs.		Rs.		
16	SG-1/2541-D/3290 dt. 13-8-53	5,114.50	26-4-60	4,130.00	}	No reasons have been given.
17	SG-1/25595-E/E/5126 dt. 3-11-55	9,288.00	25-5-60	5,886.00		
18	SW-3/26061-C/X/III/IV/2343 dt. 30-11-53	412.50	20-5-60	440.00		
19	SG-1/RC/3960/D/B/5340 dt. 26-4-56	28,829.00	24-5-60	5,747.00	}	Consent award.
20	SG-1/3964-B/F/II/3198 dt. 16-11-53	1,980.00	20-6-60	1,980.00		
21	SG-1/23288-E/3/4588 dt. 4-12-54	24,055.00	31-8-60	24,055.00	}	No reasons have been given by Arbitrators.
22	S.R.O. No. DMC/Misc./520115-116/79/ DRS-24952 dt. 25-9-54	50366.00	29-10-60	8,425.00		
23	SX2/8311-F/761 dt. 10-10-55 SX2/25940-F/V/822 dt. 15-12-55 SX2/25920-F/V/831 dt. 26-12-55 SX2/25939-F/V/841 dt. 31-12-55 SX2/92617.G/V/945 dt. 10-4-56	36,653.00	25-11-60	36,645.14-6		
24	SG1/24113-E/B/5382 dated 28-5-53	3,558.00	29-12-60	4.008		No reasons given by the Um- pire.
25	SY1/3964-C/II/88/7968 dated 25-3-53.	5,400.00	6-3-61	2,973.00		No reasons given by the arbi- trators.

26	SX1/26317-G/III/4043 dated 17-1-57	980.87	28-7-61	400.00	Consent Award.	
27	P-1/60(73)/dated 4-4-50	65,015.00	19-8-61	65,015.00	No reasons given by the arbitrators.	
28	SX1/10193-D/2511 dated 4-3-54	23,302.00	29-8-61	15,000.00	Consent Award.	Question of fixing responsibility was referred to V.O.
29	SC1/10672-B/II/2534 dated 6/8-2-52		25-9-61	38,879.49	No reasons have been given by the arbitrators.	
	SC1/10673-B/II/2535 dated 6/8-2-52					
30	SW1/2758-F/4/4831 dated 15-12-55	7,289.00	29-11-61	4,289.00		} Consent wards
31	SW2/9843-C/IV/2284 dated 14/15-2-52	11,121.50	30-11-61	9,000.00		
32	SW3/18988-E/II/X/2941 dated 18-6-55	609.50	15-12-61	Rs. 1146.00	Consolidated Award.	
33	SW93/19006-E/II/3028 dated 10-5-55	912.25	15-12-61			
34	SW2/9843-C/I/2969 dated 15-1-54	69,809.00	23-1-62	42,500.00		
35	SC1/102-E/M2/B.M. Shah/3968 dated 1-10-54.	5,684.00	25-1-62	1,189.00		
36	SM1/25067-E/W/2356 dated 29-7-54		31-1-62	31,018.06	+ interest @ 6%	} No reasons have been given by the Sole Arbitrators.
37	Sale of plots No. 1/2 to 12/2, 15/2 to 28/2 in Auction Sale held on 9-2-57.	1,662.00	23-2-62	850.00		
38	SX2/SV1/25885-G/IV(d)/1042 dated 27-11-57 and 6 other A/Ts.	171,741.95	28-4-62	176,141.95		} Umpire has held that the Sales Tax under the Contract is payable by the Government. The matter is <i>Sub-judice</i> .
39	SX2/SV1/25415-G/IV(d)/1344 dated 24-9-57 and 2 other A/Ts.	17,111.11	28-4-62	17,111.11		
40	SG1/RC-3736/B/4377 dated 19-4-54/25-5-54	4,713.87	18-2-62	1,216.00	No reasons given by the Umpire.	

1	2	3	4	5	6	7
		Rs.		Rs.		
41	SCI/12423-A/1555 SCI/101107/1556 SCI/100786/1557 dated 27-6-50.	33,031.62	26-7-62	10,000.00	No reasons given by the arbitrators.	
42	SM 1/25471-E/II/2354 SM1/25472-E/II/2355 dated 26-7-54.	6,420.00	8-2-63	2,400.00	Umpire gave an express finding that it was not obligatory for the claimants under A/T in question to assemble and erect the racks at site upon delivery. Ministry of Law advised us to challenge this award but the award has not been filed in court by the claimant Co. No payment is, therefore, being made.	
43	SM1/2290-E/II/2620 dated 23-6-55 . . .	22,519.00	8-2-63	11,032.00	No reasons have been given by the umpire.	
44	SP1/20056-G/1/RP/BE/2809/56 dated 24-8-56.	5,163.00	25-2-63	2,581.50	Consent Award.	
45	SM1/25171-A/Misc/1554 dated 22-9-51 and 3 other A/Ts.	5,071.00	27-3-63	2,000.00	Consent Award.	
46	SV1/25165-D/III/Mck/2630 dated 12-15-6-54	24,283.00	29-4-60	21,102.75	} No reasons given by the arbitrator (s).	
47	SM1/565-F/II/Asiatic/2720 dated 26-9-55	1,192.00	13-1-61	1,192.00		
48	SY1/1655-C/EIRW/II/2595 dated 5--8-52	4,733.00	28-2-61	4,733.00	Government failed to prove its claim for L/D satisfactorily.	

49	ST2/104070/GCF/605 dt. 14-1-50	1,00,500.00	29-5-59	37,830.00	Imposition of general ban by Government on payments was not justified.
50	ST.1/9978-F/1084/10 dt. 27/28-6-55	24,115.00	23-7-59	1,700.00	No reasons recorded.
51	ST. 2/25044.A/1463 dt. 10-5-52	7,439.00	17-8-59	29,483.00	The Umpire has held that the Government committed breach of contract in cancelling the contract.
52	ST. 2/106198/Teak/2235/IV dt. 31-3-55	48,779.00	August 1959	37,005.00	No reasons recorded.
53	ST. 1/8185-A/580 dt. 28-4-52	10,000.00	22-9-59	11,000.00	No reasons recorded. He has held that the firm's claim is not barred by time.
54	CAL/PRI(4)/340-F/530	5,374.00	30-9-59	4,598.00	Consent Award.
55	ST. 1/26110-B/555 dt. 24-3-52 & 6 other A/Ts.	1,373.00	13-11-59	1,430.00	No reasons recorded.
56	ST. 2/66705/25 dt. 27-3-47	25,648.02	11-12-59	2,906.00	Do.
57	ST. 2/21628-W/2162/II dt. 31-1-55	24,393.00	18-12-59	25,391.00	The Umpire held that the Government committed a breach of contract and liable to pay damages to claimants.
58	ST. 1/26114-F/1207/IV dt. 2-12-55	61,489.50	11-12-59	32,141.00	} No reasons recorded.
	ST. 2/369-B/5/F/1835 dt. 2-11-53				
59	ST. 1/26114-F/1207/IV dt. 2-12-55	88,175.28	11-12-59	33,175.28	
60	Do	50,000.00	11-12-59	24,000.00	Government entirely failed to prove its claim and the firm entirely proved its claim.

1	2	3	4	5	6	7
		Rs.		Rs.		
61	ST. 2/21659-D/1859/3R dt. 15-12-53	1,22,375.00	21-12-59	66,618.50	Umpire held that the Government has entirely failed to prove its counter-claim and has accepted the claim of the firm.	
62	BOM/HI/3306-D/1034 dt. 25-5-54	1,961.00	22-10-59	2,061.00	No reasons recorded.	
63	ST. 2/93809/709 dt. 14-7-50	60,000.00	30-12-59	19,200.00	Same as against 16 below.	
64	ST. 2/94808/710 dt. 19-7-50	47,250.00	30-12-59	18,786.00	The Umpire held that the Government committed breach of contract by placing a general ban on payments to the firm in respect of all contracts by its letter dt. 10/12-3-51 including this contract.	
65	ST. 2/9870-E/Mango/IV/2153 dt. 31-1-55	16,838.50	31-12-59	2,278.00	The Umpire held that the Government's case under price preferential clause was not established. No lower offer was ignored.	
66	ST. 2/25444-C/1516 dt. 11-8-52	12,107.78	31-12-59	12,107.78	No reasons recorded.	
67	CAL/PR-II(3)/16803-F/25 dt. 24-6-55	1,260.00	6-2-60	1,260.00		
68	ST. 2/77274/316 dt. 20-9-48	32,500.00	2-3-60	32,500.00	Govt. claim dismissed. They gave a joint award dismissing Government's claim holding that the Government had expressly waived the claim of surety deposit.	

69	ST. 2/10433-A/Teak CS/1766 dt. 24-7-53 .	22,624.66	30-3-60	[1,502.00	No reasons recorded.
70	ST. 1/5053-A/491 dt. 3-11-51 . . .	1,606.00	28-4-60	[1,043.00	Compromise Award.
71	PT/34723/66 dt. 21-5-51 . . .	20,000.00	26-5-60	10,000.00	No reasons recorded.
72	SR 3/26266-H/1583/IV dt. 8-1-58 . . .	21,502.40	31-5-60	2,419.00	Consent Award.
73	PM. 1/36743/1964 dt. 20-8-53 and 2 } other AT/s. }	7,127.00	20-5-60	7,862.00	Arbitrator held that there was no contract concluded between the parties and accordingly dismissed the claim of Government for damages.
74	Do. }				
75	(i) ST. 2/10433-A/Teak/1453/IF dt. 12/22/4-52 (ii) ST. 2/9146-B/1455/IF dt. 12-4-52 .	49,555.00	30-8-60	[42,414.94	The Umpire held that the rejection by the consignee was not in accordance with the terms of the contract. No sub-standard stores are proved to have been supplied by the firm (claimants) to the consignee and the question of damages or breach of warranty on that score does not arise. No shortage of quantity allowed.
76	(i) ST. 1/19454.C/671 (ii) ST. 1/19453.C/572 & (iii) ST. 1/21677.C/673 all dt. 28-1-53	2,01,380	30-8-60	77,294	The Umpire held that the contract was not for sale of stores by sample and approval of the sample by the Govt. has no effect.
77	ST/19353.F/1263/IV dt. 1-3-56	9,211	18-9-60	4,211	The Umpire held that Govt. failed to prove re-purchase of stores and that it could rightfully withhold the money.

1	2	3	4	5	6	7
		Rs.		Rs.		
78	ST.2/25551-D/1746/D6 dt. 8-3-53	7,920	18-9-60	8,420	The Umpire held that the auction sale of the rejected timber by Govt. was not legal and is not binding on the firm (claimant)	
79	SB.1/16219.D/I/1169 (54) dt.19-1-54	39,023	26-9-60	3,790	No reasons recorded.	
80	BOM/PB1-7029-37688/D/2033 dt.1-10-55	..	24-9-60	7,522/50	Consent Award.	
81	ST.2/21684-D/1868/3R dt. 26-12-53	7,38,525.75	20-11-60	3,16,500	The Umpire has held that the Govt. committed breach in cancellation of the contract.	
82	SB1/113936/II/614(50) ,, 113937/II/615(50) both dt. 16-12-50	15,000	15-12-60	14,000	Consent Award	
83	PM.1/35259/1839 dt.28-11-52 .. 35697/1883 dt. 10-3-55 .. 35359/1884 dt.12-3-53	50,000	29-11-60	21,000	The Umpire held that the cancellation of contract No. 1883 was premature and wholly unjustified.	
84	ST.2/21023.C 1662 dt. 14-3-53	57,826.50	15-3-61	11,549	Umpire held that the Govt. has committed breach of contract in cancellation of the contract.	
85	Do.:	14,537.62	Do.	14,537.62 Govt. claim dismissed.	Do.	
86	ST2/83378/490 dt. 22-10-49	1,04,500	30-3-61	40,316	That the time for delivery of timber under the contract had been extended upto 31st March 61. The Govt.	

87	ST/8365-B/1435 dt. 8-3-52	}	2,53,783 in interest	The Umpire has held that the rejection of the stores was not made within a reasonable time
88	ST2/9984-C/Teak/1483/IF dt. 29-5-52					
89	ST2/8356-B/1434 dt. 8-10-52					
90	BGM/PT-38415/2393 dt. 2-1-56	2,600	31-5-61	1,300	Consent Award	
91	BOM/PB.7028-D/2247 dt. 10-11-55	1,027	Do.	513.50	Consent Award	
92	BOM/PT-38344/2392 dt. 2-1-56	6,500	Do.	2,500	Consent Award	
93	PT/34511/99 dt. 30-5-52 & 2 other A/Ts	3,40,000	13-6-61	27,500	No reasons recorded.	
94	BOM/PT-39088/3798 dt. 22-12-56 BOM/PT-39091/3800 dt. 22-12-56	}	42,480	15-6-61	32,480	Do.
95	SR.1/16315.G/1/3765 dt. 30-11-56						13,358	30-11-61	9964.66	Do.
96	ST2/89625/433 dt. 21-7-49	3045.70	20-12-61	1721.50	Compromise award.	
97 to 119	ST2/77514/799 dt. 16-10-50 and 22 other A/Ts	..	31-3-62	10,75,000	Compromise award.	

by its letter dt. 12-3-51. imposed a ban against payment to the claimants in respect of stores supplied or to be supplied under all contract including the contract in dispute. The Umpire held that the ban imposed by Govt. amounted to a breach of contract on its part.

1	2	3	4	5	6	7
		Rs.		Rs.		
120	ST1/9808-F1026/IV dt. 1-3-55]	11,677	31-3-62]	4473.19	The date of delivery under A/T was 25-11-55.*	
121	ST2/8361-D1978/5F dt. 5-3-54 and 5 other A/Ts	[6,400	31-3-62]	[44.45	No reasons recorded. The firm filed an appeal against the decree made in terms of the award in the Punjab High Court.	
	A/Ts					
122	ST2/25257-D/1759 dt. 15-7-53 . . .	[4,95,238.73	30-4-62	[1,87,920.50	Govt. committed for not making payment of goods supplied to him. The court has modified the amount of damages. An appeal has been filed in the High Court.	
123	SW3/15058-E/III/3466 dt. 28-1-57 . . .	42,694.00	17-10 62	42,694.00	The claim was for customs duty. The firm in their tender stipulated that they have worked their quotation on a 5½% customs duty <i>ad valorem</i> . Clarification was sought from the firm and it was confirmed that only statutory increase in the customs duty would be allowed. But while issuing the advance A/T the words 'statutory' was omitted. The firm contended that advance A/T concluded the contract. The Umpire had upheld the firm's contention.	

124	ST1/26140-F/1265/IV dt. 6-3-56	3,79,653.00	27-9-62	3,57,770.00	The Umpire gave no reasons for upholding the firm's contention.
125	ST2/25513-C/1437 dt. 5-3-52 & 4 other A/Ts	2,335.22	5-11-62	710.00	Consent Award.
126	ST2/25463-C/2004/D6 dt. 15-4-54	4,250.00	5-11-62	4,270.00	No reasons recorded.
127	ST2/104070/525 dt. 10-11-49	17,503.00	17-12-62	18,003.00	The Umpire has held against Govt. on preliminary point that the claim of the Govt. is barred by <i>res judicata</i> .
128	CAL/RT/PX-3A/16064-G/47 dt. 2-6-56	2,795.96	19-12-62	1,695.00	} Consent Award.
129	ST1/26140-D/1106 dt. 22-7-55	3,086.00	28-12-62	1,232.50	
130	SR5/25518-J/2051(59) dt. 22-5-59	3,960.00	18-3-63	1.00	Compromise award of Resonly
131	ST1/22080-E/973/IV dt. 12-1-55	5,040.39	1-12-60	5,040.39	Cancellation of contract and repurchase not in order.
132	C1/PR-1(4)/15728-F/501 dt. 12-8-55		29-7-61	1,711.00	Consent award.
133	C1/BI1(4)/220B/37 dt. 5/6-5-54	7,130.00	12-10-61	4,268.50	No reasons recorded.
134	SN-1/2850/D/54/11-53 dt. 24-11-53	9,300.00	27-8-62	9,300.00	The award of Rs. 9300.00 is made up of Rs. 4800.00 security deposit and Rs. 4500.00 as damages. The Umpire held that the contract was cancelled with the mutual consent the parties but came to a different conclusion in the operative part of the award. The Govt. has succeeded in revision against the award.
135	SB1/18004-D/II/1235 dt. 4-5-54	3,438.00	16-9-63	1179	Consent award.

* The firm tendered stores measuring 3,000 cft. on or about 16-11-55. The inspection was not completed by the inspector within the delivery period. The Govt. cancelled the A/T on the plea that the supplies were not completed by 25-11-55. Since the Inspector completed the inspection of the above store after 25-11-55 the cancellation of the A/T was held *malafide* by the Umpire and awarded damages to the firm on the unsupplied quantity. No disciplinary action appear to have been taken, as may be seen from the files.

APPENDIX II

Details regarding the case of proofing of Canvas cloth

Rs. 9,91,136
19.7.51.

S. No. 8 M/s. Asiatic Trading Co., Calcutta.

A contract (Acceptance of Tender No. CX-5051-P7/1303 dated the 18th April 1945) for common proofing of Canvas Cotton Light in Scamic Shade No. 207 of 20,00,000 sq. yds. at price of Rs. 0.5.8 per sq. yd. at a total cost of Rs. 7,08,333 was placed with Messrs Asiatic Trading Co., Calcutta an unregistered firm the sole proprietor of which was Mr. Bhupati Ranjan Majumdar. Grey Canvas was to be supplied free to the contractor. Dates of delivery were as under:—

Quantity	Date	Month	Year
5,00,00 sq. yds.	31	5	1945
5,00,000 sq. yds.	30	6	1945
5,00,000 sq. yds.	31	7	1945
5,00,000 sq. yds.	31	1	1945

The firm paid a sum of Rs. 10,000 as Security Deposit. Due to the failure on the part of the contractor to adhere to the scheduled delivery dates the outstandings on date were cancelled on 5th September, 1945.

2. On receipt of a representation from the firm stating that the delay in supplies was due entirely to the fact that the raw material had not been supplied to them by Government in time, the contract was reinstated to the extent of 10,00,000 yds. only on 26th September, 1945. Extension of delivery period was also granted upto 31st December, 1945 subsequently.

3. The firm had delivered only 5,08,335 yds. upto 31st March 1946. The balance quantity was, therefore, cancelled on 12th April, 1946. They were asked to deliver a portion of the basic material lying with them to other proofers and keep the remaining portion until further instructions.

4. Again, the firm represented their case stating the delay was mostly on account of the late receipt of coconut oil and change in

the packing instructions, which involved additional expenses. The contract was again reinstated on 11th July, 1946 to the extent of 10,00,000 yds. only and the delivery period was extended upto 30th August, 1946.

5. Up to 31st August 1946 the firm had supplied only 6,49,901½ yds. and the balance quantity of 3,50,098½ yds. was cancelled on 28th September, 1946.

6. The firm was supplied a total quantity of 17,23,204 sq. yds. of Grey canvas free of charge by Government for proofing in respect of the above contract, the position of which was as under:

Total quantity of Grey canvas supplied to the firm	17 23,204 sq. yd.
Quantity delivered in proofed condition	6,49,902 —do—
Quantity delivered to M s. Hindustan R. W. Calcutta	3,40,292 —do—

	9,90,194 —do—
Balance to be accounted for by the firm	7,33,010 —do—

	TOTAL 17,23,204 —do—

7. The question of accounting for the basic material, left over with the firm, was then taken up and it was found that after taking into account the quantity processed by the firm and the quantity delivered by them to other proofers in Calcutta, they had to account for a balance quantity of 7,33,010 sq. yds. of Grey Canvas supplied to them free of cost. As the firm had represented that the quantity left over with them should be sold to them as it would enable them to minimise the loss incurred by them on account of the hasty cancellation of the contract by the Government, it was decided to sell the said quantity of 7,33,010 yds. to the firm at Rs. 2 per sq. yds. and an agreement was drawn for this purpose.

8. Under the terms of the agreement, the payment of Rs. 14,66,020 being the value of the said quantity of 7,33,010 sq. yds. of Canvas, was to be made by the firm on or before 31st March 1947 and an interest of 3% per annum was to be charged on any amount remaining unpaid on 31st March, 1947.

9. The firm did not make payment as promised and we were able to realise only Rs. 1,45,100 from them upto November 1947. A suit was then filed in the Bombay High Court for the realisation of the balance amount due to Government.

10. The Bombay High Court appointed a Court Receiver to take possession of whatever quantity of Grey Canvas that might be available with the firm and dispose of the same in the best manner possible. The Court Receiver was able to take possession of

1,09,000 yds. of Grey Canvas only and a sum of Rs. 1,71,195-8-11 only was realised in the disposal of the same.

11. The High Court of Bombay passed a decree in our favour for a sum of Rs. 9,91,136 being the balance amount due to Government. The firm filed an appeal against the judgment and decree of the Hon'ble Justice Tendolkar. The appeal was dismissed with costs by the Appellate Court on 20-2-53.

12. As the proprietor of the firm had no property in Bombay as he did not ordinarily reside at Bombay, the decree was on 14-9-53, transferred to the District Court Alipore within whose jurisdiction, (as the investigations through the local Civil authorities revealed) the Jdr. had his head office, and also a number of godowns. Despite intensive investigations by our Calcutta office departmentally as well as through the local Police authorities such as registrar of firms, Joint Stock Companies, Calcutta Corporation, no immovable property owned by the Judgment debtor could be traced. All that it was ascertained was that the firm had gone out of existence and that the Jdr. was son of Shri Justice J. N. Majumdar with whom he was reported to be living at 63/1/2 Lansdowne Road, Calcutta.

13. First step for execution was taken on 19-6-54 by filing an application in the Alipore Court for examination of the Jdr. under O 21 R 41 C.P.C. This examination of Jdr. revealed that the firm Asiatic Trading Co. had been closed down in 1950, that several godowns operated by the Company had been burnt down and though the godowns were insured, insurance had lapsed a few days before the godowns took fire. In short this examination did not disclose any assets of the Jdr. other than car No. WBA 1115, & 100 shares of the aggregate value of Rs. 1000 held by the Jdr. (judgment debtor) in M/s M. A. Industries Ltd., The Jdr. had also outstanding Bills of the aggregate value of Rs. 5800 pending with the Civil Supplies Deptt. of the Government of West Bengal.

14. Application was then moved on 22-8-55 for attachment of these assets. The Car on sale fetched a sum of Rs. 205. The full amount of Rs. 5800 payable by the West Bengal Government was also realised on 22-8-57. Sale of the share scrips brought in a sum of Rs. 294.75 nP. in all. Of the recoveries listed above, the last one was for Rs. 94.25 nP. which amount was received by us on 22-7-58. Some time in July, 1957. it came to our knowledge that a Bengali film entitled '*Neela choley Maha Prabhu*' which was then on show in a number of Cinema Houses in and around Calcutta had been produced by the Jdr. in his other name of Mohan Majumdar. An application was, therefore, filed in court for the appointment of a

Receiver for the earnings of the Jdr. in this venture. Again' in December, 1957, from an advertisement in the Newspapers it was revealed that the Jdr. in his other name of Mohan Majumdar was making another Bengali Film entitled 'Andaman'. On the advice of the Central Government Solicitors, application was moved for the appointment of a receiver in respect of the interest of the Jdr. in this film also. These applications were rejected by the Court after 17 months as having become infructious as the films had then ceased to be on show. Ministry of Law then advised us to attach the shares of the Jdr. in the two limited concerns viz. M. A. Industries (Pvt.) Ltd., Calcutta and M/s. Uday Film Corporation (P) Ltd., Calcutta, the ostensible producers of the aforesaid two films. However, on examination of the records of the Registrar, Joint Stock Companies, Calcutta, it was disclosed that Shri Majumdar was not shown as a share holder in M. A. Industries (P) Ltd. As regards M/s. Uday Film Corpn. (P) Ltd., Calcutta, he was registered as holding 10 equity shares of Rs. 100 each. However, no trace of this firm could be found at their registered address viz. 69, Syed Ameer Ali Avenue, Calcutta. Thus our efforts to realise anything from these firms were unsuccessful. Our execution application in the Alipore Court was consigned to record on 7-12-59. No property of the Jdr. having been traced, and there being also not much scope for further enquiry, an application was moved for arrest of the J. Debtor on 23-12-60 in the Alipore Court and was registered as Money execution case No. 24 of 1960. This application was, however, on the advice of the Ministry of Law, not pressed and was allowed to be dismissed on 7-3-62.

15. Some time in March, 1960 we were informed that the Judgment Debtor's father Shri Justice J. N. Majumdar had died. Calcutta Police were then approached to check up whether the judgment debtor had inherited any properties following upon the death of his father. In August, 1961 the Police reported that the judgment debtor did not reside at 63/1/2 Lansdown Road, Calcutta which was the property of his deceased father, J. N. Majumdar and that at this address lived his two brothers Shri Jyoti Ranjan Majumdar and Shri Amitya Majumdar with their widowed mother. The Police further reported that the judgment debtor was residing at 23/33 Gori-hat Road, Calcutta, 2nd Floor of which flat stood in the name of his wife Sm. Mira Majumdar. The judgment debtor was also reported not to have inherited any property from his father except possibly a Car bearing No. WBE 8990 while he was stated to be using the same. Efforts to attach this Car have proved of no avail. Our application in this behalf which was filed on 2-4-62 was dismissed on 5-7-62. The Alipore Court returned the decree to the Bombay High Court i.e. the original court which had passed the decree.

16. Police had already told us that the judgment debtor had **not** inherited any property on the death of his father. We, therefore, turned our attention to tracing out the 'Will' of Shri J. N. Majumdar. Our efforts to locate the court where possibly the 'Will' was placed and which granted the probate did not prove successful. Then we wrote to the Income Tax Authorities to enquire if they could furnish us information as to whether a probate of the Will of the late Justice Majumdar had been issued and, if so, by which Court. The Income Tax Authorities refused this information on the ground that S. 54 Indian Income Tax Act 1922 prohibited divulging of such information by the Income Tax Authorities. The Income Tax Authorities were then approached under S. 138 Income Tax Act 1961 which permits Income Tax Deptt. to furnish information under certain circumstances as to the amount of tax payable by an assessee. The Income Tax Authorities however still held out that they could not disclose any information about the estate of late J. N. Majumdar unless the recovery case fell within the exceptions enumerated in clauses (a) to (p) of sub-section (3) of S. 54 of Indian Income Tax Act 1922. The matter was then put to the Law Ministry who advised us on 21-11-63 that the reference made to the Estate Duty Authorities was not covered by any of the exceptions provided in sub-section (3) of S. 54 and that the Revenue Authorities were as such precluded from giving any information in the matter to the Supply Deptt. That Ministry have also opined that there is no lawful way by which the information can be obtained from the Estate Duty Authorities.

