

PUBLIC ACCOUNTS COMMITTEE (1966-67)

FIFTY-SIXTH REPORT

(THIRD LOK SABHA)

**[Government's reply to paragraphs 439 to 452 of
their 50th Report (Third Lok Sabha) in so
far as they refer to the then Secretary
of the Department of Iron & Steel]**

Part 1



**LOK SABHA SECRETARIAT
NEW DELHI**

August, 1966

Sravana, 1888 (Saka)

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CORRIGENDA TO FIFTY-SIXTH REPORT OF P.A.C. (1966-67)
PRESENTED TO LOK SABHA ON 23.8.1966,

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*Under print. (One cycli-styled copy laid on the Table of the House.)

**Not printed. (One cycli-styled copy laid on the Table of the House and five copies placed in the Parliament Library.)

**PUBLIC ACCOUNTS COMMITTEE
(1966-67)**

CHAIRMAN

Shri R. R. Morarka

MEMBERS

2. Sardar Buta Singh
3. Shri B. L. Chandak
4. Shri Ram Dhani Das
5. Shri Shivajirao S. Deshmukh
6. Shri Cherian J. Kappen
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15. Shri U. M. Trivedi
16. Shrimati Devaki Gopidas
17. Shri P. K. Kumaran
18. Shri Om Mehta
19. Shri Gaure Murahari
20. Shri M. C. Shah
21. Shri B. K. P. Sinha
22. Col. B. H. Zaidi

SECRETARIAT

Shri N. N. Mallya—Joint Secretary.

Shri H. N. Trivedi—Deputy Secretary.

Shri R. M. Bhargava—Under Secretary.

INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee do present on their behalf the Fifty-Sixth Report on the Government's reply to paragraphs 4.39 to 4.52 of their 50th Report (Third Lok Sabha) in so far as they refer to the then Secretary of the Department of Iron & Steel, pursuant to the following motion adopted by Lok Sabha on 2nd August, 1966:

"That this House, in the light of the statement made by the Chairman of Public Accounts Committee on 28th July, 1966, in Lok Sabha, directs the Public Accounts Committee to consider Government's reply to paragraphs 4.39 to 4.52 of their 50th Report (Third Lok Sabha) in so far as they refer to the then Secretary of the Deptt. of Iron & Steel and submit its report to Lok Sabha within 21 days."

2. The Committee examined the Secretary, Ministry of Iron & Steel and other officers brought by him at their sitting held on the 18th August, 1966. The Appendices to the Report form part of the Report (Part II*). The minutes of this sitting also form part of the Report (Part III**).

3. The Committee considered and finalised the Report at their sitting held on the 22nd August, 1966.

4. The Committee feel that in view of the limited time available to them, it has not been possible for them to examine all the additional material furnished to them in full detail, nor did they have the benefit of the evidence of any of the concerned officers except some clarification from the Deputy Iron & Steel Controller who still continues to hold that post. In view of these circumstances, the Committee have recommended in para 2.30 of this Report that the additional points and documents, now furnished to the Committee in connection with this Motion in the House, may also be examined by the Committee of Enquiry proposed to be set up by Government.

*Under print. (One cyclostyled copy laid on the Table of the House.)

**Not printed. (One cyclostyled copy laid on the Table of the House and five copies placed in the Parliament Library.)

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

6. The Committee place on record their appreciation of the assistance rendered to them in their examination by the Comptroller and Auditor General of India.

They would also like to express their thanks to the representatives of the Ministry of Iron & Steel, of the Iron and Steel Control and of the H.S.L. for co-operation extended by them in giving information to the Committee during the course of evidence.

NEW DELHI;
August 22, 1966.
Sravana 31, 1888 (Saka)

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

CHAPTER I

Introductory

In Chapter IV of their Fiftieth Report (Third Lok Sabha), presented to Parliament on 26th April, 1966, the Public Accounts Committee had commented upon certain barter deals dealt with by the Iron & Steel Controller. In paras 4.39 to 4.52 (reproduced at Appendix I) of this Report, the Public Accounts Committee dealt with a case in which pre-imports had been allowed by the office of the Iron & Steel Controller without even ensuring that the firm in question had a contract with H.S.L.

