

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1978-79)**

(SIXTH LOK SABHA)

***TWENTY FIRST REPORT**

Action Taken by Government on the recommendations contained in the First Report of the Committee on Public Undertakings (Sixth Lok Sabha)

On

EXTRAVAGANT AND INFRUCTUOUS EXPENDITURE ON ENTERTAINMENT BY PUBLIC UNDERTAKINGS

- 6 APR 1979



**LOK SABHA SECRETARIAT
NEW DELHI**

March, 1979/Chaitra, 1901 (S)

Price 1 Rs. 1-75

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

ANDHRA PRADESH

1. Andhra University General Co-operative Stores Ltd., Waltair (Visakhapatnam).

BIHAR

2. M/s. Crown Book Depot, Upper Bazar, Ranchi (Bihar).

GUJARAT

3. Vijay Stores, Station Road, Anand.

MADHYA PRADESH

4. Modern Book House, Shiv Vilas Palace, Indore City.

MAHARASHTRA

5. M/s. Sunderdas Gianchand, 601, Girgaum Road, near Princess Street, Bombay-2.
6. The International Book House Pvt., 9, Ash Lane, Mahatma Gandhi Road, Bombay-1.
7. The International Book Service, Deccan Gymkhana, Poona-4.
8. The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1.
9. M/s. Usha Book Depot, 585/A, Chira Bazar Khay House, Girgaum Road, Bombay-2.

10. M & J Services, Publishers, Representatives Accounts & Law Book Sellers, Bahri Road, Bombay-15.

11. Popular Book Depot, Dr. Bhadkamkar Road, Bqmbay-400001.

MYSORE

12. M/s. Peoples Book House, Opp. Jaganmohan Palace, Mysore-1.

UTTAR PRADESH

13. Law Book Company, Sardar Patel Marg, Allahabad-1.
14. Law Publishers, Sardar Patel Marg, P.B. No. 77, Allahabad—U.P.

WEST BENGAL

15. Granthaloka, 5/1, Ambica Mookherjee Road, Belgharia, 24-Parganas.
16. W. Newman & Company Ltd., 3, Old Court House Street, Calcutta.
17. Mrs. Manimala, Buys & Sells, 128, Bow Bazar Street, Calcutta-12.

DELHI

18. Jain Book Agency, Connaught Place, New Delhi.
19. M/s. Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.

CORRIGENDA

Twenty-First Report of the Committee on Public Undertakings (1978-79) on Action Taken by Government on the recommendations contained in the First Report of the Committee (Fifth Lok Sabha) on Extravagant and Infructuous Expenditure on Entertainment by Public Undertakings.'

Page No.	Para No.	Line	For	Read
	3	Bottom	or	for
	-	8	Add the word 'Development' after 'Industrial'	
	-	26	invites	invitees
	-	2	Pages 9 to 11	Pages 5 & 6
2	-	23	Pages 12 to 16	Pages 7 & 8
5	-	19	Paragraph No.56	Paragraph No.57
5	-	24	Delete 'Paragraph No.56'	
6	-	8	Pages 1 to 5	Page 3
9	-	bottom	Pages 6 to 8	Page 4
23 25	-	2	Page 18	Page 10
6	App.IV	2	Page 19	Page 11
	-do-	6 (from bottom)	therefore	therefor
8	App.V	2	Page 21	Page 13
9	App.VI	2	Page 23	Page 13
	App.VII	2	Page 29	Page 18
2	-	32	Rs.025 lakhs	Rs. 0.25 lakh.

CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE	(iii)
COMPOSITION OF SUB-COMMITTEE ACTION TAKEN	(v)
INTRODUCTION	(vii)
I. Report	1
II. Recommendations that have been accepted by Government	9
III. Recommendations which the committee do not desire to pursue in view of Government's replies.	14
IV. Recommendations in respect of which replies of Government have not been accepted by the committee	15
V. Recommendations in respect of which final replies of Government are awaited	20

APPENDICES

I Copy of O.M.No. 2(37)/78-BPE(MG-I) (R-10) dated 9-6-1978 from Bureau of Public Enterprises to all Administrative Ministries / Chief Executives of Public Undertakings.	21
II Copy of O.M. No. BPE/GL-018/78-MAN/2 (16)/ 78-BPE (GM-I) dated 19-1-1978 from Bureau of Public Enterprises to all Administrative Ministries/Chief Executives of Public Enterprises etc.	23
III Copy of O.M. No. BPE/GL-018/78/MAN/2(16)/78-BPE (GM—I) dated 6-7-1978 from the Bureau of Public Enterprises to all Administrative Ministries	25
IV Copy of M.O. No. 2(37)/78-BPE(GM-I) (R-9) dated 9-6-1978 from the Bureau of Public Enterprises to all the Administrative Ministries and Chief Executives of Public Enterprises.	26
V Copy of O. M. No. 2(37)/78-BPE (GM-I) (R-12) dated 9-6-1978 from the Bureau of Public Enterprises to all the Administrative Ministries and Chief Executives of Public Enterprises.	28
VI Copy of O.M. No. 2 (37)/78-BPE (GM-I) (R-14) dated 9-6-1978 from the Bureau of Public Enterprises to all the Administrative Ministries and Chief Executives of Public Enterprises.	29
VII Copy of O.M. No. 2(37) /78-BPE (GM-I) (R. 58-61) dated 9-6-1978 from the Bureau of Public Enterprises to all the Administrative Ministries.	31
VIII Analysis of action taken by Government on the recommendations contained in the First Report of Committee on Public Undertakings (Sixth Lok Sabha).	34

COMMITTEE ON PUBLIC UNDERTAKINGS
LIST OF MEMBERS
(1978-79)

CHAIRMAN

Shri Jyotirmoy Bosu

MEMBERS

2. Shri O. V. Alagesan
3. Shri Maganti Ankineedu
4. Shrimati Chandravati
5. Shri Tridib Chaudhuri
6. Shri Hitendra Desai
7. Shri Anant Ram Jaiswal
8. Shri L. L. Kapoor
9. Shri K. Lakkappa
10. Shri Dharamsinhbhai Patel
11. Shri Raghavji
12. Shri Padmacharan Samantasinha
13. Shri Bhanu Kumar Shastri
14. Dr. Subramaniam Swamy
15. Shri Madhav Prasad Tripathi
16. Shri S. W. Dhabe
17. Shri K. N. Dhulap
18. Shri H. B. Mahida
19. Shri Murasoli Maran
20. Shri Era Sezhiyan
21. Shri Viren J. Shah
22. Shri Sultan Singh*

*Elected w.e.f. 26-12-1978 vice Shri Deorao Patil died.