17. The position in nut shell was that as against the amount due under the decree *viz.* Rs. 9,91,136, apart from interest due under the decree, we were able to recover only a sum of Rs. 6,099.25nP. As we had exhausted all our resources to find out further assets of the judgment debtor, and had come practically to 'he dead end we were compelled to seek the assistance of SPE/CIB through the Ministry of Home Affairs. On the information received, an execution application was filed in Alipore Court on 23-12-63. In these execution proceedings certain landed property (worth about Rs. 6,166.67 nP) at Alipore (Mouza Kamdhari) in which the judgment debtor had 1/3rd share was attached on 28-4-64. This was, however, later on released on the objections of two brothers of the judgment debtor. Further course of action, with regard to this property, is being examined in consultation with the Ministry of Law.

18. Further from the 'Will' of the father of the judgment debtor obtained through SPE we came to know that he had 1/6 share in a house at Varanashi, under the 'Will'. An application was, therefore, filed in Varanashi Court on 17-2-64, seeking to attach the said share

and the same was attached on 15-4-64. One of the brothers of the judgment debtor and another person have filed objections against this attachment. However, they have now come up with a compromise proposal to settle the case outside court by paying a sum of Rs. 1000 which is under consideration.

[Handed over by the Secretary, Ministry of Industry and Supply (Department of Supply and Technical Development) to the Chairman, PAC at the sitting of the Committee held on 22-1-1965.]

APPENDIX III

(Vide para 6 of Report)

MINISTRY OF INDUSTRY & SUPPLY (DEPARTMENT OF SUPPLY & TECHNICAL DEVELOPMENT)

Ministry's Explanation Regarding Security Deposit.

Note giving further information as desired by the Public Accounts Committee at their sitting held on the 22nd January, 1965 in respect of para 79 (ii) of the Audit Report (Civil), 1964—Purchase of jute goods.

REF.—Lok Sabha Secretariat O. M. No. 2/1/29/64—PAC dated the 25th January, 1965.

Information desired by the Public Accounts Committee.

Was the Officer who decided to accept a less amount of Security Deposit than stipulated in Stores Manual competent to do so?

Department's reply

The Purchase Officer, in consultation with the associated Finance, reduced the amount of security deposit on the basis of instructions contained in para 2 of the late Ministry of Works, Housing & Supply O. M. No. 66(2)/59-PI dated the 13th July, 1959 which is reproduced below:—

"The Purchase Officer within whose powers of purchase the case falls, shall be the competent authority to determine whether any Security Deposit should be taken or not, Security Deposit may be levied upto the maximum of 10% of the contract value".

2. Since the Ministry's orders dated the 13th July, 1959 were exclusively meant for jute purchases, the Purchase Officer appears to have acted under the impression that those orders conferred powers to waive/reduce the amount of security deposit both in cases of security deposits from unregistered firms as well as in risk purchase cases.

3. It has since been clarified on 9-2-65 that Ministry's orders dated the 13th July, 1959 related only to security deposit from unregistered firms and as such Government's sanction was necessary to waive/reduce security deposit in this case. The Government's

sanction was not taken as a result of *bona fide* mistake in interpretation of the Ministry's orders dated the 13th July, 1959.

4. With a view to avoid misinterpretation in future, necessary clarification to all concerned is being issued.

Audit's comments:—

The statement that "...the purchase officer appears to have acted under the impression that those orders conferred powers to waive/reduce the amount of security deposit both in cases of security deposit from unregistered firms as well as in risk purchase cases" is not based on any views or facts placed on record at that time.

The position in this case is that the specific provisions contained in para 239 (g) of the Manual of Office Procedure for Supplies, Inspection and Disposals were not observed, relevant extracts from this para are reproduced below:—

"Where the defaulter's quotation happens to lowest acceptable, it should be accepted. In such a contingency, in order to safeguard against a second default, the defaulting contractor may be called upon to furnish a security deposit being equivalent to the difference between his quotation and the next best quotations or 10% whichever is more. Subject to the defaulter accepting these special terms his offer should be given due consideration."

The reduced amount of security deposit *viz.* Rs. 20,000 was accepted solely in consideration of the reported inability of the firm to give any security deposit.

(N. R. BANŞOD)
Joint Secretary.

NEW DELHI;

The 6th April, 1965.

APPENDIX IV

(Vide para 12 of Report)

*Statement showing extra amount paid for buying through printers
In the years 1960-61, 1961-62, 1962-63, 1963-64, 1964-65 (upto 31st
Dec. 1964).*

In the absence of actual figures of cost of paper charged by the printers, we have estimated the charges on the basis of prevailing market rate which in the case of imported art paper is about 100 per cent more than the cost which would be incurred if the Government were to import that paper direct. In the case of Indian-made paper the figures are based on a difference of 11 paise between the Mill rate for Government orders and the Mill rate for commercial orders plus 15 per cent which printers generally charge extra on their cost.

The statement below gives the total quantity of paper supplied by printers for various jobs—indigenous and imported separately and also the cost of paper and the likely saving which would have been effected if paper had been procured by Government direct and supplied to printers:—

	Indigenous paper from printers' stock	Imported paper from printers' stock	Excess on indi- genous paper	Expenditure on imported paper	Total excess
			(Rs.)	(Rs.)	(Rs.)
1960-61	29,450 Reams	1534 Reams	2,60,809/-	2,30,100/-	4,90,909/-
1961-62	20,179 Reams	2283 Reams	1,78,685/-	3,40,930/-	5,19,615/-
1962-63	30,731 Reams	2114 Reams	2,72,122/-	3,15,700/-	5,87,822/-
1963-64	9,872 Reams	3084 Reams	87,416/-	4,49,800/-	5,37,216/-
1964-65 (To 31-12-64)	1,866 Reams	462 Reams	16,523/-	69,300/-	85,823/-

Below is given the percentage of printer's paper to quantity of paper used in various printing jobs:

	Offset Cartridge Paper	Art Paper
1960-61	90%	72%
1961-62	96%	74%
1962-63	84%	86%
1963-64	36%	73½%
1964-65 (To 31-12-64)	7%	78%

APPENDIX V

(Vide para 27 of the Report)

Note regarding agreement with the News Agency

The Public Accounts Committee in its 7th Report, covering the years 1948-49 and 1949-50, had observed as follows:—

“The Committee were informed that payments in question were made on the basis of radio licences and not on the wordage supplied or used. The Committee feel that it would be more equitable and business-like if the payments are made on the basis of wordage. They desire that the Ministry should examine this point at the time of the next revision of the Agreement with the news agencies concerned”.

The matter was examined in detail and a Memorandum was sent to the Lok Sabha Secretariat explaining why the basis of wordage was not acceptable to Government. A copy of the Office Memorandum is enclosed—Annexure I. The position explained therein was accepted *vide* para 459 of Vol. I of the 7th Report of the PAC (extract enclosed—Annexure II).

Apart from the fact that such a basis is not in vogue elsewhere, it is important to note that such an arrangement would put an undue premium on the total quantity of the words supplied by a news agency who would be inclined to fee far more material than can possibly be utilised by AIR. The selective service which enables AIR Editorial staff to choose quickly what is worthy of being broadcast in a limited span of 10 or 15 minutes is obviously the most practicable and advantageous preposition.

The Press Commission set up by Government in 1962, and which submitted its report subsequent to the PAC's observation referred to above, examined at length the working of the Press Trust of India and made the following recommendations among others:—

- (i) that AIR's contribution to the PTI should be worked out at a flat rate of 10 annas per receiver set;
- (ii) that on the analogy of the payment made by the British Broadcasting Corporation to the news agencies, All India

Radio should contribute $\frac{1}{4}$ of what the newspapers pay to the same news agencies.

In regard to (i) it is pointed out that with the number of radio licences in the country being over 4 million at present, AIR would have to pay to PTI nearly rupees 25 lakhs if the Press Commission's recommendations had been accepted. As regards (ii) it is understood that today PTI's income from newspapers stands at over rupees 50 lakhs per annum; which means that the payment made to PTI by AIR is only $\frac{1}{5}$ th of PTI's total income from newspapers. It is understood that BBC's contribution to Reuters is about $\frac{1}{3}$ rd of the total income derived by Reuters.

It has been ascertained from the BBC's representative in India that the BBC's payments to news agencies are based on the total number of radio licences in force during the year. It is also understood that the basis of payment made by newspapers of 'A' category with a circulation over 75,000 to PTI is as follows:—

Rs. 4,000 per month for the first 10,000 copies
Rs. 210 for every additional 2,500 copies.

In other words, as the number of its readers goes up, so does the payment made by a newspaper to the news agency to which it subscribes. Radio listeners can be likened to newspaper readers, with this difference that while only one person can read a newspaper at a time, a number of listeners can benefit from one and the same programme simultaneously. In other words, the utility of a news agency service to All India Radio is even greater than its utility to a newspaper. Moreover the total combined circulation of all daily newspapers in the country today stands at about 32,00,000, the number of AIR's listeners can be said to be over 20 million, calculating (at a conservative estimate) of at least 5 listeners to each domestic receiver. If the number of listeners who benefit from community receivers is added to this figure, the total audience may be estimated at 30 million.

If the basis of payment followed in the case of newspapers were to be applied to radio licences, the amount payable by AIR on the basis of the present number of radio licences would work out to nearly rupees 35 lakhs, against the present payment of about rupees 10 lakhs.

On all accounts, the present tariff of payment to PTI, applicable for the five years, 1962 to 1967, is decidedly advantageous to All

India Radio. The following table is applicable to the 5 yearly period:

1962-63—9·9 lakhs.
1963-64—10·38 lakhs.
1964-65—10·86 lakhs.
1965-66—11·34 lakhs.
1966-67—11·82 lakhs.

The payment of Rs. 9·9 lakhs applicable to the initial year 1962-63 was arrived at, keeping in view a sliding slab of payment, as indicated below:—

60 nP.	per licence on the first 2·5 lakhs radio licence		
55	.. .. . next 2·5	.. .. .	.. .. .
50	—do—	2·5	—do—
45	—do—	2·5	—do—
40	—do—	5	—do—
35	—do—	5	—do—
30	—do—	10	—do—

On 31st October, 1961 there were about 21·20 lakhs broadcast receiver licences and 55,780 commercial broadcasting receiver licences in force. Taking the figure of total radio licences on 1st April, 1962 to be 23 lakhs, the figure of Rs. 9·9 lakhs was arrived at. Thereafter the increase from year to year was calculated in terms of the average rate of increase during the last 10 years which was nearly 1·6 lakhs per annum. In actual fact, however, the rate of increase has been much more, being as high as nearly 7 lakhs during the year 1964. At this rate the increase in payment in terms of the slab indicated above should work out to about Rs. 2·10 lakhs.

United News of India

The Press Commission had pointed out in their report that however objective a news agency sets out to be, there are certain drawbacks which arise from monopoly and which could be obviated only by a competent service available freely to all users. The second news agency can always serve as a check on the first. The Commission were therefore of the opinion that it was necessary to have two news agencies functioning in the country and that each of them should be adequate and also reliable. The recommendation was accepted by Government.

2. The present arrangement with the United News of India (which has been agreed upon for two years with effect from August

1963, at a rate of Rs. 2 lakhs per annum), was guided by these considerations. The United News of India, besides, providing an internal service, also supplies to AIR the services of the Associated Press of America and the D.P.A. (Deutsche Presse Agenteur). It may be pointed out that in 1951-52, AIR used to subscribe to the United Press of America at a rate of Rs. 72,000 per annum. The Associated Press of America whose service the UNI supplies to AIR is one of the leading news agencies of the world. Moreover, the present rates demanded by news agencies all over the world are much more than what they were 10 or 15 years ago. It is, therefore, estimated that today the APA service alone would be worth at least 1.25 lakhs. The balance of Rs. 75,000 is a most reasonable figure in respect of the internal service which the UNI supplies to AIR.

ANNEXURE I

Copy of the Ministry of Information & Broadcasting's Office Memorandum No. 10|5|56-B(P), dated the 10th September, 1957 to the Lok Sabha Secretariat, New Delhi.

SUBJECT:—*Statement showing action taken or proposed to be taken on the recommendations of Public Accounts Committee.*

The undersigned is directed to refer to the correspondence resting with this Ministry's Office Memorandum No. 6|4|55-B&G, dated the 14th January, 1956 and to say that the question of payment to News Agencies on the basis of wordage supplied or used has been thoroughly examined. Enquiries made in this connection reveal that no News Agency of importance is being paid on this basis for the service rendered by it. Subscriptions to News Agencies are fixed mostly on the basis of a lump-sum payment, either monthly or annually. In the circumstances, it is not considered advisable to adopt the criterion of wordage supplied or used as the basis for fixing payments to News Agencies by All India Radio.

2. No News Agency was being paid by AIR on the basis of the number of licences, except the Press Trust of India, who were being paid upto the 31st March, 1956, on a slab system based on the number of licences. The Press Commission who went into the question of payments to News Agencies at length, made a comparison of the payment made by the BBC to the Reuters on the basis of a proportion between news paper copies and receiver sets and recommended that, having regard to the revenue they expected from newspapers and other considerations, a flat rate of 10 annas per receiver set should be given to the Press Trust of India plus the amount fixed, *ad-hoc*, for external services. The Press Commission also drew attention

to the need for providing some relief to the smaller newspapers in the matter of the charges which they had to pay to the Press Trust of India for the services provided by the latter. Negotiations were thereupon conducted with the Press Trust of India in the light of the Press Commissions observation, and as a result, it was decided to pay Press Trust of India a sum of Rs. 6,50,000 per annum for the years 1955-56, 1956-57, 1957-58 and 1958-59. For the year 1955-56 the payment was reduced by Rs. 25,000 for the regional news services which the P.T.I. had not started supplying and Rs. 84,000 towards the relief to smaller news papers not provided by P.T.I. The amount to be paid from 1st July, 1954 to 31st March 1955, was also fixed at the flat rate of Rs. 6,50,000 reduced by Rs. 25,000 for Regional News Services not supplied and 1.38 lakhs towards relief to smaller newspapers. For the period prior to 1st July, 1954 the payments were governed under the arrangements then existing.

It will be seen that no News Agency is now being paid by All India Radio strictly on the basis of number of radio licences although the increase in the number of licences has been taken into account. The basis of subscription is generally arrived at on the following considerations:—

- (1) the scope and utility of the service.
- (2) the standing of the agency and its reputation; and
- (3) the general level of the subscription paid for the same service by newspapers.

ANNEXURE II

Extract of para 459 of Vol.—I of 7th Report of Public Accounts Committee

459. From a note (Appendix LXXIII), the Committee understood that enquiries made in this connection revealed that no News Agency of importance was being paid on the basis of services rendered by it and the Press Commission had recommended a payment at a flat rate of 10 annas per received set plus *ad hoc* payment for external services. In the circumstances, it was not considered advisable to adopt the criterion of wordage supplied or used as the basis for fixing payments to News Agencies by A.I.R.

ANNEXURE VI

(Vide para 28 of Report)

Depreciation Fund

Procedure regarding contribution to the Depreciation Fund as ascertained from other Major Ports, is as under:—

Calcutta:

At the Port of Calcutta in the year 1958-59 a Committee of Consultants was appointed to examine the depreciation policy. After carefully examining the various aspects of the matter and pointing out that the procedure followed by the Bombay and Madras Port Trusts in depreciating their wasting assets must be viewed in the light of the large surplus revenues available at these ports, the Committee had submitted its report and the present practice in the Port of Calcutta based on the recommendations of the report is as under:—

(a) No depreciation is provided in respect of assets classified as having a life of 30 years and above for the following reasons:—

- (i) For assets financed from 30 years or 60 years, Calcutta Port Commissioners' Debenture loans. sinking fund contributions are provided from revenue half yearly to repay the loans at maturity. When the assets require to be replaced, fresh debenture loans will be floated to finance the expenditure.
- (ii) For assets created from loans obtained from the Government or International Bank of Reconstruction & Development, payment of interest and repayments of principal are charged to revenue as incurred.

(b) In respect of assets having a life of less than 30 years but more than 15 years and cost exceeding Rs. 10,000, provision for depreciation is made annually by contribution to the renewals and replacement fund on the basis of replacement cost (which has to be reviewed periodically) adopting the sinking fund method. The contribution is about Rs. 15 lakhs per annum.

Madras:

In Madras, no depreciation is provided for in respect of permanent assets i.e., assets having life 60 years and above. In respect of assets having life of less than 60 years but more than 15 years, provision for depreciation is made annually on sinking fund formula.

Bombay:

In Bombay, the position is as follows:—

(a) Assets the position is as follows:—

- (i) For intermediate or partial renewals and replacements of wasting capital assets i.e., before the exhaustion of their normal lives, renewals and replacements of Revenue-assets and for special repairs occasioned by accident, etc.—

From 1962-63, the fixed annual *ad-hoc* contribution from Revenue to the Renewals and Replacements Fund was enhanced from Rs. 20 lakhs to Rs. 40 lakhs in the light of experience of the actual expenditure.

- (ii) For regular replacements and renewals of wasting capital assets, i.e., on the exhaustion of their normal lives—

Since 1952-53, when the General Depreciation Fund was constituted (this was merged along with the Emergency Fund and the Railway Depreciation Fund—present limit of accumulation—Rs. 12.50 crores—on 1st April 1955) upto 1962-63 an annual *ad-hoc* contribution of Rs. 40 lakhs is being made calculated at the rate of 2% on the total expenditure on wasting capital assets (i.e., excluding land), which was computed at Rs. 20 crores as on 31st March 1951. This expenditure was found to have mounted to Rs. 30 crores as on 31st March, 1963, and having regard to the present day replacement costs, which were expected to go up further, a contribution at the higher rate of 4% from 1963-64 onwards i.e., to provide a sum of Rs. 120 lakhs, on this account is being made instead of Rs. 40 lakhs.

(b) For Marine Oil Terminal assets—

An annual contribution of Rs. 41.12 lakhs is made, based on the straight line (and not Sinking Fund) method.

(c) An annual contribution on account of depreciation of wasting assets, such as flotilla, is made to the Pilotage Depreciation Fund on the Sinking Fund or actuarial basis. The contribution during 1962-63 and 1963-64 amounted to Rs. 1,26,800 and Rs. 77,500 respectively. There is no limit to the accumulations in the Pilotage Depreciation Fund.

Vishakhapatnam:

At Vishakhapatnam permanent structures such as quay wall, roads, etc. which are not considered as wasting assets are not taken into account for the purpose of contribution to the Depreciation Fund. Excluding such permanent assets, as said above, the book value of the remaining assets at Vishakhapatnam as on 31st March 1964 was Rs. 517.90 lakhs. The contribution to the Depreciation Fund for these assets is made on *ad-hoc* basis—Rs. 30 lakhs per year—and the contribution is not based on the book value of the assets or their scrap value.

Cochin:

At Cochin an annual *ad-hoc* fixed contribution towards renewal and replacement fund for the past several years is made at the rate of Rs. 3 lakhs per year. The question of fixing the depreciation rates and also the quantum of the contribution to the renewal and replacement fund for each class of assets are under examination, which will be taken up on completion of register of immovable property, which is under compilation.

Kandla:

In the back-ground of the different procedures at other Major ports as stated above, the position at Kandla Port is given below:—

In the earlier years, contribution to depreciation fund was being made from revenue on an *ad-hoc* basis only, since the life and scrap value of the assets had not been fixed. Now that the same have been fixed, the amount of depreciation has been calculated on the basis of sinking fund method earning interest at 3.75 per cent (this was the average borrowing rate during 1957-58 in which year, the main assets *viz.* cargo jetties were brought into use) in respect of assets costing more than Rs. 5000 each. The contribution in respect of a few illustrative assets are as follows:

I. Capital cost of Oil Berth & Dolphins at Old Kandla	Rs. 19,05,483
Scrap value (5 Percent)	Rs. 95,274
	<hr/>
Total amount to be provided for	Rs. 18,10,209
Life	60 years
Contribution in one year as per sinking fund method earning interest at 3.75 Percent	Rs. 18,10,209 × .0046
	= Rs. 8,327/-

II. Capital cost of Type II quarters at Gopalpuri	Rs. 18,20,680
Scrap value (15 Percent).	Rs. 2,73,102
Total amount to be provided for	Rs. 15,47,578
Life	75 years
Contribution in one year as per sinking fund method earning interest at 3.75 per cent	Rs. 15,47,578 × .0025 =Rs. 3,869/-
III. Capital cost of S.D. 'Kandla'	Rs. 88,31,493
Scrap value	Rs. 8,83,149
Total amount to be provided for	Rs. 79,48,344
Life	30 years
Contribution in one year as per sinking fund method earning interest at 3.75 per cent	Rs. 79,48,344 × .0186 =Rs. 1,47,839/-

In the revised budget estimate for 1964-65, provision has been made to contribute adequate sum to the depreciation fund so that as on 31st March, 1965, the fund would have at its credit the required amount.

Incidentally it may be pointed out that while examining the Project for approval by the Government in 1951, against the gross capital cost of Rs. 13.2 crores, the annual depreciation to be provided was taken as Rs. 17.5 lakhs; which works out to 1.33 per cent on the capital cost.

The percentages of depreciation to capital is given in Statement I for the years 1960-61, 1961-62, 1962-63 and 1963-64.

As the method followed by different Ports for contribution to the Depreciation Fund is different viz. some Ports not taking into account the assets having life of 30 years and more, some port contributing to the Depreciation Fund partly on sinking fund method and partly on ad hoc basis etc. it is not possible to work out the percentage of contribution to the Depreciation Fund as compared to the total value of the assets.

STATEMENT I

(Rupees in lakhs)

	1960-61	1961-62	1962-63	1963-64	
1. Mean Capital at charge.	1042.16*	1062.12*	1170.87*	1330.63	*I n c l u d e s Rs. 604.23 lakhs being the value of assets put to use but not formally transferred to Revenue since the accounts were not closed.
2. Contribution to depreciation fund to capital.	4.00	4.00	8.36	34.77	
3. Percentage of depreciation to capital.	0.38%	0.38%	0.71%	2.61%	
4. Interest	15.00	15.00	15.00	†15.00	† Provision has been made in the Revised Budget Estimates for 1964-65.
5. Percentage of interest to capital	1.40%	1.41%	1.28%	1.13%	

APPENDIX VII

(Vide para 29 of Report)

Capital & Revenue Accounts—Residential buildings

Rule 1 of the Appendix 2 of the Account Code Volume IV reads as under:—

“An Accountant General should, if so required by Government, prepare Capital & Revenue Accounts of residential buildings with the object of reviewing the financial results of the year and of determining whether the annual allowance fixed for maintenance and repairs is sufficient to protect Government against any loss arising from the operation of the rules made by it for recovery of rent for residential buildings. These accounts may be prepared and reviewed at such intervals as may be settled between the Government and the Accountant General.”

As stated in the last sentence of the above rule, the capital and revenue accounts of residential buildings may be prepared and reviewed at such intervals as may be settled between the Government and the Accountant General. The practice in respect of Central Government buildings is to prepare accounts once in 5 years and that also in respect of the last year of the quinquennium.

The residential buildings were transferred to the revenue side in 1957 and accordingly the accounts were to be prepared in 1961-62. The form in which the accounts are to be prepared viz. A.O. 59 was decided in September 1961. Since the accounts were to be prepared for the first time in this organisation, the standard rent of all buildings under F.R. 45-A after determining the capital cost after closing of the accounts were to be prepared and got checked and sanctioned before the accounts could be compiled. However, in the meanwhile the recoveries from the Port employees as well as the employees of other Government departments occupying the Port quarters were effected as per rules.

The summary of the position is as under:—

1961-62				
	Capital cost of buildings	Standard rent under F.R. 45-A	Rent realised (including amount outstanding)	Difference
Occupied by port employees and other Government departments	74,33,978	4,44,701	1,55,059	2,89,642
Rent free quarters and quarters used for non-residential purposes	4,55,753	27,292	Nil.	27,292

The Capital and Revenue accounts of the buildings for the year 1962-63 have been prepared and sent to Audit on 1st February, 1965. The summary of the position is as under:—

1962-63				
	Capital cost of buildings	Standard rent under F.R. 45-A	Rent realised (including amount outstanding)	Difference
Occupied by Port employees and other Government departments	75,70,444	4,52,927	1,54,475	2,98,452
Rent free quarters and quarters used for non-residential purposes	3,37,248	20,020	Nil.	20,020

APPENDIX VIII

(Vide para 45 of Report)

Statement of loans and grants paid to Khadi & Village Industries Commission

(In lakhs of Rupees)

Year	Trading Advance		Loan		Grants		Subsidy
	Khadi	Village Industries	Khadi	Village Industries	Khadi	Village Industries	
1	2	3	4	5	6	7	8
O. B. on							
1-4-1957	285.79	16.44	712.62	216.50	..	..	..
1957-58	80.00	..	490.00	151.25	522.10	162.50	..
1958-59	2.44	..	632.60	170.00	619.00	180.00	..
1959-60	50.00	10.00	317.60	260.00	733.50	180.00	..
1960-61	270.00	..	497.00	232.50	592.00	187.50	363.66
1961-62	(-)100.00	..	354.50	267.00	601.00	250.00	197.00
1962-63	..	..	457.00	55.00	775.00	225.00	209.29
1963-64	50.00	..	150.00	180.00	868.82	181.00	233.68

APPENDIX IX

(Vide para 50 of Report)

Details Regarding Intensive Area Centres

Out of 121 Intensive and pre-intensive Centres, 58 Centres are working, 4 Centres have been converted to Gram Ekais and 59 centres have been closed. Out of 59 Centres, 32 Centres were intensive area Centres and 27 were pre-intensive Centres. So far as pre-intensive Centres are concerned, mostly grants were paid (Rs. 4,500 per year for 1 year in most cases and in a few cases for 2 years) to meet establishment charges and as such no assets were created.

As regards closed intensive area Centres, two annexures (Annexures 'A' & 'B') relating to Khadi & Village Industries indicating the position as received from various Centres and other records of the Commission's Head Office etc. are enclosed. The correct dues of each institution are yet to be worked out after final audit of each closed centre and also after reconciliation of figures of loans/grants. The Commission has been addressed to expedite the completion of this work.

The Evaluation Committee's report referred to in last sub-para of para 122 is under print. A copy of the Summary of the Report and Recommendations of the Committee is, however, enclosed as Annexure 'C'.

The decisions taken by the Commission on other Centres which are functioning are contained in Annexure 'D'.

ANNEXURE—'A'

S. No.	Name of the Centre	Khadi Loan			Khadi Grant			Remarks
		Amount paid	amount recovered	Balance	Amount paid	Amount utilised	Amount recovered	
1	2	3	4	5	6	7	8	9
1	Garudeshwar . . .	24,000·00	11,721·47	12,278·53	16,810·00	15,359·55	..	Assets taken over.
2	Khadgujar . . .	1,78,000·00	92,940·32	85,059·68	50,614·50	32,976·62	..	Being considered for revival because of fresh management which is taking liability.
3	Kamalanagar . . .	74,500·00	30,081·90	44,418·10	50,656·00	28,552·69	..	The centre has been revived recently.
4	Paheta . . .	6,000·00	6,000·00	..	10,300·00	..	4,728·73	Moveable assets transferred.
5	Kursela . . .	..	..	..	6,250·00	3,571·25	..	Transferred to Sarvodaya Ashram, Ranipatra.
6	Bukhia . . .	11,000·00	8,000·00	3,000·00	13,600·00	..	6,769·97	..
7	Oel . . .	16,500·00	16,500·00	..	1,100·00	..	..	Transferred over to Punjab. K.G. Sangh, Adampur, Doaba.
8	Asafpur . . .	1,24,200·00	1,24,200·00	..	1,1000·0	..	1,100·00	Movable assets transferred to Dhanura and Singpursani area.
9	Surajannagar . . .	..	..	..	..	..	..	..
10	Ziradei . . .	2,000·00	2,000·00	..	..	..	..	..