1.2. The comments of the Ministry of Iron & Steel on the recommendations contained in Chapter IV of their 50th Report (Third Lok Sabha), were received on the 19th July, 1966. The relevant portions of the replies from Government pertaining to paras 4.39 to 4.52 of 50th Report are given at Appendix II.

1.3. On 28th July, 1966 in reply to a question asked by an honourable member in Lok Sabha, the Chairman, Public Accounts Committee made a statement regarding the receipt and examination of the comments of the Government on Chapter IV of the 50th Report of the P.A.C. (Third Lok Sabha). A copy of this statement is at Appendix III.

1.4. On the 2nd August, 1966 the House adopted the following motion:

"That this House, in the light of the statement made by the Chairman of Public Accounts Committee on 28th July, 1966, in Lok Sabha, directs the Public Accounts Committee to consider Government's reply to Paragraphs 4.39 to 4.52 of their 50th Report (Third Lok Sabha) in so far as they refer to the then Secretary of the Department of Iron & Steel and submit its report to Lok Sabha within 21 days."

1.5. In pursuance of the above motion, the Committee called for a detailed and exhaustive note each from (i) the Ministry of Iron & Steel (ii) Iron and Steel Controller and (iii) the Chairman, Hindustan Steel Limited, giving all aspects of this case, supported by necessary documents, copies of the relevant correspondence, notings on the files and any other relevant material. The replies re-

ceived from the Ministry of Iron & Steel and the Iron and Steel Controller are at Appendices IV and V respectively. As the material furnished by the H.S.L. is voluminous, only the selected portions thereof referred to in this report are reproduced in Appendix VI.

1.6. A communication was also addressed to the Secretary, Ministry of Iron and Steel to the effect that he might enquire from Shri S. Bhoothalingam, former Secretary, Department of Iron & Steel (at present Economic Secretary, Ministry of Finance), if he desired to submit any memorandum to the Committee in this connection. Copies of the correspondence between the Secretary, Ministry of Iron and Steel and Shri S. Bhoothalingam are given in Appendix VII.

1.7. The Committee recorded the evidence of the Secretary, Ministry of Iron and Steel and other officers brought by him on 18th August, 1966.

1.8. The Secretary, Ministry of Iron and Steel had been informed in advance that those officers whose evidence might be considered necessary by the Ministry might be brought to the meeting of this Committee. The Committee asked the Secretary if he had ascertained from Shri S. Bhoothalingam, former Secretary, Deptt. of Iron & Steel, whether he wanted to appear before the Committee. The Secretary stated that he had not formally ascertained this from Shri S. Bhoothalingam. He added that they had regarded this examination by the Committee as a normal Public Accounts Committee enquiry where only the officers for the time being in position gave evidence. At this, the Committee pointed out to the witness that this was a special reference made to the Committee by the House. The directive of the House was to examine the Government reply in so far as it referred to the then Secretary of the Ministry. It was, therefore, a little more than a normal enquiry. The Committee also drew attention of the witness to the following statement made in Rajya Sabha on 19th May, 1966 by the Finance Minister:

“.....He (Shri Bhoothalingam) was not himself examined by the Public Accounts Committee. Some other people were examined. He was not given an opportunity to say what he had to say in his own defence.....”

1.9. In this connection, the Committee can do no better than to quote the following remarks of Shri S. Bhoothalingam in his D.O.

letter No. 1610-SSEA/66, dated 9th August, 1966 (Appendix VII).

"To begin with, I should like to express my thanks to the Chairman of the Public Accounts Committee for indicating that I could place before the Committee a memorandum, if I wished to, in this connection. My thanks are all the more since I am aware that the Committee usually proceeds on the basis of audit paragraphs provided by the Comptroller and Auditor General and has discussions at its sittings with the Secretary *pro tempore* as the authorised representative of the concerned Ministry—and not the officer who at the time of occurrence of the transaction in question functioned as Secretary—who explains the viewpoint of Government in respect of the matter concerned. That the PAC made in its Fiftieth Report (paras 4.39 to 4.52) certain observations about an event that took place when I was Secretary of that Department and that these were based on the views offered not by me but my successor in office was something that I had regarded as quite in the normal course. I say this to indicate my full recognition that it is the kindness of the Chairman of the Public Accounts Committee (rather than any necessity) that has led to your question whether I want to place any memorandum before the Committee."

