

COMMITTEE ON PUBLIC UNDERTAKINGS (1967-68)

FIRST REPORT

(FOURTH LOK SABHA)

**Action taken by Government on the recommendations contained in the Forty-seventh Report of the Estimates Committee
(Third Lok Sabha)**

**EXPORT RISKS INSURANCE CORPORATION LTD.,
BOMBAY (NOW TRANSFORMED INTO EXPORT
CREDIT AND GUARANTEE CORPORATION
[LTD., BOMBAY)**

(Ministry of Commerce)



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**LOK SABHA SECRETARIAT
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COMMITTEE ON PUBLIC UNDERTAKING

(FOURTH LOK SABHA)

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Shri M. M. Mathur—*Under Secretary.*

INTRODUCTION

I, the Chairman, Committee on Public Undertakings, having been authorised by the Committee to submit the Report on their behalf, present this Report on the action taken by Government on the recommendations contained in the Forty-seventh Report of the Estimates Committee (Third Lok Sabha) on Export Risks Insurance Corporation Ltd., (now transformed into Export Credit and Guarantee Corporation Ltd., Bombay).

2. The Forty-seventh Report of the Estimates Committee was presented to the Lok Sabha on the 16th March, 1964. Government furnished their replies indicating the action taken on the recommendations contained in that Report between 31st December, 1965 and 15th September, 1966. As the public undertakings are now to be examined by this Committee, the replies of Government to the recommendations made by the Estimates Committee in the aforesaid Report have been considered by this Committee. The Report was adopted by this Committee on the 26th May, 1967.

3. The Report has been divided into the following two chapters:—

- I. Recommendations that have been accepted by Government.
- II. Recommendations which the Committee do not desire to pursue in view of Government's reply.

4. An analysis of the action taken by Government on the recommendations contained in this Report of the Estimates Committee is given in Appendix. It would be observed therefrom that out of the 41 recommendations made in the Report 90·2 per cent have been accepted by Government and the Committee do not desire to pursue 9·8 per cent of the recommendations in view of the Government's reply.

NEW DELHI;

June 16, 1967.

Jyaishta 26, 1889 (S).

D. N. TIWARY,

Chairman,

Committee on Public Undertakings.

CHAPTER I

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 1)

The Committee do not wholly agree that insurance cover to exporters should be provided on commercial judgement alone. They feel that cases may arise when it would be desirable to give risk guarantee to exporters on ground of national interest. In fact, such a guarantee is given by credit insurers in some other countries. The Export Credit Guarantee Department of U.K., and Export Credit Insurance Corporation of Canada give such guarantees and undertake business on Government account in the 'national interest'. The Committee suggest that Government should adopt a positive policy in this matter and encourage exports in selected cases on grounds of national interest. Apart from above advantages such a step is likely to open new avenues of exports also. (Paragraph 10).

REPLY OF THE GOVERNMENT

Government take note of the recommendation.

[Ministry of Commerce O.M. No. 30(1)/65-ST, dated the 31st December, 1965].

FURTHER INFORMATION DESIRED BY THE COMMITTEE

That Committee on Public Undertakings noted that against practically all the recommendations of the Committee, the Ministry had merely stated 'Government take note of the Committee's recommendations'. They, therefore, desired the Ministry to state clearly what action if any, had been taken on such recommendations. Copies of instructions issued or gist of orders issued in pursuance of the action taken on the recommendation were also desired to be furnished to the Committee.

[L.S.S. O. M. No. 12-PU/63, dated the 10th August, 1966]

FURTHER REPLY OF THE GOVERNMENT

The E.C.G.C. has since started underwriting risks "In national interest" and risks to the tune of Rs. 41 lakhs were underwritten in the year 1965.

[Ministry of Commerce, O.M. No. 30(1)/65-ST, dated the 15th September, 1966]

Recommendation (Serial No. 2)

The Committee appreciate that value of exports insured with the Corporation has risen from Rs. 6·96 crores in 1960 to Rs. 18·11 crores in 1962. Nevertheless, they consider that there is room for considerable improvement in the business of the Corporation. The example of similar organizations in other countries for example, Export Credit Guarantee Department (E.C.G.D.) in U.K., which provided insurance cover to 22 per cent of its export trade in 1962, should serve as a guide for the ERIC to step up its activities. The Committee have no doubt that with the increase in the country's exports and their diversification, the Corporation should be able to insure a very high percentage of the exports. (Paragraph 3).

REPLY OF THE GOVERNMENT

Government take note of the recommendation.

[Ministry of Commerce, U.O. No. 30/1/65-ST, dated the 31st December, 1965].

FURTHER REPLY OF THE GOVERNMENT

The value of shipments covered by the ECGC has registered an increase over the years as will be seen from the fact that from the level of Rs. 18·11 crores in 1962, shipments have risen to Rs. 22·32 crores in 1965. The following table will show the performance of the ECGC as compared to that of similar organisations in Australia and Canada:

Name of Organisation	Year of inception of the country	Exports	Shipments covered in 1965	% age of cover
1. EPIC of Australia	1957	A£1334 mil	A£51 mil	3·8
2. ECIC of Canada	1945	\$ 8784 „	134 „	1·5
3. ECGC of India	1957	Rs. 8075 „	Rs. 223 „	2·8

ECGD of the U.K. is 50 years old and credit insurance is so widely understood in that country that hardly ever does an exporter or a bank offer any credit if the export risks are not covered either by Letters of Credit or ECGD's insurance. Nevertheless it will be the endeavour of the Corporation to emulate the example of the ECGD of the U.K.

[Ministry of Commerce, O.M. No. 30(1)/65-ST, dated the 15th September, 1966]

Recommendation (Serial No. 3)

The Committee feel that the performance of the Corporation in insuring exports to the various countries has been uneven and much remains to be done to augment its insurance coverage. They hope that effective measures would be taken by the Corporation in this regard. In view of the fact that broadening of export market and diversification of exports are of vital necessity to get over the present foreign exchange difficulties, special efforts should be directed to the countries where the ECGC has not been able to make much impression. The Committee hope that the cases of such countries would be constantly reviewed and the possibility of providing cover considered from time to time. (Paragraph 17).