1	2	3	4	5	6	7	8	9
11	Fatehganj . . .	11,000·00	11,000·00	..	19,400·00	17,420·87	1,979·13	All moveable assets take over.
12	Bhutadia . . .	..	..	..	..	..	..	Funds were given through former Saurashtra State Board. Liabilities taken over by the Gujarat State Board.
13	Jamkhandi . . .	..	..	..	..	..	..	All funds were released by the former Bombay V.I. Board. Subsequently the entire liabilities are transferred to Mysore State Board.
14	Barara . . .	..	..	..	..	..	..	..
15	Mahikantha . . .	..	..	..	..	..	..	..
16	Madanapally . . .	..	..	..	..	..	..	Assets transferred to District Cooperative Society.
17	Ganjam . . .	..	..	..	..	..	..	Funds were released to Sarva Seva Sangh, Wardha.
18	Bironkot . . .	..	..	..	..	..	..	Funds given through Sevapuri Samiti. Assets not created. No loan was given when it was full I.A. Centre.
19	Thibgaon . . .	36,000·00	12,400·00	23,600·00	19,635·41	18,631·38	..	..
20	Hansa . . .	1,09,840·00	34,903·63	74,936·37	21,510·12	..	347·87	Assets taken over by Bihar K.G. Sangh, Muzaffarpur.
21	Tiril . . .	44,750·00	10,545·78	34,204·22	25,574·25	..	..	Assets taken over by Bihar K.G. Sangh, Muzaffarpur.
22	Dhansura . . .	7,40,000·00	3,94,399·58	3,45,600·42	3,46,556·00	2,88,682·67	2,896·81	..

23	Dhingra . . . . .	..	..	..	..	..	..	..	Funds given through Dhansura Samiti.
24	Kamelpur . . . . .	..	..	..	..	..	..	..	Do.
25	Dabugaon . . . . .	..	..	..	..	..	..	..	Funds given through Akhil Bharatiya Sarva Seva Sangh Wardha.
26	Navgaon . . . . .	..	..	..	..	..	..	..	Funds given through Saurashtra State Board.
27	Etah	21,500·00	15,200·00	6,300·00	19,100·00	4,477·53	10,000·00	..	..
28	Burhar	7,000·00	1,850·00	5,150·00	..	..	..	..	..
29	Murpaka	10,000·00	10,000·00	..	1,625·00	1,625·00	..	..	Assets not created.
30	Tharvai	5,500·00	..	5,500·00	6,500·00	2,080·00	..	..	..
31	Sadri	15,500·00	8,213,88	7,286·12	4,896·30	..	..	..	Assets not created.
32	Chilkunda	27,400·00	6,700·00	20,700·00	11,555·00	..	..	..	Assets transferred to Hunsur Taluka, K. G. Cooperative Society.
		<u>14,64,690·00</u>	<u>7,96,656·56</u>	<u>6,68,033·44</u>	<u>6,26,682·08</u>	<u>4,13,377·56</u>	<u>57,822·51</u>		

NOTE :—S. No. 27 to 32 are pre-intensive area centres. The payment of loans shown against them was received by these centres prior to taking them as pre-intensive areas.

ANNEXURE B

Sl No.	Name of the Centre	V.I. Loan.			V.I. Grant			Remarks
		Amount paid	Amount recovered	Balance	Amount paid	Amount utilised	Amount recovered	
1	2	3	4	5	6	7	8	9
1	Garudeshwar . . .	62,817.00	32,154.23	30,662.77	1,07,381.00	63,601.61	911.00	Assets taken over.
2	Khandgjar . . .	1,65,500.00	32,552.90	1,32,947.10	1,38,363.67	1,02,079.88	..	Being considered for revival because of fresh management which is taking liability.
3	Kamalanagar . . .	43,000.00	15,771.05	27,288.95	56,757.59	34,835.08	..	The centre has been revived recently.
4	Paheta . . . . .	..	..	..	10,900.00	..	..	Moveable assets transferred.
5	Kursela	9,000.00	9,000.00	Nil	9,080.24	4,039.85	..	Transferred to Sarvodaya Ashram, Ranipatra.
6	Bukhia . . . . .	..	..	..	5,600.00	..	..	..
7	Oel	27,667.00	27,667.00	Nil	51,651.92	18,659.58	..	Transferred over to Punjab K.G Sangh, Adampur Doaba.
8	Asafpur	10,333.00	..	10,333.00	52,480.83	16,757.73	..	Moveable assets transferred to Dhansura and Singpurasani area.
9	Surajannagar . . .	750.00	750.00	Nil	750.00	..	..	..
10	Ziradei . . . . .	..	..	..	4,710.00	1,500.00	3,210.00	..

11	Fatehganj . . .	24,333·00	18,439·31	5,893·69	49,121·33	28,154·12	3,840·26	All moveable assets taken over.
12	Bhutadia . . .	..	..	..	..	..	..	Funds were given through former Saurashtra State Board. Liabilities taken over by the Gujarath State Board.
13	Jamkhandi . . .	..	..	..	44,000·00	..	..	All funds were released ^r by the former Bombay V.I. Board. Subsequently the entire liabilities are transferred to Mysore State Bd.
14	Barara	..	..	..	1,939·19	1,939·19	..	..
15	Mahikantha .	14,333·00	..	14,333·00	15,851·98	1,185·98	..	..
16	Madanapally	41,387·00	41,387·00	Nil	1,11,709·43	35,829·50	..	Assets transferred to District Cooperative Society.
17	Ganjam .	5,000·00	..	5,000·00	34,500·00	..	..	Funds were released to Sarva Seva Sangh, Wardha.
18	Bironkot .	..	..	..	4,066·87	4,066·87	..	Funds given through Sevapuri Samiti, Assets not created, No loan was given when it was full. I.A.Centre.
19	Thibgaon	62,881·00	26,806·82	36,377·18	88,912·38	74,118·99	..	..
20	Hansa	68,342·00	20,719·60	47,622·40	96,253·00	..	..	Assets taken over by Bihar K.G. Sangh, Muzaffarpur.
21	Tiril .	53,662·00	..	662·00	63,408·00	..	..	Assets taken over by Bihar K.G. Sangh, Muzaffarpur.
22	Dhanaura .	5,69,156·00	1,14,070·60	4,55,085·40	7,18,719·60	6,03,189·72	..	..
23	Dingra .	..	..	..	..	..	..	Funds given through Dhanaura Samiti.
24	Kamelpur	..	..	..	..	..	..	Do.

1	2	3	4	5	6	7	8	9
25	Dabgaon	..	..	..	..	..	..	Funds given through Akhil Bha- ratiya Serva Sangh Wardha.
26	Navgaon	..	..	..	..	..	..	Funds given through Saurashtra State Board.
27	Etah	10,250.00	7,588.24	2,661.76	5,319.35	5,319.35	..	..
28	Burhar	..	..	..	10,650.00	5,669.77	..	..
29	Murpaka	..	..	..	16,242.53	..	..	Assets not re-created.
30	Tharvai	..	..	..	9,511.96	..	..	..
31	Sadri	..	..	..	7,250.00	..	..	Assets not created.
32	Chilkiunda	..	..	..	11,250.00	..	..	Assets transferred to Hunsur Taluka, K.G.Cooperative So- ciety.
		11,68,414.00	3,46,406.75	8,22,007.25	17,21,380.07	10,01,142.72	7,961.26	

Notes Sr. Nos. 27 to 32 are pre-intensive area centres. The payment of loan shown against serial No. 27 was received by the centre prior to taking it as pre-intensive area.

ANNEXURE—C

(A study in the Working of the Khadi and Village Industries Commission Scheme by Shri V. K. Rao, Shri A. M. Khusro, and Shri H. Laxminarayan).

Summary of the Report

CHAPTER 1: INTRODUCTION

The terms of reference were as follows:—

- (i) to evaluate the working of the intensive area scheme of the Khadi & Village Industries Commission, in general terms, the achievements and short-falls particularly in the programme pertaining to agriculture, Khadi & Village Industries.
- (ii) in the light of the experience of regional planning, approach of the scheme, to report to what extent it is possible to prepare plans for a region wherein village industries can be re-organised on (a) family (b) village or (c) regional basis.
- (iii) to report on lessons to be drawn from the work of the intensive area scheme from the point of view of integrated development of rural areas and the establishment of an agro-industrial economy and
- (iv) to make recommendations in regard to the expansion or otherwise of the intensive area scheme.

The institute of economic growth commenced its work on this project on 10th May 1962 to deal broadly with the following aspects:

- (i) aims and objectives of the intensive area scheme.
- (ii) developmental activities that are in progress in 34 intensive areas.
- (iii) working of village plans with special reference to planning activities in intensive areas.
- (iv) economic of village industries and
- (v) working of various cooperatives in 34 intensive areas.

CHAPTER 2: BACKGROUND

It is noted that the scheme is meant to guide village communities to formulate its own programmes. While comparing the scheme with that of the Community Development Programme, it is stated that the later lay emphasis on the extension services, the former consider that along with physical factors the one single human factor is outstandingly responsible for achieving higher production.

Under the aims and objectives the scheme in addition to economic and social objectives, have also the objective of development of village industries as a part of comprehensive programme for various development and should develop their own strength. The scheme is trying to build the model agro-industrial village community on twin principles of Sarvodaya and planning.

The scheme tried to divide the village economy into the self-employed sector to cover those activities which the household carries on with the family members by using simple tools and implements and cooperative sector which employ higher labour and use organised technics.

Agency for implementing programme:

While creating agencies for the implementation of the intensive area scheme the sponsors had two considerations in mind. First, this agency should be one which believes in and strives for social transformation of the villages. Second this agency must belong to the people themselves.

CHAPTER 3: PROGRESS

Since inception of the intensive area scheme, nearly 121 areas have been established. Out of them, at present, 73 are working. This evaluation has been confined to work in 34 intensive areas from where informations relating to the following aspects of the scheme were collected:

1. Non-industrial activities.
2. Condition of village industries in respect of production, employment, wages, use of improved implement etc.
3. Working of cooperative institutions.

As normally understood the term "Intensive Area Development Scheme" implies concentration of investments within a limited sphere

with a view to achieving an accelerated rate of growth within a minimum period of time as against "extensive development" which implies a wide dispersal of investment efforts. On the other hand, the intensive area scheme lays emphasis more on development of village industries than on area development. This limited functional aspect of a scheme which has otherwise kept a broad perspective arises from limitation imposed by the Khadi & village industries commission act of 1956 (Section 19).

Though the scheme is supposed to be an area development scheme, it has boiled down to one of developing isolated villages with exception of Murud, Vallod, Pukhrayan, and Jalia where the scheme has tried to implement plans for regional development.

It is observed that the Khadi Programme has started sinking in most of the intensive areas, particularly ambar khadi programme. In this connection, it is observed that though the need for raising the productivity of charkhas with a view to making khadi a commercial proposition has been accepted it has not been possible to carry this aspect of the programme to its logical end due to the resistance to introduction of power in the khadi programme. Such a situation has arisen due to the conflict between the self-sufficiency aspect and the commercialisation aspect of the khadi programme.

It was observed that the three-tire system of having an organiser, a secretary, and a chairman for running the scheme does not seem to be working smoothly. It is necessary to find a way of balancing the powers of the various office bearers.

It is heartening that in most of the areas the intensive area organisation is having smooth relations with the other rural development agencies, and in implementing these common programme they follow a policy of sharing the expenditure between all the agencies participating in the programme.

It is also observed that while community blocks have adequate material resources the intensive area scheme is provided with the right type of human material which is very essential for implementing rural development programme. The co-ordination between these two agencies will not only lead to proper utilisation of resources but also will introduce certain amount of dynamism in the rural economy.

Development activities in some intensive areas

Sagtala (Gujerat): Workers have organised agricultural co-operative credit societies, service cooperative societies, multi-purpose cooperative societies covering the entire area and nearly 58% of the population.

Jalia (Gujerat): Under the impact of agricultural development programme, wage rates have increased to Rs. 3 per day. All villages have been covered under the cooperative credit programme. It is also observed that whenever poor cultivators do not have money for buying of seeds, the well-to-do peasants are to advance loans free of interest.

Nasik (Maharashtra): It is socially and economically backward area with hilly terrain. The organisers tried to formulate the programme during the last 3 to 4 years and have covered all the villages by cooperative credit societies.

Murud (Maharashtra): Nearly 10,000 acres of land have been counter bunded and 156 new wells sunk. It is also stated that the Government and the people have spent nearly Rs. 2.2. lakhs on construction of school buildings. The Samiti had been able to create many new avenues of employment for the people. The Samiti prepared programmes to give all able bodied people daily wages at the rate of 12 annas for males and 6 annas for female to those who are prepared to work.

CHAPTER 4: DEVELOPMENT PROGRAMMES (NON-INDUSTRIAL ACTIVITIES)

In the period 1955-56 and 1961-62 the annual expenditure on non-industrial activities increased from nearly 77,000 to Rs. 10,00,000.

If expenditure incurred is an indication, it will be seen that programmes relating to housing education increased by 12.1 per cent agriculture by 6.8 per cent health by 5.9 per cent sanitation by 5.4 per cent and cultural activities and animal husbandry by 2.6 per cent. During the last seven years, there has been an increase in expenditure incurred under all the heads except in the case of animal husbandry and sanitation.

The non-industrial activities are generally carried on with the help of finances raised mainly from the following sources:

- (i) mobilisation of local resources through shramdan and cash contribution.

- (ii) preparation of common programmes in collaboration with other rural development agencies.
- (iii) securing financial assistances from the Governmental and non-Governmental agencies and
- (iv) income of kshetra samities.

Development Activities:

Agriculture: Intensive areas are taking more and more interest in improving agricultural conditions would seem to be an indisputable fact. This scheme has also undertaken animal husbandry programmes and sanitation activities.

Health: A number of dispensaries, maternity centres, nature cure hospitals have been established. The number of patients treated has increased from 6,687 in 1955-56 to 2.1 lakhs in 1961-62.

Education: The intensive areas are paying increasing attention towards education. In the period 1955-56 to 1961-62 expenditure incurred on education has increased from Rs. 1.3 lakhs to Rs. 15.2 lakhs. During the same period, the number of pupils from 2436 to 26030. Of all the intensive areas visited by us Murud area seems to have made more satisfactory progress than others in respect of education.

Housing: A visit to some of the intensive areas is enough to bring home the interest which the organisers have taken in house building activities. The figure of Harijan houses from 5 from 1955-56 increased to 31 in 1961-62, while from 260 for non-Harijan in 1957-58 increased upto 569 in 1960-61.

CHAPTER 5: DEVELOPMENT PROGRAMMES

(Village Industries)

The intensive area development scheme is in the nature of a programme of investigation and experimentation into the problems of village industries with a view to finding out their long run solutions.

Khadi Commission has been observed as the main source of finance. The extent of finance given by the Commission is 13.51% for construction 69% for Khadi & village industries and 17.5% for other categories like salary and contingencies.

It may be observed that while the share of salaries and contingencies has increased from 6.7% in 1955-56 to 31.4% in 1961-62 the share

of khadi and village industries has declined from 94.6% in 1959-60 to 65.8% in 1961-62. Decline in the ability of khadi and village industries to take advantage of the financial assistances given by the Khadi Commission reflects on the unsatisfactory working of these industries.

The major share of financial assistances is given in the form of the loans which account for nearly 56% of the assistance.

The bulk of assistances given to village industries goes to the khadi industry which accounts for nearly 60% of the total assistance given. The traditional khadi alone accounts for nearly 44% of the assistance given, and has gradually increased.

Utilisation: Except in construction activities where the financial assistance given by the Khadi Commission is utilised to an extent of 74.3% of the total value of assistance given, in all other cases, the intensive areas have fully utilised the financial assistances given.

Repayment: In the period 1955-56 to 1961-62, they have repaid only 32.20% of the loans taken. The rate of repayment is particularly low in construction activities and village industries.

Output sales, employment and wages: Looked at from the point of view, of the value of output generated, traditional khadi, oil, carpentry and blacksmithy and brick-kiln industries are the major industries run by the intensive areas. These four industries alone account for nearly 75% of the value of output. However, only khadi and brick-kiln industries provide considerable employment. Nearly, 65.6% of the total employment (including part-time employment) is accounted for by traditional khadi, 12.9% by ambar khadi and 10.7% by the brick-kiln industry. These three industries also account for nearly 89% of the wages distributed.

Looked at from the point of view of trends in productions, sales, and employment and wages industries in the intensive area seem to have made considerable headway in the period 1956-57 to 1961-62.

Though output, sales, employment and the wage bills have increased considerably in the period 1955-57 to 1961-62, this does not by any means reflect on the prosperity of village industries as a number of them have been able to increase output largely due to the heavy subsidies given by the Commission. On the other hand, there are many indications to the effect that all is not well with village industries because during the last two to three years downward trends

in output have appeared in the case of ambar khadi, hand-pounding of rice, fibre, pottery and carpentry and blacksmithy industries, and fibre, pottery and blacksmithy industries report decline in sales also. There has been considerable increase in the stock carried by village industries also. And, lastly wage levels in all the village industries are extremely low.

Slightly more than 90% of the workers engaged in village industries are engaged in a part-time basis. It indicated that providing of part-time employment continues to be dominant character of village industries where wages account for nearly 45% of the output. The high wages cost is one of the main factors responsible for restricting the competitive ability of village industries.

While in most of the village industries, production is almost entirely market-oriented, in Khadi and Oil industries, a part of the output is meant for self-consumption. Making traditional Khadi a commercial proposition seems to have led to greater utilisation of idle capacity. It may also be observed that the number of charkhas, productivity, employment and wages distributed have increased substantially in the traditional khadi.

While referring to the improved implements, it is observed that if village industries are to survive, it is essential that the technology adopted should not be frozen at the existing level as long as adoption of new technologies does not lead to increase in unemployment.

Under training programme, khadi industry is the biggest beneficiary in as much as it accounts for nearly 90% of the total number of people trained and expenditure incurred on them. The training programme seems to have received a severe set back after 1958-59 and the single biggest failure seems to have taken place in the case of ambar khadi industry; the proportion of trained persons for village industries absorbed after completing their training must be considered as high.

Use of power in village industries:—The khadi Commission is of the view that the use of mechanical power should be permitted under certain conditions. But, the committee is of the view that it is essential to raise the productivity in village industries, by accepting a policy of discriminate mechanisation. This might at best lead to partial unemployment which the committee do not think it well. The alternative would be complete unemployment with more and more village industries declining due to low productivity. The logic of the market economy should be accepted. In the alternative products of village industries must be oriented entirely for self-consumption.

While the khadi industry has certain problems peculiar to itself problems facing other industries are of a more uniform type. Broadly speaking problems facing village industries may be grouped under the following categories:

- (i) shortage of raw materials, repair and servicing facilities and technical personnel.
- (ii) shortage of slack coal for the brick-kiln industry.
- (iii) disbursement and repayment of grants and loans.
- (iv) tax burdens.
- (v) use of power in village industries.

CHAPTER 6: ECONOMICS & VILLAGE INDUSTRIES

According to the scheme the real problem facing village industries is not merely want of organising production by providing raw materials, equipment and trained facilities, but also one of increasing the effective demand. The organisers of the intensive area scheme are of the view that while the role of technological improvements for developing and vitalising village industries is appreciated the role of financial resources for retaining and stocking raw materials is not adequately appreciated.

The village industries should provide employment at the minimum capital cost and at the same time generate sufficient economic surplus to pave the way for a self sustained growth.

The Kshetra Samities units raise their finances partly in the form of grants and partly in the form loans; while the household units raise their finances entirely in the form of loans.

While analysing the components of the assistance, it is observed that the ratio of grants and loans comes to 1 : 1 : 7. It is found that the most of the village industries do not seem to be in a position to pay back their loans fully; 14.6 per cent of the loans taken has been paid back. It is also generalised that the centres have not paid adequate attention to the financial requirements of the household industries. It is observed that the capital base of household industries seems to be much weaker than the capital base of the kshetra samities industries. Large investment on buildings may mainly be attributed to the fact that the Khadi Commission gives liberal financial assistances towards construction of buildings. If village industries are to survive, it is essential that the proportion of capital in-

vestment on land and buildings should be less than the proportion of investments made on the plants and tools. Raw materials and finished and semi-finished goods accounted for the entire volume of working capital held. The analysis also indicated that though all industries carry a considerable stock of raw materials and finished goods, their position is extremely weak in respect of liquid capital. It is rather unfortunate that the household industry units carry hardly any reserve of raw materials or finished goods, or liquid cash.

While analysing the various factors, which has direct and indirect bearings upon the output, the committee has suggested that the Khadi Commission should pay more attention to the programme of bringing about a reduction in expenses incurred by the Kshetra samities industries and also to the programme of utilising the existing idle capacity in the village industries.

Raw materials, salaries, and wages alone account for more than 70% of the total cost. Only brick-klin, flour mills and pottery industries are exception to this.

Output costs for household industry units have been worked out without in putting any value to work put in by the family labour. To this extent, there is certain degree of under estimation in the output costs worked out for household industries.

The raw materials account for almost the entire cost in household industries; it continue, more than 90% of the value inputs.

Unlike in the organised factory industries and small scale industries the share of wages is extremely high in village industries. The share going to the people who have loaned capital (interest charges) to village industries is also high. Except for powerloom, brick-klin and Gur Khandsari Industries none of the others are generating any surplus which could be used for the purpose of further investment. While analysing the factors, under capital output ratios, it is observed that there is an existence of high degree of idle capacity in most of the industries. It is also viewed that capital output ratios are comparatively lower in carding, flour milling, gur khandsari and power loom industries as compared to other industries. The capital output ratios are rather too high in soap, oil, dyeing and printing, hamp fibre, and khadi industries, particularly in the case of later two industries.

Though a certain section of thinking in this country is advocating development of village industries on grounds of economies in use of capital we notice that a large number of Kshetra Samitis' industries are using high proportions of capital per unit of output. Thus, in some of the village industries, capital intensity is much higher

than in organised factory industries. The existence of high capital co-efficient in village industries is largely due to the existence of idle capacities.

Between the kshetra samitis industries and the industries in the household sector, the capital co-efficiencies are lower in the household sector.

While analysing factors for capital labour ratios, the Committee observed that the capital labour ratio is low in the modern industries like carding, gur khandsari and flour mills as compared to the traditional industries.

Swavalambis, consumers institutions and the traders are the main agencies who buy the products of the Kshetra samiti industries. Workshop, powerloom and dyeing printing industries cater mostly to Swavalambis. Only gur khandsari and soap industries cater directly to traders by and large, other industries sell their products directly to consumers.

While examining the views and opinions about the working of the village industries, it is added that the main problems faced by household industries is the lack of proper organisation for marketing their products. Lack of godown facilities and the need for long-term loan are observed to have been the main problems faced particularly to gur khandsari industry.

The committee has stated that it will not be going to solve the problem of surplus stocks so long as the industries are not prepared to bring down production cost by undertaking suitable remedial measures.

Carding, Gur Khandsari, powerloom, brick-klin, flour mills, workshop, soap and oil industries have growth potentialities while other industries do not show similar vitality.

Conclusions.—Improving the vitality of village industries by lowering production costs and improving the quality of products with a view to bringing about an increase in the effective demand happens to be the main objective of the industrial development programme formulated by the intensive area scheme. Contrary to this objective, we find that output costs in most of these industries particularly in the traditional industries happened to be high and rigid. No doubt, the kshetra samitis are trying to give certain amount of diversity to industrial development programme by starting a number of modern industries and organisers are found pre-occupied with it instead also attending household industries.

The kshetra samitis should confine themselves exclusively to industries like workshop, flour milling, power-loom etc., because of

highly investment and should render assistance to the household sector, having considerable employment potentialities.

CHAPTER 7: VILLAGE PLANS

Difference between planned and non-planned villages lies in the fact that in non-planned villages only *ad hoc* production programmes are formulated on the basis of peoples willingness and enthusiasm. Villages plans are expected to get resources locally available and utilise man power on the one hand, and that between desirable minimum standard of living and the present living standard of the other. The objectives are to organise village life on 'NAI TALIM' basis, to raise the living standard, economic security, social equality, rational time table of work and wider opportunities. For achieving the third objective, the programmes like planned employments through diversification of occupational pattern, guaranteeing minimum standard of living, issuing insurance against old ages and crops policies, health and education and social education scheme were formulated.

Impact of income.—The study of 14 planned villages was conducted. Of these, six villages have been implementing the plans for the last two to three years, and the remaining formulated five years plans only recently. In two villages plans, nearly 75 per cent of the households has per capital income of Rs. 240 corresponding to the minimum income level.

The proportion of families whose per capital income is exceeded minimum income is given below:—

Villages	Percentage of families above the minimum income of level	
	1960-61 Actual	1961-62 Actual
Agastipur	33·4	47·9
Poora	42·4	46·9
Gaur	23·9	31·7
Faizapur	54·6	60·5
Machharia	20·6	22·6

(1) Though overall targets in respect of the resources mobilisations were realised, there were considerably shortfalls in the sectors like education, constructive activities, and khadi and village industries.

(ii) In realising income target of the lower income group, success is considerable; while, in case of middle and higher income group, success could not be realised.

(iii) Mobilisation of the resources for agricultural development has not reflected in agricultural production.

(iv) In the field of animal husbandry, achievements were of mixed nature.

(v) Short-falls are varying in village industries, particularly in khadi.

(vi) Utilisation of man power shows more success.

The study conducted by Shri Jhaveri Bhai Patel, on four village plans, indicates that there has been a sharp increase in the proportion of families which have crossed minimum income level of Rs. 240 per capital and also most significant income increases have taken place in agricultural and village industries sectors. On the other hand, assessment of four planned villages shows different trend in respect of the realisation of planned targets. In respect of animal husbandary, education, utilisation of manpower, constructive activities, village panchayats, multipurpose co-operatives, etc., there are short-falls in the realisation of the targets. Performance of agricultural and village industries sectors is not satisfactory. The middle upper income groups have not been to realise planned targets of income. 14 out of 30 sample household were able to reach the planned targets. The low income groups have been able to realise their income targets.

The Village Planning experiment can be said has not done uniform success. While, planned villages have done considerably success. While, planned villages have done considerably success. it is not equally true of many other villages.

CHAPTER 8: SOCIO ECONOMIC

Surveys of planned and non-planned villages.

Socio-economic survey has conducted in planned areas to find out of the village planning activities resulted in creating better conditions in planned villages as compared to the non-planned villages with the following objectives:

- (i) to study the impact on village planning, occupational pattern, literacy, income, consumption, expenditure, indebtedness, etc. To find out alternative economical conditions of various occupational and income group

iii, to examine the extent to which minimum income has been successful.