1.10. The Committee also note that Shri S. Bhoothalingam has further stated in his above letter that the Government have put the matter in the proper perspective and that he had nothing further to say on the contents of para 32 of the Government's reply to Public Accounts Committee.

CHAPTER II

Paras 4.39 to 4.46 of the 50th Report of P.A.C. contain summary of evidence and paras 4.47 to 4.50 do not contain observations/recommendations about the then Secretary of the Ministry of Iron & Steel. It is only para 4.51 which directly deals with the lapse on the part of the then Secretary. (Para 4.52 recommends an inquiry into the lapse for fixing responsibility.) The Committee, therefore, propose to deal with para 4.51 in detail.

2.2 In Para 4.51 the Committee observed as under:—

"Though the then Secretary of the Ministry came to know about this mistake, he simply acquiesced in it and had not a single word to say about it and even did not keep a record of the discussion he had with the officers at Dum Dum Airport. On the other hand he could not restrain himself from commenting against an observation of the Chairman, H.S.L. who wanted to be straightforward and firm. Such an attitude of the then Secretary of the Ministry could not be free from public criticism. The Sub-committee feel that there was a positive failure on the part of the Department of Iron and Steel to enquire into this lapse.

2.3. The following broad points emerge from the above observations:—

- (1) That though the then Secretary of the Ministry came to know about this mistake, he simply acquiesced in it and had not a single word to say about it.
- (2) That he did not even keep a record of the discussion he had with the officers at Dum Dum Airport.
- (3) That he could not restrain himself from commenting against an observation of the Chairman, H.S.L. who wanted to be straightforward and firm.
- (4) That such an attitude of the then Secretary of the Ministry could not be free from public criticism, and
- (5) That there was a positive failure on the part of the Department of Iron and Steel to enquire into this lapse.

The above points are examined in subsequent paragraphs.

(i) Record of discussions not kept

•2.4. The Committee asked the Secretary Iron and Steel as to when this mistake or irregularity of issuing import licences of about Rs. 101 lakhs without ensuring a contract with the H.S.L. came to the notice of the then Secretary. The witness stated that from the material that was available to them they were of the view that the then Secretary (Shri Bhoothalingam) came to know of this on 13th November, 1960. There was, however, a record of a note of a conversation on 2nd November, 1960 or so. But so far as they had been able to check up from the Ministry's records, there was no note kept of the conversation of 2nd November, 1960. The Committee pointed out that in the Ministry there was no record of the discussion of the 13th November, 1960 which the then Secretary had with the Iron & Steel Controller and Chairman, H.S.L. at Dum Dum Airport. The Secretary stated that the discussion at the airport was followed immediately i.e., the next day on 14th November, 1960 by a letter from the Iron & Steel Controller to the Chairman H.S.L. and a copy was also endorsed to the then Secretary. The Committee asked if that letter of 14th November, 1960 could be regarded as a proper record of the discussion in so far as that letter mentioned many things and one of them was this interview with the Secretary. They further enquired if that was the proper way of keeping record of the interview, the Secretary replied "It is not a common record of interview." He also stated that it did not appear to be a formal meeting at which the minutes would be recorded. The Committee pointed out that the question was not whether the meeting was formal or not, but whether any record of this meeting was kept. The witness stated "In the sense you seem to think of the record, no record was kept."

2.5. The Committee regret to note that no proper record of the discussion which took place at Dum Dum Airport on 13th November, 1960 between the then Secretary Iron and Steel, the then Iron and Steel Controller and the then Chairman, H.S.L. was kept either in the Ministry or in the Office of the Iron and Steel Controller. The letter dated 14th November, 1960 cannot be regarded as a record of the discussion which took place.