REPLY OF THE GOVERNMENT

Government take note of the recommendation.

[Ministry of Commerce, U.O. No. 30/1/65-ST, dated the 31st December, 1965].

FURTHER REPLY OF THE GOVERNMENT

The ECGC is now able to issue cover on all countries with which India has trade relationship.

[Ministry of Commerce, O.M. No. 30(1)/65-ST, dated the 15th September, 1966]

Recommendation (Serial No. 4)

The Committee recommend that the Corporation should review its procedures and practices with a view to ensure that the closest liaison is maintained with the exporters and the maximum of business is secured. At the same time, it should examine the reasons for the low insurance coverage in respect of a large number of commodities and take corrective measures. It is also imperative that an analytical study is made of the possibilities of export development in respect of each commodity and earnest efforts made to effect good contacts with the exporters of each such commodity as also the various Export Promotion Councils and Commodity Boards. (Paragraph 22).

REPLY OF THE GOVERNMENT

Government take note of the recommendation.

[Ministry of Commerce, U.O. No. 30/1/65-ST, dated the 31st December, 1965].

FURTHER REPLY OF THE GOVERNMENT

The recommendation has been implemented. The Corporation now works in close liaison with the Export Promotion Councils, Com-

modity Boards, etc. An agreement has been reached with the Silk & Rayon Textiles Export Promotion Council for bulk insurance of art-silk exports. The Corporation has approached other Councils also for similar arrangement; and it is hoped that the Export Promotion Councils/Commodity Boards will take full advantage of the facilities offered by ECGC.

[Ministry of Commerce, O.M. No. 30(1)/65-ST, dated the 15th September, 1966]

Recommendation (Serial No. 5)

The Committee feel that there is great scope for increasing the business of the Corporation through 'non-acceptance risks' policy. They cannot overemphasise the need to give this policy wide publicity to make it popular among the exporters. It is realised that the success of this scheme depends to a large extent on the moral probity of the exporter and his anxiety for the fair name of the country rather than earning his profits only. The Committee have no doubt that the provision of such a cover by the Corporation would open greater possibilities of increasing the exports. They hope that the machinery for pre-shipment inspection would be brought into operation without delay and the Corporation would start underwriting such policies. (Paragraph 28).

REPLY OF THE GOVERNMENT

Government take note of the recommendation.

[Ministry of Commerce, U.O. No. 30/1/65-ST, dated the 31st December, 1965].

FURTHER REPLY OF THE GOVERNMENT

An Export Inspection Council has been established and it has its own office with technical officers and staff to deal with all aspects of quality control and pre-shipment inspection of export commodities. A wide range of products has been brought under compulsory quality inspection. The Corporation has now been asked to consider covering "non-acceptance" 'risks' in the case of commodities the export of which is subject to compulsory quality inspection. The Corporation is actively implementing the decision of Government.

[Ministry of Commerce O.M. No. 30(1)/65-ST, dated the 15th September, 1966]

Recommendation (Serial No. 6)

The Committee urge that the question of covering the risk on an intermediary be examined in all its implication and a new type of policy evolved by the Corporation to cover such cases, where possible. (Paragraph 31).

REPLY OF THE GOVERNMENT

Government take note of the recommendation.

[Ministry of Commerce U.O. No. 30/1/65-ST, dated the 31st December, 1965].

FURTHER REPLY OF THE GOVERNMENT

The ECGC has started implementing this suggestion of the Committee. It is, however, felt that no new policy is necessary and within the Framework of the existing standard policies, the risks of the intermediary can be covered.

[Ministry of Commerce O.M. No. 30(1)/65-ST, dated the 14 September, 1966]

Recommendation (Serial No. 7)

The Committee feel that since the experience of the Corporation in the case of policies where exclusion were allowed has not shown any adverse effect on the incidence of claims. It would be worthwhile to undertake the issue of such policies increasingly. They hope that with good publicity such policies would become popular among the exporters. (Paragraph 34).

REPLY OF THE GOVERNMENT

Government take note of the recommendation.

[Ministry of Commerce U.O. No. 30/1/65-ST, dated the 31st December, 1965]

FURTHER REPLY OF THE GOVERNMENT

The ECGC is following a liberal policy in this regard. Hardly any request for exclusion is turned down.

[Ministry of Commerce U.O. No. 30/1/65-ST, dated the 31st December, 1966]

Recommendation (Serial No. 8)

It will be seen from the table that there is a declining trend in the number of specific shipment policies issued as also in the maximum liability undertaken and the risk value covered during the year 1963. The Committee trust that every effort will be made by the Corporation to secure more business on this policy. (Paragraph 40).

REPLY OF THE GOVERNMENT

Government take note of the recommendation and will advise the Corporation suitably.

[Ministry of Commerce, U.O. No. 30/1/65-ST, dated the 31st December, 1965].

FURTHER REPLY OF THE GOVERNMENT

There has since been a steady increase in the number of specific shipment policies as will be seen from the table given below:

	No. of specific Shipment Policies issued	Maximum lia- bility (in lakhs of Rs.)	Risk value (in lakhs of Rs.)
1963	6	27	33
1964	17	76	62
1965	20	73	110

[Ministry of Commerce, O.M. No. 30(1)/65-ST, dated the 15th September, 1966].

Recommendation (Serial No. 9)

The small coverage of the Corporation in issuing the Manufacturer's and Exporter's Credit Insurance Policies indicates that the benefits of these policies have not been adequately publicised by the Corporation or appreciated by the parties concerned. These policies offer considerable scope of increasing the business of the Corporation. It is necessary that close contacts are maintained by the Corporation with Export Promotion Councils, Commodity Boards, Chambers of Commerce, etc., and the advantages of these policies are explained to the exporters so as to enable them to avail of these policies in a larger measure. (Paragraph 44)

REPLY OF THE GOVERNMENT

The Committee's recommendation is noted.