SECRETARIAT

1. Shri H. G. Paranjpe—*Joint Secretary.*
2. Shri T. R. Krishnamachari—*Chief Financial Committee Officer.*
3. Shri K. C. Rastogi—*Senior Financial Committee Officer.*

**SUB-COMMITTEE ON ACTION TAKEN OF THE
COMMITTEE ON PUBLIC UNDERTAKINGS**

1. Shri Jyotirmoy Bosu—*Chairman*
2. Shri O. V. Alagesan—*Convener*
3. Shri Tridib Chaudhuri
4. Shri Hitendra Desai
5. Shri L. L. Kapoor
6. Shri K. Lakkappa
7. Shri Bhano Kumar Shastri
8. Dr. Subramaniam Swamy
9. Shri K. N. Dhulap
10. Shri Era Sezhiyan
11. Shri Viren J. Shah

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this twenty-first Report on Action Taken by Government on the recommendations contained in the First Report of the Committee on Public Undertakings (Sixth Lok Sabha) on Extravagant and infructuous Expenditure on Entertainment by Public Undertakings.

2. The First Report of the Committee on Public Undertakings was presented to Lok Sabha on 3rd April, 1978. The replies of Government to all the recommendations contained in the Report were received in one batch on 22nd December, 1978. Further information called for by the Committee on 8th January, 1979 in respect of three recommendations was received in two batches on 12th January, and 25th January, 1979. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings and the Report was adopted by them at their sitting held on 15th March, 1979. The Report was finally adopted by Committee on Public Undertakings on the 19th March, 1979.

3. An analysis of the Action Taken by Government on the recommendations contained in the First Report of the Committee is given in Appendix VIII.

4. Lavish entertainment indulged in by top executives of public sector enterprises has deleterious demonstration effect apart from draining the scarce resources. The administrative Ministries unfortunately do not seem to be in earnest to curb this waste and ostentation despite the facts and figures cited by the Committee earlier. It was expected of the Bureau of Public Enterprises under the Ministry of Finance to analyse in depth the reasons for the steep rise in expenditure on entertainment, particularly by those enterprises incurring heavy losses and to convince the Committee of its earnestness in putting a halt to such reckless expenditure. The Bureau has not measured up to the task entrusted to it. There is an irresistible feeling that the Bureau as well as the administrative Ministries are not quite keen to implement the recommendations of the Committee in letter and spirit as they themselves are the beneficiaries of lavish entertainment by the public enterprises.

The practice on the part of the public sector executives to entertain their counterparts in other enterprises, semi-Government insti-

tutions, nationalised banks, Government officials, personal guests etc., should be stopped forthwith. Efforts should be made to discontinue the sumptuary/entertainment allowances granted to the top executives to entertain guests at their residences. There should be surprise checks through the agency of Central Vigilance Commission or the C.B.I. to ensure that there is no mal-practice.

NEW DELHI;

March 22, 1979/Chaitra 1, 1901 (S)

JYOTIRMOY BOSU,

Chairman,
Committee on Public Undertakings.

CHAPTER I

REPORT

This Report deals with the action taken by Government/Public Undertakings on the recommendations contained in the First Report of the Committee on Public Undertakings (1977-78) on 'Extravagant and Infructuous Expenditure on Entertainment by Public Undertakings' which was presented to Lok Sabha on 3rd April, 1978.

2. Action taken notes have been received from Government in respect of all the fourteen recommendations contained in the said Report. Further information called for by the Committee in respect of three Recommendations has also been received. The replies have been categorised as follows:—

- (i) *Recommendations|Observations that have been accepted by the Government.*

Serial Nos. 7, 9, 10, 11, 12, 13 and 14.

- (ii) *Recommendations|Observations which the Committee do not desire to pursue in view of Government's replies.*

Serial No. 8

- (iii) *Recommendations in respect of which replies of Government have not accepted by the Committee.*

Serial Nos. 1, 2, 3, 4, 5 and 6.

3. The Committee will now deal with the action taken by Government on some of their recommendations:—

A. Delay in supply of information Recommendation at Sl. Nos. 1 & 2 (Paragraph 56)

The Committee had asked the Bureau of Public Enterprises on 23rd December, 1977 to furnish *inter alia* details of expenditure on entertainment/hospitality etc. incurred by the Public Undertakings during each of years 1974-75, 1975-76 and 1976-77. Although the requisite information was to be furnished by all the Public Undertakings by 22nd January, 1978, only 100 Public Undertakings had responded to the Committee's questionnaire up to 20th March, 1978. The remaining 72 Undertakings had not furnished any information even after a lapse of about 3 months. The Committee had then observed in their first Report (Para 56) that this amounted to withholding of information and consequently may constitute a contempt of the Committee. The Committee desired that the heads of the defaulting public undertakings should be asked to explain the reasons or not furnishing the information within the stipulated time.

Subsequent to the presentation of the Report, the Bureau of Public Enterprises furnished on 23rd April, 1978 a statement explaining the reasons for the inability of 63 out of the 72 Undertakings in furnishing the information in question even by 20th March, 1978.

In respect of 4 Undertakings, viz., the Damodar Valley Corporation, the Industrial Finance Corporation, the Agricultural Refinance and Development Corporation and the Industrial Bank of India, the Committee had observed in para 2 of the First Report that since the Bureau of Public Enterprises was responsible for coordination and collection of information from all the Public Undertakings (including these four) within the purview of the Committee on Public Undertakings, the non-obtaining of information from these 4 Public Undertakings was a serious lapse on its part. In reply, the Bureau stated (April 1978):—

“As already intimated by the Bureau of Public Enterprises to COPU Sectt. these enterprises had not been addressed earlier for the requisite information. However, since the Committee had desired that information should be collected from these enterprises, BPE had already addressed them for sending the requisite information on a top priority basis.”

The requisite information from these four Undertakings was received during April-June 1978.

As regards the remaining 5 Undertakings, viz. the Air India Charters Ltd., Bokaro Steel Ltd., Cotton Corporation of India Ltd., Goa Shipyard Ltd. and Indian Drugs and Pharmaceuticals Ltd., the Bureau stated (April 1978):—

“No reasons for delay have been communicated by the enterprises.”

Replies from these five Undertakings explaining the reasons for delay were received by the Committee as late as on 2nd January, 1979.

Explaining the reasons for the delay on the part of 72 Public Undertakings in furnishing the information, the Bureau of Public Enterprises have stated that “as the information called for from the Public Enterprises was for three years and on a number of points, it had to be collected by the Public Sector Enterprises from their respective units/offices located throughout the length and breadth of the country, it took some time for the Public Enterprises to submit the information complete in all respects. The delay in submission of the same has been highly regretted by them.”

The Committee regret to observe that as many as 72 Public Undertakings failed to furnish information regarding the expenditure incurred by them on entertainment and other non-essential activities during the years 1974-75 to 1976-77 even after two months of the stipulated date. The Committee consider this to be an act of utter irresponsibility and an endeavour to hide. Accountability to Parliament demands that the information called for by its Committees is furnished with utmost despatch by the Public Undertakings. The Committee expect that such delays will not recur.