2.6. The Committee drew attention of the witness to the following note dated 17th November, 1960 recorded by the Deputy Iron and Steel Controller:

"This matter was discussed by the Controller with Secretary on 2nd November, 1960 at New Delhi. Shri K. N.

Subbaraman of Hindustan Steel was also present. The circumstances under which the import licence was issued to M/s Ram Krishan Kulwant Rai against 15 per cent Bank Gurantee before they had finalized the export deal with Hindustan Steel was explained. Secretary felt that there was no reason why Hindustan Steel should not agree to sell the requisite quantity of slabs required by the firm for earning the foreign exchange spent on the import of steel. It was also explained to the Secretary that the firm was willing to take slabs and ingots available in stock at Rourkela irrespective of the specification and analysis—of this material. As Rourkela had large stocks of slabs and ingots which do not conform to any standard specification. Secretary felt that they should welcome the proposal of the firm to accept materials from stock. He asked Shri Subbaraman to issue immediate instructions to Hindustan Steel's Calcutta Office to finalise the barter deal which was initiated by the Iron and Steel Controller as far back as March, 1960. Secretary also desired that a suitable letter should be addressed to the Head Office of Hindustan Steel to give necessary instructions to their Calcutta Office for making all out effort to sell the unwanted stocks of slabs and ingots at Rourkela on barter basis if cash sales were not possible.

On 13th November, again this matter was mentioned by Secretary to Shri Srinagesh, Chairman, Hindustan Steel and Controller also discussed the matter with Shri Srinagesh in detail on the same day. The circumstances leading to the sanction to the barter deal by Iron and Steel Control and import of steel materials by the firm was explained to Shri Srinagesh and he agreed to take up the matter immediately on his return to Headquarters. In confirmation of this discussion the letter to Shri Srinagesh at Sl. No. 79 was issued with copy to Secretary."

2.7. The Committee also invited the attention of the witness to the following remarks of the Ministry about this note:

"However, there is some difficulty in evaluating the import of this note, the date of signature appears to have been altered and the sheet in the file appears to be not quite in sequence."

They asked the Secretary if he had any idea whether this note was correct or incorrect and whether he had verified its veracity from any of the concerned officers viz. Shri Subbaraman of H.S.L., or the then Iron and Steel Controller or the Dy. Iron and Steel Controller, or the then Secretary, Department of Iron and Steel. The Secretary replied that he had not enquired from any of these officers. Asked how in the absence of such an enquiry the Ministry expressed doubts about the veracity of this note, the Secretary stated "we have only said that the date appears to have been altered. The typing appears to be 1st December, 1960 and it is changed to 17th November, 1960."

2.8. The Committee enquired if the then Iron and Steel Controller was in Delhi on 2nd November, 1960. The Secretary stated that the then Iron and Steel Controller was in Delhi from 1st November, to 3rd November, 1960 as was evident from his T.A. bill.

2.9. The Committee asked the Deputy Iron and Steel Controller who had recorded the note, to explain the change of date from 1st December, 1960 to 17th November, 1960. The Deputy Iron and Steel Controller stated that his recollection was that on 2nd November, 1960 when this discussion took place in Delhi, he was also here. The meeting took place in the room of the then Secretary in Udyog Bhavan. He was called in at a later stage. He was not present at the Dum Dum Airport meeting. He, however, added that when the letter of 14th November, 1960 was issued, the then Iron and Steel Controller asked him to keep "a record of all these things". As such he recorded this note. By the time he recorded this note he thought it was December. In order to place note somewhere near the place where serial No. 79 (the letter of 14th November, 1960) had been docketed, he changed the date so that the correct sequence could more or less be maintained. He added that the change in date was not a material thing and if he had wanted, he could have re-typed the whole thing.

2.10. The Committee asked the Secretary whether it was on 2nd November, or 13th November, 1960 that the then Secretary first came to know of this irregularity and how it was brought to his notice. The Secretary, Ministry of Iron & Steel stated that there was no evidence on the file except the letter dated 14th November, 1960 written by the then Iron and Steel Controller to then Chairman, H.S.L.