By analysing some of the economical conditions, it is noted that by and large planned villages are ahead of non-planned villages in matter of literacy, and irrigation facilities, agricultural wages and financial resources of the village panchayat per capita revenue and the per capita expenditure incurred by the village panchayat in planned villages is also higher.

Economic status and literacy.—Most of the under-employed population is found in joint household occupation and largely continue to the one of alternative arrangements of the employment to make the people work in the principal household enterprise. It is also observed that the proportion of people engaged in the joint household occupation is distinctly lower in three of the planned villages as compared to the respective non-planned villages. The proportion of the people engaged in joint household occupation seems to be slightly higher than in the planned villages compared to the non-planned villages. There is some ground to believe that under-employment is much less in three of the planned villages. However, it is observed that village planning activities have not been able to attain uniform success in the field of education.

Income.—In planned and non-planned villages, agricultural and allied occupations account for more than 70 per cent of the net income generated. Village industries account for only 15.28 per cent of income except in one village industry. As a source of income, village industries are more important for planned villages than for non-planned villages. Village industries income is of some importance to those who are having cultivation, agriculture, labour, profession and services, arts and crafts as their principal occupations.

The number of families above the minimum income level of Rs. 1200/- is higher in planned villages except in one than in the corresponding non-planned villages. Spectacular progress made by Jalia was more than 70 per cent of the household crossed for minimum income level.

In respect of the per capita income, the position seems to be much less satisfactory, but, of the 8 planned villages in four villages per capita income level is not reached.

Consumption.—In both the planned and non-planned villages, people engaged in agriculture and allied occupations account for more than 70 per cent of the consumption expenditure incurred.

House in all the 16 villages except two have attained standard minimum. In respect of the total consumption expenditure, the position is slightly worse in case of the per capita expenditure. In the four planned villages, per capita expenditure is less than the standard minimum of Rs. 20/-. If the per capita expenditure is any indication by and large, non-planned villages seem to have attained better than the planned villages as per capita expenditure in the non-planned villages is invariably higher.

House-holds engaged in the services and professions are incurring less consumption expenditure than other categories of population. In one of the planned villages, agriculture labour, households have attained minimum standard of living. The analysis arrived at indicates that the scheme has attained a limited success in the direction of attaining minimum standard of living. While most of the planned villages have been able to attain per capita minimum expenditure level of Rs. 1200/- and many of them have not been able to attain per capita minimum expenditure level of Rs. 240/-. Actually, per capita expenditure incurred is higher in non-planned villages. Cultivators have succeeded in attaining minimum standard of living.

While the targets have been achieved in respect of per family income and per family expenditure, the targets remain unrealised in respect of the per capita income and per capita expenditure.

Indebtedness.—Agriculturists account for large bulk of indebtedness in both the planned and non-planned villages. In 5 of the 16 villages, average indebtedness per family is higher than in the allied non-planned villages. In respect of the capital held with the villages do not show any significant superiority over the non-planned villages.

Agriculture.—Agricultural conditions in the planned villages seems to be better than in the non-planned villages. It is observed that small cultivators do well, if sufficient encouragement is given. Performance of the middle peasants seems to be less satisfactory. In respect of the investments in agriculture, the performance of the planned villages seems to be better. Though these investments do not seem to be proportionate increase in returns to cultivators in the planned villages.

In case of Khadi, planned villages do not distinctly attain superiority over the non-planned villages. In respect of the productivity per acre, performance seems to be better in the case of Raby crops. Performance of the planned villages seems to be better in respect

of the investments returns, net income, marketed services and application of improved agricultural appliances.

In respect of the impact of the scheme, the opinion of the heads of the householders interviewed was as follows:—

- (i) conditions improved in respect of employment opportunities, housing, health, and sanitation.
- (ii) agricultural conditions have improved.
- (iii) people are showing increasingly sympathetic attitude towards the Harijans.
- (iv) most of the village leaders are taking active part in the activities of the scheme.
- (v) households reported that surveys were held before the launching the plans and they have been assigned specific roles in its fulfilment. However, Harijans households were not sharing these views.
- (vi) Local people participated in gramsankalp meeting to fulfil the plans.
- (vii) in all the planned villages, people are aware of the existence of the village plans.
- (viii) Non-Harijans were of the view that the village plans have benefited the Harijans more than the non-Harijans.
- (ix) 50% of the reporting households have contacts with community blocks.

CHAPTER 9 (COOPERATIVE FARMING)

Study of the cooperative farming society located in U.P.

The cooperative farming is hardly making any head-way in U.P. The reports are collected about detailed informations regarding loans memberships and financial targets, in agricultural targeted productivities, sources of finances, expenditure, and income, and utilisation of manpower. It is observed that there are societies where indebtedness was considerably shown increased. Out of the 13 cooperative societies, 49·06% of the total finances are granted by the internal finances, and 3·33% by kshetra samitis, and 47—67% by other sources, mainly State Governments. Finances supplied by the kshetra samitis have declined over 26—15% in 1960-61 and

3.30% in 1961-62. Thus, cooperative farming societies are deserving to have entirely dependent on internal resources. During 1961-62, 3.35% of the expenditure is accounted for by the village industries. It is also observed that the degree of utilisation of available manpower seems to be high in all the societies. Ratio of the utilisation of the manpower to the available manpower is in no way less than 70%. Particularly, village industries account for a very small portion of the utilisation of manpower. In view of this, adequate attention should be given to the problem of developing village industries. If organised institutions like this are not in a position to support the village industries, doubts are bound to arise as to how the Khadi & Village Industries Commission would be able to support the village industries at the houselevels.

Conclusion.—Programmes at the operational level falls short in many essential respects:

- (i) Though they have been able to pool their resources, progress on upgrading techniques is not uniformly satisfactory.
- (ii) Though degree of utilisation of manpower is high, it is necessary that they should be further increased in the employment opportunities, even by absorbing under-employed manpower of the villages in which the cooperative farms are located.
- (iii) Little attention has been paid to the problems of the developing village industries. Adequate attention have not been paid to the problems of development of villages like social services education and health.

In spite of the some of the shortcomings, there is no reason to feel about the working of the cooperative farms, because some of the cooperatives can be developed as an important adjunct to the village planning. If an organisation like this scheme which possess rural leadership cannot make a cooperative farming success, it is difficult to see much hope for the spread of the cooperative farming in this country.

CHAPTER 10 (COOPERATIVE CREDIT SOCIETIES)

Only out of the 34 areas surveyed are covered either by the cooperative credit societies or multipurpose societies. By and large, the progress made by the cooperative societies in the intensive areas scheme, seems to be satisfactory. There has been continuous increase in the number of societies, membership and capital at their disposal. The movement has brought to increasing number of areas.

The committee was particularly impressed by the qualitative aspect of the work thus being done in tribale areas of Nasik and Sagtala. To say this not to forget the cooperative farming programmes of the intensive areas are not without their short-comings.

CHAPTER 11. INDUSTRIAL LABOUR AND HOUSING COOPERATIVES

Industrial cooperatives: 20 out of the 34 areas have tried to experiment with cooperative organisations for village industries. The trend is towards an increasing effort in organising village industries, on cooperative lines.

In industrywise analysis of cooperative societies indicates that oil, leather and carpentry and blacksmithy industries are more widely covered than other industries. Khadi industry has been organised on cooperative lines only in 5 areas, though khadi happens to be the major activities of the commission. Handpounding of rice and fibre industry are organised on cooperative lines only in 4 areas. The need for a cooperative pattern of organisation in the case of these two industries is also essential. In the case of remaining industries, very few areas have been covered by the cooperative pattern of organisation.

An analysis of finance given to 10 industries indicates that nearly 60.5 per cent of the finances goes from the Khadi & Village Industries Commission, 14.17 per cent from the Government, 8.7 per cent from Cooperative Institutions, while the member's share comes to Rs. 16.4 per cent. Cooperatives should learn to stand on their own feet. If an organisation like intensive area scheme, does not succeed in running the cooperatives on efficient lines, we do not see much prospect of the cooperatives movement reaching anywhere near the stage of self-sustained growth.

So far as cooperative credit of village industries are getting financial assistances from cooperative institutions the other industries are not dependent upon cooperative credit. Even when these cooperatives do not have tangible security to offer it should be possible to find other devices of getting cooperative credit.

After analysing the total value of productive capital employed in different Khadi & Village Industries, it is noted that except for hand-pounding of rice, all other industries report increase in productive capital. It was also observed that over a period of years, leather and Gur Khandsari industries have managed to acquire land and

buildings mainly due to liberal financial assistances from the Commission.

In spite of fluctuations during 1961-62, all industries were able to dispose of the bulk of their output. However, profits earned were completely out of the tune with the sales trends and very few industrial cooperatives are earning profits. Due to the inefficient working except for palmgur and leather industries, very few of the cooperatives have been distributing dividends.

The cooperative movement has made considerable progress in terms of areas covered, membership and financial resources. Viewed from membership and financial resources, cooperatives in Rajasthan and U.P. seem to be very heartening than in other States. For oil, leather, and carpentry industries, cooperatives account for the large bulk of societies, membership and financial resources. Progress made by cooperatives in Khadi and hand-pounding of rice and fibre industries seems to be extremely unsatisfactory. It is essential that industries cooperatives should depend less on Khadi Commission. Over a period of years, productive capital has increased substantially. In spite of the fact that the gross value of output and sale have increased appreciably, these increases are not reflected in profits and dividends.

One is particularly impressed with the way in which the two societies at Jalia and Murud are functioning. Their efficiency could be indirectly judged by analysing the profits earned by them. In spite of the satisfactory position the dividend policy followed by the two societies particularly that of Murud Society is rather conservative. Though, it might be necessary to divert their profits for their acquisition of tools and implements, all the same. It is necessary to compromise between the policy of capital formation and the policy of distribution of dividends. They should not be satisfied by providing market wages level to their members, but should distribute dividends to keep their incentives alive.

Housing and forest labour cooperatives: The Committee has noted satisfaction for the cooperatives organised specially in Sagtala and Murud. The way these cooperatives organised in Sagtala by setting apart 2 per cent of the operation cost for social welfare activities is commendable.

CHAPTER 12: RESUME

(a) All newly established areas are treated as pre-intensive areas

before they are eligible to become full fledged intensive areas. This will give an opportunity to review the working of the areas.

(b) The scheme is taking into account the availability of right type of personnel.

(c) Areas which do not work satisfactorily, have been closed down, thus preventing the waste of resources.

Achievement of the intensive areas scheme should not be judged purely in qualitative terms. In the realm of social policy, the preparatory work is very important but, such work is not always quantitatively measurable. This, however, should not lead to an under-estimation of the work done and the achievement of the scheme in organising people's energies and mobilising the available resources should be seen in its true prospectives. Special mention for the type of work in progress is as follows:—

- (a) Minimum income plans and village industries activities in Ajagara area.
- (b) Multi side and intensive development activities undertaken by Jalia in coordination with other agencies.
- (c) Area planning activities joining on in Murud and Pukhrayan, and
- (d) Efforts made to ameliorate the condition of the tribal population in Sagtala and Nasik.

One of the main drawbacks to be that work in large number of areas is neither of intensive type nor of extensive type. The attitude should become more diversified and is felt by all the villages in each area. To overcome this, it is suggested to amend the Khadi Commission's Act to permit the grant of assistance to activities other than Khadi and Village Industries.

Non-Industrial Activities

Efforts for mobilising voluntary contribution is particularly commendable. In spite of the progressive increase in expenditure incurred on non-industrial activities, the amount so spent is only of small magnitude, considering the extent of effort needed for lifting the rural economy from a static stage to a dynamic stage. The solution to the problem is to prepare 5 yearly budgets and after taking into account the money that can be spared and raised locally the commission should work out the balance of resources needed. It should endeavour to cover the deficit by arriving at working arrangement with various departments of the State and Central Governments.

Agricultural development accounts only for 12% of the total expenditure. Efforts for co-ordination have resulted in bringing about some improvement in agricultural conditions.

Considerable success has been obtained for uplifting weaker sections. All areas are running one special scheme, the other for the benefit of Harijans. It is recommended that the scope of formulating the scheme in the future should be with a view to conferring benefits on non-Harijan sections of the lower strata of the population.

Greater success in the field of activities like education, health, houses for backward class and village remodelling seems to have been obtained.

Khadi and other Village Industries

The scheme has not succeeded in finding long term solutions to the problems facing the village industries. The first objective of increasing effective demands by using local raw materials has been fulfilled only to a partial extent. In achieving their second objective of introducing technological changes, the areas have been frustrated due to rigid policy of the Commission in matters of application of power. Due to the existence of the high degree of idle capacity and low productivity capital output ratio and capital labour ratio are rather high in the traditional industries. If economy in use of capital can be a criterion for supporting the village industries programmes, most of the traditional village industries do not justify any support. The Commission's programme is thus confronted with the conflict between the policy of providing employment and their disinclination to the use of power in village industries. Particularly Khadi Industry suffers from a conflict between the self-sufficiency aspect and commercial aspect.

Over the last few years, share of the village industries in the financial assistance has declined largely due to their inability to absorb such assistances. Failure of the village industries programme by the scheme arise mainly from the basic problems facing the village industries supported by the Khadi Commission. If the Khadi Commission's programme is considered as an *ad-hoc* arrangement for a short period till the economy is in a position to provide alternative source of income, productivity in village industries becomes secondary problem. If village industries programmes are to work as an *ad hoc* arrangements for a fairly long period, then the Government will have to think in terms of an intermediate technology. If the village industries are to be developed as an integral part of the long term developmental plans, techniques used will have to be of the highest type to generate surplus need for re-investment in the economy.

As an experiment, some of the areas may be allowed to use power to a certain extent for processing.

Village plans:

It is true, experiment in the field of raw materials, mobilisation of resources and development of local initiative takes time and there is large time lag between the growth of initiative and its embodiment in a statistical measurement physically achieved. It is not expected any spectacular results in the form of substantial increase in any standard of living immediately, but rather make a quantitative judgement about the nature of work done. By and large, conditions are better in the planned villages than in the non-planned villages, because there has been significant increase in the proportion of the families above minimum income level of Rs. 1200/- per annum. It is an indicative that even in the absence of the Governmental assistance, it is possible to introduce certain developmental potentialities into the rural economy by blending the important human factor with the local resources. Viewed from this angle, if programme like village planning of the intensive areas should find a place in the country's Five Year Plans.

Co-operatives:

All cooperatives are trying to use their man-power resources to the fullest possible extent, but no where the rate of utilisation is lower than 70% of the available man-power. The purpose in organisation of the cooperative farming is to provide diversified occupational pattern. This does not seem to have been fulfilled, because 80% income is accounted for by agriculture and 19% by village industrial, while less than 1% by animal husbandry.

By and large, progress made under co-operative credit service societies seems to be satisfactory. The Committee is particularly impressed by the qualitative aspect of work which is being carried out amongst the tribal population of Nasik and Saptala.

It is rather unfortunate that the Khadi Industry has been organised on co-operative lines only in 5 areas, though it happens to be one of the major activities of the Commission.

Labour co-operative societies are working satisfactorily and show considerable profits. It is recommended that they should distribute reasonable dividends among the members to get incentives.

The achievements of the scheme are to be judged in the background of the economical and social objectives. Except in matter of creating employment at a relatively low capital cost and achieving

self-sufficiency in raw materials, the scheme has attained a measure of success though limited in nature mainly in matters of the achievement of the plans and diversified occupational pattern in addition to the better technique of production and achievement of the local and regional self-sufficiency.

The scheme has been able to attain greater success in realising social objectives. After taking sectorial as well as overall features of the achievement of the intensive area schemes, we recommend that the schemes should not only continue but also should be developed as an integral part of the rural development work. None of the short-comings of the scheme should come in the way of taking an optimistic view of the useful work which the intensive area scheme is doing. It is also recommended that the Commission should request the Government to hand over the intensive areas' scheme at least three community development blocks each of which has reached different stage of development. This is with a view to find out whether voluntary rural developmental agencies can function more efficiently than the Governmental agencies.

CHAPTER 13 RECOMMENDATIONS.

(Only important recommendations are given)

1. Khadi Commission should investigate into the factors responsible for the closure of some of the intensive areas.
2. To get Khadi & Village Industries Commission's act of 1956 suitably amended so that the Commission's resources are made available to their non-industrial development activities.
3. The existing organisational set up at the Samiti level should be properly streamlined to avoid or minimise conflicts among the organiser and the Secretary and Chairman.
4. Recommended for the formation of the coordination committees consisting of the representatives of the various rural development agencies at all levels with a view to bring about the proper pooling and utilisation of the resources.
5. Model production centres in the areas located in inaccessible areas unless products are meant for the local consumption.
6. The scheme should work in co-ordination with other rural development agencies without losing its separate identity.
7. The Commission should investigate into the question of repayment of loans with a view to suggest the realistic remedial measures for paying back the loans.

8. If productivity is to be raised, technological adoption should not be frozen at the existing level unless operation of new techniques would increase the un-employment substantially. The logic of the market economy must be accepted. In the alternative, the production must be oriented entirely for self-consumption.

9. Khadi Commission should streamline the existing procedures of disbursement of grants and loans with a view to remove the various bottlenecks responsible for delays.

10. Khadi Commission should take up the question of payments of taxes with concerned state Governments with a view to achieve uniform tax payment in respect of the village industries products.

11. In addition to what the Khadi Commission has decided to take steps for rehabilitating ambar khadi industry, the following steps are also suggested:—

(i) implementation of some of the recommendations of the earlier khadi evaluation committee particularly in respect of setting up of decentralised autonomous production units.

(ii) supplying machine made slivers, and

(iii) setting up organised channels for buying the yarn produced.

No solution to ambar khadi programme can be considered as complete unless Khadi Commission is prepared to write off the investments made on the 4 spindle ambar charkha.

12. Pay more attention to the capital requirements to household industries.

13. Khadi Commission should bring about an alternation in the existing pattern of fixed capital.

14. Commission should take up the issues of supply of coal, iron and steel requirements with the concerned State Government's departments.

15. It is recommended to set up a chain of modern village industries at the head-quarters of each intensive area.

16. To pay more attention to the question of strengthening of village industries programmes amongst the cultivators and labourers, as these household need them as subsidiary source of income.

17. Co-operative framing societies should develop a more diversified occupational pattern.

18. There should be phased programme of reducing financial assistances given by the Commission to the industrial co-operatives so as to ensure self-sustained growth within a reasonable period of time.

19. Khadi Commission should make the test of profit in the industrial co-operatives to improve them in the minimum and long run, if not within a short time, and use this test in operating this programme.

20. The Commission should appoint a committee to investigate into the working of the industrial co-operative societies with a view to place them on efficient and sound footing.

21. It would be useful if the Khadi Commission manages to get regular financial assistances from the concerned Government departments for the various activities to cover the deficiency, particularly for non-industrial activities.

22. In order to increase the employment opportunities available to Harijans, the scheme should be re-oriented and formulated for the benefit of the low income groups.

23. If providing employment is one of the main objectives of village industries programme, as far as possible, traditional industries should be organised only at the household level.

24. Taking cognizance of the useful role which the scheme is playing, it is viewed that the scheme should continue to function. It was further recommended that the Government should hand over at least three community blocks of the various stages with a view to find out effective functioning of the voluntary agencies compared to the Governmental agencies.

25. Within the broad sphere of local and regional self-sufficiency it is possible to plan development of the village industries by taking into account the following:—

(i) to think in terms of productivity of goods and services by individual household themselves with the help of the family labour primarily for the purpose of household consumption,

(ii) there are consumers who have choice for certain village products, and

- (iii) in tribal areas, it is possible to experiment, as a large number of these areas are provided with adequate transport and communication facilities.

26. In order to accelerate the pace towards the achievement of local and regional self-sufficiency, it may be necessary to give subsidies to the village industries products.

27. Area plans seem to suffer from five deficiencies:

- (a) targets fixed are not based on any scientific surveys and resources of the regions concerned,
- (b) in respect of resources for non-industrial programmes, the regional plans have made too many assumptions based on uncertain resources,
- (c) the scheme should have at its disposal bigger staff. The composition of the staff should be taken into account the special knowledge for different task. It was recommended to strengthen this by technical staff needed.
- (d) projections in respect of external resources are not based on realistic assumptions.
- (e) village industries sectors seems to be weakest link in the regional planning. The Commission should take more flexible policy in the matters of higher technologies.

We consider as sound scheme which the intensive area scheme has drawn up for allocating various processes and activities between the village industries operating in the different areas. It is added that weaving units should be located at least one at village level and few weaving units at the area level instead only at the household level.

28. The important lessons to be drawn up by the working of the intensive areas scheme from the point of view of the integrated development of the rural areas and establishment of the agro-industrial economy, may be summarised as follows:—

- (i) to cover as many villages as possible in each area.

- (ii) to find resources for the development of agriculture and allied occupations,
- (iii) samitis should come to prior agreement for obtaining resources for non-industrial activities with other agencies,
- (iv) to conduct socio-economic survey and techno-economic survey prior to the preparations of the development programmes,
- (v) while raising productivity of the village industries is essential, particular attention should also be paid to the problems facing the household industries,
- (vi) rehabilitation of the village industries and raising the agricultural productivity are essential steps needed for diversification of occupational pattern, and
- (vii) concerted steps should be taken to raise the income of the low income groups.

The main case for agro-industrial economy should be based on the development of industrial sector as an adjust to the agricultural sector so that certain complementary forces which hasten the rate of growth of the economy are generated.

29. The following recommendations are made in respect of the expansion of the intensive area scheme:—

- (i) activities should be extended into tribal areas where self-sufficiency is in practice at the operational level,
- (ii) in non-tribal areas, care should be taken to see that the intensive areas are located only in those places which are served by regular means of communications and transport and where production is meant for the market, and
- (iii) in the existing areas, activities should be extended to those villages which are not already covered.

INTENSIVE AREA DEVELOPMENT

(A Study in the Working of the Khadi and Village Industries Commission Scheme)

By

Sarvashri

V. K. R. V. RAO

A. M. KHUSRO

H. LAXMINARAYAN.

RECOMMENDATIONS

The analysis made in the earlier chapters (III to XII) obviously leads to some recommendations. It is just as well that these recommendations are based on observed phenomena and to take into account the objectives of the Intensive Area Development scheme. Some recommendations have already been given in the relevant chapters. Those and some others are being stated in an integrated manner in the present chapter.

Recommendations based on Chapter III: Progress:

1. The Khadi Commission should investigate into the factors responsible for the closure of some intensive areas. This might help in taking precautionary steps not only in the case of existing intensive areas but also in the case of those areas which are going to be established in future. (p. 17).

2. It would be difficult to sustain the village industries programme for long unless this programme is supported by a resilient agriculture. If the Khadi Commission wants to strengthen the Intensive Area Development Scheme it is essential to get the Khadi and Village Industries Commission Act of 1956 suitably amended so that the Commission's resources are made available to other non-industrial development activities like agriculture, animal husbandry etc. (p. 20).

3. The existing system of having an organiser, a secretary and a chairman for administering each intensive area has given rise to many conflicts between the three functionaries. Since this has come in the way of smooth running of the scheme it is desirable to streamline the organisational set-up wherein conflicts of this type could be minimised by properly balancing the jurisdiction of the three functionaries. It is also necessary that the responsibilities and functions of these functionaries should be properly demarcated—
(p. 22).

4. Since a number of governmental and non-governmental agencies like the Community Development Blocks and the Intensive Area Development Scheme of the Khadi Commission are engaged in rural development work, it is necessary to co-ordinate the activities of these agencies in order to bring about proper pooling and utilisation of resources. Either the Government or the Intensive Area Scheme Authorities could take initiative in forming co-ordination committees consisting of the representatives of the various rural development agencies at all levels, viz., Tehsil or Block, District, State and All India. (p. 24).

5. While establishing intensive areas in future care should be taken to see that model production centres are not located in inaccessible areas unless the products of village industries are meant for local consumption and not for outside markets. (p. 25).

6. While it is essential that the intensive area scheme should work in co-ordination with other rural development agencies such a co-ordination ought not to lead to a situation where the scheme loses its separate identity. (p. 25).

Recommendation Based on Chapter V: Development Programmes (Village Industries).

7. Due to their uneconomic working most of the village industries have not been able to pay back the loans advanced by the Khadi Commission. The Khadi Commission should investigate into the question of repayment of loans with a view to suggesting realistic remedial measures for over-coming this situation. (p. 49).

8. Since the products of the palm-gur industry have a good market there is a case for expanding this line of industry and the Intensive Area Scheme should take early steps to increase the output of this industry. (p. 53).

9. Village Industries are finding it increasingly difficult to market their products vis-a-vis competition from organised factory industries mainly due to low productivity. If productivity in village industries is to be raised, the technologies adopted by them should not be frozen at the existing level, unless adoption of new techniques would increase the unemployment substantially. A policy of discriminate mechanisation might at best lead to partial unemployment and even this might not happen. The alternative would be increased unemployment with more and more village industries declining due to low productivity. The logic of the market economy must be accepted. In the alternative, the products of

village industries must be oriented entirely for self-consumption. Taking these facts into account we recommend that the Khadi Commission should adopt a more pragmatic approach towards the use of power in village industries. As an experimental measure they should allow a few intensive areas to use power in certain processes and keep a constant watch on the situation. If the experiment proves that the use of power has not led to increased unemployment the experiment may be gradually extended to more and more intensive areas. We also recommend that the Khadi Commission should appoint an internal committee to chalk out a phased programme for the introduction of power in certain processes. (p. 62).

10. A large number of village industries frequently experience shortage of raw-materials mainly because they have been started indiscriminately without reference to the availability of raw materials locally. This is so in spite of the fact that one of the basic objectives of the Intensive Area Scheme is the achievement of local and regional self-sufficiency by making use of locally available raw materials and labour supply. We suggest that while locating new industrial units the availability of raw materials locally should be one of the main guiding considerations. (p. 63).

11. Many intensive areas have represented to us that they have to incur losses due to price fluctuations when raw materials are bought in advance. We are of the view that bearing of these losses is a normal risk which should be borne by the concerned industry. (p. 63).

12. Some of the intensive areas frequently experience shortage of technical personnel. We suggest that the Khadi Commission should take early steps to increase the supply of technical personnel needed by the intensive areas. (p. 63).

13. The training programmes in the Intensive Areas have been on a decline after 1958-59. At the same time many areas have represented to us that they are not having adequate training facilities. We suggest that the Khadi Commission should appoint a departmental committee to review the working of the training programme financed by the Khadi Commission. This committee should take into account what happens to the trainees after the training. They should also pay special attention to the requirements of the intensive areas.

14. There seems to be considerable delay in the disbursement of grants and loans by the Khadi Commission. Particularly in the case of loans for stocking of raw materials the delay has led to serious repercussions. We suggest that the Khadi Commission

should streamline the existing procedure of disbursing grants and loans with a view to removing the various bottlenecks responsible for the delays. In the case of stocking loans (raw materials) it is desirable that the loan reaches the concerned village industry unit just before the commencement of the raw material season. (p. 64).