B. Manifold increase in expenditure on entertainment Recommendations at S. Nos. 3-6 (Paras 58-63)

The Committee had pointed out that the total expenditure on entertainment, hospitality etc. incurred by 92 Public Undertakings at their Head Offices had increased manifold during the emergency period viz., 1975-76 and 1976-77 as compared to 1974-75. The expenditure increased from Rs. 25.36 lakhs in 1974-75 to Rs. 31.77 lakhs in 1975-76 and further to Rs. 44.02 lakhs in 1976-77 (i.e., an increase of nearly 73.7 per cent over 1974-75). As many as 13 Public Undertakings had spent more than Rs. 1 lakh a year on this account. In the case of two Undertakings, viz., Mazagon Dock Ltd. and the Minerals and Metals Trading Corporation, the expenditure on entertainment was as high as Rs. 1000/- per day during 1976-77. Even a number of Public Undertakings which had been incurring heavy losses year after year, were spending lavishly on entertainment—the principal ones being the Central Inland Water Transport Corporation, Jessop & Co. Ltd., Bharat Aluminium Co. Ltd., Cochin Shipyard Ltd., Garden Reach Shipbuilders and Engineers Ltd. etc. etc.

The Committee had further pointed out that the Central Inland Water Transport Corporation whose cumulative losses during the last few years amounted to Rs. 21 crores, had been spending lavishly on entertainment. There had been a steep increase of over 700 per cent in its entertainment expenditure during 1976-77 over that of 1974-75. The Committee had expressed surprise that most of the parties were held to entertain visiting Officers of the Ministry, brother officers from other Public Undertakings, CIWTC's own officials etc.

It was on record that one Public Undertaking had spent huge amounts on entertainment and on various occasions, drinks were freely served to fellow officers of the Undertakings, officials of the Ministry, officials of nationalised banks, personal guests etc.

In reply, Government have stated that the observations of the Committee have been brought to the notice of the Administrative

Ministries for necessary action. The observations of the Committee with regard to the Central Inland Water Transport Corporation have been noted and brought to the notice of the Enterprise.

The Committee note with deep anguish that the Bureau of Public Enterprises which is expected to function as a nerve centre for diagnosing the deficiencies of Public Undertakings and taking timely corrective steps, has not measured upto the task entrusted to it at all and has tended to function merely as a poor post office. The Committee expected the Bureau to analyse in depth the reasons for the steep rise in expenditure on entertainment incurred by the Public Undertakings during the last few years, particularly by those which had been incurring heavy losses from year to year and give a more reassuring and detailed reply that could convince the Committee of its earnestness in putting a halt to such reckless expenditure. The Committee trust that at least now the Bureau would address itself more earnestly to this task. This exercise should cover all the existing Public Enterprises and not merely those dealt with in the First Report of the Committee which was not exhaustive on account of non-receipt of information from as many as 72 Enterprises, in time.

The Committee require that the practice on the part of public sector executives to entertain their counterparts in other sister undertakings, semi-government Institutions & nationalised banks, Government/Railway officials, personal guests etc. who cannot directly contribute to the business interests of the Undertaking, should be stopped forthwith.

C. Laying down firm guidelines/ceiling to regulate expenditure on entertainment—Recommendations at S. Nos. 7, 10, 11 and 13 (Paras 64, 67, 68 and 70).

The Committee had drawn attention to the huge expenditure incurred on sales promotion by some commercially non-competitive Public Undertakings like the Indian Airlines (Rs. 1.02 lakhs in 1974-75, Rs. 0.52 lakh in 1975-76 and Rs. 0.68 lakh in 1976-77) who enjoyed monopoly in their field. Others like Bharat Heavy Electricals Ltd. had been spending a lot on entertaining Indian customers (Rs. 0.82 lakh in 1974-75, Rs. 1.77 lakhs in 1975-76 and Rs. 1.65 lakhs in 1976-77), most of whom were from sister Public Undertakings.

The Committee had urged that each Undertaking should lay down strict guidelines for regulating the expenditure so as to keep it to the minimum, keeping in view their earnings, the morale of the subordinates and of the people in general.

The Bureau of Public Enterprises was also asked to review the position and lay down firm guidelines for fixing a ceiling on lunches and dinners and also lay down the criteria as to who should be entertained.

The Committee had also desired a review to be made of the need for continuing the system of allowing sumptuary entertainment allowance to top officials for entertaining guests at their residences and wherever found necessary to lay down definite guidelines for the utilisation of this money.

Accepting the above recommendations, the Bureau of Public Enterprises have informed the Committee that the Bureau had already issued suitable guidelines on the subject in October, 1967. However, the observations of the Committee had been brought to the notice of the administrative Ministries and they had been requested to advise the public enterprises under their control to lay down strict guidelines relating to expenditure on entertainment on the lines envisaged by the Committee. Government had also prescribed per capita monetary limits on entertainment expenditure while arranging parties [(i) Rs. 50 per head for lunch/dinner at Ashoka and Akbar Hotels & proportionately less at other hotels to be laid down by the Boards of Directors of the concerned enterprises, (ii) Rs. 15 per head for dinner & Rs. 12 per head for lunch at the residence of Chief Executives and at places other than hotels.] The enterprises had also been advised (July, 1978) that no liquor should be served at any entertainment hosted by public enterprises even when the Chief Guests/principal invitees are foreigners.

The Committee note that Government have since revised the monetary limits for entertaining guests in hotels and at the residences of Chief Executives etc. and at places other than hotels. The Committee learn further that instructions have been issued in July, 1978 to the effect that 'no liquor should be served at any entertainment hosted by public enterprises even where the chief guests/principal invitees are foreigners'. The Committee expect that these instructions shall be followed scrupulously by all Public Undertakings.

The Committee had recommended that Government/Bureau of Public Enterprises should review the need for giving sumptuary/entertainment allowance to top officials of the Public Undertakings to entertain guests at their residences. The Committee would like to be apprised of the precise action taken on this recommendation. As stated in the earlier report, Government should lay down definite and strict guidelines for the utilisation of the sumptuary/entertain-

ment allowance by the officials concerned, wherever such allowance is found to be necessary. Efforts should be made to discontinue this practice as early as possible.

D. Critical Review of expenditure on entertainment

(Recommendation at S. No. 9, Para 66)

The Committee had recommended that the heads of the Undertakings as also the Government Director on the Board of the Undertakings should critically review the entertainment expenditure incurred during the preceding three years and see how far it was justified. If the review revealed that unwarranted expenditure was incurred by any officials of the Undertaking, responsibility therefor should be fixed and such expenditure recovered from erring officials.

The Bureau of Public Enterprises have stated that the recommendation has been accepted and brought to the notice of the administrative Ministries/Chief Executives of Public enterprises for necessary action. The results of the review made by them were required to be furnished to the Bureau by 30th June, 1978.