2.11. From this note and evidence of the Deputy Iron and Steel Controller, the Committee are convinced that the mistake of issuing the import-licences of more than a crore of rupees irregularly, was brought to the notice of the then Secretary earlier than on 13th

November, 1960 namely on 2nd November, 1960 at New Delhi. The Committee regret that no record of this fact was kept in the Ministry, nor was it brought to the notice of the Committee in March, 1960 when this question was discussed in detail.

Acquiescence in the mistake

2.12. The Committee enquired whether there was anything on record to controvert the observation of the Committee that though the then Secretary of the Ministry came to know about this mistake, he simply acquiesced in it. The witness stated: "I am not in a position to add to what the Government have already replied." He drew the attention to the following extracts from the reply of the Government:

"As far as disciplinary action is concerned against persons responsible, after the mistake in the Iron and Steel Controller's office Government feel that in the absence of any specific question or consultation thereon by the Iron and Steel Controller, the then Secretary would have had no reason not to believe or accept that the matter would be pursued in the normal manner by the officers concerned."

2.13. The Committee find it difficult to accept his contention of Government and feel that in view of the magnitude of this mistake, the then Secretary should have initiated some action in the matter.

2.14. The Secretary, further stated that the explanation of the Government was that the then Secretary was more concerned with seeing through the exports. In this connection, the Committee would like to point out that no exports, whatsoever, have been effected against this barter deal till now (August, 1966). Thus the efforts of the then Secretary, for "seeing through the exports, proved futile.

2.15. To a specific question asked by the Committee as to whether the then Secretary protested when this mistake came to his notice, the witness replied: "There is no record." Asked further if the then Secretary proposed any disciplinary action when the mistake came to his notice, the witness replied "I do not know."

2.16. The Committee asked the Deputy Iron and Steel Controller as to what was the discussion that was going on when he was called in on 2nd November, 1960 in the then Secretary's room, the witness stated "Whatever I have recorded, Sir, this was the gist of

the discussion." The Committee further enquired as to what was the reaction of the then Secretary when this mistake was brought to his notice, he stated "I think he was annoyed. He did tell me 'that we should be more careful and all this. That is all I remember'..... Asked if he said anything to the then Secretary when he was annoyed, he replied "I kept quiet." The Deputy Iron and Steel Controller was further asked if any action was taken as a result of the discussion on 2nd November, 1960, he stated "This was followed by the letter of 14th November, 1960. He explained that by the time, he returned to Calcutta, the second discussion at Dum Dum Airport had taken place.

Failure to enquire into the lapse

2.17. The Committee enquired from the witness if the then Secretary asked the Iron and Steel Controller either on 2nd November or 13th November, 1960 whether there was any lacuna in the procedure of issuing import licences in the office of the Iron and Steel Controller and or whether this mistake was *bona-fide* or *malafide*. They also asked the witness if there was any enquiry of any type made in this case, the Secretary stated "No, there is no record of such enquiry." Asked further if in his knowledge there was any enquiry, he said "Apparently there has been none." Asked further if he thought that in cases like those involving about a crore of rupees, there should have been an enquiry, the Secretary stated "This is a matter of opinion." He added that in this case the officer concerned took the responsibility and confessed that it had been a lapse on his part. There was a lapse and that was why it appeared that the matter was not pursued further. Asked if the then Secretary was satisfied with the explanation of the defaulting officer, the witness stated "There is no record." On being asked as to whether according to him the then Secretary believed that it was a genuine mistake and, therefore, no enquiry was necessary, he stated "I have no information." He added that the view that seemed to have been taken was that there would be no actual loss if the export took place.

2.18. The Committee observe that this case was brought to the notice of the then Secretary on 2nd November, 1960. The Committee find that when this mistake came to the notice of the then Secretary, he did not initiate any action to find out (a) whether there was any lacuna in the procedure of issuing import licences, (b) whether the mistake in this case was *bona-fide* or *malafide*, and (c) whether the Iron and Steel Controller had taken preventive measures. In view of this the Committee have no reasons to modify

their earlier observations that the then Secretary simply acquiesced in this mistake and that there was a positive failure on the part of the Department of Iron and Steel to enquire into this lapse.