[Ministry of Commerce U.O. No. 30/1/65-ST, dated the 31st December, 1965]

FURTHER REPLY OF THE GOVERNMENT

Despite wide publicity, there has not been much response to these policies. The reason is that the Corporation's financial guarantees take care of the manufacturers'/exporters' need for pre-shipment as well as post-shipment finance. The Corporation is however working in close liaison with the Export Promotion Councils, Commodity Boards etc. vide para 22 of the Report at S. No. 4.

[Ministry of Commerce, O.M. No. 30(1)/65-ST, dated the 15th September, 1966].

Recommendation (Serial Nos. 10-11)

S. No. 10.—It is stated that although enquiries were received from several exporters, no market development policy has been issued by

the Corporation so far. The Committee regret that the Corporation has not been able to canvass any business under this policy which was introduced in 1961. It is significant that the risk involved on the issue of this policy was on Government account. They consider that the Corporation waited for the business to come rather than canvassing it by explaining benefits to the prospective parties. The Committee recommend that the Corporation should make concerted efforts to popularise this policy. (Paragraph 48).

S. No. 11.—The Committee feel that market development plays an important role in the promotion of exports and there is an imperative need to develop new markets and expand the existing ones. A number of other bodies like Export Promotion Councils are doing this work. The Committee consider that the role of the Corporation in offering market development policies may be examined to ensure that there is no duplication and over-lapping of functions. If the need for such policy is felt to supplement the efforts made by other bodies in this direction the scope of the same may be clearly defined. Thereafter the feasibility of allocating a portion of the Market Development Fund to the Corporation may be examined. (Paragraph 51).

REPLY OF THE GOVERNMENT

Government take note of the recommendation. The Corporation is being asked to send proposals to Government for consideration of assistance from the Market Development Fund for reimbursement of any loss arising from the issue of the Market Development Policies.

[Ministry of Commerce U.O. No. 30/1/65-ST, dated the 31st December, 1965]

FURTHER REPLY OF THE GOVERNMENT

A number of Export Promotion Councils have taken up Market Research Work in consultation with the Indian Institute of Foreign Trade. Any action taken by the ECGC independently will be a duplication of the work done by the IIFT. Besides the Corporation can issue market research policies only where the market survey is conducted by an independent expert agency. Enquiries received from the exporters were invariably for market surveys to be conducted by themselves or their own agents, with the result that an objective market analysis is not possible. It is therefore felt that there may not be much need for the Corporation's assistance.

[Ministry of Commerce, O.M. No. 30(1)/65-ST, dated the 15th September, 1966]

Recommendation (Serial No. 12)

The popularity of the Packing Credit Policy as evidenced by the increase in the number of policies from year to year is a pointer to the desirability of taking further steps to make the policy still more attractive. The Committee trust that the Corporation would not only sustain the rate of increase but improve upon it from year to year. They have no doubt that the decision to enhance the Corporation's share of risk from 50 per cent to 66-2/3 per cent would be implemented without any delay. (Paragraph 56).

REPLY OF THE GOVERNMENT

The Committee's observation is noted. The Corporation has now enhanced its share of risk on Packing Credit Policies from 50 per cent to 66-2/3 per cent.

[Ministry of Commerce U.O. No. 30/1/65-ST, dated the 31st December, 1965]

FURTHER REPLY OF THE GOVERNMENT

This recommendation has already been implemented. The popularity of the Packing Credit Guarantee is growing steadily. In the year 1965 advances given to exporters on the basis of this guarantee amounted to Rs. 30.93 crores as against Rs. 17.68 crores in 1964 and Rs. 3.95 crores in 1963. The Corporation's share of risk was raised from 50 per cent to 66-2/3 per cent with effect from 5th November, 1963. A further improvement has been effected in January, 1965 by reducing the premium rate from 10 paise for Rs. 100 for the first and second months and 8 paise for every subsequent month to a flat rate of 7.5 paise per 100 per month. Also a rebate of 20 per cent on this rate of 7.5 paise is allowed to banks who insure all their packing credits.

The waiting period for payment of claims has also been reduced from 6 months to 4 months.

[Ministry of Commerce O.M. No. 30(1)/65-ST, dated the 15th September, 1966]

Recommendation (Serial No. 13)

The Committee appreciate that some types of policies are more popular among exporters than others. They, however, feel that apart from the intrinsic merits of the policies themselves, the art of selling the policies, publicity given to them and the persuasion and persistence of the canvassors count a great deal in increasing their sales. The Committee would urge that special steps should be taken by the Corporation to increase the sale of all types of policies. The

Corporation should also undertake a review of the policies which are not popular so that the drawbacks in them are remedied. It should also keep in touch with the latest types of policies issued by similar organisations in foreign countries with a view to introducing them here. (Paragraph 59).

REPLY OF THE GOVERNMENT

The Committee's observations are noted.

[Ministry of Commerce U.O. No. 30/1/65-ST, dated the 31st December, 1965].

FURTHER REPLY OF THE GOVERNMENT

All the policies are kept under review by the Corporation with a view to improve the terms and conditions. To suit the specific requirements of Indian exporters, ECGC is introducing new guarantees/policies as and when found necessary. An 'Export Production Finance Guarantee' has been introduced recently by the Corporation to help the manufacturers of cotton textiles, garments and yarn to get adequate finance facilities for producing goods for export. The scope of this guarantee has been extended to other commodities.

The ECGC is also evolving another guarantee entitled "Export Performance Guarantee", which is in the nature of a Counter-guarantee to banks. The purpose of this guarantee is to release the exporters' funds blocked with the banks, in the form of deposits against Letters of Credit and bank guarantees.

[Ministry of Commerce O.M. No. 30(1)/65-ST, dated the 15th September, 1966]

Recommendation (Serial No. 14)

The Committee would suggest that the working of the Small Exporters' Policy as in the U.K. may be studied and that feasibility of introducing a similar policy in India be examined. (Paragraph 62).

REPLY OF THE GOVERNMENT

It is felt that the U.K. Small Exporters' Policy permits of buyer-wise exclusions, which might expose the Corporation to undue risks. Government will, however, further examine the matter.