15. In the case of loans for new industrial units the Khadi Commission should follow a more considerate policy during the first two years when they find it difficult to repay the loans. It is desirable that the Khadi Commission should introduce the system of reviewing annually the working of the unit which takes loans in order to make a distinction between genuine delays in repayment and other delays. If any unit finds it difficult to repay during the first two years due to genuine reasons, the time allowed for repayment may be extended. (pp. 64-65).

16. While some of the State Governments have exempted village industries products from the burden of certain taxes, other State Governments have not given similar exemptions to village industry products. Thus, unlike in Maharashtra the products of village industries in U.P. are not exempted from the Excise Duty. Similarly the products of Shri Gandhi Ashram, U.P., are exempted from payment of Sales Tax, Octroi, Tool Tax and Terminal Tax while such facilities are not available to the products of the Intensive Areas. We recommend that the Khadi Commission should take up this question with the concerned State Governments with a view to achieving a uniform tax policy in respect of village industry products. (p. 66).

17. It is heartening to know from the Khadi Commission that the following steps are being taken to rehabilitate the ambar khadi industry which has started sinking in the intensive areas:—

- (i) Increasing the operational efficiency of ambar charkha by introducing ball-bearings, gear wheels, etc., with a view to reducing the weight on operation;
- (ii) introducing "katchi katal" and "samyukta katal" to eliminate certain preparatory processes involving time;
- (iii) reducing the number of inactive charkhas and a general increase in the in put of work, productivity and earnings on the ambar;
- (iv) introducing ambars in areas where the incidence of unemployment and under-employment is high and where, on that account, there are prospects of ambar charkhas being worked for a reasonable period of time;

- (v) selecting only such persons as are likely to work for a longer period and earn a sufficiently attractive wage;
- (vi) encouraging traditional spinners in areas where ambars have been distributed in large numbers, to switch over gradually to ambar charkas;
- (vii) improving the follow-up and servicing facilities; and
- (viii) increasing the number of days of work on the charkhas, through decentralisation of activities and better deployment of trained personnel.

While welcoming the steps which the Khadi Commission is undertaking for rehabilitating the ambar khadi programme, we are of the view that these steps are not adequate for rehabilitating the khadi programme. If the ambar khadi programme has to be rehabilitated on a more permanent basis it is essential to undertake the following steps:

- (i) implementation of some of the recommendations of the earlier khadi Evaluation Committee particularly in respect of setting up of decentralised autonomous production units;
- (ii) supplying machinemade silvers; and
- (iii) setting up of organised channels for buying the yarn produced.

We are of the view that no solution to ambar khadi programme can be considered as complete unless the Khadi Commission is prepared to write off the investments made by the intensive areas on the four-spindled ambar charka. Since the finances of the intensive areas have been locked up in the four spindled ambar charkha, activities in respect of other village industries are also suffering. The Khadi Commission should relieve the intensive areas of this burden by writing off investments made in the four spindled ambar charkha. (pp. 66-67).

18. The absence of regular supply of slack coal seems to be the biggest problem facing the brick-kiln industry. The Khadi Commission should take-up with the appropriate Governmental channels the problems facing the brick-kiln industry in respect of shortage of slack coal.

Recommendation based on Chapter VI: Economic Aspects of Village Industries:

19. The intensive areas have not paid adequate attention to the financial requirements of the household industries. Both in respect of fixed capital and working capital the condition of household industries is unsatisfactory. The intensive areas wing of the Khadi Commission should pay more attention to the capital requirements and other problems of household industries—(p. 79).

20. As compared to investments on equipments, investments on buildings seem to be unduly high. The Khadi Commission should look into this question from the point of view of bringing about an alteration in the existing pattern of fixed capital held by the Kshetra Samiti Industries—(p. 81).

21. In a number of industries such as leather, soap, oil, hamp-fibre, workshop, printing and dyeing, production expenses have outstripped the gross value of output. The Khadi Commission should pay proper attention to the problem of bringing about a reduction in expenses incurred by the Kshetra Samiti industries. It is also necessary to find a solution to the problem of utilising the existing idle capacities in some of these industries—(p. 84).

22. If village industries are to enter the phase of self-sustained growth it is essential that they should earn reasonable profits for purposes of reinvestment in industries. We suggest that the Khadi Commission should investigate into the entire question of profits earned by the Kshetra Samiti industries with a view to suggest measures for increasing the profits earned by them—(p. 91).

23. Coal and iron and steel requirements of the Kshetra Samiti industries should be placed on a priority basis. The Khadi Commission should take up this question with the concerned Government Departments—(p. 101).

24. Out of numerous industries run by the Kshetra Samities the traditional industries like oil, hamp-fibre, khadi, pottery and leather show low utilisation of installed capacities, high expense ratio high capital-output and capital-labour ratios. As such their growth potential seems very limited. On the other hand modern village industries like brick-kiln, carding, flour mills, gur-khandsari and power-loom show considerable resilience and with sufficient encouragement, could be developed as instruments of growth in the rural sector. It is therefore recommended that the Intensive Area Scheme should set up a chain of modern village industries at the headquarters of each intensive area—(p. 105).

25. With a view to rehabilitating the workshop establishments we would like to make the following recommendations:—

- (i) They should be relieved of the burden of unsold four-spindled ambar charkhas.
- (ii) They should achieve greater diversification in respect of products manufactured, by developing new line of production.
- (iii) Their requirements of raw materials such as iron and steel should be placed in a priority category.
- (iv) They should be provided with an adequate supply of technical personnel—(p. 106).

Recommendation Based on Chapter VIII: Socio-economic Survey: Non-plan Villages:

26. In spite of the crucial role which they are expected to play under village planning the contribution of village industries to rural income is only of a small magnitude. This indicates that the economic condition of household industries is far from being satisfactory. We suggest that the Intensive Area Scheme should pay more attention to the problem of increasing the income of household industries—(p. 139).

27. Agricultural labourers happen to be the weakest section of the village community. In planned villages neither they nor even cultivators have taken interest in village industries programmes. The Intensive Area Scheme should pay more attention to the question of strengthening village industry programmes amongst cultivators and labourers as these households do need subsidiary sources of income—(p. 139).

28. The Intensive Area Scheme should pay more attention to the problem of increasing the income of labour households at this stratum of the rural society has not yet attained the minimum income standard in any planned village—(pp. 142, 144).

29. We have reasons to believe that with sufficient encouragement the small cultivators will do as well as big cultivators. We suggest that special attention should be paid to the financial requirements of the small cultivators—(pp. 156, 159).

Recommendations Based on Chapter IX: Co-operative Farming:

30. At present most of the co-operative farming activities of the Intensive Area Scheme are confined to U.P. only. The co-operative

farming programme should be extended to states other than U.P.—
(p. 168).

31. A large number of co-operative farming societies, particularly those whose membership is mostly composed of small cultivators and landless labourers, lack in tools and implements. The intensive Area Scheme should help these societies in acquiring more tools and implements—(p. 171).

32. Agricultural productivity in many co-operative farms remains low. Special efforts must be made for increasing the productivity—(p. 174).

33. Co-operative farms have not paid adequate attention to the problem of developing animal husbandry and village industries. Unless co-operative farms develop a more diversified occupational pattern by developing village industries and animal husbandry it would not be possible for them to play the role which they have been assigned under village planning—(p. 175).

Recommendation based on Chapter X: Co-operative Credit and Service Societies:

34. The condition of co-operative societies in U.P. seems to be unsatisfactory. Though a large number of societies are working in the State, their membership is small and the capital base is thin. Some of the co-operative societies have not distributed any dividend since their inception. Unless the societies adopt the practice of distributing dividend they would not be in a position to attract more share capital. Attraction of new share capital is very essential for the progress of co-operative movement. We recommend that the organisers of the Intensive Area Scheme should give serious thought to the problem of strengthening the base of the co-operative movement.

Recommendations based on Chapter XI: Industrial, Labour and Housing Co-operatives:

Section 1: Industrial Co-operatives:

35. Though industrial co-operatives are expected to play a vital role in the development of village industries only 20 out of 34 intensive areas have tried to experiment with co-operative organisations for village industries. The Intensive Area Scheme should extend the co-operative programme to uncovered areas also. This suggestion is particularly applicable to Gujarat and U.P.—(p. 189).

36. It is regrettable that the Khadi industry has been organised on co-operative lines only in a few areas in spite of the fact that

promotion of Khadi happens to be one of the major activities of the Khadi Commission. Merely giving subsidies is not a sufficient condition for promoting the Khadi Industry. The Intensive Area Scheme should have a minimum target of one Khadi Co-operative for each intensive area—(pp. 190).

37. Adequate efforts should be made to organise fibre and hand pounding of rice industries on co-operative lines—(pp. 191).

38. While the co-operative movement has made considerable headway in oil, leather, carpentry and blacksmithy industries greater attention should be paid to the question of extending the co-operative movement to other village industries also—(pp. 191).

39. While taking cognizance of the dominant role played by the Khadi Commission in the finances of industrial co-operatives we are of the view that the co-operatives should make some progress in the direction of self-sufficiency. Heavy dependence on Khadi Commission for finances not only gives rise to a mushroom growth of co-operative solely for purposes of 'exploiting' the financial assistance given by the Khadi Commission, but also creates for the co-operatives a situation of unstable equilibrium. As soon as assistance is withdrawn the structure could collapse. There should be a phased programme of reducing the financial assistance given by the Khadi Commission so as to ensure that these co-operatives try to reach the stage of self-sustained growth within a reasonable period of time—(pp. 192).

40. The Intensive Area Scheme ought to try to get more of co-operative credit to as many industrial co-operative as possible. While co-operative banks may find it difficult to advance credit to individual households engaged in village industries due to inability on the part of the latter to provide tangible security, they should not face the same problem in the case of village industry co-operatives—(pp. 194).

41. Though we do not have dependable profit statistics, the available figures show that very few of the industrial co-operatives are earning any profits. We recommend that the Khadi Commission should make the test of profit in the case of industrial co-operatives on important test of efficiency at any rate in the medium and the long run if not in the short period and use this test in operating the programme—(pp. 201).

42. Due to inefficient working very few of the co-operatives have been able to distribute dividends. It is hardly necessary to say that village industry co-operatives should also try to compensate their members in the form of dividends—(pp. 201).

43. At present, industrial co-operatives run by the Intensive Area Scheme are not running efficiently. The Khadi Commission should appoint a Committee to investigate in the working of industrial co-operatives with a view to placing them on an efficient basis keeping in view the need for a self-sustained growth—(pp. 202).

44. In spite of the satisfactory profit position, the dividend policy followed by labour co-operatives is unsatisfactory. No doubt, labour co-operatives will have to follow a conservative dividend policy as they will have to divert a considerable part of their profits towards accumulation of tools and equipment. All the same it is necessary to find a compromise between a policy of capital accumulation and a policy of dividends distribution. Labour co-operative should not be satisfied merely with providing employment to their members at the market level of wage—(pp. 204).

Recommendations based on Chapter XII:

45. Since the Khadi Commission has been mainly constituted for developing khadi and village industries, it may be difficult for the Commission to divert any substantial part of its funds for non-industrial activities of the Intensive Area Scheme. As a solution to this problem we suggest that the Khadi Commission should prepare five yearly budgets for the Intensive Area Scheme. After taking into account the money which the Commission can spare for non-industrial activities of the Intensive Area Scheme and also the resources which the intensive areas hope to raise on their own, the Commission should work out the balance of resources needed. The deficit should be sought to be covered by coming to a working arrangement with the various departments of the State and Central Governments. It would be useful if the Khadi Commission manages to get regular financial assistance from the concerned government departments for the various activities undertaken by the Intensive Area Scheme with a view to cover the deficits—(pp. 212).

46. In spite of many achievements, due to lack of resources the efforts of the Intensive Area Scheme have not resulted in lifting agriculture from a static stage to a dynamic stage. As a solution to this problem, we suggest that the central office of the Intensive Area Scheme should actively associate itself in formulating and implementing agricultural development programmes and channelling aid to these programmes by mobilising the resources available with Governmental Departments, Co-operative Institutions and National Extension Service Agencies. It is also necessary to pay special attention to the resource requirements of small cultivators and to the problem of activating the middle peasant—(pp. 214).

47. Efforts of the Intensive Area Scheme in the direction of uplifting the weaker sections of the community do not seem to have resulted in bringing about any significant increase in the means of livelihood available to the Harijans. In order to increase the employment opportunities available to the Harijans, the Intensive Area Scheme should formulate special employment oriented schemes for the benefit of the low income groups—(pp. 215).

48. Since the traditional village industries run by the Kshetra Samitis have not been able to function as model production centres due to their inefficient working, we are of the view that the Kshetra Samitis should run the traditional industries only if they are able to manage them efficiently. In the alternative, the Kshetra Samitis should concentrate on planning of these industries only while the business aspect of these industries should be looked after by industrial co-operatives. If providing employment is one of the main objectives of the village industry programme, as far as possible, the traditional industries should be organised only at the household level. We recommend that in the future Kshetra Samitis should concentrate on modern village industries which require considerable capital investments and managerial skill. In respect of the traditional industries the function of the Kshetra Samitis ought to be one of assisting the households in respect of their capital requirements, buying of raw materials and marketing of their produce. The Kshetra Samitis may be requested to organise multi-purpose co-operative societies for discharging these functions—(pp. 219).

49. Of all the different types of co-operatives organised by the Intensive Area Scheme, labour co-operatives seem to have been more successful. Development of labour co-operatives is one field where the intensive areas can fruitfully engage themselves. At present, only a few of the intensive areas are having labour co-operatives. We are of the view that there should be at least one labour co-operative in each intensive area—(pp. 228).

50. Taking cognizance of the useful role which it is playing in rural development work with its emphasis on self-reliance and activation of the village man, we are of the view that the Intensive Area Scheme should continue to function. Since many of the intensive areas possess the right type of leadership which carries the confidence of the local population we recommend that as an experimental measure the Government should hand over to them, with the necessary budgets, at least three Community Development Blocks

which are at various stages of development. This we are suggesting mainly with a view to finding out whether voluntary rural development agencies can function more efficiently than Government agencies, particularly in matters of stabilisation of Community Development Blocks when they reach the third stage—(pp. 233).

Some General Suggestions for Future Guidance:

Taking into account the largeness of our country both in terms of geographical area covered and population we are of the view that in future industrial development plans will have to lay more and more emphasis on local and regional self-sufficiency. This kind of development has advantage of minimising the transport cost on movement of raw materials, finished goods and labour force from one region of the country to another. In order to take advantage of this factor it is desirable to think of a pattern of industrial development which leads to local utilisation of raw material and under-employed labour and also caters to the nearby consumer. In this background the local and regional self-sufficiency objective of the Intensive Area Scheme seems to be commendable.

Within the broad sphere of local and regional self-sufficiency, it is possible to plan development of village industries by taking into account the following categories of consumers and markets:—

- (i) It is possible to think in terms of production of goods and services by individual households themselves with the help of the family labour primarily for purposes of household consumption. This has the advantage that the surplus labour of the family over and above the requirements of the main occupation, say, agriculture, is available without any costs, as the opportunity cost of this labour is almost nil. The additional product and services created by this labour will raise the level of living of the family. To this category belong, for instance, products like hand-pounded rice, spinning of yarn and extraction of oil. These products and services can be presumed to be protected against incursions of similar products from the outside sector as the output is not market oriented.
- (ii) There are certain categories of consumers who have a particular taste for certain village industry products such as hand pounded rice and Kohlu oil as against similar products manufactured in the organised industrial sector.
- (iii) In the tribal areas it is possible to experiment with the objective of local self-sufficiency as a large number of these

areas are provided with inadequate transport and communication facilities. In the absence of these facilities products of the organised industrial sector find it difficult to reach these areas.

These three categories of consumers use mostly village industry products irrespective of the cost aspect. Enterprises which cater to these special categories of consumers belong to the category of non-competing zone and their products are automatically protected against competition from the organised industrial sector. In these cases, self-sufficiency programmes can be implemented without any fear of competition from the organised sector.

Unlike in these cases, the self-sufficiency programme is bound to face many difficulties in other cases where the village industry products have to face competition from similar products manufactured in the organised industrial sector. This type of situation is applicable to those categories of consumers who have no particular preference for village industry products and for whom the price of the product is the most crucial factor. Naturally they have tendency to go in for those products whose prices are more competitive. If the local and regional self-sufficiency objective of the Intensive Area Development Scheme is to be achieved, it is essential that these categories of consumers should also have an incentive to consume more and more products coming out of the village industry sector in preference to produce manufactured elsewhere. Price incentive is the best incentive which can be offered to these categories of consumers. At present, due to their low productivity, village industry is finding it difficult to supply village products at competitive prices to these consumers. If the village industries sector has to cater to these consumers it is essential to raise the productivity in village industries. The introduction of intermediate technology in village industries will help in increasing their efficiency so that they are enabled to compete effectively. We consider the introduction of intermediate technologies in village industries as an essential step for achieving the objective of local and regional self-sufficiency.

In order to accelerate the pace towards the achievement of local and regional self-sufficiency it may be necessary to give subsidies to village industry products. Subsidies should be given primarily with the objective of helping these products and services stand on their own feet.

(A) Regional Planning Approach

We have been asked to report on the extent to which is possible to prepare plans for a region wherein village industries can be reorganised on a (a) family, (b) village or (c) regional basis. We are not in a position to make detailed comments on the regional planning approach of the Intensive Area Scheme as the Scheme does not have much experience in this field. Only Volod, and Murud have some tradition of area planning while Pukhrqyan is a new entrant in the field. During our visits to some of these areas we were able to get certain preliminary impressions on the working of regional plans. These impressions are partly based on our own observations and partly on the talks we had with the local leaders.

In our view the area plans seem to suffer from five deficiencies. First, the targets fixed are not based on any scientific survey of the resources of the region concerned. The statistics used are largely based on the information supplied by knowledgeable persons belonging to different villages. In our view, preparation of area plans should be preceded by a comprehensive scientific survey of resources of each region and the present and future material and non-material requirements of the population. We suggest that in future preparation of area plans should be preceded by a comprehensive survey of the region.

Second, in respect of resources for non-industrial programmes the regional plans have made too many assumptions based on uncertain resources. Unless the concerned intensive area commands an assured supply of resources, it would be difficult to prepare scientific plans. As a way out of this problem, we suggest that the concerned intensive area should come to effective prior agreements with the various official agencies such as the Community Development Blocks, co-operative credit institutions and agriculture departments in respect of resources available for different purposes. On a five year basis, these official agencies should place an agreed budget at the disposal of the Intensive Area Scheme so that the regional plan can be based on an assured supply of resources. We recommend that the Khadi Commission should take up this question with the Government at an early stage. A co-ordination of this type would result in utilisation of Governmental resources in the best possible way. Wherever non-official agencies like the Intensive Area Scheme are available the Government should try to implement rural development programmes through them.

Third, it would be difficult for the Intensive Area Scheme to undertake a task like area planning with the existing staff. If area

plans are to be implemented it is essential that the Intensive Area Scheme should have at its disposal a bigger staff at the area headquarters. The composition of the staff should take into account the special knowledge needed for different tasks. We recommend that the Khadi Commission should take early steps to strengthen the technical staff needed for implementing the area plans. While making this recommendation we are fully aware of the fact that the Khadi Commission does not have the resources needed for strengthening the staff at the Intensive Area Headquarters. If the Khadi Commission can arrive at a working arrangement with the Block authorities the task of strengthening the staff should not prove an insurmountable difficulty.

Fourth, the Intensive Area Scheme's regional plan projections in respect of external resources are not based on realistic assumptions. In our study of village plans we have already brought out the fact that the failure of external assistance to reach the targeted levels was one of the main factors responsible for the village plans being only partially successful. This problem is bound to appear in a much bigger shape when one has to plan for a region instead of a village. In order to make the external targets set by regional plans more realistic we suggest that the Intensive Area Scheme should come to a prior agreement with all the agencies from whom they expect external assistance.

Fifth, the village industry sector seems to be the weakest link in the regional plans. This observation stands vindicated by the analysis we have made in respect of village plans. Most of the village industries have been developed on not very stable foundations. If village industries are to fulfil the role assigned to them under regional plans it is essential to establish them on firmer foundations. Success in this direction would depend largely on the extent to which the Khadi Commission is prepared to implement a more flexible policy in matters of application of higher technologies.

We consider as sound the Scheme which the Intensive Organisation has drawn up for allocating various processes and activities between village industries operating in different areas (in the home, the village and the region). We have only one alteration to suggest. A large number of intensive areas have represented to us that they do not have adequate facilities for weaving of Khadi yarn. We are of the view that weaving units should be located both at the household level and the village or the regional levels instead of only at the household level. We recommend that there should be at least one weaving unit at the village level or a few weaving units at the area

level. The same should be owned and operated by the Kshetra Samitis.

Village industries at different levels should be chosen and located in such a way that the industries located at various levels specialise in the production of different products. We are of the view that traditional village industries like khadi, leather, pottery, oil, bamp fibre and hand pounding of rice should be located only at the household level. At present the Kshetra Samitis are running a number of traditional industries as model production centres. Most of these industries are running under loss and have failed to serve as model production centres. Many of these industries would have been closed down but for the heavy subsidies which they are getting from the Khadi Commission. Moreover similar products are being manufactured at the household level also. Naturally the Kshetra Samiti units must be competing with the household units consciously or unconsciously. Since the traditional industries run by the Kshetra Samitis have failed to function as model production centres we are of the view that there is no justification for subsidising these Kshetra Samiti industries. Apart from drawing away the resources of the Kshetra Samitis from other activities they also take away a considerable time of the Kshetra Samiti Staff. At present the Kshetra Samiti staff seem to be too busy with their own industries. As the case for village industries rests largely on their ability to provide relief from unemployment at the household level, we are of the view that the traditional village industries should be run only at the household level. *Vis-a-vis* traditional village industries the functions of the Kshetra Samitis should be confined to such activities as supplying of raw materials, technical personnel and repair and servicing facilities and arranging for sales of products manufactured by the household industries. We recommend that the Khadi Commission should take early steps to divest the Kshetra Samitis from the responsibility of running traditional industries. In the alternative the Khadi Commission should take early steps to increase the efficiency of traditional industries run by the Kshetra Samitis with a view to making them really model production centres.

While traditional village industries should be in the household sector modern village industries like workshop, carding, brick-kiln, soap, flour mills, gur-khandsari and powerlooms should be managed by Kshetra Samitis. The case for locating these industries with Kshetra Samitis rests on several grounds. First, they require capital investments of considerable magnitude which the individual households are not in a position to undertake. Second, individual households do not always possess the technical skill and managerial ability needed for running these industries. Third, these industries

are capable of generating considerable surplus in the form of profit. These surpluses can be utilised for strengthening other activities of the Kshetra Samitis. Lastly, some of these industries are such that there is little demand for their products at the village level but considerable demand at the regional level.

As to which of the industries should be located at the village level and which ones should be organised at the regional level, we do not wish to lay down any rigid criteria. Allocation of industries between the village and the region depends largely on the magnitude of demand for products of different industries. All the same we would like to suggest certain lines of approach for bringing about the allocations. For locating industries at the village level at least two conditions should be satisfied. First, the quantum of demand for the products of these industries should be such that it should be meant only for satisfying the local needs or the needs of one or two neighbouring villages. Second, the requisite raw material and man-power (inclusive of technical personnel) should be locally available. In the case of these industries where raw materials are to be imported from outside and the demands for their products is of a regional nature attempts should be made to organise them at the regional level. The availability of technical personnel possessing higher skills may be considered as an additional criterion.

(B) Integrated development of rural areas and the establishment of an agro-industrial economy

We have been asked to report on the lessons to be drawn from the work of the Intensive Area Scheme from the point of view of integrated development of rural areas and the establishment of an agro-industrial economy. To our mind, the important lessons to be drawn from the working of the Intensive Area Scheme may be summarised as follows:—

1. In order to bring about integrated rural development it is essential to cover as many villages as possible in each area. It would be difficult to bring about integrated rural development if activities are confined to one or two villages only. At present all the efforts of the intensive area scheme are confined to one or two villages in each area.
2. In the absence of resources for non-industrial activities it would not be possible either to establish an agro-industrial economy or to achieve a diversified occupational pattern. While the intensive areas have the resources needed for village industry activities they do not have sufficient resources for non-industrial purposes such as

development of agriculture, animal husbandry, health, etc. In order to bring about integrated rural development it is essential to find resources for development of agriculture and the allied occupations.

3. Since the intensive areas do not have resources for non-industrial activities they should come to a prior-agreement with other rural development agencies working in the area and co-operative credit and service institutions available sources. We consider this as an essential with a view to pooling together resources from all conditions for establishing an agro-industrial economy.
4. Though the achievement of local and regional self-sufficiency is a laudable objective we are of the view that this should be the long term objective. In order to achieve this long term objective it is essential to mobilise external assistance from all available sources. All uncertainties about external assistance can be avoided if the intensive areas prepare their schemes after coming to a prior agreement with the various agencies which are prepared to give assistances. In our view proper planning of budgets is essential for the successful working of rural development schemes. The intensive areas should adopt the practice of preparing annual budgets and five-yearly budgets.
5. It is also necessary to conduct socio-economic surveys and techno-economic surveys prior to preparation of development programmes. The existing statistical estimates made by the intensive areas are not based on information collected through scientific surveys.
6. Since village industries are expected to play a crucial role in the structure of various development schemes it is essential to establish them on stabler foundations. Raising the productivity of village industries is an essential pre-condition for stabilising village industries. Particular attention should be paid to problems facing household industries. Unless the Khadi Commission adopts a pragmatic approach towards technological changes it would not be possible to raise productivity in village industries.
7. Rehabilitation of village industries and raising of agriculture productivity are the essential steps needed for bringing about diversification in the existing pattern of occupational structure.

8. Though certain steps are being undertaken to improve the economic condition of the weaker sections of the community very little is being done at the household level to assure a reasonable standard of living to the low income groups. In our view concrete steps should be undertaken to raise the incomes of low income groups.

The main case for an agro-industrial economy ought to be based on the development of an industrial sector as an adjunct to the agricultural sector so that certain complementary forces which hasten the rate of growth of the economy are generated. While the industrial sector will support the agricultural sector by buying the raw materials produced in the agricultural sector, the agricultural sector will support the industrial sector by buying commodities produced in the industrial sector. Increased activities in both the sectors might lead to increase in employment opportunities. Unfortunately neither the agricultural sector nor the industrial sector is functioning in complementary directions. If the Intensive Area Scheme wants to establish an agro-industrial economy it is essential to achieve a large degree of self-sufficiency in respect of raw material supply and marketing of finished products. At present none of the intensive areas are anywhere near the stage of establishing an agro-industrial economy.

(C) Expansion of the Intensive Area Scheme

We would like to make a few suggestions on expansion or otherwise of the Intensive Area Scheme as we have been asked to make recommendations on this question. Our task in this respect has become similar as we have already discussed this question in sufficient detail earlier. We recommend that the following policy should be followed in respect of expansion of the Intensive Area Scheme whenever the need is felt for such expansion:—

- (i) Activities should be extended into tribal areas where self-sufficiency is in practice at the operational level. Since these areas do not have regular means of communications with the outside world products of village industries can enjoy natural protection against competition from organised factory industries.
- (ii) In non-tribal areas where a considerable part of the production is meant for the market, care should be taken to see that the intensive areas are located only in those places which are served by regular means of communications and transport.
- (iii) In the case of the existing areas activities should be extended into those villages which are not already covered.