Comments of the then Secretary on the remarks of Chairman H.S.L.

2.19. With regard to the remarks of the Chairman, H.S.L. in his letter dated 26th November, 1960 (vide Annexure II to Appendix I) that "....offering material for export to this party at this stage could result in considerable criticism" the Government offered *inter alia* the following comments in their reply dated 19th July, 1966 to the Committee:

"..... A reading of the letter of Chairman, Hindustan Steel Ltd., dated 26th November, 1960 when taken in its proper context, shows that the point at issue was different. In this letter, Chairman points out that offering materials for export to this party, M/s. Ram Krishan Kulwant Rai, at this stage could result in considerable criticism. But it is obvious that this remark was made not with reference to the conduct of past antecedents of this particular party but on account of the fact that the Chairman envisaged at that time that Hindustan Steel would be able to sell on a cash basis some of these steel products and it was from the point of view of its commercial possibility that the Chairman felt that there would be criticism if it was offered now to this particular party as part of a barter deal. In fact the Chairman himself prior to writing this letter had made a note in his office file and referred the question to his staff.....

.....It was evidently following this consultation with his staff that the Chairman had mentioned in his letter that materials lying in stock at the Plant may be sold by them on a cash basis. This point was specially controverted by the Iron & Steel Controller in his reply dated January 13, 1961.....

The Chairman, Hindustan Steel Ltd., apparently agreed with this argument advanced by the Iron & Steel Controller since there is no evidence that he wrote back to the Iron & Steel Controller or the Government questioning their validity....."

2.20. During evidence the Committee drew the attention of the witness to the aforesaid remarks of Chairman, H.S.L. and to the following remarks of the then Secretary that "it is the rejection of this proposal by H.S.L. which will attract criticism", which he recorded on the D.O. letter dated 13th January, 1961 from the then

Iron & Steel Controller to the then Chairman, H.S.L. and copy to him. The Committee desired to know if before recording the above remarks, the then Secretary discussed with Hindustan Steel why they thought that this agreement would involve considerable criticism. The Secretary, Ministry of Iron & Steel stated "this letter seems to have been received on 18th January 1961 in Delhi. On the same day this remark had been written. So there could not be any opportunity for discussion with anybody." The witness also added that the remarks of the Chairman, H.S.L. about the considerable criticism were not with reference to the conduct or the past antecedents of the particular party, but on account of the fact that the Chairman envisaged at that time that the Hindustan Steel would be ready to sell on cash basis some of these steel products and it was from the point of view of this commercial possibility that the Chairman felt that there would be criticism if it was offered now to this party as part of a barter deal. Thereupon the Committee drew attention of the witness to the following four reasons which the management of the Hindustan Steel Ltd., had in their mind; (as indicated by them in their written replies), while issuing the letter dated 26th November, 1960:

- (a) The non-existence of contracts with Ram Krishan Kulwant Rai;
- (b) their own inability to supply material;
- (c) advantage of using the materials themselves; and
- (d) the advantages of cash sale.

2.21. The Committee also drew the attention of the witness to the following extracts of the notings (Appendix VI) in the file of H.S.L. on the basis of which the letter of 26th November, 1960 was issued:

" . . . In the circumstances in the normal course there is no case for us to accept a barter deal at this stage for 25,000 tons of slabs/ingots for M/s. Ram Krishan Kulwant Rai.

Shri Bam's statement that the Iron and Steel Control did not check up the position and an import licence was issued to the firm, is extremely serious. It is a grave omission on the part of steel control. The point, therefore, I would like to emphasise is that a situation has been created whereby there is no provision for export against import, primarily due to the negligence of the Iron and Steel Control Organisation.

Shri Bam has also stated that he is not aware of the reasons of inability of H.S.L. to supply the requisite quantity of slabs/ingots to this party. This is very surprising since Shri Bam has been present at all the liaison committee meetings where the representative of the Rourkela has repeatedly pointed out various teething troubles the project has had to go through as mentioned above . . .