The Committee desired to know if the results of the review had been received by the Bureau by the above stipulated date and if so, what the findings of the Bureau were. In reply, the Bureau have stated (25 January, 1979):—

“96 Public Enterprises from whom information has been received have informed that the entertainment expenditure incurred by them during the preceding 3-4 years has been critically reviewed by their CMDs/Government Directors on the Board. In some cases, the representative of the Administrative Ministry has also been associated with the said review. The Enterprises have intimated that having regard to the nature of their operations and the need to extend normal business courtesy to foreign collaborators, consultants and to organise parties for sales promotions, the expenditure on entertainment was necessary. They have also intimated that the Committee's recommendation regarding exercising utmost economy in spending on entertainment etc. has been noted for future guidance.

• As regards the points made by the Parliamentary Committee
 • about the findings by the Bureau, it may be stated that
 • since the matter has been thoroughly examined by the
 • Administrative Ministries/Chief Executives of the concerned Enterprises. Bureau of Public Enterprises is of the

view that a further examination of the matter in the Bureau is not called for."

The Committee observe that as on 25th January, 1979 i.e. about 9 months after the presentation of the Report, 96 out of 172 Public Undertakings had furnished to the Bureau of Public Enterprises the results of the critical review undertaken by them in pursuance of the Committee's recommendation. Thus as many as 76 Public Undertakings have still to carry out the critical review suggested by the Committee. That on an important recommendation like the above which is in the interest of the undertakings themselves, there has been such slackness, is most deplorable. These undertakings should be asked to complete this work within a month, and furnish their findings to the Bureau of Public Enterprises.

The Committee note from Government's reply that inspite of their recommendation that Government Directors on the Boards of the Public Undertakings should be associated with the review, only "in some cases, the representative of the Administrative Ministry has been associated with the said review." This amounts to deliberate shirking of responsibility which the Committee deprecate strongly. The Committee require that all Public Undertakings should be asked to furnish the results of the review undertaken or to be undertaken by them to the Government representatives on their Boards in order to obtain their comments forthwith.

So far as the main content of the recommendation is concerned, the Committee are left totally unimpressed with the bland and omnibus reply given by the Bureau that "having regard to the nature of their operations and the need to extend normal business courtesy to foreign collaborators, consultants and to arrange parties for sales promotions, the expenditure on entertainment was necessary", followed by an even more evasive statement that "since the matter has been thoroughly examined by the Administrative Ministries/Chief Executives of the concerned enterprises, Bureau of Public Enterprises is of the view that a further examination of the matter in the Bureau is not called for."

The Committee are amazed at the lackadaisical attitude shown by Government to a very serious suggestion made by them with a view to test Government's earnestness in curbing the infructuous expenditure on entertainment. The Committee expected the Government and particularly the Bureau of Public Enterprises who are directly concerned to go into the matter in depth in the light of the facts and figures cited in the First Report and take effective steps

to remedy the situation. On the other hand, the Bureau have made no effort even to disguise their utter unconcern in the matter as is clear from the above reply.

The Committee reiterate the earlier recommendation and desire that necessary action in this behalf should be initiated forthwith and the results of the review indicated in the next annual Report of the Bureau of Public Enterprises for information of the Parliament and the public.

The Committee have a feeling that both the Bureau of Public and the administrative Ministries are not keen to implement this recommendation as they themselves are the beneficiaries. The Committee therefore desire that surprise checks through the agency of the Central Vigilance Commission or the C.B.I. should be made with a view to ensure that Government's directives in this regard are faithfully implemented. All public sector hotels should be given strict instructions not to take recourse to any kind of malpractices.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 7)

The Committee are unable to appreciate the huge expenditure incurred on sales promotion by commercially non-competitive Public Undertakings like Indian Airlines Corporation who have got monopoly in business. The Committee are also not able to understand as to why some of the Public Undertakings, like Bharat Heavy Electricals Ltd., have been spending a lot on entertaining Indian customers most of whom are from sister public undertakings, in inter-plant meetings and on auditors. It has also come to the notice of the Committee that Members of the Board are also entertained to lunches/dinners besides the fees that they get where applicable, when Board meetings are held. The Committee are unable to appreciate why the officers of nationalised banks, other public undertakings and also Ministries/Departments are to be entertained for doing their legitimate official duties. The Committee strongly deprecate this practice which should stop forthwith. In the opinion of the Committee, such hospitality at the expense of the undertakings, is a clear violation of the conduct rules of the Government officers who are also entitled to their travelling and daily allowance. The non-official Directors also receive handsome remuneration for attending Board Meetings. This spending spree on their part and tendency to have a good time at public expense and to further their personal social standing are deplorable.

(Paragraph 64)

Recommendation (Serial No. 10)

The Committee would urge that each undertaking should lay down strict guidelines for regulating the expenditure on entertainment on the various occasions so as to keep it to the minimum, keeping in view their earnings and the morale of the subordinates and of the people in general. The Board should also ensure that these guidelines are rigidly followed. A strict watch over this expenditure should be kept at the Board level. The Heads of the respective public undertakings should be held responsible for non-compliance of the guidelines.

(Paragraph 67)

Recommendation (Serial No. 11)

The Bureau of Public Enterprises should also review the position in regard to this and lay down firm guidelines for fixing a ceiling on lunches and dinners and also lay down the criteria as to who should be entertained. They should also ensure that the guidelines issued in this regard are followed by all undertakings in letter and spirit.

(Paragraph 68)

Recommendation (Serial No. 13)

The Committee understand that some of the top officials of the undertakings are also allowed sumptuary allowance/entertainment allowance to entertain guests at their residence. The Committee recommend that Government/Bureau of Public Enterprises should review the need of such an allowance and wherever found necessary, lay down definite guidelines for the utilisation of that money by the official concerned.

Reply of Government

The recommendations are accepted. BPE had already issued suitable guidelines on the subject *vide* this Ministry's O.M. No. 2(74)/67-FI dated the 17th October, 1967. The observations of the Committee have, however, been brought to the notice of the Administrative Ministries and they have been requested to advise the public enterprises under their control to lay down strict guidelines relating to expenditure on entertainment on the lines envisaged in the recommendation *vide* this Ministry's O.M. No. 2(37)/76-BPE (GM-I) (R-10) dated the 9th June, 1978* (copy enclosed). Government has also prescribed per capita monetary limits on entertainment expenditure while arranging parties *vide* O.M. No. BPE/GL-018-78/MAN/2(16)78-BPE(GM-1) dated the 19th June, 1978** and the 6th July, 1978***. The enterprises have also been advised that no liquor should be served at any entertainment hosted by public enterprises even where the Chief Guests/Principal Invitees are foreigners.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 2(37)/78-BPE(GM-I) dated the 22nd December, 1978].

*Appendix I.

**Appendix II.

***Appendix III.

Comments of the Committee

Please see pages 9 to 11 of Chapter I of the Report.