[Ministry of Commerce, U.O. No. 30/1/65-ST, dated the 15th September, 1966]

FURTHER REPLY OF THE GOVERNMENT

The Corporation is consistently making efforts to help small exporters as can be seen from the fact that 95% of the policies

issued in 1965 were for sums of Rs. 5 lakhs and below as compared to 93% in 1963 and 94% in 1964. The Corporation will endeavour to follow the working of the Small Exporters Policy in the U.K. and try to adopt the same to the extent possible without exposing itself to undue risks.

[Ministry of Commerce, O.M. No. 30(1)/65-ST, dated the 15th September, 1966]

Recommendation (Serial No. 15)

The Committee note that 89% of the policies issued in 1962 are for sums below Rs. 5 lakhs. This would indicate that the small exporters are in greater need of the insurance facilities provided by the Corporation. The Committee trust that the Corporation will continue its efforts to provide coverage to small exports in an increasing measure. (Paragraph 64).

REPLY OF THE GOVERNMENT

The observation of the Committee is noted.

[Ministry of Commerce U.O. No. 30/1/65-ST, dated the 31st December, 1965]

Recommendation (Serial No. 16)

The Committee appreciate that the field of export risk insurance is a comparatively new one in this country. It is, therefore, likely to take some time for the exporters to realise the benefits of the insurance facilities provided by the Corporation. Viewed from these aspects, the performance of the Corporation may not appear to be quite discouraging. However, the low percentage of risks covered by the Corporation to total exports from the country clearly indicates that there is a vast scope for increasing its field of operations with a view to boosting the country's export. The Committee trust that the Corporation will make sustained efforts to increase its coverage in the coming years. (Paragraph 67).

REPLY OF THE GOVERNMENT

The observation of the Committee is noted.

[Ministry of Commerce U.O. No. 30(1)/65-ST, dated the 31st December, 1965]

FURTHER REPLY OF THE GOVERNMENT

The Corporation has intensified its efforts to canvass more business. The field organisation and branch offices have been strength-

ened; and closer liaison has been established with Export Promotion Councils, Commodity Boards, Banks, etc. The publicity programme of the Corporation, has also been stepped up.

Of late, the scope of E.C.G.C's. financial guarantees has been widened with a view to enabling exporters to get adequate credit facilities from their banks.

[Ministry of Commerce O.M. No. 30(1)/65-ST, dated the 15th September, 1966]

Recommendation (Serial No. 17)

The Committee feel that the slow progress in the value of post-shipment bank finance availed of by exporters needs to be reviewed carefully. This is especially important in view of the representations that have been made to the Committee that the banks are not fully co-operating in giving credit facilities to exporters on the basis of E.R.I.C's. policies. The Committee urge that the Government should take suitable steps to see that its policies are accepted by banks for giving credits to the exporters. The possibility of giving some negotiability to these policies may also be examined by the Government in this context. It would be necessary that effective contacts and liaison is maintained by the Corporation with the Banks. (Paragraph 69).

REPLY OF THE GOVERNMENT

The observation of the Committee is noted.

[Ministry of Commerce U.O. No. 30/1/65-ST, dated the 31st December, 1965]

FURTHER REPLY OF THE GOVERNMENT

The Corporation has since introduced two post-shipment guarantees, providing unconditional indemnity to banks against risks involved in granting advances to exporters on the basis of export bills. With the help of these guarantees, exporters were able to secure post-shipment finance to the tune of Rs. 0.11 crore in 1964 and Rs. 1.80 crores in 1965.

The standard policies are also being increasingly recognised as good collaterals as can be seen from the fact that, on the basis of E.C.G.C. policies, exporters could get Rs. 5.71 crores in the year 1965 as against Rs. 4.20 crores in 1964. As an incentive to banks, the Corporation has reduced the waiting period for the claims on account of commercial risks from the normal six months to four

months, where the policy-holder has registered an authorisation in favour of the bank.

[Ministry of Commerce O.M. No. 30(1)/65-ST, dated the 15th September, 1966]

Recommendation (Serial No. 18)

The Committee are glad to note from the table in para 74 that the average premium rates of the Corporation are not only comparable but lower than those in many other countries. They welcome the assurance given by the Managing Director that the rates would be rationalised soon. The Committee hope that the revised premium structure would provide additional encouragement to the exporters, particularly to those venturing into new markets. (Paragraph 78)

REPLY OF THE GOVERNMENT

The observation of the Committee is noted.

[Ministry of Commerce U.O. No. 30(1)/65-ST, dated the 31st December, 1965].

FURTHER REPLY OF THE GOVERNMENT

The premium rate of Packing Credit Guarantee has been reduced from 10 paise for the first and second month and 8 paise for every subsequent month to a flat rate of 7.5 paise per Rs. 100/- per month. The Corporation hopes to reduce the rates on other policies also in gradual stages.

[Ministry of Commerce O.M. No. 30(1)/65-ST, dated the 15th December, 1965].

Recommendation (Serial No. 19)

The Committee hope that the question regarding the continuance of the grouping system would be reviewed and an early decision will be taken in this regard. (Paragraph 81).

REPLY OF THE GOVERNMENT

The Government takes note of the recommendation of the Committee.

[Ministry of Commerce U.O. No. 30/1/65-ST, dated the 31st December, 1965]

FURTHER REPLY OF THE GOVERNMENT

The Corporation has since conducted a review of the changes in the 'Commodity' and 'Country' groups from the point of view

of achieving the national objective of export promotion and also the rationalisation of the Premium Schedule. While the Commodity Group has been reduced to 2 from the existing 3 and the country group has been brought down to 5 as against 7 previously existing, the rationalised premium structure has also been brought into effect with effect from 1st September, 1966.

[Ministry of Commerce U.O. No. 30(1)/65-ST, dated the 15th September, 1966].

Recommendation (Serial No. 20)

The Committee are glad to learn that a system of rebate has been introduced by the Corporation. The provision of such incentives to the insured is obviously desirable as they encourage exporters to give more business and on a long term basis. Moreover, the insured also feel that the Corporation is genuinely interested in the policy-holders. The Committee trust that the encouraging results already shown by the rebate system would be reflected in further increase of business. (Paragraph 84).