On the general question of disposal of slabs/ingots we have got cash offers and we can continue to get cash offers. Barter deals are always artificial transactions and we have found that they create more complications for us and we get into difficulty with customers also. Often we are totally at the mercy of customers in regard to extension of delivery terms, etc. It is also well-known that the barter business, particularly of exports and imports of iron and steel is not exactly a straightforward business in this country . . .

However, in this particular case we may offer the slabs lying in stock at Rourkela irrespective of analysis and sizes and other dimensional tolerances to Ram Krishan Kulwant Rai as a barter deal as requested by the Iron and Steel Controller, on the clear understanding that this is being done principally to honour a commitment made by the Steel Control and not because we wish to do so.".

2.22. In view of the above the Committee pointed out that the Hindustan Steel Ltd. did not look upon this barter deal with favour. The Secretary stated that this was the view of one of the Officers. That seems to have been discussed later and H.S.L. issued the letter on 26th November, 1960 to the Iron and Steel Controller, offering material for this deal. The Committee, however, pointed out that this view of the officer, was not questioned by any officer, including Chairman, H.S.L.

2.23. The Committee feel that on receipt the letter dated 29th November, 1960 from the then Iron and Steel Controller with which copy of the D.O. letter dated 26th November, 1960 from Chairman, H.S.L. (to Shri Bam) was forwarded, the then Secretary should have enquired from the Chairman, H.S.L. about the reasons which compelled the Chairman, H.S.L. to state that offering materials to this party at this stage could result in considerable criticism. This becomes all the more necessary in view of the fact that the Chairman, H.S.L. made these remarks after the then Secretary had discussed this case personally with him on 13th November, 1960 at Dum

Dum Airport. The remarks of the then Secretary that it is a rejection of this offer by H.S.L. which would attract criticism, become ex parte and lack full justification.

2.24. The Committee also find from the note of the Deputy Iron and Steel Controller dated 26th October, 1960 that apart from the question of M/s. Ram Krishan Kulwant Rai, getting exportable material from H.S.L. by mutual agreement, he had suggested that following other alternatives:

- (1) that they could forfeit the Bank Guarantee for the failure to export materials for whatever reasons there might be;
- (2) that they could adjust the foreign exchange spent by the firm against other barter deals and other import licences issued to that firm as an established importer; and
- (3) that could blacklist the firm for the failure to export.

2.25. The Committee asked as to why these alternatives were not explored. The Deputy Iron and Steel Controller stated that simultaneously when he wrote this note, discussions with H.S.L. started and there was a prospect of contract. So these were not pursued.

2.26. The Committee also observed that on 31st August, 1960 the Deputy Iron and Steel Controller had made a noting in his file RKK/32/60 as under:

"I want a complete account of import licences issued to the firm and details of the corresponding export arrangement made by them. Immediately please."

Asked if he got the report, the Deputy Iron and Steel Controller stated that a report in this respect did not come to him finally and he also forgot about it.

2.27. It is significant to point out that if a complete account as asked for by the Deputy Iron and Steel Controller had been made available, the failure of the firm to enter into an export contract with H.S.L. would have come to notice much earlier.

2.28. The Committee feel that these aspects of this case also require looking into.

Conclusion

2.29. The Committee have examined the replies of the Government to paragraphs 4.39 to 4.52 of the 50th Report in so far as they referred to the then Secretary of the Department of Iron and Steel. In view of what has been mentioned in the foregoing paras the Committee feel that the views already expressed by them in para 4.51 of their Fiftieth Report do not require any modification.

2.30. The Committee have since been informed by Government that in terms of the recommendations contained in paragraph 4.167 of the 50th Report of P.A.C., the Government has decided to appoint a committee of Inquiry to look into all those matters contained in it. Government have also indicated that they were prepared to expand the scope of the enquiry in certain directions, if desired. In view of the fact that the Committee are recommending to the Government for a thorough and comprehensive enquiry, in all aspects of the working of the Ministry of Iron and Steel with reference to the parties mentioned in the Report and also other parties to whom large licences permits have been issued from 1951-52 onwards, they desire that all the additional points and documents, now furnished to the Committee, in connection with this motion in the House, may also be examined by the same Committee of Enquiry.

NEW DELHI;
August 22, 1966.
Sravana 31, 1888 (S).