By making these recommendations we are not suggesting by any means that activities should necessarily be expanded into new areas. We are only suggesting these as lines of guidance to be observed whenever new areas are to be established.

(D) Leadership and Service Element

Much of the organisational skills, labour skills and the managerial set-up that is relevant for development has obviously to be paid for. This category belong persons who are generally in the hierarchy of the development machinery, such as, the B.D.Os., the V.L.Ws., the social education organisers and perhaps the members of the Panchayat. They receive more or less their full rewards for the services they undertake and it is undeniable that development does proceed through this method.

However, a very potent instrument of rural development, of for that matter, of any development is the existence of leadership, and organisational skill or service which raised the volume of goods and services through its performance, but does not ask for full payment. Such ought to be the nature of village leadership and of village work, both manual and managerial. Dedicated service on the part of village leaders can obviously be seen to result in an enhancement of output without asking for full payment. The leader, by definition, ought to give more than he receives in monetary or physical terms, he reward being not so much in terms of money and kind, but in terms of the satisfaction that he receives as a respected individual whose advice is needed and who see development coming through his organisational and leadership effort. What is true of the leader is also true of other manual and mental workers who may be willing to give of themselves without asking for the last naya paisa of their services to be paid for. Economic literature is already familiar with the idea that if workers in the agricultural sector, who are greatly under-employed, but who have their food requirements already fulfilled, are shifted from agriculture to another sector, along with the shift of their food, this can bring about developmental activity. The point of this strategy is that no additional payment—or very little—is involved as the main items which supports workers namely, food is already available. While, there are several qualifications to this statement, the real point is that a service should not be paid for to the full and at any rate should not be paid for immediately, but its output should emerge just the same and then it can become an effective instrument of growth, much more potent that services which are paid for fully and immediately. Thus, the existence or a service element in the village either for agricultural investment, or for maintaining roads and other village

assets, or for the construction of new assets without full payment, or with delayed payment, could be a potent force in speeding up development. This ultimately amounts to a spirit of dedication without which neither paid leadership and managerial skill nor unpaid service is possible. The need, therefore, is of the creation of such a dedicated element outside the usual hierarchy of developmental workers who are fully paid. The latter can no doubt bring about development but the former can do so much more effectively and speedily.

ANNEXURE D

Intensive Area—Future Pattern of Assistances

A meeting of the following was held on 24-7-1964, under the Chairmanship of the Vice-Chairman:—

- | | |
|-----------------------------|-------------------------|
| 1. Shri K. Arunachalam, | Vice-Chairman |
| 2. Shri A. K. Karan, | Member Secretary |
| 3. Shri Dhwaja Prasad Sahu, | Member (I.D.P.) |
| 4. Shri V. Subramanian, | Chief Executive Officer |
| 5. Shri R. Joshi. | Financial Adviser |

The following decisions were taken at the meeting:—

1. The pattern of assistances to be given to the intensive areas, which are considered to be financially sound and assisted further to develop their activities and rehabilitate themselves, will be as follows:—
 - (a) Grant-in-aid upto Rs. 3,000/- per annum per area to engage the services of an assistant organiser. This sum will be expanded on his salary, allowances, travelling allowances and contingencies.
 - (b) Grant-in-aid upto Rs. 5,000/- per annum per area to engage the services of other workers for developing khadi and village industries units and such other activities. The amount may be utilised to meet expenses on their salary, allowances, travelling allowances and contingencies.
 - (c) The above assistances will be given for a period of five years only.
 - (d) The above pattern of assistances will be given effect to from the 1st December, 1964 after giving the institutions 3 months' notice in writing. Till then, financial

assistances to the institutions to which above assistances will be made applicable, will continue to be provided as are given to them at present.

- (e) The institution will maintain separate ledger accounts for the two sums of Rs. 3,000 and Rs. 5,000 respectively and send utilisation certificates also separately for both the accounts. Unspent balances at the end of the year, if any, will be surrendered to the Commission.
- (f) Till such time as the institution is able to appoint their own assistant organisers, trained for that purpose, the services of either an assistant development officer or an assistant area officer of the Commission may be lent. In which case, the grant-in-aid of Rs. 3,000 per annum will not be provided and the entire expenditure on the worker including salary, travelling allowances etc. will be met by the Commission.

2. At a second meeting held on 14-9-1964, when the Member Secretary, Financial Adviser, Director (Inspection), Director (I.D.F.) and Director II (I.D.F.) were present, the recommendations of Shri Maru made on his scrutiny of available balance sheets of the Kshetra Samitis for purpose of extending the above assistances, classifying the areas as Good, Fair and Bad were considered. It was agreed to that the areas listed 'Good' be given assistance for 5 years. Areas listed 'Fair' be also given assistance for 5 years more, but shall be reviewed periodically. Areas listed 'Bad' be asked to wind up and pay back the dues. No assistances will be given to them. The above recommendations may be given effect to after giving the institutions 3 months' notice.

- (a) Name of areas which are considered as 'Bad' and will not be provided further assistances.

Sl. No.	Name of the State	Name of Area
1	Gujarat State	Jesawada
2	Do.	Amroli
3	Uttar Pradesh	Dhanaura
4	Do.	Dingra
5	Do.	Kamalpur

Sl. No.	Name of the State	Name of Area
6	Orissa	Narayanpatna
7	Do.	Kalyansinghpur
8	Do.	Beopariguda
9	Do.	Balasore
10	Maharashtra	Kurdwadi
11	Do.	Haveli (Nasarpur)
12	Do.	Murud
13	Kerala	Trichur
14	Do.	Nemon
15	Madhya Pradesh	Thibagaon
16	U. P.	Kanalanajeg.

- (i) They are addressed to wind up their activities and arrange to refund their dues to the Commission.
- (ii) Member Secretary has endorsed that the case of the Dhanaura intensive area may be taken up separately as a special case.
- (iii) Shri A. W. Shasrabudhe, Member, All India Khadi and Village Industries Board desires that the Narayanpatna and Beopariguda areas should be continued to be assisted for a few more years.
- (b) Name of areas which are considered as 'Good', and will be provided further assistance:—

Sl. No.	Name of the State	Name of the Area
1	Gujarat State	1. Malpara
		2. Khadasali
		3. Adriana
		4. Delwada
		5. Vanda
		6. Manar
		7. Sanosra
		8. Sruyawadar
		9. Shahpur
		10. Jalia
		11. Gundi
		12. Sultanpur
		13. Sagetala
		14. Vedchi
		15. Ranveri
		16. Vansuki
		17. Valam

Sl. No.	Name of the State	Name of the Area
2	Uttar Pradesh	1. Karaundi 2. Gangeshri 3. Machaiaria 4. Tajpur 5. Raniwan 6. Sevapuri 7. Doharighat 8. Ajgara 9. Schidgaon 10. Mahgawan 11. Kundarki 12. Khadgujar.
3	Bihar	Ranipatra
4	West Bengal	Khirpai
5	Madhya Pradesh	Tavalai
6	Maharashtra	Nasik
7	Rajasthan	1. Khimel 2. Sanwad 3. Rajasmund 4. Baneria.
8	Kerala	Kanayanoor.

- (i) The Khadi Intensive area was ordered to be wound up. But on the recommendation of the Member Secretary, the position was reviewed by the above committee. It is found 'Good'. The Khadi certificate also has been renewed. Hence, it is submitted that the S.F.C's resolution may rescinded and it be allowed to function.
- (ii) Decision regarding the Batwara and the Sokhadeora areas in the Bihar State could not be taken because the balance sheets for these areas for any of the past years from 1960 onwards are not available in the office. Grant-in-aid will be sanctioned upto August, 1964. Further assistances will depend on the scrutiny of the balance sheets when received.
- (c) Names of areas which are considered 'Fair' and for which financial assistances will continue to be given but will be reviewed every year.

Sl. No.	Name of the State	Name of the Area
1	Uttar Pradesh	1. Rambaba 2. Bhatti 3. Pukharayan 4. Sahason 5. Singhpursani
2	Gujarat	Ba-laram
2	Maharashtra	Lohara
4	Kerala	Mudahi

3. (a) The Gujarat State Board has agreed to take over the responsibility for the assets and liabilities and the proper working of the following areas which are under the direct supervision of the Commission. Their balance sheets were scrutinised and they were found good:

- | | |
|------------|------------|
| 1. Jalia | 5. Sagtala |
| 2. Vansuki | 6. Gundi |
| 3. Vechi | 7. Valam. |
| 4. Ranveri | |

(b) It was agreed to transfer the supervision and control of the above areas to the Gujarat State Board. Funds will be released for these areas in future through the State Board.

(c) The following areas are already under the direct supervision of the Gujarat State Board. Their balance sheets were not scrutinised. They are working satisfactorily. Financial assistances as above will continue to be given to them.

- | | | |
|--------------|-------------|---------------|
| 1. Manar | 4. Delwa-da | 7. Sanisara |
| 2. Khadasali | 5. Vanda | 8. Suryavadar |
| 3. Adrianu | 6. Malpara | 9. Shahapur. |

(d) Financial assistances for the Regional office at Bhavnagar will not be given to the State Board after giving 3 months' notice to it. Accordingly, the State Board has been informed that after 30-11-1964 the grant-in-aid will not be given.

APPENDIX X

(Vide para 55 of Report)

Minutes of the Meeting regarding Staff Strength of the All India Handicrafts Board and Report of the Work Study Team thereon

No Committee was appointed to scrutinise the expenditure on the staff of the All India Handicrafts Board. Presumably, the Public Accounts Committee desires to have a copy of the minutes of the meeting held under the Chairmanship of Shri K. V. Venkatachalam, Joint Secretary, Ministry of Industry & Supply, to examine the report submitted by the Work Study Team constituted by the former Ministry of Industry on the staff strength of the Headquarters Office of the All India Handicrafts Board. A copy of the minutes of these meetings, together with a copy of the report of the Work Study Team, is enclosed.

Minutes of the meeting held in the room of Shri K. V. Venkatachalam, Joint Secretary to the Government of India. Ministry of Industry and Supply, on the 7th and 15th December, 1964 to discuss the Work Study Group's report of the former Ministry of Industry, on the staff strength of the All India Handicrafts Board (Headquarters).

PRESENT:

- (1) Shri K. V. Venkatachalam, J. S., M/I & S.
- (2) Shri S. N. Dandona, C.E.O., A.I.H.B.
- (3) Shri L. C. Jain, M.S., A.I.H.B.
- (4) Shri P. Sitaraman, D.S., Deptt. of S. S.
- (5) Shri N. Chidambaram, D. S., M/I & S.
- (6) Shri H. K. Bansal, U. S., Deptt. of S. S.
- (7) Shri R. K. Rangan, U. S., M/I & S.

The Committee first reviewed the over-all organisational structure of the All India Handicrafts Board in the light of the functions expected to be discharged by the Board. It was noted that the nature of functions to be performed by the Board fall under two broad categories—viz., (i) technical and (ii) service. While in the

technical wing, there was need for industry specialists, in the service wing, subject-matter specialists were needed in addition to personnel for general administration.

2. The specific needs of staff of the Board were then examined in detail in the light of the above, and it was agreed that, at the base, the Junior Field Officers formed the foundation of the structure. It was also noted that these Junior Field Officers were originally recruited for multifarious duties in the developmental field and that at present they are deployed in the Headquarter office of the Board, as follows:—

(a) 18 Crafts units	3 J.F.Os.
(b) Sample Show-room	1 J.F.O.
(c) Crafts Museum	2 J.F.Os. —1 for research and 1 for Gallery.
(d) Marketing	1 J.F.O.
(e) Publicity	1 J.F.O. (Copyright)
(f) Export Promotior.	4 J.F.Os. —2 for developmental work & 2 for incentive shcemes.
(g) Assistance to the Member-Secretary in the field of development, State Schemes Board & Standing Committee Meetings, etc.	1 J.F.O.

Total No. of J.F.Os -13

It was observed that there are 18 crafts in the Board, as under:—

- (1) Ivory & Horn, catering to ivory carving, ivory bangles, artistic ivory and artistic horn-articles.
- (2) Jewellery, catering to Costumes Jewellery etc., Silver, Goldware, including introduction of 14 c. gold jewellery articles etc.
- (3) Stonework, catering to stonework such as carvings including marble-work and alabaster.
- (4) Art Metalware, catering to Bidri, Filigree, Brassware and copperware and Bronzecasting.
- (5) Zari catering to traditional designs in Zari work, introduction of oriental and new designs etc.
- (6) Board of studies & examinations—chalk out programme of training for the different institutions, syllabus for the examination, etc.
- (7) Carpet, catering to Developmental work of carpet and druggets, rugs, gabbas & namdas, shawls, new designs in wool-work, etc.

- (8) Toys & Dolls, catering to dolls and toy industry (other than mechanical toys).
- (9) Pottery, catering to artistic pottery, etc.
- (10) Papier-Mache, catering to development of papier-mache articles.
- (11) Textile, catering to handprinting & traditional dyeing of textiles, Brocades, Kalamkari, Himroo, etc.
- (12) Embroidery, catering to Cotton, silk, wool and zari embroidery work.
- (13) Woodwork, catering to wood carving and inlay, lacquer work including normal work and decorative furniture.
- (14) Flax & Fibre, catering to handicraft articles made of flax and fibre.
- (15) Incense & Perfumery and Musical instruments.
- (16) Cane & bamboo unit, catering to articles made of cane, bamboo willow, stray and grass including mats and pithcraft.
- (17) Mats—exclusively for mats and vegetation fibre.
- (18) Leather, catering to artistic leatherware.

The requirement is one J.F.O. for each of these units, which form the basic structure of the Board's developmental activities and constantly feed the industry specialists deployed in the Board. The Committee was of the view that the requirement of J.F.Os to enable these Units of the Board function effectively would be 18. Even by combining some crafts under the same officer, a minimum of 15 officers would be required to deal effectively with the above 18 crafts. It was understood that in addition to the above craft units, a developmental unit is functioning to cater to miscellaneous traditional art objects such as Orissa, Mysore, Rajasthan and Tanjore paintings, handicraft products specially made for ceremonies, articles of worship and theatrical requisites such as costumes, makes, puppets, etc. Due to paucity of staff, the developmental work in these units do not get that attention which they deserve.

The work of this developmental unit and the other items of work enumerated in paragraph 2 above on which J.F.Os are deployed at present, excluding the work relating to export promotion, would justify more posts. Thus the total requirement of J.F.Os would be not less than 18 which is the present sanctioned strength.

The Committee also felt that the *ad hoc* designation of "Junior Field Officer" for these baseline posts may not be appropriate in all cases, and should, therefore, be suitably re-designated.

3. After detailed examination, the Committee concluded that, except for the following posts, the other posts as were originally sanctioned to the All India Handicrafts, Board, were essential to enable the Board to discharge its functions satisfactorily—

1. Assistant Director	.. One
2. Investigator	.. Four
3. Junior Accountants	.. One
4. Upper Division Clerks	.. Five

4. The Committee had not been able to take into account the export promotion work handled by the Board which had recently expanded considerably, and for which separate proposals for creation of additional posts were pending with the Government.

5. After an over-all review of the organisational structure of the Board, the Committee felt that in the matter of general administration, there was a serious gap between the Chief Executive Officer and the Section Officer in charge of administration. It was necessary, in the opinion of the Committee, to have an intermediary supervisory officer between the Chief Executive Officer and the Section Officer, to look after the general administration of the Board.

6. The Committee noted that the Board was already implementing the various suggestions in regard to improvement in the procedures as suggested by the Works Study Team.

Report of the Work-Study Team on the Work of the All-India Handicrafts Board

The All-India Handicrafts Board was set up by a Resolution of the Government of India in November, 1962. The functions of the Board generally are to advise the Government in the problems of the handicrafts industry with a view to adoption of measures which are necessary to assist in the improvement and development of these industries and in particular:—

- (a) to study the technical, financial, organisational, artistic and other aspects of these industries, and to formulate plans for their development;

- (b) to assist the state Government in planning and executing schemes for the development of handicrafts and to co-ordinate such developmental efforts among various State Governments;
- (c) to examine the proposals received from the State Governments and other institutions for Central financial assistance and to make recommendations to the Government of India in such cases;
- (d) to formulate schemes to be undertaken directly by the Central Government and to assist in their execution;
- (e) to initiate active measures for expansion and promotion of sales of handicrafts in India and abroad; and
- (f) to recommend any other measures necessary for the development of handicrafts by such means as technological improvement, design development, quality control, research, training and extension, publicity, organisation of museums, cooperatives and allied institutions, securing of raw materials and credit and housing and welfare of craftsmen.

1.2. The Estimates Committee, in its Hundred and Sixty-first Report felt that the Organisational set up of the Board does not conform to normal pattern and stands virtually *sui-generis*. The Committee also felt that the staff in the Headquarters Office was on the high side and there was a scope for reduction. Further, there was no rationale in the nomenclature of various posts at the lower level. The Estimates Committee had, therefore, recommended that the establishment of the Headquarters may be reviewed with a view to placing it on a rational basis and eliminating unnecessary staff.

1.3. In pursuance of the above recommendations of the Estimates Committee, a work-study of the All-India Handicrafts Board was conducted during May-June 1963. The study specifically relates to the staff at the Headquarters. The organisational chart of the Board may be seen at Annexure 'A'. On the basis of the study the following recommendations are made:—

II. Organisational Analysis

2.1. There are four Deputy Directors each dealing with (i) Co-operative and Training, (ii) Marketing, (iii) Credit Fund and (iv) Quality Control. These are all allied activities and need a coordinated approach. Co-operative, to be successful, required credit and

marketing facilities and quality goods and it is, therefore, recommended that the work relating to Cooperative, to be successful, requires credit and marketing facilities and quality goods and it is, therefore, recommended that the work relating to Cooperative and Credit should be entrusted to one Deputy Director. Similarly the work pertaining to Marketing and Quality Control, which is very much akin to each other, should be under the charge of a single Deputy Director. The work measurement of the work done in these fields during 1962 also indicates that each of the four Deputy Directors had not remained fully occupied during the year.

2.2. There are 13 posts of Junior Field Officers (JFO) in the Board. Out of these, with the exception of 3 or 4 J.F.Os., who actually undertake field surveys, all the others are employed on file work; e.g., three J.F.Os. are working in the Export Promotion Branches. For such type of work normally Upper Division Clerks/ Assistants are employed in other organisations. It is, therefore, suggested that since the type of work performed by J.F.Os is the same as is done by Investigators and Assistants, the desirability of reducing the number of J.F.Os. to the number actually required, for taking field surveys may be considered.

2.3. The line of authority obtaining the Board is of somewhat peculiar character. Some branches function directly under the charge of Deputy Directors while in the case of other branches, Assistant Directors have also been employed in between. With a view to cut out non-contributory levels, it is recommended that the Sections should either be placed under the charge of a Deputy Director or an Assistant Director.

2.4. With the exception of House-keeping and Export promotion Sections, the work in other branches is more or less of technical nature and the contribution made by the Section Officers in such Branches is limited only to administrative matters. There are five Section Officers, those of whom have been put incharge of three to four branches each and they cannot effectively supervise the staff of all the Sections located in different rooms. Even otherwise it is felt that there is hardly any necessity for the posting of Section Officers in such Branches. During the study it has been observed that in many cases, papers are sent to the Technical Officers direct. A better alternative would be to appoint one J.F.O. in each of the branches and he should take up important functions while the routine work may be attended to by the Technical Assistants/Investigators etc.

2.5. There is no rationale in the nomenclature of the various posts. For example, store-supervisor, market analyst, Investigators, Technical Assistants etc. for whom all the required qualification is the same (a graduate with economics) and who are in the same pay scale, have been designated differently. Similarly, Deputy Development Officers and Assistant Development Officers are in the same grade as Deputy Directors and Assistant Directors respectively. It is, therefore, recommended that all the posts-falling within the same grade of pay should have a common designation.

Further, there are a few cases mentioned below in which certain persons employed at the lower levels do not possess the necessary qualifications and experience which would enable them to render effective help the Senior Officers in the performance of their work:—

- (i) Scrutiny and preparation of specifications for quality control (The Senior Economic Investigator) in the scale of Rs. 325-575 has been employed on this work. On this grade a qualified hand with technical qualifications who should be able to make better contribution could be procured.
- (ii) Technical production problems of the various crafts (J.F.O.s. in the grade of Rs. 325-575 have been employed. Suitable hands with engineering qualifications could have been appointed).

2.6. The organisation may be divided into several groups having regard to the type of work to be handled by each group. A Chart showing the proposed organisational structure is placed at Annexure 'B'. The salient features of the proposed reorganization are as under:—

- (i) Allied activities have been placed in one group;
- (ii) There is proper span of control; and
- (iii) The papers are expected to pass through lesser number of hands with the non-contributory levels cut out.

III. Methods and Study

3.1. The Receipt and Issue Section of the Board does not perform the functions which are normally discharged by such a Section in other organisations. The letters addressed to more than seven addressees are put in the closed cover and addressed by the Section from which such letters emanate. This work is performed in the Sections

by the Assistant/Investigator. A study of the time spent on this work was made in two Sections viz. Cooperative and Marketing. In these two Sections alone approximately 200 man-hours are spent annually on this work. It is suggested that a full-fledged Central Registry Section should be set up in the Board and the Section may be manned by four Lower Division Clerks. Entire issue work should be entrusted to this Section.

3.2. The various Sections in the Board collect information about different aspects of handicrafts from the State Governments. During the study it has been observed that each of these Sections issue approximately 10-12 letters to the State authorities calling for information on handicrafts. Not only that in some of the cases the same Section had addressed the same authority six or seven times. This entails a lot of duplication of efforts. If a programme is drawn out in the beginning of each year, whatever information is to be collected from outside agencies including the State Governments could be obtained by issue of a single letter or a much smaller number of such communications. It is felt that if this procedure is adopted, all the information will be made available at one place, duplication of effort around will be eliminated thus resulting in saving in the time.

3.3. At present the following publications are being brought out by the Board:—

- (i) Guarantee Scheme for credit to Small scale Industries.
- (ii) Finance for Handicrafts.
- (iii) Directory of Emporia.
- (iv) Marketing News Bulletin.
- (v) Directory of Handicrafts Dealers and Manufacturers.
- (vi) Commercial Catalogues.
- (vii) Directory of Manufacturers of Quality Marked Handicrafts.
- (viii) Guide for Handicrafts Cooperatives.
- (ix) Directory of Handicrafts Cooperatives.
- (x) Quarterly Statistical Bulletins etc. etc.

It has been observed that in many cases, information on one subject is available in more than one publication, for example, most of the information contained in the "Guide Book on Cooperatives" is already available in the publications brought out by the Credit Funds,

Marketing, State Schemes, Quality Control and Designs Sections. In view of this, it is strongly recommended that the number of such publications should be reduced to the extent possible consistent with their utility. Perhaps, it will be better to bring out a few publications rather than publishing many books containing information on fewer aspects of Handicrafts. The necessity of two publications viz. Directory of Handicrafts Cooperatives and Guide Book on Cooperatives could not be appreciated. It should be enough if only one publication is brought out which should contain all the information on handicrafts cooperatives.

3.4. The study of the crafts units revealed that their functions still remain to be precisely defined. The work is taken up on an *ad hoc* basis and their function come into conflict with the activities particularly of the Planning and Research Section. The craft Units are at present collecting information on about 8-9 subjects, while P. & R. Section also conducts survey of these crafts. It was explained to us that crafts units are expected to be a store-house of information on different crafts. If this is the main function of Crafts-Units, it will perhaps be better to entrust it to Planning and Research which are also surveying different crafts and collecting similar information.

3.5. Analysis of the Tours of the Officers revealed that the percentage of time spent on tours is as high as 30% in some cases. A copy of the statement showing the time spent by the various officers on tours during 1962-63 is enclosed. The Board has four regional offices to attend to handicrafts in their respective jurisdictions. Moreover, the Executive Agency for all work connected with the development of the Handicrafts are the State Governments and the Board functions primarily in an advisory capacity. The State Governments, it is understood, have already set up elaborate organisations for dealing with the various aspects of Handicrafts. It is suggested that the Board may increasingly draw upon the services of the regional offices so that Officers at the Headquarters may be able to devote more attention to planning.

3.6. Stenographic assistance has been provided to the Section Officers in the Board. This is not in accordance with the norms laid down by the Ministry of Home Affairs. In the Secretariat and other Attached Offices, this practice does not exist and it is recommended that this isolated practice in the Board should not be allowed to continue. As a matter of fact, when the stenographic assistance was extended to the Section Officers in the Pilot Sections in the Secretariat, the Assistants etc. were not posted and all the work was required to be handled by the Section Officers. In the Board,

however, the Sections are of the conventional type with full complement of Assistants/Investigators, and clerks and thus posting of stenotypists with the Section Officers cannot be justified.

3.7. Diarization: According to the recent instructions of the O & M Division, receipts other than those of the following type need not be diarized in the Central Registry:—

- (a) Telegrams
- (b) Registered Postal Dak
- (c) U.O. files
- (d) Classified papers

It has, however, been observed that all the receipts still continue to be diarized in the C.R. Section. The instructions of the O & M Division should now be followed in this regard.

In some of the branches, particularly Crafts units, the incoming receipts are not diarized. While it may not be necessary to diarize the routine papers, the other receipts should be diarized and their disposal watched.

3.8. Filing System: Studies revealed that there is no recognized system for the maintenance of Office files with the result that it takes considerable time for the important documents to be located and made more available. This makes the work of supervisory officers more difficult and the progress of disposal of work rather slower. It is thus suggested that a proper system of maintaining files should be introduced.

3.9. Records-Management: A review of records showed that at present records were being maintained at different places for lack of suitable accommodation. Further, most of the reports had not been systematically arranged and the security arrangements left much to be desired. The following remedial measures are suggested:—

- (i) Effective weeding out of the old records.
- (ii) Records may be divided into two broad categories:—
 - (a) Current records on which action is not complete.
 - (b) Old records which are required for reference.

The records should be sorted out and as far as practicable, only current records should be kept in the Section and the old records at one central place.

- (iii) Inspection of records should be allowed only in the presence of a responsible official.

Market Research Bulletin.

3.10. Information on the sales and production/purchase figures is received from about 250 Emporia/Khadi Bhavans every month. This information is tabulated and totals are struck month-wise, crafts-wise and state-wise. Similarly information on sales during 'Sales-weeks' is also collected and compiled. These two jobs consume 585 manhours. The necessity of collecting information every month could not be established by the Deputy Director (Marketing) during the course of discussions with him. We, therefore, suggest that if not half-yearly the information may be collected only quarterly. This will give the comparative figures of sales during the four quarters and also save many man-hours.

IV. Work Measurement

The assessment of the staff required by the organisation was made in accordance with the accepted techniques of work-measurement. Work was analysed in the form of 'Job-description Sheets' which showed the basic steps involved in the performance of a particular item of work and the existence level of the performer. In respect of each such substantive step, the norms were evolved on the basis of cease-study and discussions with the persons engaged on such jobs and their immediate superior officers. The results of the measurements were, thereafter with the Officers concerned.