Recommendation (Serial No. 9)

The Committee further recommend that the heads of the undertakings as also the Government Director on the Board of the Undertakings should critically review the entertainment expenditure incurred during the preceding three years and see how far such expenditure was justified. If the review reveals that unwarranted expenditure was incurred by any officials of the undertaking, responsibility therefor should be fixed and such expenditure recovered from the erring officials. (Paragraph 66)

Reply of Government

The recommendation is accepted. The contents of the recommendation have been brought to the notice of the Administrative Ministries/Chief Executives of Public Enterprises for necessary action *vide* this Ministry's O.M. No. 2(37)/78-BPE(GM-I) * (R-9), dated the 9th June, 1978.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 2(37)/78-BPE(GM-I) dated the 22nd December, 1978].

Further Information Called for by the Committee

Have the results of the review made by the Administrative Ministries/Chief Executives about the entertainment expenditure incurred by the Public Sector Enterprises, which the BPE was to get by 30th June, 1978, been received? If so, what are the findings of the Bureau thereon?

[Lok Sabha Secretariat O.M. No. 301-15/PU-77 dated the 8th January, 1979].

Further Reply of Government

96 Public Enterprises from whom information has been received have informed that the entertainment expenditure incurred by them during the preceding 3-4 years has been critically reviewed by their

*Appendix IV.

CMDs/Government Directors on the Board. In some cases, the representative of the Administrative Ministry has also been associated with the said review. The Enterprises have intimated that having regard to the nature of their operations and the need to extend normal business courtesy to foreign collaborators, consultants and to organise parties for sales promotions, the expenditure on entertainment was necessary. They have also intimated that the Committee's recommendation regarding exercising utmost economy in spending on entertainment etc. has been noted for future guidance.

2. As regards the points made by the Parliamentary Committee about the findings by the Bureau, it may be stated that since the matter has been thoroughly examined by the Administrative Ministries/Chief Executives of the concerned Enterprises, Bureau of Public Enterprises is of the view that a further examination of the matter in the Bureau is not called for.

3. Other Enterprises information from whom has not been received, have been reminded that the results of the review of the entertainment expenditure incurred during the preceding three years may be communicated to the Government immediately.

[Bureau of Public Enterprises O.M. No. 2(37)/78-BPE(GM-I)
dated the 25th January, 1979].

Comments of the Committee

Please see pages 12 to 16 of Chapter I of the Report.

Recommendation (Serial No. 12)

The Committee further require that expenditure on entertainment should always be clearly reflected in the annual reports of the undertakings.

(Paragraph 69)

Reply of Government

The recommendation is accepted. The observations have been brought to the notice of the Administrative Ministries/Chief Executives of Public Enterprises for necessary action compliance *vide*

this Ministry's O.M. No. 2(37)/78-BPE (GM-1) (R-12) dated the 9th June, 1978.*

[Min. of Finance, BPE, O.M. No. 2(37)/78-BPE (GM-I)
dated the 22nd December, 1978.]

Recommendation (Serial No. 14)

The Committee cannot but observe that Public Sector would never succeed if it is in the hands of disinterested, unscrupulous, inconsiderate mercenaries. Unless there is a true sense of involvement and determination to produce the desired results, the condition of Public Sector is bound to be what it is today in many cases. It is unfortunate that because of certain unscrupulous Managers of Public Undertakings, huge losses occur to the Public Sector Undertakings which are ultimately borne by the general public who have to contribute their mite by way of payment of taxes direct and indirect.

(Paragraph 71)

Reply of Government

The observations of the Committee have been brought to the notice of the Administrative Ministries/Chief Executives of Public Enterprises for their information *vide* this Ministry's O.M. No. 2(37)/78-BPE (GM-I) (R-14) dated the 9th June, 1978.

[Min. of Finance, BPE, O.M. No. 2(37)/78-BPE (GM-I)
dated the 22nd December, 1978.]

Further Information Called for by the Committee

Please furnish a copy of the O.M. No. 2(37)/78-BPE (GM-I) (R-14) dated the 9th June, 1978 bringing this recommendation to the notice of the Administrative Ministries/Public Undertakings.

[Lok Sabha Secretariat O.M. No. 301-15/PU-77 dated the 8th January, 1979]

Further Reply of Government

A copy of the Bureau of Public Enterprises O.M. No. 2(37)/78-BPE (GM-I) (R-14) dated 9th June, 1978 is enclosed. (Appendix VI)

[Bureau of Public Enterprises, O.M. No. 2(37)/78-BPE (GM-1),
dated the 12th January, 1979].

CHAPTER III

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

Recommendation (Serial No. 8)

While the Committee realise that there may be some justification for entertainment expenditure especially in the case of trading organisations, they cannot too strongly stress the need for observing utmost economy on such expenditure. The Committee have already recommended a ceiling of Rs. 2 per head per occasion on such expenditure.

(Paragraph 65)

Reply of Government

This is covered in the reply of Government to Recommendation at Serial No. 11.

[Min. of Finance, BPE, O.M. No. 2(37)/78-BPE (GM-I)
dated the 22nd December, 1978.]

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Sl. No. 1) (Paragraph No. 56)

"The Committee are concerned to note that out of 172 public undertakings which were asked to furnish information on various matters on 23rd December, 1977, as many as 72 public undertakings have withheld information upto the 20th March, 1978 i.e., even after about three months of the calling of information. The Committee see no valid reason why the requisite information could not be collected by these public undertakings. The Committee consider that deliberate non-supply of information even after a period of three months amounts to withholding of information which is very vital for accountability of undertakings to Parliament. This may amount to a contempt of the Committee. This, in the opinion of the Committee, is reprehensible."

(Paragraph No. 56)

Recommendation (Sl. No. 2) (Paragraph No. 56)

"The Committee would further require that the heads of the defaulting public undertakings should be asked to explain the reasons for not furnishing the information to the Committee within the stipulated time."

(Paragraph No. 56)

Reply of Government

Material from 72 enterprises, which could not furnish it by the 20th March, 1978, has since been collected and transmitted to the Lok Sabha Secretariat. Reasons for not submitting the information by these 72 enterprises within the time indicated by the Lok Sabha Secretariat have also been obtained from the Heads of the respective enterprises and furnished to the Committee's Secretariat *vide* BPE's letter No. 2(106)/77-BPE (GM-I) dated the 23rd April, 1978. As the information called for from the Public Enterprises was for three years and on a number of points, it had to be collected by the Public Sector Enterprises from their respective units/offices located through

out the length and breadth of the country, it took some time for the Public Enterprises to submit the information complete in all respects. The delay in submission of the same has been highly regretted by them

[Ministry of Finance, BPE, O.M. No. 2(37)/78-BPE(GM-I)
dated the 22nd December, 1978]

Comments of the Committee

Please see pages 1 to 5 of Chapter I of the Report.