REPLY OF THE GOVERNMENT

The observation of the Committee is noted.

[Ministry of Commerce U.O. No. 30/1/65-ST, dated, the 31st December, 1965]

FURTHER REPLY OF THE GOVERNMENT

The rebate system is being continued with advantage; and the Corporation's business turnover has improved by strides.

[Ministry of Commerce O.M. No. 30(1)/65-ST, dated, the 15th September, 1966]

Recommendation (Serial No. 21)

The Committee welcome the proposal to introduce the system of giving no claim bonus which would serve as a further incentive to the exporters to insure their goods. (Paragraph 86).

REPLY OF THE GOVERNMENT

The observation of the Committee is noted.

[Ministry of Commerce U.O. No. 30/1/65-ST, dated the 31st December, 1965]

FURTHER REPLY OF THE GOVERNMENT

It has not been possible to introduce the system of 'no claim bonus' for the reason that the Corporation's income and expenditure did

not break even in the year 1963. But as the Corporation is now in a comfortable position the matter is under active consideration.

[Ministry of Commerce O.M. No. 30(1)/65-ST, dated the 15th September, 1966].

Recommendation (Serial No. 22)

Credit reports about buyers in foreign countries form the bedrock of the whole system of Export Risks Insurance. Utmost care should, therefore, be taken to collect this information and to build the library of records which should be periodically reviewed and kept up-to-date in the light of current information available from various sources. It will not always be possible or practicable for the Corporation to send its own representatives overseas to make personal contacts to collect this information. It is, therefore, imperative that reports should be received from reliable channels and shifted and analysed carefully. Cases where incorrect information has been received, should be brought to the notice of the supplying agency so that they are more careful in future. (Paragraph 91).

REPLY OF THE GOVERNMENT

Government takes note of the recommendation of the Committee. It may, however, be pointed out that as claims emanate from credit limits, they should be related not to the policies issued but to the number of credit limits approved. The Corporation has fixed since its inception about 27,000 credit limits. As against this the number of claims paid was only 114 or 0.42% and not 6.5 per cent as observed by the Committee in paragraph 90 of the Report.

[Ministry of Commerce U.O. No. 30/1/65-ST, dated the 31st December, 1965]

FURTHER REPLY OF THE GOVERNMENT

The Corporation is following the recommendation of the Committee.

[Ministry of Commerce O.M. No. 30(1)/65-ST, dated the 15th September, 1966].

Recommendation (Serial No. 23)

The Committee suggest that the question of reducing the period for payment of claims in the case of political risks from 6 to 4 months as has been done in U. K. may be examined at an early date. (Paragraph 94).

REPLY OF THE GOVERNMENT

Government takes note of the recommendation of the Committee.

[Ministry of Commerce U.O. No. 30/1/65-ST, dated the 31st December, 1965].

FURTHER REPLY OF THE GOVERNMENT

This recommendation of the Committee has been implemented by the ECGC with effect from January, 1964.

[Ministry of Commerce O.M. No. 30(1)/65-ST, dated the 15th September, 1966]

Recommendation (Serial No. 24)

The Committee recommend that the Corporation should build up and analyse the case histories of the claims that have been paid so far with a view to drawing valuable lessons for future guidance. In the insurance business it is of paramount importance that the losses arising out of payment of claims are kept to the minimum so that the Corporation is not faced with a situation where its income from premium receipts may not be sufficient to meet them. (Paragraph 97).

REPLY OF THE GOVERNMENT

Government takes note of the recommendation of the Committee.

[Ministry of Commerce U.O. No. 30/1/65-ST, dated the 31st December, 1965]

FURTHER REPLY OF THE GOVERNMENT

The Corporation is regularly analysing the case histories of claims and its experience. In fact, claims experience is one of the factors which determine the underwriting policy.

The recommendation of the Committee regarding claims *vis-a-vis* premium income has been noted. It may be added that the total premium receipts since the inception of ECGC has more than met the net claims and other costs.

[Ministry of Commerce O.M. No. 30(1)/65-ST, dated the 15th September, 1966]

Recommendation (Serial No. 27)

The Committee urge that every effort should be made by the Corporation to build up adequate reserves in the coming years.

This is possible only by a substantial increase in the business as also by regulating the premium rates suitably. The earnings of the Corporation should be such as would enable it not only to meet its current expenditure on administration and payment of claims etc., but to build up adequate reserve to meet unforeseen situations. (Paragraph 103).

REPLY OF THE GOVERNMENT

The observations of the Committee are noted.

[Ministry of Commerce U.O. No. 30/1/65-ST, dated the 31st December, 1965]

FURTHER REPLY OF THE GOVERNMENT

The business of the Corporation has risen impressively; and it has been possible to build a comfortable reserve which is of the order of Rs. 21.93 lakhs. The progress of reserves is reflected in the table below:

Date	Total Reserves (In Rs.)
31-12-1963	9,03,177
31-12-1964	14,24,124
31-12-1965	21,93,315

[Ministry of Commerce O.M. No. 30(1)/65-ST, dated the 15th September, 1966]

Recommendation (Serial No. 29)

The Committee consider that the poor performance of the Calcutta Branch is mainly due to the organisational weakness of the Corporation. It is regrettable that to solicit business from a centre like Calcutta which accounts for 43% of the total exports the Country there is only one Branch Secretary, one Inspector and four brokers. The Committee would like to emphasise that there is an urgent need to reorganise the activities of the Corporation in this region. As regards exports of traditional items from Calcutta port, they have no doubt that with the growing competition in world markets to offer goods on credit terms and the development of new markets for the Country's exports, the exporters of these items also will eventually recognise the utility of export risks insurance. The Committee suggest that steps may be taken to strengthen the field organisation of the Corporation, intensify its publicity programmes and

establish greater contacts with the Export Promotion Councils, Commodity Boards etc. in this region. (Paragraph 118).

REPLY OF THE GOVERNMENT

The observation of the Committee is noted.