4.1. **Administration Section:** The Administration Section has at present a strength of 4 Investigators and Three L.D.Cs. The work-load of this Section, however, does not justify more than three dealing hands. The number of L.D. Clerks in this Section should also be reduced from 3 to 2. It is also suggested that cases from Establishment Section should be submitted direct to C.E.O.

4.2. **General and R & I Section:** The work-load does not justify existence of separate Section as such it is recommended that the General and R & I Section should be combined with the Establishment Section. After taking into account the staff requirements for the functions of General R & I and Establishment work, the following staff is recommended for re-organized Administration and General Section:

	Present	Proposed	Surplus
Section Officers	2	1	1
Investigators	5	3	2
L.D. Clerks	8	7	1
		(4 for R & I Sec.)	
Assistants	2	2	..
Receptionist	1	1	..
Gestetner Operator	1	1	..
Staff-Car Driver	2	2	..

4.3. Budget Section: One post of Cost Accounts Officer was created to advise the Pilot Centres on their problems of cost accountancy. In pursuance of the recommendations of the Estimates Committee the Pilot Centres are proposed to be transferred to the State Government and/or Cooperative Unions. The services of the Cost Accounts Officer will, therefore, not be required in future. Moreover, the analysis of the Officer's activities during 1962 showed that only one assignment of cost accountancy was taken up by the Officers. This entailed 146 man-hours. In view of this, there is no justification for the existence of this post in the Board.

Cost Accounts Officer is, at present, also incharge of the work relating to coordination of budget proposals and their submission to the Ministry. The work relating to the weekly meeting with the Ministry is also attended by him. For all this work there is no justification for employing a wholetime officer and it is, therefore, recommended that the work relating to Budget may be entrusted to Accounts Branch along with the Junior Accountant and that of weekly meetings to F & R Section.

4.4. Accounts Section: On the basis of detailed work measurement, the total work-load of the Section comes to 8688 man-hours per annum. This would justify five dealing hands against six at present. It is recommended that one Junior Accountant may be withdrawn from the Section. It is also pointed out that the number of Junior Accountants, which is 3, is very high. Normally for the preparation of pay bills and T.A. bills, LDCs are being employed in the Ministry while for the same type of work Junior Accountants have been appointed in the Board. It is essential that the status of the performer should be related to the nature of work. It is, therefore, suggested that the number of Junior Accountants in the Accounts Branch should be reduced.

4.5. Crafts Museum: In addition to the regular staff the following additional staff have been employed on daily wages:

Indexing Assistant	@Rs. 5 - per day
Design Artist	@Rs. 8 - per day
Carpenter	@Rs. 5 - per day
Gallery Attendant	@Rs. 3 - per day
Laboratory Attendant	@Rs. 1.75 per day
Receptionist	@Rs. 5 - per day

The detailed study of the work-load of the Crafts-Museum revealed that the work of preservation, Library cataloguing and indexing Sections was heavily in arrears. The museum at present has collection of 20,000 items. The work of reservation is far behind the

schedule due to the paucity of staff. Moreover, a lot of routine clerical work is being done by the Preservation Assistant. Similarly the work of indexing, cataloguing, photo-library is not moving at the desired pace. There is no qualified gallery attendant.

Keeping in view the above consideration, the following additional staff is recommended for the Crafts-museum:—

1. Gallery Assistant	in the grade of	210—425
2. Artist	Do.	210—425
3. Laboratory Assistant	Do.	110—180
4. Tech. Assistant	Do.	210—425
5. Store-clerk	Do.	110—180

These proposals were discussed with the Director (Museum) and he agreed that if the posts mentioned above were sanctioned, he will be able to do away with the staff now employed on daily-wages.

It has also been observed that, at present, photographs of a large number of exhibits are taken by employing a private photographer. It appears, the services of the photographer are required more or less on a regular basis. In addition, the design branch also requires the services of a photographer. It has not been possible to collect figures of expenditure incurred on taking photographs of the exhibits, but it is recommended that this problem should be examined after consulting certain other Estt. Organisations who have employed their own departmental photographers so as to work out the comparative cost of photographs over a year and if it is found economical to employ a departmental photographer this should be done.

The Administrative work, at present, being done by Preservation Section may be transferred to the Administrative Section of the Museum. Section Officers Pilot and Design Centres Section will be incharge of the craft-museum Section also in addition to his other duties.

4.6. *Exhibitions Branch.*—The staff in the Exhibition Branch consists of:—

Deputy Director	1	} (part-time)
Exhibition Officer	2	
Assistant Directors	2	
Assistant Manager	1	
Junior Accountants	2	
Assistant	1	
Store-supervisor	1	
Store clerk	1	
L.D.Cs.	2	
Sales Assistant	1	

The above figures of the staff in the Exhibitions Branch show that for the staff of 9 members there are as many as 5 officers. Fully realising the fact that the work in the Exhibition Branch is more of a liaison, Planning and Executive nature, it is felt that the proportion of the officers to the staff is most uneven and stands *sui generis*. Leaving apart the Planning work, the rush of work comes only during the period when exhibitions are organised. In order to cope up with this rush of work, it is suggested that the work of the Board should be so organised that the services of the Officers from other Branches may be available for the purpose. On a general comparison of the set up of the Exhibitions Branch, with the Exhibitions Directorate of the Ministry, it is observed that the former does not conform to the organisational set-up and staffing pattern of the latter. It is recommended that one post of Exhibition Officer should be surrendered.

One Assistant Director is being utilized for Mobile Exhibition Unit in addition to Assistant Manager and Sales Assistant in this Unit. It is considered that it should be possible to entrust entire work to the Assistant Manager and the work relating to the Policy matters may be attended to by the Deputy Director or the Exhibition Officer.

It has also been observed that the staff on daily wages is being employed extensively in the Branch. While it may be necessary to make such appointments when the Exhibitions are organised, but the continuance of such posts throughout the year seems to be unjustified. At present eight persons are working on daily wages. With the disposal of the goods during the recent sales on heavy accounts, the stocks have been considerably reduced. It is recommended that the practice of employment of staff on daily wages should be discontinued. To sum up it is recommended that:—

- (i) 1 post each of Assistant Director and Exhibition Officer may be surrendered.
- (ii) Staff on daily wages should not be employed during the period when exhibitions are not organised.

4.7. *Library*.—There is a collection of 2,100 books in addition to some magazines etc. which are received in the Library. One Technical Officer (Library) and one daily wage clerk has been employed in the Library. Considering the size of the collection of the books housed in the Library, the employment of a daily wage clerk is not justified. In the Secretariat Training School Library, there is collection of 20,000 books and the entire work is managed by a Librarian in the grade of Rs. 210—430. (In the Library of the Board, a Technical Officer in the grade of Rs. 325—530 has been

appointed). It is recommended that the practice of employing daily wage clerk in the Library may be stopped immediately.

4.8. *Credit Funds*.—A complete study of the work done in the Credit Fund Section during the year, 1962 was made. It has been observed that no staff except one Lower Division Clerk was posted in the Section. Analysis has shown that the Deputy Director spent about 50 per cent of his time on routine work of issuing reminders, calling for information and sending interim replies. The total man hours put in by the Deputy Director comes to 1171 hours during the year. If the routine work is deducted, the remaining time comes to 585 hours plus 84 man-hours spent on tours. There was difference of opinion in regard to the time spent by the Deputy Director on the compilation of book on the credit facilities. While the officer stated that he has spent three months or 450 hours at it, it was felt that the time spent, should not be more than 200 hours. It will appear from the above that the present work of the Section does not provide whole-time useful employment for the Deputy Director. Therefore, as already recommended in the Organisational analysis, the work of Credit Fund should be merged with the Cooperative Section.

In the distribution of work among the Officers it has been stated that Deputy Director (Credit Fund) is also incharge of Pilot and Design Centres Section. But we could not find any file from the Pilot Centres Section which has been dealt with by the Deputy Director (Credit Fund).

4.9. *Cooperative and Training*.—The Section has been provided with the following staff:—

Technical Assistants	..	3
Lower Division Clerk	..	1

The work-load on the Section is of the order of 3445 man-hours per annum which comes to less than two dealing hands. It has already been suggested that the Credit Fund Section should also be merged with the Cooperative Section and the reorganised Section should consist of:—

Technical Assistants	..	2
Lower Division Clerk	..	1

The work relating to Credit Fund may be distributed among these Technical Assistant.

The Deputy Director contributed 1326 man-hours excluding tours, out of which Training Accounts for 471 hours. The time spent on

tour is 498 man-hours. The work relating to training may be taken out of the Section and allotted to Pilot and Design Centres Section. The Deputy Director will, thus be available for looking after the work of the Credit Fund. As a result of the reorganisation, the following staff should become available for being surrendered:—

Deputy Director	..	1
Technical Assistant	..	1
Lower Division Clerk	..	1

4.10. *Pilot and Design Centres Section.*—The work allotted to the Section comes to 2,000 man-hours per annum. At present the strength of the Section is:—

Section Officer	..	1
Technical Assistants	..	2
Lower Division Clerks	..	2

The work-load, however, justifies the posting of only one dealing hand. It has also separately been suggested that the work relating to Training should also be given to this Section along with the dealing hand, and the strength of the reorganised Section should be fixed as follows:—

Section Officer	..	1
Technical Assistants	..	2
Lower Division Clerk	..	1

This will result in saving of one investigator and one LDC.

4.11. *Publicity Branch.*—Publicity Branch may be allowed to continue with the existing strength of 1 Publicity Officer, 1 Artist, 1 J.F.O., and 1 L.D.C.

4.12. *Planning and Research Section.*—The P. & R. Section has the following staff at present:—

Deputy Director		Vacant
Section Officer	..	1
Research Officer	..	1
Assistant Director	..	1
Investigator/Stat. Asstt.	..	3
Lower Division Clerk	..	1

The work load of the Section comes to 2554 man hour excluding tours per annum at the officers' level. There was a difference of opinion about the time spent on writing a report on field surveys. While the Research Officer felt that 8 weeks (300 man-hours) were required to write the report, in our view this should not take more than 150 man-hours. It is true that some big surveys might entail a larger time but taking the average the time content should not be more than 150 man-hours. Even assuming that the writing of the reports consume 8 weeks, the total man-hours come to 3098 hours (472 on tours) which correspond to the strength of two Officers instead of three at present. One of the posts of the Officers may, therefore, be surrendered. The Staff at the lower level may, however, be allowed to continue at 3 investigators for the present. The vacant post of Deputy Director may not be filled but if it is considered essential to do so then one more post from 3 existing posts should be surrendered:—

4.13. *Show rooms.*—The following is the staff complement of the Branch:—

Deputy Director (Part-time)	..	1
Assistant Director	..	1
Junior Field Officer	..	1
U.D.C.	..	1
L.D.C.	..	1
Store-Clerk	..	1

The study revealed that the present staff is being fully utilised but there is no justification for the post of Assistant Director. The work may be directly looked after by the Deputy Director. During the period of study, the Asst. Director was on leave and the present arrangements were working satisfactorily.

4.14. *Quality Control.*—The Section has the following staff:—

Deputy Director	..	1
Senior Investigator	..	1
U.D.C.	..	1

On the basis of the work-measurements, the total man-hours on the Quality Control work is as follows:—

Dy. Director	960 man-hours plus 354 hrs. on tour
Sr. Economic Inv.	979 man-hours.

The above results do not justify the posting of either Deputy Director or Senior Investigator exclusively on this work. It has separately been recommended that the work of Quality Control should be

merged with the Marketing Section and one Deputy Director should be incharge of both the subjects. This will make available one post of Dy. Director. Some more work from the marketing Section may be given to the Sr. Investigator. The U.D.Cs. may be withdrawn.

4.15. *Marketing Section.*—This Section has the following staff:—

Dy. Director	..	1
Jr. Field Officer	..	1
Investigators	..	2
Accounts Assistant	..	1
L.D. Clerk	..	1

Four dealing hands are required for this Section. The total man hours now being put by the Deputy Director are 1384 plus 144 hours (tours) per annum. As already suggested the Marketing, Quality Control work should be entrusted to one Deputy Director. A review of the work may, however, be made after six months and if it is found necessary, the work of show-room may be transferred from the Deputy Director to Exhibitions Branch.

4.16. *Design Centre Section.*—The Section has the following staff:—

Dy. Director	..	1
Asstt. Director	..	1 (posted at Bangalore)
Design Artist	..	1
Asst. Design Art.	..	1
Investigator	..	1
Draftsman	..	1

This Branch act as coordinating agency between the various Design Centres of the Board and the State Governments. The Branch also prepared designs under the instructions of the Chairman or on the request of the various Branches of the Board. It is observed that there are at present several agencies performing the functions of the preparation of designs. There are design centres of the State Governments, the Regional Design Centres of the Board and at the apex there is a Design Unit in the Board. Now that the State Governments have reached the take-off stage and have set up their own machinery for the development of Handicrafts, it is for consideration whether there is any special justification for the existence of three parallel agencies performing the same type of work.

Assistant Director (Design) at Bangalore, is at present, not working under Dy. Director (Design). It has not been explained to us as to what work he is performing at Bangalore. In any case, the present work load of the Design Branch at the Headquarters does not require the services of the Assistant Director. The Board may review the work of the Assistant Director, Design, and if it is decided that his services are really necessary, he may be put up on the rolls of the Regional Design Centre and not on the strength of the Headquarters.

4.17. *Export Promotion Branch*:—There are two Export Promotion Sections with the following staff:—

Deputy Director	..	1
Asst. Dev. Officer	..	1
Junior Field Officer	..	5
Investigator/Stat. Asst.	..	4
U.D.C.	..	2
L.D.C.	..	4

The Export Promotion I Section is under the direct charge of a Deputy Director while the work of Export Promotion II Section is supervised by an Assistant Dev. Officer who submits cases direct to the Director. The nature of work in these Sections does not justify the posting of J.F.O's. This work can more appropriately be entrusted to Investigators/U.D.Cs. We, therefore, suggest that J.F.O's may be withdrawn from this Section.

The work measurement revealed that the work in Export Promotion I & II Sections comes to 6651 and 3995 man-hours respectively. This approximately corresponds to the work load of four dealing hands in each Section.

It is recommended that 4 dealing hands viz. Investigators, UDCs (and not J.F.O's) may be posted in these Sections and the Post of J.F.O. surrendered. The following should be the staff strength or the two Sections:—

	Export Promo- tion I	Export Promo- tion II
Section Officer	—	1
Investigator	3	3
Upper Division Clerk	1	1
Lower Division Clerks	2	2

The reason for the posting of Assistant Development Officer in the Export Promotion side could not be explained. Moreover, the work is not of such a nature that it need necessarily be handled by a Technical Officer. It is, therefore, recommended that the Export Promotion II Section may be manned by a Section Officer who may be expected to be made available as a result of amalgamation of Gen. Section with Estt. Section and the post of Assistant Development Officer surrendered. Export Promotion I Section may be continued to be looked after directly by the Dy. Director as at present. The Deputy Director should be in overall charge of both the Sections.

4.18. *Coordination of Craft Unit.*—The Craft Unit is headed by a Deputy Director (Technology). The work being done in the Craft Unit broadly falls under the following categories:—

- (i) Coordination.
- (ii) Collection of information for the craft.
- (iii) Helping the crafts in their day to day problems, convening the meetings of the crafts Advisory Committee and the Board of the Studies/Examination and to take follow up actions on the recommendations etc.

The actual working as revealed that there is a lack of coordination in the working of the Crafts Units. Although, all the Crafts Units are supposed to work under the charge of a Deputy Director (Technology) but in actual practice as many as four independent units are working without liaison with each other. The Units are (1) Metalware and Zari (2) Carpets and Druggets, (3) Printed Textiles Embroidery etc. (4) Dolls and toys, pottery earthenware, woodwork and pappier machie etc. etc. The staff strength of each unit is given below:—

UNIT I

Deputy Director	..	1
Investigator	..	1
U.D.C.	..	1

UNIT II

Asst. Dev. Officer	..	1
J.F.O.	..	1
L.D.C.	..	1

UNIT III

Assistant Director	..	1
Investigator	..	1
L.D.C.	..	1

UNIT IV

Assistant Director	..	1
Investigators	..	3
J.F.O.	..	1
L.D.C.	..	1

(Two lower division clerks for typing work)

It has already been pointed out under the METHOD STUDIES that the functions of the Crafts Unit still remain to be precisely defined. It is very essential that the work done by the crafts unit should be properly defined so as to ensure that there is no duplication of efforts within the Board itself.

It has also been observed that mostly deskwork e.g., preparation of agenda papers, writing of Minutes, calling of information on the crafts from the State Governments etc. etc. is being done in the Crafts Unit. It is seldom that any technical problem arises.

The review of the four crafts units revealed that all units are under worked. Taking into account the nature of work and the level at which it should be performed, it is recommended that the work should be reorganised in the following order:—

- (i) Dy. Director (Technology) should be overall incharge of all the Crafts Units and he should also have Art Metal-ware, Zari, Dolls and Toys directly under him. He should be provided with one Investigator and one Lower Division Clerk.
- (ii) Carpet and Druggets Unit should also be entrusted with the work of Ivory and Horn and Conch-shell, Jewellery, Stones, Marble etc. and should be manned by following staff:—

A. D. O./Asst. Dir.	..	1
J. F. O.	..	1
U. D. C.	..	1
L. D. C.	..	1

(iii) The rest of the work, viz. Printed Textiles, Bamboo, etc. etc. may be given to another unit with the following staff:—

Asstt. Director	1
Investigators	2
L. D. C.	1

This will enable surrendering of the following staff from crafts Units:—

A.D.O./Asstt. Dir.	1
J. F. O.	1
Investigator	1
L. D. C.	1

Peculiar features of Work Measurement

In connection with the work-measurement of the organisation, the following salient points need mention here:—

- (i) The staff requirements of the organisation have been worked out on the basis of the existing methods of work. There would be measurable saving in staff when the suggestions made in the report are implemented.
- (ii) Jobs grading has been done upto the level of Deputy Director. The work of the Directors has not been measured. It is recommended that one post of Director lying vacant at present need not be filled up.

A statement showing the existing staff and that recommended to the various Sections is placed at Annexure 'D'. Another Statement showing the staff to be surrendered with reference to the existing and sanctioned, if place at Annexure 'E'.

V Conclusions

The study of the Social Welfare Branch was not conducted as the D.D.O. was away on leave. The study of the Personal Branches of the Chairman/Member Secretary and Dy. Director (Production) was also not conducted.

We would like to take this opportunity to place on record our appreciation of all the help and cooperation which was extended to us during the course of our Study by the Officers and staff of the Board. We are particularly grateful to Shri Banerji, Section Officer, Administration Section, who very kindly provided the complete back-ground material for the study at a very short notice.

ANNEXURE 'C'

Analysis of the time spent by the Officers on Tours

Sl. No.	Name of Officer		Percentage of time spent on tour
			%
1.	Shri S. N. Dandona	588	30
2.	Shri C.K. Mehrotra	354	18
3.	Shrimati I.L. Basu	246	12
4.	Shri Takht Singh	498	25
5.	Shri M.S. Puri	156	8
6.	Shrimati J. Dhamija	198	10
7.	Shri Ajit Mookerjee	378	19
8.	Shri Bharat Sahay	258	13
9.	Shri C.R. Sood	174	9
10.	Shri P.L. Sethi	168	8
11.	Shri B.N. Rangaraju	108	5
12.	Shri R.P. Basu	90	4
13.	Shri S.K. Katara	414	21
14.	Shri Gokhale	276	14
15.	Shri S.S. Kapoor	246	12
16.	Shri V.P. Mehta	144	7
17.	Shri S.K. Haldar	84	4
18.	Shrimati Bijur	204	10
19.	Shrimati S. Kirpal	168	8
20.	Shri Om Parkash	108	5
21.	Shri S. B. Mathur	24	1
22.	Shri Hariharan	138	7
23.	Shri S. B. Dhingar	138	7
24.	Shri H.K.B. Iyengar	108	5

ANNEXURE 'D'

Statements showing the staff to be surrendered

Designation	Sanctioned strength	Existing strength	Proposed strength	Reduction with Regard to		
				Sanctioned strength	Existing Strength	
1	2	3	4	5	6	7
1. Director		3	2	2	1	..
2. Dy. Director/Dy. Dev. Officer		11	10	8	3	2
3. Asstt. Dir./Asstt. Dev. Officer		10	9	5	5	4 2
4. Section Officer		5	5	3	2	
5. Publicity Officer		1	1	1	..	..
6. Exhibition Officer		2	2	1	1	1
7. Research Officer/Stat. Officer		2	2	1	1	1 1
8. Cost Accounts Officer		1	1	..	1	
9. Asstt. Publicity Officer		1	..	..	1	..
10. Accounts Officer		1	1	1	..	..
11. Sr. Investigator		3	1	1	2	..
12. Tech. Officer (Lb)		1	1	1	..	..
13. Assistants		3	3	3	..	..
14. Accounts Assistant		2	2	2	..	..
15. Investigators/Stat. Asstt.		31	29	27	4	2
16. S.A.S. Accounts		1	1	1	..	..
17. J.F.O.		18	13	7	11	6
18. Jr. Accounts		7	7	6	1	1
19. U.D.Cs.		10	6	5	5	1
20. L.D.Cs.		36	34	28	8	6
21. Design Artist		1	1	1	..	..
22. Asstt. Design Artist		1	1	1	..	..
23. Stores Clerk		2	2	3	..	1 add. for Craft Museum.

1	2	3	4	5	6	7
24.	Store Supervisor	2	2	2	..	..
25.	Preservation Asstt.	2	2	2	..	..
26.	Sales Asstt.	1	1	1	..	..
27.	Draftsman cum Artist	1	1	1	..	..
28.	Draftsman	1	1	1	..	..
29.	Asstt. Manager	1	1	1	..	..
30.	Phulkari Instructor	2	1	1	1	..
31.	Binders	2	2	2	..	..
32.	Receptionist	1	1	1	..	..
33.	Gestetner Operator	2	2	2	..	..
34.	Staff-car driver	1	1	1	..	..

The following additional posts have been recommended for Crafts Museum to replace the persons employed on daily wages :—

1. Gallery Assistant 1
2. Artist 1
3. Laboratory Assistant 1 (One)
4. Technical Assistant 1
5. Stores Clerk 1
6. Carpenter 1

The posts at S. Nos. 4 & 5 have been taken into account in the above statement.

ANNEXURE 'E'

Statement showing the staff to be surrendered

	Designation	Sanctioned strength	Existing strength	Proposed strength
1.	Director	3	2	2
2.	Dy. Director/Dy. Dev. Officer	11	10	8
3.	Asstt. Dir. Asstt. Dev. Officer	10	9	5
4.	Section Officer	5	5	3
5.	Publicity Officer	1	1	1
6.	Exhibition Officer	2	2	1
7.	Research Officer/Stat. Officer	2	2	1
8.	Cost Accounts Officer	1	1	..
9.	Asstt. Publicity Officer	1	..	..
10.	Accounts Officer	1	1	1
11.	Sr. Investigator	3	1	1
12.	Tech. Officer (I.b)	1	1	1
13.	Assistants	3	3	3
14.	Accounts Assistant	2	2	2
15.	Investigators/Stat. Asstt.	31	29	27
16.	S.A.S. Accounts	1	1	1
17.	J.F.O.	18	13	7
18.	Jr. Accounts	7	7	6
19.	U.D.Cs.	10	6	5
20.	L.D.Cs.	36	34	28
21.	Design Artist	1	1	1
22.	Asstt. Design Artist	1	1	1
23.	Stores Clerk	2	2	3
24.	Stores Supervisor	2	2	2
25.	Preservation Asstt.	2	2	2
26.	Sales Asstt.	1	1	1
27.	Draftsman cum Artist	1	1	1
28.	Draftsman	1	1	1
29.	Asstt. Manager	1	1	1
30.	Phulkari Instructor	2	1	1
31.	Binders	2	2	2
32.	Receptionist	1	1	1
33.	Gestetner Operator	2	2	2
34.	Staff-car driver	1	1	1

The following additional posts have been recommended for Crafts Museum to replace the persons employed on daily wages :—

1.	Gallery Assistant	1
2.	Artist	1
3.	Laboratory Assistant	1 (O)
4.	Technical Assistant	1
5.	Stores Clerk	1
6.	Carpenter	1

The posts at S. Nos. 4 & 5 have been taken into account in the above statement.

APPENDIX XI

Summary of Main Conclusions, Recommendations

Serial No.	Para No.	Ministry, Deptt Concerned	Conclusions/Recommendations
1	2	3	4
1	1	Industry and Supply (Deptt. of Supply and Technical Development).	The Committee desire that the Negotiating Committee already constituted should expeditiously process the old cases and try to reduce the backlog through negotiated settlement. The Committee would like to be informed of the progress made. The Negotiating Committee should also be directed to record their reasons for the settlement reached and also to submit a report (Separately, if necessary) drawing specific attention to the lapses if any which led to the disputes. The Committee trust that this report will enable the Ministry to take remedial steps which would minimise the occurrence of similar disputes in future.
2	2	Do	In one case the Committee find that the adverse decision was due to the fact that no contract was concluded between the parties. The Committee find that in many cases Government were held responsible for breach of contract. They would therefore, suggest that these cases should be carefully studied with a view to determine how many of them were lost due to procedural defects and delay on the part of officers. The Committee feel that in the light of the experience thus gained, suitable measures may be taken to streamline the procedure so as to reduce their recurrence to the minimum. They would further like to stress that there should be proper coordination with the Ministry of Law so that legally weak cases are not preferred. In view of what is stated in the previous paragraph it is astonishing that awards should be given against Government in as many as 141/135 cases. This indicates

that either the statement in the last para is not correct or that cases are not properly argued before the arbitrators. The Committee feel that the matter needs careful examination by the Ministry.

- | | | | |
|---|---|----|--|
| 3 | 9 | Do | The Committee are surprised how the Government could be satisfied with such a small amount of security when they could have asked for nearly Rs. 70,000 (being 10% of the value of contract) as provided in the rules. The Government also failed to provide an adequate safeguard for the supply of canvas. The Committee deprecate the placing of such a huge order with an unregistered firm without proper verification of its standing, assets etc. as a result of which Government dues could not be recovered from this firm. It is also not known to the Committee why the Ministry of Law advised to allow the application of arrest of the Judgement debtor before Alipur Court to be dismissed. From all these, the Committee feel that lapses, both procedural and legal, were allowed to be perpetuated which led to the present muddle. The Committee would urge that the case is pursued with vigour and the Committee informed of the final outcome. |
| 4 | 4 | Do | The Committee suggest that in cases where awards went against Government the reasons for the same must always be investigated and necessary corrective and disciplinary action taken. |
| 5 | 5 | Do | The Committee are constrained to note that Government are compelled to pay premium over the current market price for jute goods, because the industry offer goods only on the last date as against a date 'well before the time of delivery' stipulated in the contract and thereby cause delay in the inspection of goods. The Committee feel that the suggestion of the Ministry of Law of stipulating an inspection date prior to the last date of the delivery leaving enough margin for inspection of goods, its acceptance or rejection and finalisation of the deal within the period of contract should be insisted upon. The Committee are no doubt of the opinion that acceptance of goods with ISI mark |

may help to improve the existing position. However, the Government's proposal to accept the goods from mills whose supplies had not been rejected during the last two or three years till such time as the ISI mark is available cannot be treated as a satisfactory substitute to inspection, for under this procedure the sub-standard goods will be detected only after they are accepted. The Committee are therefore of the view that the normal procedure of prior inspection before acceptance and delivery should be followed in the case of jute goods also. Since the Government have been buying jute goods from times immemorial, it is astonishing that till today this problem is not solved.