Recommendation (Serial No. 3)

The Committee are greatly perturbed to note that the expenditure on entertainment in the case of 92 public undertakings amounted to Rs. 101.15 lakhs during the three years 1974-75, 1975-76 and 1976-77.

(Paragraph No. 58)

It is noteworthy that the total expenditure incurred by 92 undertakings during 1974-75 amounted to Rs. 25.35 lakhs but it increased manifold during Emergency period of 1975-76 and further increased in 1976-77 to Rs. 44.02 lakhs.

Thirteen undertakings, namely, Mazagon Dock Ltd., Minerals & Metals Trading Corporation, Projects & Equipment Corporation of India Ltd., Engineering Projects (India) Ltd., Bharat Heavy Electricals Ltd., Engineers India Ltd., Jessop & Co. Ltd., Hindustan Photo Films Manufacturing Co. Ltd., Bharat Petroleum Corporation, Rail India Technical and Economic Services Ltd., Metallurgical & Engineering Consultants India Ltd., HMT (International), and Indian Airlines Corporation have each spent more than Rs. 1 lakh in a year on this account. In the case of one Undertaking, viz., Mazagon Dock Ltd., the expenditure had gone upto Rs. 10.62 lakhs during the three years ending 1976-77 which works out to Rs. 29,500 per month or Rs. 1000/- per day. In the case of another undertaking, viz. Minerals and Metals Trading Corporation, the expenditure had increased to Rs. 3.49 lakhs in 1976-77 which also works to about Rs. 1000/- per day.

(Paragraph 59)

The Committee are constrained to observe that there has been a steep increase in the expenditure on entertainment from year to year in the case of a number of undertakings. In the case of Minerals and Metals Trading Corporation the expenditure has jumped from Rs. 1.78 lakhs in 1974-75 to Rs. 0.49 lakhs in 1976-77.

In the case of Projects and Equipment Corporation of India Ltd., the expenditure has galloped from Rs. 1.16 lakhs in 1974-75 to Rs. 3.16

lakhs in 1976-77. In the case of Engineering Projects (I) Ltd, the expenditure has increased from Rs. 0.25 lakhs in 1974-75 to Rs. 2.79 lakhs in 1976-77.

In case of Hindustan Photo Films Manufacturing Company the expenditure has gone up from Rs. 0.43 lakh in 1974-75 to Rs. 1.60 lakhs in 1976-77.

Similarly, in the case of Rail India Technicals & Economic Services Ltd., the expenditure has gone up from Rs. 0.21 lakh in 1974-75 to Rs. 1.13 lakhs in 1976-77, which is about 55 per cent increase.

(Paragraph No. 60)

Recommendation (Serial No. 4)

Even a number of Public Undertakings which are incurring heavy losses have spent lavishly on this account. For example, the Central Inland Water Transport Corporation with a cumulative loss of Rs. 2143.87 lakhs at the end of 1977, spent Rs. 75,000 on entertainment during 1976-77, Jessop and Co. Ltd., with a cumulative loss of Rs. 1247.47 lakhs till 1976-77 spent Rs. 97,772 on entertainment during 1976-77. Bharat Aluminium Co. Ltd., with a cumulative loss of Rs. 1858 lakhs at the end of 1976-77, spent Rs. 69,000 on entertainment during 1976-77. Cochin Shipyard Ltd., with a cumulative loss of Rs. 20.72 lakhs till 31-3-1977 spent Rs. 89,855 during 1975-76. Garden Reach Shipbuilders and Engineers Ltd. with cumulative loss of Rs. 195.86 lakhs till 31-3-1977 spent Rs. 59,000 on entertainment during each of the years 1975-76 and 1976-77. Hindustan Antibiotics Ltd. with a cumulative loss of Rs. 835.56 lakhs till 31-3-1977 spent Rs. 55,502 on entertainment during 1976-77. Mining and Allied Machinery Corporation with a cumulative loss of Rs. 3516.34 lakhs as on 31-3-1977 spent Rs. 67,000 in 1975-76 and Rs. 85,000 on entertainment during 1976-77.

(Paragraph No. 61)

Reply of Government

The observations of the Committee contained in the recommendations at Serial No. 3 and 4 have been brought to the notice of the Administrative Ministries for necessary action *vide* this Ministry's O.M. No. 2(37)/78-BPE(GM-I) R. 58-61 dated the 9th June, 1978.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 2(37)/78-BPE (GM-I) dated the 22nd December, 1978.]

Further Information Called for by the Committee

Please furnish a copy of the Ministry of Finance O.M. No. 2(37)/78-BPE(GM-I) (R-58-61) dated 9th June, 1978 bringing these

recommendations to the notice of Administrative Ministries for necessary action.

[Lok Sabha Secretariat O.M. No. 301-15/PU-77 dated the 8th January, 1979]

Further Reply of Government

A copy of the Bureau of Public Enterprises O.M. No. 2(37)|78-BPE(GM-I) (R-58—61) dated 9th June, 1978 is enclosed (Appendix VII)

[Bureau of Public Enterprises O.M. No. 2(37)|78-BPE(GM-I) dated the 12th January, 1979]

Recommendation (Serial No. 5)

(Paragraph No. 6)

The Committee are perturbed to note that the Central Inland Water Transport Corporation which has been incurring heavy losses from year to year and whose losses amounted to over Rs. 21 crores during the last few years, has been spending lavishly on entertainment. There has been a steep increase of over 700 per cent in the entertainment expenditure which was only Rs. 9,000 in 1973-74 escalated to Rs. 75,000 in 1976-77. It is a matter of great concern that in spite of the deterioration in the financial condition of the Corporation when it was difficult even to find resources to pay the employees their monthly wages, sumptuous entertainment parties of lunches and dinners were given by the top officers of the Corporation on over 183 occasions during the last 2 years i.e. 1975-76 and 1976-77. Of these 183 occasions, the principal adviser who is now working as Chairman-cum-Managing Director on *ad hoc* basis entertained on as many as 138 occasions during this period. During these entertainment parties which were held in posh clubs and Restaurants in Calcutta, drinks at times were freely served. On one occasion, over Rs. 2900 were spent for a lunch for entertaining the Secretary of the Ministry and other civil and Military officers which totalled 35. Of this amount, about Rs. 1800 were spent on alcohol alone. In many cases the expenditure ranged between Rs. 55 and Rs. 144 per head while an ordinary lunch or dinner would cost between Rs. 15 to Rs. 20 only per head even in those leading Clubs. The Committee are surprised that most of these parties were held to entertain the visiting officers of the Ministry, brother officers from other public undertakings, Board members, including CIWTC's own officials, nationalised banks officers etc. At times

even the wives of officers and contractors of the same undertaking were also invited.