[Ministry of Commerce U.O. No. 30/1/65-ST, dated the 31st December, 1965]

FURTHER REPLY OF THE GOVERNMENT

The field organisation at Calcutta has been strengthened by the Corporation by the addition of one more Field Officer. The Publicity Programmes have also been intensified as will be seen from the figures of business of the Corporation given below:—

	No. of Policies issued	Maximum liability (Rs. in lakhs)
1963 . . .	142	416
1964 . . .	173	432
1965 . . .	225	532

[Ministry of Commerce O.M. No. 30(1)/65-ST, dated the 15th September, 1966].

Recommendation (Serial No. 30)

It is noticed that while the total number of policies issued and the maximum liability undertaken by the Corporation showed a steady rise during the years 1960 to 1962 (see para 65), the performance of the Madras Office in these respects has been very poor. The Committee feel that the slow progress is mainly due to a lack a strong field organisation and the inadequate publicity about the activities of the Corporation. The Committee trust that effective measures would be taken to put the Madras Office on a more sound and systematic footing. (Paragraphs 120-121).

REPLY OF THE GOVERNMENT

The observation of the Committee is noted.

[Ministry of Commerce U.O. No. 30/1/65-ST, dated the 31st December, 1965]

FURTHER REPLY OF THE GOVERNMENT

The Madras office has since been raised to a fullfledged branch office, with a Branch Secretary and a Field Officer with complementary staff; and there has been a steady increase in the business

secured from that region during the last three years as can be seen from the table below:—

	No. of Policies issued	Maximum Liabi- lity (Rs. in lakhs)
1963	116	180
1964	154	249
1965	212	424

The publicity programmes of the Corporation are also being intensified further.

[Ministry of Commerce O.M. No. 30(1)/65-ST, dated the 15th September, 1966]

Recommendation (Serial No. 31)

The Committee consider that it would not be desirable to totally depend on the brokers for securing business in an important growing port like Cochin. They suggest that an office on the lines of the present Madras Office may be set up at Cochin to guide and supervise the work of the brokers in this region as also to establish greater contacts with the exporters. (Paragraph. 123).

REPLY OF THE GOVERNMENT

The observation of the Committee is noted.

[Ministry of Commerce U.O. No. 30/1/65-ST, dated the 31st December, 1965]

FURTHER REPLY OF THE GOVERNMENT

A full-time Field Officer has been posted at Cochin; who works in close co-operation with a local shipping and clearing agency firm who have been appointed as agent of the Corporation in that area.

[Ministry of Commerce O.M. No. 30(1)/65-ST, dated the 15th September, 1966]

Recommendation (Serial No. 32)

The Committee would like it to be realised that Organisers of the Corporation would give their best if suitable incentives are given to them. They urge that efforts should be made to improve their conditions of service so that the best persons are attracted to the export credit insurance business and are able to contribute their utmost to the Corporation. (Paragraph. 129).

REPLY OF THE GOVERNMENT

The observation of the Committee is noted.

[Ministry of Commerce U.O. No. 30/1/65-ST, dated the 31st December, 1965]

FURTHER REPLY OF THE GOVERNMENT

The Corporation has since replaced the Organisers with full-time Branch Secretaries of its own who could devote their undivided attention to promoting the business of the Corporation.

[Ministry of Commerce O.M. No. 30(1)/65-ST, dated the 15th September, 1966]

Recommendation (Serial No. 33)

The Committee suggest that the feasibility of introducing Commission rates for the brokers on a slab basis so as to encourage larger volume of business, may be examined by the Corporation. They would also recommend that efforts should be made to induce the clearing agents at the ports to work as agents of the Corporation. (Paragraph 137).

REPLY OF THE GOVERNMENT

Government takes note of the recommendation of the Committee.

[Ministry of Commerce U.O. No. 30/1/65-ST, dated the 31st December, 1965]

FURTHER REPLY OF THE GOVERNMENT

The brokers give the impression that the Commission on general insurance business would always be more attractive to them on account of its large turnover. Therefore, as an experimental measure EGCG started giving a commission to its Field Officers.

As regards clearing agents at ports, the services of two clearing agents at Bombay and one at Cochin are being utilised.

[Ministry of Commerce O.M. No. 30(1)/65-ST, dated the 15th September, 1966]

Recommendation (Serial No. 34)

The Committee hope that the export risks insurance business being new in the country, proper care and attention would be given to training. They recommend that a scheme of training of the staff at various levels should be drawn up and implemented early.

While it may not always be possible to depute officers of the Corporation for training abroad, the maximum advantage of the experience of similar organisations in foreign countries could be derived by collecting information about their working through Indian embassies as well as by contacts with the officers of these organisations during the meetings of Berne Union. (Paragraph 139).

REPLY OF THE GOVERNMENT

The observation of the Committee is noted.

[Ministry of Commerce U.O. No. 30/1/65-ST, dated the 31st December, 1965]

FURTHER REPLY OF THE GOVERNMENT

Training has been imparted to the members of the staff at all levels.

The Corporation has also collected useful materials on the working of EGCD of U.K., Hermes of West Germany, Eximbank and FCIA of the U.S.A. and MITI of Japan.

The Corporation is also analysing conditions of policies and guarantees of credit insurance organisations in the English-speaking countries with a view to improving our own.

[Ministry of Commerce O.M. No. 30(1)/65-ST, dated the 15th September, 1965]

Recommendation (Serial Nos. 35-36)

Serial No. 35: Since the Annual Reports of State enterprises are the only authoritative media for informing the Parliament and public about their operations and their financial conditions it is essential that Parliament should be seized of these reports within the least possible time after the expiry of the accounting year. The Committee hope that the Annual Reports of the Corporation would in future be presented to Parliament expeditiously. (Paragraph 142).

Serial No. 36: The Committee consider it desirable that the Annual Reports and Accounts of Public Undertakings placed before Parliament should be made more detailed and exhaustive than at present. In this connection, the Committee would like to draw attention to a similar recommendation contained in their 16th Report (First Lok Sabha). The recommendation was also reiterated in the 19th Report (Second Lok Sabha). The Committee would, therefore, recommend that besides the points mentioned at (i) to

(v) in para 143, the following data might also be suitably included in the Annual Reports:—

- (i) Details showing country-wise, the value of risks covered by the Corporation.
- (ii) Details showing commodity-wise, the value of risks covered by the Corporation.
- (iii) A short account of the business transacted by the Branch Offices during the year.
- (iv) Illustrative charts showing the progress of business of the Corporation. (Paragraph 145).