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

APPENDIX A
Summary of main conclusions/Recommendations

S. No.	Para No. of Report	Ministry/Dept. concerned	Conclusions R-commendations
1	2	3	4
1	1 10	Iron & Steel	<p>The Committee also note that Shri S. Bhothalingam has further stated in his letter that the Government have put the matter in the proper perspective and that he had nothing further to say on the contents of para 32 of the Government's reply to Public Accounts Committee.</p>
2	2 5	Do.	<p>The Committee regret to note that no proper record of the discussion which took place at Dum Dum Airport on 13th November, 1960 between the then Secretary Iron & Steel, the then Iron and Steel Controller and the then Chairman, H.S.L. was kept either in the Ministry or in the Office of the Iron and Steel Controller. The letter dated 14th November 1960, cannot be regarded as a record of the discussion which took place.</p>

1	2	3	4
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3 2.11 Iron & steel From this note and evidence of the Deputy Iron & Steel Controller, the Committee are convinced that the mistake of issuing the import-licences of more than a crore of ruppes irregularly, was brought to the notice of the then Secretary earlier than on 13th November 1960 namely on 2nd November, 1960 at New Delhi. The Committee regret that no record of this fact was kept in the Ministry, nor was it brought to the notice of the Committee in March, 1960 when this question was discussed in detail.

4 2.13 Do. The Committee find it difficult to accept this contention of Government and feel that in view of the magnitude of this mistake, the then Secretary should have initiated some action in the matter. 5

5 2.14 Do. In this connection, the Committee would like to point out that no exports, whatsoever, have been effected against this barter deal till now (August, 1966). Thus the efforts of the then Secretary, for "seeing through the exports", proved futile.

6 2.18 Do. The Committee observe that this case was brought to the notice of then Secretary on 2nd November, 1960. The Committee find that when this mistake came to the notice of the then Secretary, he did not initiate any action to find out (a) whether there was any lacuna in the procedure of issuing import licences

in, (b) whether the mistake in this case was bonafide or malafide, and (c) whether the Iron and Steel Controller had taken preventive measures. In view of this the Committee have no reasons to modify their earlier observations that the then Secretary simply acquiesced in this mistake and that there was a positive failure on the part of the Deptt. of Iron and Steel to enquire into this lapse.

7 2 23

Do.

The Committee feel that on receipt the letter dated 29th November, 1960 from the then Iron & Steel Controller with which copy of the D.O. letter dated 26th November, 1960 from Chairman, H.S.L. (to Shri Bam) was forwarded, the then Secretary should have enquired from the Chairman, H.S.L. about the reasons which compelled the Chairman, H.S.L. to state that offering materials to this party at this stage could result in considerable criticism. This becomes all the more necessary in view of the fact that the Chairman, H.S.L. made these remarks after the then Secretary had discussed this case personally with him on 13th November, 1960 at Dum Dum Airport. The remarks of the then Secretary that it is a rejection of this offer by H.S.L. which would attract criticism, become ex parte and lack full justification.

17

8 2 27

Do.

It is significant to point out that if a complete account as asked for by the Deputy Iron & Steel Controller had been made available, the failure of the firm to enter into an export contract with H.S.L. would have come to notice much earlier.

1	2	3	4
9	2.28	Iron & Steel	The Committee feel that these aspects of this case also require looking into.
10	2.29	Do.	The Committee have examined the replies of the Government to paragraphs 4.39 to 4.52 of the 50th Report in so far as they referred to the then Secretary of the Department of Iron & Steel. In view of what has been mentioned in the foregoing paras the Committee feel that the views already expressed by them in para 4.51 of their Fiftieth Report do not require any modification.
11	2.30	Do.	In view of the fact that the Committee are recommending to the Government for a thorough and comprehensive enquiry, in all aspects of the working of the Ministry of Iron & Steel with reference to the parties mentioned in the 50th Report and also other parties to whom large licences/permits have been issued from 1951-52 onwards, they desire that all the additional points & documents, now furnished to the Committee, in connection with this motion in the House, may also be examined by the same Committee of Enquiry.