(Paragraph No. 62)

Reply of Government

The observations of the Committee have been noted and brought to the notice of the Enterprise.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 2(37)|78-BPE(GM-I) dated the 22nd December 1978]

Recommendation (Serial No. 6)

From the instances quoted in the previous paragraphs the Committee have come to the inescapable conclusion that a number of public undertakings have been incurring extravagant and lavish expenditure on entertainment in utter disregard of the interests of the poor tax-payers. It is on record that one public undertaking had spent huge amounts on entertainment where on various occasions, drinks were freely served to entertain fellow officers of the undertakings, officials of the Ministry, officials of the nationalised banks and semi-Government Organisations and personal guests. Extravagant expenditure in entertaining high ups by public undertakings and other Government/Semi-Government agencies gives rise to avoidable adverse reaction among other subordinate employees and people in general who get demoralised by such lavish expenditure by the top executives.

(Paragraph No. 63)

Reply of Government

This is covered in the reply of Government to recommendation at serial No. 11.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 2(37)|78-BPE(GM-I) dated the 22nd December 1978]

Comments of the Committee

Please see pages 6 to 8 of Chapter I of the Report.

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Nil

NEW DELHI;
March 22, 1979
Chaitra 1, 1901 (S)

JYOTIRMOY BOSU,
Chairman,
Committee on Public Undertakings.

APPENDIX I

(*vide* page 18 of the Report)

No. 2 (37) | 78-BPE (GM-I (R-10)

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

Bureau of Public Enterprises

Mayur Bhavan, Connaught Place,
New Delhi, the 9th June, 1978.

OFFICE MEMORANDUM

SUBJECT:—First Report of the Committee on Public Undertakings (1977-78) (Sixth Lok Sabha) on Extravagant and Infructuous Expenditure on Entertainment by Public Undertakings.

The Parliamentary Committee on Public Undertakings (Sixth Lok Sabha) in their first Report on Extravagant and Infructuous Expenditure on Entertainment by Public Undertakings has made the following observations with regard to the entertainment expenditure:

S. No.	Paragraph No.	Recommendation
10	67	The Committee would urge that each undertakings should lay down strict guidelines for regulating the expenditure on entertainment on the various occasions so as to keep it to the minimum, keeping in view their earnings and the morale of the subordinates and of the people in general. The Board should also ensure that these guidelines are rigidly followed. A strict watch over the expenditure should be kept and periodical review should be made at the Board level. The Heads of the respective public undertakings should be held responsible for non-compliance of the guidelines.

2. The Ministry of Steel & Mines etc. are requested to advise the Public Enterprises to lay down the strict guidelines relating to expenditure on entertainment on the various occasions on the lines

envisaged in the above paragraph. A copy of the guidelines issued by the Public Enterprises may be sent to the BPE at the earliest but in any case not later than the 30th June, 1978.

Sd/-
(Krishna Chandra)
Deputy Director
Tel. No. 43730

To

All Administrative Ministries.

Copy to:

Chief Executives of Public Undertakings.

APPENDIX II

(Vide page 18 of the Report)

No. BPE/GL-018/78/MAN/2(16)/78-BPE (GM-I)

Government of India

Ministry of Finance

Bureau of Public Enterprises

Mayur Bhavan, Connaught Place,

New Delhi, the 19th June, 1978.

OFFICE MEMORANDUM

Subject: -Entertainment Allowance to Chairman, Managing Director, General Managers etc. of Public Enterprises.

Reference is invited to this Ministry's O.M. No. 2(74)/67-FI dated the 17th October, 1967 on the above subject. The said O.M. laid down the guidelines for entertainment expenditure by the Public Enterprises.

2. Ministry of Steel & Mines etc. are requested to impress upon the Public Enterprises under their administrative control the need for austerity in all entertainment and for restricting the number of invitees to the minimum. The question of specifying per capita limits on entertainment expenditure to be incurred by Public Enterprises has been reconsidered and it has been decided that the following monetary limits should be observed by the Public Enterprises while arranging parties irrespective of the fact whether foreigners are also invited to the party or not:

At Ashoka and Akbar Hotel

Approved catering rates

- | | |
|-----------------------------|--|
| (a) Dinner (Buffet) . . . | . Rs. 50/- per head plus |
| (b) Dinner (Sit-down) . . . | . 7% sales tax. |
| (c) Lunch (Buffet) . . . | . |
| (d) Lunch (Sit-down) . . . | . |
| (e) Flower decoration . . . | . Rs. 2/- per head or a minimum of Rs. 50/- per function. The above catering rates are inclusive of the cost of soft drinks served prior to meal. Cost of juices/snacks will be paid as per actual consumption whenever ordered. |

2. *At other Hotels.* Proportionately lower monetary limits to be laid down by the Boards of Directors of the concerned enterprises.

3. Parties at residence of Chief Executives etc. and at places other than Hotels.

- | | | |
|---------------|-----------|-------------------|
| (a) Dinner. | | Rs. 15/- per head |
| (b) Lunch | | Rs. 12/- per head |
| (c) Reception | | Rs. 7.50 per head |

3. It is also emphasised that for entertainments at the residence of the officers authorised to spend on such entertainments, austerity and economy should be duly observed. All such entertainments should be duly certified by the hosting officer and it should be ensured that the process of certification is not rendered as mere routine.

4. Public enterprises shall refrain from serving any liquor or other alcoholic drinks at any entertainment hosted by them where the chief guests/principal invitees are not foreigners.

5. Ministry of Steel & Mines, etc., are requested to advise the Public Sector Enterprises under their administrative control to strictly observe the monetary limits prescribed in para 2 above while incurring entertainment expenditure for official parties etc.

Sd/-

(S. M. PATANKAR)
ADVISER (FINANCE)
TEL. NO. 40814

To

All Administrative Ministries/Department of Govt. of India.
Copy to:

- (i) The Comptroller & Auditor General of India.
- (ii) Adviser (C)/Adviser (F)/Adviser (P)/Director (I&R)/Secretary (PESB)|Director (M) DS(C)|PS to AS&DG, BPE.
- (iii) All IFAs in the Administrative Ministries.
- (iv) Chief Executives of Public Enterprises.
- (v) Secretary Standing Conference of Public Enterprises.

VI APPENDIX III

(Vide page 18 of the Report)

No. BPE/GL-018/78|MAN|2 (16)|78-BPE (GM-I)

GOVERNMENT OF INDIA

Ministry of Finance

Bureau of Public Enterprises

Mayur Bhavan, Connaught Circus

New Delhi, the 6th July, 1978.

OFFICE MEMORANDUM

SUBJECT:—Entertainment Allowance to Chairman, Managing Director, General Managers etc. of Public Enterprises.

In partial modification of para 4 of this Ministry's Office Memorandum of even number dated 19th June, 1978, the undersigned is directed to state that Government have decided that no liquor should be served at any entertainment hosted by public enterprises even where the chief guest/principal invitees are foreigners.

2. Ministry of Steel & Mines, etc. are requested to ensure that the general instructions issued by the Government are fully carried out by all senior employees of the public sector undertakings for which they are administratively responsible.

Sd/- 2

(S. M. PATANKAR)

Adviser (Finance)

Tel. No. 40814.