REPLY OF THE GOVERNMENT

While Government agrees that the Annual Reports of the Corporation should be as informative as possible, it is, however, felt that it will not be in the best interest of the Corporation to publish commodity-wise and country-wise break up of the Corporation's business.

[Ministry of Commerce U.O. No. 30(1)/65-ST, dated the 15th September, 1965]

FURTHER REPLY OF THE GOVERNMENT

Annual Reports of the Corporation are being furnished to the Parliament expeditiously. An analysis of the business of the branch office has been incorporated in the Annual Report for the year 1965. Illustrative charts showing the progress of the business of the Corporation as well as risk value, continent-wise are also incorporated in the Annual Reports.

[Ministry of Commerce O.M. No. 30(1)/65-ST, dated the 15th September, 1966]

Recommendation (Serial No. 38)

The Committee feel that as publicity is essential for an insurance business greater stress should be laid on increased publicity. They suggest that the Corporation and the Directorate of Commercial Publicity should work out plans by which its activities or articles and advertisements on ERIC can find place in journals of trade and industry. In this connection, they would also like to draw attention to a recommendation made by them in their 158th Report (Second Lok Sabha) on the Ministry of Information and Broadcast-

ing—Directorate of Advertising and Visual Publicity, etc., that the advertisements of all the public undertakings should be channelled through the Directorate of Advertising and Visual Publicity. (Paragraph 151).

REPLY OF THE GOVERNMENT

The observation of the Committee is noted.

[Ministry of Commerce U.O. No. 30(1)/65-ST, dated the 15th September, 1965]

FURTHER REPLY OF THE GOVERNMENT

The ECGC and the Directorate of Commercial Publicity of the Ministry of Commerce are working together and four pamphlets have been brought out.

Export Promotion Councils, Commodity Boards and Chambers of Commerce are publishing the advertisements of the Corporation regularly. The services of the Corporation are widely publicised through articles and advertisements in popular newspapers and periodicals.

The Corporation's advertisements are now routed through the Directorate of Advertising and Visual Publicity.

[Ministry of Commerce U.O. No. 30(1)/65-ST, dated the 15th September, 1966]

Recommendation (Serial No. 39)

The Committee recommend that ERIC should have formal discussions with the banks as also with the associations of banks and persuade them to render suitable financial assistance to the exporters holding ERIC's policies. They also suggest that Government should, in consultation with the Reserve Bank of India and other principal banks, examine the possibility of giving preferential credit facilities to insured exporters on the pattern of the procedure followed in U.K. In this connection, the Committee would also invite attention to their recommendation made in para 69 of this Report. (Paragraph 155).

REPLY OF THE GOVERNMENT

The observation of the Committee is noted.

[Ministry of Commerce U.O. No. 30/1/65-ST, dated the 31st December, 1965]

FURTHER REPLY OF THE GOVERNMENT

As suggested by the Committee ECGC is maintaining close contacts with commercial banks and has been able to induce them to give adequate credit facilities to exporters holding ECGC policies. That a measure of success has been achieved in this direction is evident from the fact that exporters holding ECGC policies could obtain post-shipment finance to the tune of Rs. 571 lakhs in the year 1965 as against Rs. 420 lakhs in 1964 by assigning the ECGC policies in favour of the banks. In addition, the financial guarantees of the ECGC were able to secure for exporters finance facilities totalling Rs. 32.73 crores in 1965 as compared to Rs. 17.79 crores in 1964, Rs. 3.95 crores in 1963 and Rs. 2.58 crores in 1962.

[Ministry of Commerce, O.M. No. 30(1)/65-ST, dated the 15th September, 1966]

Recommendation (Serial No. 40)

The Export Promotion Councils, Commodity Boards and Export Risks Insurance Corporation—all function with the common objective of fostering the country's export trade and should work in close liaison with each other. It is noticed that, although some efforts have been made in this direction recently, there has not been effective co-ordination between ERIC and these Councils/Boards. The Committee consider that the Corporation would have achieved a greater measure of success if this effort had been initiated much earlier. They would suggest that close contacts with the Export promotion Councils and Commodity Boards should be maintained and their co-operation solicited in publicising the activities of the Corporation as also in securing larger amount of insurance business. (Paragraph 158).

REPLY OF THE GOVERNMENT

The observation of the Committee is noted.

[Ministry of Commerce U.O. No. 30/1/65-ST, dated the 31st December, 1965]

FURTHER REPLY OF THE GOVERNMENT

As recommended by the Committee, close liaison is maintained by the Corporation with the Export Promotion Councils/Commodity Boards. The functions of the Corporation are regularly publicised in the Bulletins/Journals of the Export Promotion Councils/Commodity Boards free of cost. Personal contacts are established with the Chairman and Secretaries of every council. The periodical meetings of the Chairmen and Secretaries of the Export Promo-

tion Councils called by the Government provides the ECGC with an opportunity to discuss problems of common interest with the E.P. Councils/Commodity Boards.

[Ministry of Commerce O.M. No. 30(1)/65-ST, dated the 15th September, 1966].

Recommendation (Serial No. 41)

The Committee appreciate that the risks involved in offering goods on credit terms are by no means small. It is, therefore, necessary for the Corporation to keep abreast of the knowledge and experience of organisations abroad. They would, therefore suggest that the feasibility of ERIC being represented at these conventions regularly may be examined by the Government. (Paragraph 161).

REPLY OF THE GOVERNMENT

The observation of the Committee is noted.

[Ministry of Commerce U.O. No. 30/1/65-ST, dated the 31st December, 1965]

FURTHER REPLY OF THE GOVERNMENT

A representative of the ECGC attends the Annual General Meeting of the Berne Union, regularly.