6 5 Industry and Supply
 (Deptt. of Supply
 and Technical Deve-
 lopment)

The Committee regret to note this plea of helplessness and desire that government should take steps to ensure that the jute industry falls in line with the normal procedure laid down for safeguarding public funds.

7

6 Do.

The Committee feel that an undue indulgence has been shown to the contractor in this case. The contractor defaulted for the first time when he did not supply Twill bags by the date stipulated in the first contract *vis.*, 30th November, 1960 or even by the extended date *i.e.* 12th December 1960. When tenders were invited for risk purchase, the Department accepted a security of Rs. 20,000 from this contractor instead of Rs. 2.47 lakhs approximately as required under rules knowing fully well that this very firm had defaulted once against the previous contract. It is also not clear to the Committee how the purchasing officer assumed that even though the firm could not give security of Rs. 2.47 lakhs, he would be able to execute order at 50% cheaper rate. This assumption does not appear to have been based on a sound premise as the same firm had refused to submit to the normal business traditions and over and above had failed to live up to its reputation, a factor which weighed heavily with the Government for granting the contract second time

234

and further there could hardly be any question of higher prices being paid by Government by ignoring this firm, since extra cost could surely have been recovered from the firm in view of their default. The Committee also regret to note that there was a lapse on the part of the officer who accepted a security of Rs. 20,000 against the security of approximately Rs. 2.47 lakhs which was required under the rules. As the rules regarding acceptance of tenders as well as recovery of security from firms who have defaulted once, are quite clear, the Committee are not convinced with the argument that the mistake was a *bona-fide* one. The Committee suggest that the case might be re-examined with a view to fixing responsibility.

The Committee also note that the firm in question has been black-listed as a result of second default. They would also like to be informed of the result of suit filed by Government on 8-5-63 against the defaulting firm.

8

7

Do.

The Committee are at a loss to understand why the matter regarding the specifications could not be settled with the indentor soon after the indent was received in May, 1958 or atleast before inviting tenders several months later in April, 1959. They are further unable to follow why firms were not consulted and their consent obtained before placing the order on them stipulating that only jerseys made from top-dyed yarn would be accepted. The Committee deprecate that the elementary principle that the terms of tender tally with those of the contract was not followed in this case and a deviation from the terms of the tender was made in the contract without assessing the legal implications of such a change and the financial liability that might follow therefrom.

226

9

8

Do.

The Committee feel that such cases could be avoided if there was an officer well versed in Mercantile Law such as Contract Act, Companies Act etc. in this Ministry. As large number contracts are entered into by the Supplies and Disposals Organisation and the Ministry of Law cannot be consulted in all cases they suggest that the desirability of appointing such officer in this organisation may be considered.

The Committee would also like to know the result of the disciplinary proceedings against officers found responsible for the lapse in this case.

1	2	3	4
10	9	Industry and supply (Deptt. of Supply and Technical Development)	<p>The Committee would like to stress that the preparation of statements in respect of arrears of Rs. 14 lakhs should be expedited so as to facilitate its recovery. They would also like to know whether the remaining Rs. 5.5 lakhs out of Rs. 11 lakhs in respect of which statements had been prepared has since been recovered.</p> <p>The Committee are glad to know that a workable procedure has been evolved to simplify the procedure of realising inspection charges. They hope that the Ministry will make concerted efforts to realise arrears from all the parties and avoid such accumulations occurring in future.</p>
11	10	Do.	<p>The Committee are distressed to note that an avoidable expenditure to the extent of Rs. 64,000 had to be incurred owing to lapse in bulking the tenders. The Committee further note with regret that delivery dates had been extended many a time and at no stage efforts were made to reduce the loss by taking prompt decision. The Committee would like to be informed of the disciplinary action taken against the erring officers. They would further stress that suitable instructions should be issued to all concerned so that similar cases do not recur.</p>
12	11	Do.	<p>The Committee cannot but regret the multiple lapses on the part of the Director of Purchase, India Supply Mission, London in dealing with the letters of intent of the firms which led to a loss of Rs. 83,493. The Committee hope that under the existing practice the Director General of Supply Mission in London will exercise effective control to ensure that Government are not made to suffer losses due to the negligence of an individual officer.</p>

13 12 Information & Broadcast-
ing.

The Committee are surprised to note that private importers of paper were able to get foreign exchange to the extent that they were able to cover Government requirements while the Directorate of Advertising and Visual Publicity was itself unable to get sufficient foreign exchange to import paper for its own use.

They are also perturbed to find that the Ministry of Finance instead of releasing foreign exchange to the D.A.V.P. agreed to its purchasing imported material through the trade at a higher price. The Committee would like the Ministry of Finance to examine this matter and intimate the results in due course.

From the statement (Appendix IV) furnished at the instance of the Committee, it is observed that in the years 1960-61, 1961-62, 1962-63 and 1963-64, the Government incurred an extra expenditure of Rs. 4.91 lakhs, Rs. 5.19 lakhs, Rs. 5.87 lakhs and Rs. 5.37 lakhs in getting paper both indigenous and imported from printers instead of getting it through the Chief Controller of Printing and Stationery. In view of the heavy extra expenditure, the Committee can hardly overemphasise the necessity of getting increased quota of paper through the Chief Controller of Printing and Stationery. The Committee hope that the Ministry of I. & B. will take up this matter with Chief Controller of Printing and Stationery with a view to meet their full requirements.

14 13 Do.

The Committee do not consider it to be a satisfactory arrangement that space selling agents were paid commission for advertisements which were received direct from the State Governments, Railways and autonomous bodies and in respect of which the agents did not make any efforts whatsoever. The Committee are also not convinced by the explanation that payments were made to the agents on the basis of a convention. They would like to be informed what steps have been taken to remedy the defects in the agreements with a view to put a stop to this practice.

15 14 Do.

The Committee are unhappy to note that in this case the Director of Advertisement and Publicity instead of following the well established procedure adop-

ted an unusual method for selection of space selling agent. They are surprised at the explanation offered by the Ministry to Audit that "repeated experience" had proved that calling of tenders was utterly ineffective in locating the good space selling agents specially for their "media which are of second class quality".

Further the fact that the percentage of Commission charged by the advertising agents was more or less fixed was no justification for dispensing with tenders which deprived Government of the benefit of competitive rates and possibly also if the services of more experienced and better organised agencies in the field.

As stated in evidence, the Ministry of Finance had indicated that if the I. & B. Ministry considered the terms to be competitive and no cheaper arrangement was possible they had no objection to the proposed extension of the agreement. In the absence of open tenders, the Committee do not see how the Ministry of I. & B. verified the reasonableness of the terms of the contract. The Committee trust that the Ministry will issue suitable instructions in the matter to avoid recurrence of such cases.

The Committee also suggest that in future if the normal and established procedure is to be deviated then a prior permission of the Secretary of the Ministry, if not the Minister, should be taken.

The Committee are sorry to note that no explanation was called for from the Officer who gave wrong interpretation of the terms of the agreement which resulted in a loss of Rs. 42,771 to Government.

They are also surprised at the contention that the intention of the Department throughout was that the firm was entitled to bonus on the entire business and that the agreement was worded incorrectly. If that be accepted there appeared to be no reason for (i) making a reference to the Ministry of Law and (ii) holding the view that the payment was made in fairness to the commitments made by the Officer.

The Committee feel that the circumstances in which the Officer of the Department made a commitment contrary to the clear provisions of the agreement may be enquired into, responsibility fixed, and suitable action taken.

- | | | | |
|----|----|-----|--|
| 17 | 16 | Do. | The Committee regret to note the inordinate delay in conducting the review of the departmental charges which was due in 1961. They hope that in future Department would be more prompt in dealing with matters affecting their earnings. |
| 18 | 17 | Do. | The Committee trust that steps will be taken to recover the outstanding amount (referred to para 17) expeditiously. |
| 19 | 18 | Do. | The Committee are surprised that no figures of expenditure on these blocks are available even for the last two or three years, if not earlier. The Committee desire that proper arrangements for storing used blocks should be made and their account kept properly to safeguard against any pilferage etc. They also desire that early steps may be taken to dispose of the unserviceable and un-wanted blocks. |
| 20 | 19 | Do. | The Committee do not appreciate the irregular method adopted by the Ministry to augment their establishment by putting casual labour on regular jobs. This amounted to evasion of the sanction for creation of posts by competent authority and was also in contravention of the orders imposing a ban on recruitment of staff. At the instance of the Committee the Ministry have furnished a note stating that on an average 25 daily wage workers (casual labour) were employed by them during the last six months. This included |

daily wage Chowkidar (2) and sweeper (1). It is also stated that 12 daily wage workers have been working continuously for more than three months. The Committee feel that in case casual labour is to work continuously for months together then the proper course for the Ministry is to absorb them against regular posts.

21 20

Information &
Broadcasting.

The Committee feel concerned to note that the cost of the production of publications had not been estimated realistically and Government had to suffer losses on this account. In their opinion such losses can be eliminated if the Chief Controller of Printing & Stationery communicates the cost of production of publications as soon as they are printed in order to enable them to fix the appropriate price. In this connection the Committee would also like the Ministry of I. & B. to examine the suggestion that the Controller of Printing and Stationery should prescribe a special schedule of rates for printing done in Government Presses in regard to Books etc. for the Publications Division. Alternatively the Division should continue to work out the costs on the basis of 'A' class scheduled rate which the CCP&S had fixed for the better class printing presses.

Incidentally the Committee are perturbed to learn that the cost of production in Government presses was very much higher than that in the private presses. The Committee therefore recommend that the Government should have an enquiry made into the reasons for the high cost of production in Government Presses and take suitable measures to bring down the cost.

22 21

Do.

The Committee would like to know the decision taken in the matter of amalgamation of journals of similar nature and the efforts made to reduce the losses incurred thereon. In this connection they would invite reference to their recommendation contained in para 37 of 14th Report (Third Lok Sabha).

- 22

Do.

The Committee regret to learn that there had been decline in the revenue from advertisements. They desire that the Ministry should explore the ways and means and take suitable steps to secure advertisements so that the losses incurred on publications may be minimised. Efforts should also be made to increase the sale of these publications. The Committee would like to be apprised of the action taken in this regard.
 - 24

23

Do.

The Committee are surprised to find that due to paucity of space no physical verification could be done for the seven years during the period 1954—1961. In their opinion the physical verification of publications must be done annually as verification done after seven years could not be effective in discovering irregularities and taking timely remedial action. They are also surprised to note that space problem remained to be solved for so many years. They desire that Ministry should make proper arrangements for storing publications and ensure their safe custody. They would also like the Ministry to ensure that there are no losses due to unauthorised issue of priced publications and proper vigilance is kept on the stock of publications.
 - 25

24

Do.

The Committee regret to note that the Director of Publications Division exceeded the instructions regarding the free mailing list and that the Government had to accord *ex-post facto* sanction regularising the excess issue of publications. The Committee hope that such cases will be avoided in future.

As regards free issue of publications, the Committee feel that the Ministry should ensure that free issue of publications is restricted to the minimum. A system should be evolved whereby magazines are sent free only to those persons who are really interested in them and had made request for continuing their supply instead of mailing them mechanically according to the list as besides an economy in their numbers it would also make a saving on account of postage etc.
 - 26

25

Do.

The Committee would like to be informed of the findings of the enquiry committee and the action taken/proposed to be taken to reduce the number of journals and improve their quality.
-

1	2	3	4
27	26	Information & Broadcasting	The Committee feel that it is of no use incurring losses on the publications which do not satisfy needs of people. They suggest that keeping in view the public needs, efforts should be made to reduce losses on the Radio publications, whose circulation may be increased by making them more attractive.
28	27	Do.	The Committee are surprised that the Secretary and other officers did not appear to be even aware that such an arrangement with the second News Agency existed till it was pointed out by Audit.
29	27	Do.	The Committee are unhappy to note that no formal agreement was entered into with the News Agency for more than 15 years and payments continued to be made on an <i>ad hoc</i> basis. Further, the Committee do not regard the present system of payment on the basis of radio licences as fully satisfactory. They would, therefore, suggest that the feasibility of evolving a suitable formula on scientific lines which will link the payments with the services rendered should be examined further, in the case of both the News Agencies, as also any other News Agencies that may come into the field.
30	28	Transport (including Port Trusts)	The Committee suggest that the Ministry of Transport should examine the feasibility of adopting a standard uniform procedure by all major ports for making contributions to the Depreciation Fund.
31	29	Do.	The Committee hope that such delays in the preparation of Accounts referred to in para 29 will be avoided in future.
32	30	Do.	The Committee desire that steps should be taken to reconcile the remaining 1400 items at the earliest as they relate to the year 1952 and are pending for a long time.

25
20

33	30	Do	The Committee would like to be informed of the action taken to dispose of Rs. 1.26 lakhs worth of surplus iron pipes etc.
34	31	Do.	The Committee regret to observe that construction of the 6th berth was taken up without adequate preliminary investigation of the soil condition which resulted in extra expenditure. They are of the opinion that instead of being guided by mere presumptions, the authorities should better err on the safe side and undertake proper surveys before commencing construction works involving huge amounts.
35	32	Do.	The Committee desire that effective steps may be taken by the Department for the clearance of outstanding items under Suspense Heads, Miscellaneous P.W. Advances and "Purchases".
36	33	Do.	The Committee are surprised to note that the Calcutta Port Trust is not maintaining any depreciation fund for their big assets. They are also perturbed to find that the Trust did not have a Surplus for putting money into the sinking fund for repayment of loans on dates of maturity.
			The Committee feel that the Calcutta Port Trust should give a serious thought to this question and devise ways and means to create depreciation fund in due course so that when the life of their assets is over and it requires replacement they may not find it difficult to acquire replacements. They also desire that fresh efforts should be made to augment the revenue so that money may be made available for the sinking fund. In view of the fact that the port charges are already very high, it is necessary that the port should take economy measures and improve efficiency to increase its earnings.
37	34	Do.	The Committee feel that the difficulties and factors explained during evidence for drawal of loans from the International Bank of Reconstruction and Development should have been foreseen by the Calcutta Port Trust as those were not of unusual character. They also feel that before making commitment for the date of drawal of loans the Port Trust should have taken all the relevant factors into

22

consideration. The Committee regret to note that over optimism on the part of the Port Trust while estimating their rate of spending resulted in the payment of commitment charges to the extent of Rs. 55 lakhs upto 31-10-64 (Rs. 37 lakhs on the first loan and Rs. 18 lakhs on the second loan). They hope that in future the Calcutta Port Trust will deal with such cases more realistically. The Committee also hope that the Port Trust Authorities have properly investigated and taken suitable measures in connection with the avoidable delays in actual construction work.

Whatever the reasons and whatever the difficulties, the Committee are perturbed to find that a large amount of Rs. 75 lakhs (Rs. 55 lakhs by the Calcutta Port Trust as stated above and Rs. 20 lakhs by the Madras Port Trust as stated in para. 44 of this Report) has been spent in foreign exchange without any benefit to anybody. Looking to the difficult foreign exchange situation in which our country is placed requiring conservation of Foreign Exchange to the utmost, the Committee regard this infructuous expenditure most unfortunate. The position becomes worse when it is reported to the Committee that some of the delay at least was avoidable.

Secondly, the Committee regret that though the Indian tender was suitable, the World Bank insisted on the global tender and when this view was accepted the Indian tender had to be rejected. In such circumstances the Committee feel that wherever Indian goods are available, no foreign exchange should be spent on them. This point should be suitably settled with the World Bank.

The Committee are surprised that in spite of the system of taking 3 months' rent in advance, heavy amounts of rent should have remained outstanding. This clearly indicates the need for tightening up the executive machinery for realising advance rents. The Committee desire that vigorous efforts should be made to recover the outstanding dues. They would like to be

1

2

4

43

40

Transport

The Committee are constrained to learn that Canadian Diesel Hydraulic locomotives which were received in July, 1961, were not commissioned till March, 1962 due to late receipt of spare parts and accessories. They would like to know the reasons for delay in receipt of spare parts and accessories whether suppliers were asked to supply them along with the locomotives.

During evidence, the Committee were informed that some of the accessories received were not upto the mark and there were defects in hydraulic clutches and transmission parts. The Committee would like the Ministry to take up this matter suitably with the suppliers. The Committee also desire that the causes for the breakdown of the five locomotives may be investigated.

44

41

Do.

The Committee regret to note that the Bombay Port Trust Railway has been continuously running at a loss, and that the cumulative loss incurred over a period of ten years ending 31st March, 1963 was Rs. 129.93 lakhs. What is more, the loss during 1963-64 was as high as Rs. 50.63 lakhs and estimated loss during 64-65 is Rs. 44.59 lakhs. This trend is no doubt disturbing, and it indicates the need of improving the working of this Railway. The Committee hope that with the increase of terminal charges, reduction in the establishment charges and improvement in efficiency the loss will be minimised, if not altogether eliminated.

45

42

Do.

The Committee may be informed of the action taken in regard to feasibility of changing the method of transferring assets from one fund to another.

46

43

Do.

The Information regarding the dates on which estimates were exceeded in case of different works and the date on which the Ministry of Transport was approached for regularisation of excesses including the stage at which estimates were revised is still awaited.

47 43 Do. The Committee find that in most cases the expenditure incurred by the Madras Port Trust was in excess of the sanctioned estimate and that the excesses had not been regularised in time. They, therefore, feel that under the existing system estimates have no sanctity and would like that the matter should be examined by the Port Trust so that future estimates should have more realistic basis. They would also like to be informed of the exact position about the regularisation of the excess expenditure already incurred.

46 44 Do. The Committee regret to note that due to delay in drawal of loan from the International Bank for Reconstruction and Development, the Madras Port Trust above had to pay a sum of about Rs. 20 lakhs upto the 31st March, 1964 as commitment charges. They feel that before entering into an agreement all eventualities should have been foreseen. They desire that necessary steps should be taken to minimise such unnecessary expenditure in future. In this connection, attention is invited to para 34 of this report.

47 45 Deptt. of Social Security. The Committee feel that before Government had decided to convert the loans amounting to Rs. 34.02 crores granted to the Commission into working fund, they should have made—

(i) a scientific assessment about the requirements of working capital, loans etc. of the institutions; and

(ii) a thorough study of the working of the various institutions from an economic angle to ascertain their cost of production and also their production level without relying on the sample survey.

The Committee fail to understand how it would be possible for the Commission to repay the loan if and when the level of production falls as the Commission was stated to be a non-profit earning and non-capital forming body. In these circumstances the efforts of the Commission should be to stimulate production so as to make the institutions etc. self-supporting to the extent

possible. In this connection the Committee would like to draw attention to the following extract from the report of the working group of Khadi and village Industries.

“We consider that the requirements of the working Fund as proposed by the Commission are based upon a certain amount of arbitrariness and look more like an attempt to capitalise the present proposition rather than to work them out on a scientific basis.”

The Committee desire that the committee already appointed by the Commission to work out a scientific basis of capital requirements should be asked to submit their Report at a very early date. The Committee would like government to examine in detail, the financial implications of the proposals of that committee before accepting a particular figure as the Working Fund.

During the course of evidence the Chairman of the Khadi Commission stated that it would be possible to make the programme of Khadi stand on its own legs, only if the Government of India is prepared to accept reservation in sphere of production. The Committee suggest that this idea should be examined carefully, and if feasible, implemented.

48

45

Deptt. of Social
Security.

The Committee desire that before fixing any target there should be proper scrutiny of production capacity so that targets which are capable of achievements are fixed. The Committee would also like to be informed of the targets and actual achievements regarding Khadi production during the First, Second and Third Five Year Plans respectively and the reasons for shortfall.

49

46

Do.

The Committee regret that the Commission should have kept pending till now this question of preparation of consolidated Profit and Loss Account.

The Committee desire that the Commission should devise a suitable form in consultation with the Comptroller and Auditor General of India and prepare a Consolidated Profit and Loss Account and a balance sheet as a regular annual feature without further loss of time.

50 47 Do. . . It is no doubt gratifying that due to reorganisation of the system, it was expected by the Commission to clear by the end of March, 1965 the entire back-log of Rs. 35 crores in respect of which utilisation certificates were outstanding. The Committee would like to be informed of the results achieved in this direction.

51 47 Do. . . The Committee would like to be informed about the efforts made and the results achieved towards the recovery of loans of Rs. 6.89 crores that were overdue on 30th September, 1963.

52 48 Do. . . The Committee are surprised to learn that huge amounts of interest are due from various State Boards and that in certain cases even this amount has not been calculated though the Boards have agreed to refund it. In others inspite of protracted discussion nothing has so far been done to come to a final settlement. This is a rather unhappy state of affairs. There should, therefore, be greater initiative on the part of the Commission to realise the amounts due from the State Boards without further delay.

The Committee, however, note that the earlier procedure has since been changed to imprest system by which 25 % of the annual Budget requirements will be released to the State Boards as advance and their actual monthly expenditure will be recouped.

53 49 Do. The Committee regret to note that the Commission had entrusted the scheme for production of Palm sugar and its bye-products to the Akhil Bhartiya Sarva Seva Sangh without taking adequate precaution about its successful implementation. They recommend that there should be proper planning before embarking on any new scheme so that the public funds may not be frittered away.

1	2	3	4
54	50	Deptt. of Social Security	<p>The Committee regret to learn that the correct dues of each closed institution are yet to be worked out after final audit of each closed centre and also after reconciliation of figures of loans/grants. As the centres were closed during the period 1954-55 to 1962-63, there have been delays of about 10 years in some cases. They are unable to appreciate such delays in this matter.</p> <p>As a huge amount of Rs. 23 lakhs is yet to be recovered from the various centres already closed, the Committee desire that expeditious and serious action should be taken to effect recoveries. They would like to be informed of the results.</p>
55	51	do.	<p>The Committee cannot help observing that the very fact that as many as 59 out of 121 centres had to be closed down indicates that the execution of the "Intensive Area Scheme" left much to be desired.</p> <p>The reasons given in evidence for the delay of over 3 years for the appointment of a Committee under the Chairmanship of Prof. Rao are not convincing. The Committee would like to stress that such delays should be avoided.</p> <p>The Committee are not happy to note that the following observation has been made in one of the recommendations of the Rao Committee :</p> <p>"Increased activities in both the sectors might lead to increase in employment opportunities. Unfortunately neither the agricultural sector nor the industrial sector is functioning in complementary directions. If the Intensive Area Scheme wants to establish an agro-industrial economy it is essential to achieve a large degree of self-sufficiency in respect of raw material supply and marketing of finished products. At present none of the intensive areas are anywhere near the stage of establishing an agro-industrial economy".</p>

- The Committee desired to be furnished with a note giving details of the basis on which and on whose advice these Intensive Area Centres were selected and the nature of supervision exercised on them. Reply is awaited from the Department.
- 56 52 do The Committee are surprised to learn that inspite of the fact that the Dhanora Centre had built a hospital out of the money advanced by the Commission, no legal action has so far been instituted against the Centre. The Committee would like to be informed of the latest position.
- Similarly, though the Murud Institution had agreed to repay Rs. 60,000 in instalments of Rs. 10,000 each, the Commission could so far realise only Rs. 5,138. The Committee desire that necessary steps should be taken to recover the balance in regular instalments of Rs. 10,000 each as agreed upon. They also trust that such financial irregularities will not recur in future.
- 57 53 do The Committee are surprised and regret to observe that though this case was reported by Audit to the Commission in August, 1961, no proper inquiry has yet been instituted by the Commission. In the meantime, Centre-in-charge had already left service. This indicates a certain amount of indifference on the part of the Commission also. The Committee would like the matter to be thoroughly investigated with a view to fixing responsibility for the various lapses. They would like to be informed of the result.
- 58 54 do. The Committee are of the opinion that the Commission are no doubt at fault in not implementing the orders of the Government of India issued in February 1960, but they cannot help feeling that the Department concerned has also failed in not ensuring that such orders are implemented in time. They hope that such irregularities will not recur.
- 59 55 do. The Committee hope that necessary action has already been taken by the All India Handicrafts Board to implement the above recommendations of the work study group. The Committee would like to be informed of the latest position.

1	2	3	4
60	56	Deptt of Social Security	<p>The Committee cannot understand why it was decided in 1960 to get these exhibits back when the Embassies and Missions abroad had reported in 1957-58 that they had become damaged or unfit for display.</p> <p>Moreover, the Committee understand from Audit that instructions regarding the disposal of remnants had already been issued by the Ministry to the Board in August, 1957 with the following directions.</p> <p>"..... these remnants might be disposed of by the All India Handicrafts Board to the best advantage of the Government by organising sales through local auctions. For this purpose, a reserve price of 50 per cent of the mark-up prices may be fixed in the first auction. In cases where this fails to effect disposal, the reserve prices may be further reduced to 25 per cent of the original mark-up prices in second auction."</p> <p>The Committee fail to understand why action to dispose of, the remnants was not taken by the Board earlier.</p> <p>The Committee are not convinced that the time taken by Government viz., one year was really necessary to examine the two questions relating to (i) the policy of pricing and disposal and how it was to be done ; and (ii) approval for the temporary staff to be employed for the purpose. The Committee, therefore, feel that had the Government completed the examination within a reasonable time, the whole work would have been finished even before the emergency and a lot of public money saved thereby.</p>
61	57	do.	<p>The Committee find that though the building was given to the National Council of Educational Research on 1-4-1963, no agreement was entered into on the question of rent even in January, 1965. The Committee feel that the question of rent should have been settled before the building was given to the N.C.E.R.</p>

- 62 58 do. The Committee are perplexed to know that though the proposal to give statutory status to the Board had been agreed to by the Ministry of Education, this could not be implemented by the Deptt. of Social Security when the Board was placed under that Department.
- The Committee are further surprised to learn that even the Ministry of Law who were consulted had not raised any legal difficulty in giving money to the Central Social Welfare Board which has no separate juridical personality. The Committee, however, reiterate their earlier recommendation contained in para 37 of the 19th Report (Third Lok Sabha) and desire that the Board which was set up more than a decade before, should be placed on a statutory footing without further delay.
- 63 59 do. The Committee feel that before the two new jeeps were purchased, the Board should have examined the possibility of the conversion of the two old jeeps into mobile vans.
- 64 60 do. The Committee regret to note that there was great delay in the completion of the buildings in various Project Centres and even where the buildings were completed, their actual cost of construction was not available with the Board. They, therefore, recommend that urgent steps should be taken for the expeditious completion of the remaining buildings and the actual cost of construction of the buildings already constructed should also be ascertained without further delay so as to ensure that the grants given had been fully utilised.