[Ministry of Commerce O.M. No. 30(1)/65-ST, dated the 15th September, 1966]

CHAPTER II

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLY

Recommendation (Serial Nos. 25 & 26)

Serial No. 25.—The Committee feel that the administrative expenses are on the high side in relation to premium income. They trust that the Corporation would make vigorous efforts to increase its business to bring down the ratio of administrative expenses to the premium income. (Paragraph 99).

Serial No. 26.—The Committee consider that the present working of the Corporation where its expenses are more than its income is unsatisfactory. They, however, feel that with the experience gained during the past few years it should be possible for the Corporation to increase its business and to present a better financial picture. (Paragraph 101).

REPLY OF THE GOVERNMENT

The staffing arrangements have been carefully considered by a Sub-Committee of the Board of Directors of the Corporation. The Corporation's work has increased rapidly during the last two years. It has also taken on important new functions; but even so, its staff has increased only marginally. Indeed, the Estimates Committee have themselves suggested that the Corporation's Field organisation should be strengthened and Research and Publicity stepped up. The Corporation will, however, continue to keep the costs of administration down to the minimum.

[Ministry of Commerce U.O. No. 30/1/65-ST, dated the 31st December, 1965]

FURTHER REPLY OF THE GOVERNMENT

The Corporation has been making every effort to keep down administrative expenses and to increase business turn-over as will be seen from the fact that the administrative expenses in terms of the percentage of premium income has come down from 58·7 per cent in the year 1963 and 57·2 per cent in 1964 to 44·5 per cent in 1965.

Credit insurance is carried on, all over the world not as a business venture, but as a sort of State support to the exporting com-

munity. Hence the practice is to keep premium rates as low as possible just to yield enough revenue to meet administrative expenses and claims, and make provision for adequate reserves.

It might be interesting to know that the expenses ratio of the ECGC compares well with that of ECGD in UK & EPIC of Australia. The following table is illustrative :

	Percentage of administrative expenses to premium income		
	1963	1964	1965
1. EPIC (Australia)	67.2	60.6	54.0
2. ECGD(U.K.)	24.3	23.1	37.8
3. ECGC (India)	58.7	57.2	44.5

[Ministry of Commerce, O.M. No. 30(1)/65-ST, dated the 15th September, 1966]

Recommendation (Serial No. 28)

Whether there should be a Central Advisory Council or Regional Boards is a matter which should be decided in the light of the practical advantages of such a system. The Committee are not sure whether the Export Promotion Advisory Committees in the port towns with their numerous functions are able to look into ERIC's problems in sufficient details and be able to give necessary guidance and advice from time to time. They would, however, suggest that the question of setting up of Regional Advisory Boards of the Corporation at the port towns may be re-examined. (Paragraph 111).

REPLY OF THE GOVERNMENT

Government is of the view that as the Board of Directors of the Corporation is itself a well balanced team of official and non-official elements, there is no special need for separate Central or Regional Advisory Councils. The Corporation would, however, seek the assistance of the various Port-Export Promotion Advisory Councils from time to time with a view to maintaining close contacts with the mercantile community and popularising ECGC services.

[Ministry of Commerce U.O. No. 30(1)/65-ST, dated the 31st December, 1965]

FURTHER REPLY OF THE GOVERNMENT

The Board of Directors of the Corporation is itself a well balanced team of officials and non-officials, the latter drawn from the industry, banks etc. Besides, the Corporation also maintains close liaison with the various Port Export Promotion Advisory Bodies from time to time with a view to maintaining close contacts with the mercan-

tile community and popularising ECGC's services. It is, therefore, felt that there is no special need for a separate Regional Advisory Board of the Corporation.

[Ministry of Commerce, O.M. No. 30(1)/65-ST, dated the 15th September, 1966].

Recommendation (Serial No. 37)

If the requirements of the Berne Union could be met by supplying accounts according to the financial year or in any other way, the Committee feel that it would be advantageous for the Corporation change its accounting period from calendar year to financial year. (Paragraph 148).

REPLY OF THE GOVERNMENT

Government feels that as members of the Berne Union are required to furnish their financial statements on the basis of calendar year, it will involve the Corporation in unnecessary expenditure it is changed over to supply accounts on financial year basis. Such a change would involve the closing of accounts twice in the year.

[Ministry of Commerce U.O. No. 30(1)/65-ST, dated the 31st December, 1965].

FURTHER REPLY OF THE GOVERNMENT

Government feels that, as members of the Berne Union are required to furnish their financial statements on the basis of calendar year, it will involve the Corporation in unnecessary expenditure it is changed over to supplying accounts on financial year basis. Such a change would involve the closing of accounts twice in the year.

[Ministry of Commerce, O.M. No. 30(1)/65-ST, dated the 15th September, 1966].

NEW DELHI;
June 16, 1967.
Jyaishta 26, 1889 (S).

D. N. TIWARY,
Chairman,
Committee on Public Undertakings.

APPENDIX

(Vide Para 4 of Introduction)

Analysis of action taken by Government on the recommendations contained in the 47th Report of the Estimates Committee (Third Lok Sabha).

I.	Total No. of recommendations made	41
II.	Recommendations that have been accepted by Government (<i>vide</i> recommendations at S. Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 27, 29, 30, 31, 32, 33, 34, 35, 36, 38, 39, 40, 41)	
	Number	37
	Percentage of Total	90.2%
III.	Recommendations which the Committee do not desire to pursue in view of Government's reply (<i>vide</i> recommendations at S. Nos. 25, 26, 28 and 37)	
	Number	4
	Percentage to total	9.8%

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
27.	Bahree Brothers, 188, Lajpatrai Market, Delhi-6.	27	33.	Bookwell, 4 Sant Narakari Colony, Kingsway, Camp, Delhi-9.	96
28.	Jayana Book Depot, Chaparwala Kuan, Karol Bagh, New Delhi.	66		MANIPUR	
29.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi—1.	68	34.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Aniere, Imphal.	7
30.	People's Publishing House, Rani Jhansi Road, New Delhi.	76		AGENTS IN FOREIGN COUNTRIES	
31.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88	35.	The Secretary, Establishment Department, The High Commission of India India House, Aldwych, LONDON, W C.—2.	
32.	Hind Book House, 82, Janpath, New Delhi.	95			

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