To

All Administrative Ministries/Departments of the Government of India.

Copy to:

- (i) The Comptroller & Auditor General of India.
- (ii) Adviser (C)|Adviser (P)|Director (I&R)|Secretary (PESB)|Director (M)|DS (Coord) /PS to AS&DG, BPE.
- (iii) All IFAs in the Administrative Ministries.
- (iv) Chief Executives of Public Enterprises.
- (v) Secretary, Standing Conference of Public Enterprises.

APPENDIX IV

Most Immediate

(Vide page 19 of the Report)

No. 2(37)/78-BPE(GM-I) (R-9)

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

Bureau of Public Enterprises

Mayur Bhavan, Connaught Circus,
New Delhi, the 9th June, 1978.

OFFICE MEMORANDUM

SUBJECT:—First Report of the Committee on Public Undertakings (1977-78) (Sixth Lok Sabha) on Extravagant and Infructuous Expenditure on Entertainment by Public Undertakings.

The Parliamentary Committee on Public Undertakings (Sixth Lok Sabha) in their First Report on Extravagant and Infructuous Expenditure on Entertainment by Public Undertakings has observed as follows:

S. No.	Paragraph No.	Recommendation
9	66	The Committee further recommend that the heads of the undertakings as also the Government Director on the Board of the Undertakings should critically review the entertainment expenditure incurred during the preceding three years and see how far such expenditure was justified. If the review reveals that unwarranted expenditure was incurred by any officials of the undertaking, responsibility therefore should be fixed and such expenditure recovered from the erring officials.

The above recommendation is being brought to the notice of the Administrative Ministries/Chief Executive of the Public Enterprises for necessary action. The results of the review made by

them about the entertainment expenditure incurred by the Public Sector Enterprises may be sent to the B.P.E. by the end of this month i.e., 30th June, 1978.

Sd/-
(KRISHNA CHANDRA)
Deputy Director.

To

All Administrative Ministries.

Copy to:

Chief Executives of Public Enterprises.

APPENDIX V

(Vide page 21 of the Report)

MOST IMMEDIATE

No. 2(37)/78-BPE(CM-I) (R-12)

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

Bureau of Public Enterprises

*Mayur Bhavan, Connaught Circus,
New Delhi, the 9th June, 1978.*

OFFICE MEMORANDUM

SUBJECT.—*First Report of the Committee on Public Undertakings (1977-78) (Sixth Lok Sabha) on Extravagant and Infructuous Expenditure on Entertainment by Public Undertakings.*

The Parliamentary Committee on Public Undertakings (Sixth Lok Sabha) in their First Report on Extravagant and Infructuous Expenditure on Entertainment by Public Undertakings *vide* paragraph 69 Recommendation 12 has observed as under:

S. No.	Paragraph No.	Recommendation
12	69	The Committee further require that expenditure on entertainment should always be clearly reflected in the annual reports of the undertakings.

The above recommendation is being brought to the notice of Administrative Ministries/Chief Executives of Public Enterprises for necessary action and compliance.

Sd/-
(KRISHNA CHANDRA)
Deputy Director,
Tel. No. 43730

To

All Administrative Ministries/Departments.

Copy to:

Chief Executives of Public Undertakings.

APPENDIX VI

Most Immediate

(Vide Page 23 of the Report)
(SECRET)
No. 2(37)/78-BPE (GM-I) (R-14)

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
Bureau of Public Enterprises

Mayur Bhavan, Connaught Circus,
New Delhi-1, the 9th June, 1978.

OFFICE MEMORANDUM

SUBJECT.—*First Report of the Committee on Public Undertakings (1977-78) (Sixth Lok Sabha) on Extravagant and Infructuous Expenditure on Entertainment by Public Undertakings.*

The Parliamentary Committee on Public Undertakings (Sixth Lok Sabha) in their First Report on Extravagant and Infructuous Expenditure on Entertainment by Public Undertakings vide Recommendation 14 para 71 has made the following observations:

S. No.	Paragraph No.	Recommendation
14	71	The Committee cannot but observe that Public Sector would never succeed if it is left in the hands of disinterested, unscrupulous inconsiderate mercenaries. Unless there is a true sense of involvement and determination to produce the desired results the condition of Public Sector is bound to be what it is today in many cases. It is unfortunate that because of certain unscrupulous Managers of Public Undertakings, huge losses occur to the Public Sector Undertakings which are ultimately borne by the general public who have not contributed their mite by way of payment of taxes direct and indirect.

2. The above observations of the Committee are being brought to the notice of the Administrative Ministries/Chief Executives of Public Enterprises for their information. Material for preparing

replies of the Government to the observations made by the Committee referred to above may please be supplied at the earliest but not later than the 30th June, 1978.

Sd/-
(KRISHNA CHANDRA)
Deputy Director.

To

All Administrative Ministries.

Copy to:

Chief Executives of Public Undertakings.

APPENDIX VII

(Vide Page 29 of the Report)

No. 2(37)/78-BPE(GM-II) (R. 58—61)

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

Bureau of Public Enterprises

Mayur Bhavan, Connaught Circus,
New Delhi-1, the 9th June, 1978.

OFFICE MEMORANDUM

SUBJECT.—*First Report of the Committee on Public Undertakings (1977-78) (Sixth Lok Sabha) on Extravagant and Infructuous Expenditure on Entertainment by Public Undertakings.*

The Parliamentary Committee on Public Undertakings (Sixth Lok Sabha) in their First Report on Extravagant and Infructuous Expenditure on Entertainment by Public Undertakings has observed as under:

S. No.	Paragraph No. in the Report	Recommendations
1	2	3
3	58 to 60	<p>The Committee are greatly perturbed to note that the expenditure on entertainment in the case of 92 Public Undertakings amounted to Rs. 101.15 lakhs during the three years 1974-75, 1975-76 and 1976-77.</p> <p>It is noteworthy that the total expenditure incurred by 92 undertakings during 1974-75 amounted to Rs. 25.35 lakhs but it increased manifold during Emergency period of 1975-76 and further increased in 1976-77 to Rs. 44.02 lakhs.</p>

Thirteen undertakings, namely, Mazagon Dock Ltd., Minerals and Metals Trading Corporation, Projects and Equipment Corporation of India Ltd., Engg. Projects (India) Ltd., Bharat Heavy Electricals Ltd., Engineers India Ltd., Jessop & Co. Ltd., Hindustan Photofilms Mfg. Co. Ltd., Bharat Petroleum Corporation, Rail India Technical and Economic Services Ltd, Metallurgical and Engineering Consultants India Ltd., HMT (International), and Indian Airlines Corpn. have each spent more than Rs. 1 lakh in a year on this account. In the case of one undertaking, viz. Mazagon Dock Ltd., the expenditure had gone upto Rs. 10.62 lakhs during the three years ending 1976-77 which works out to Rs. 29,500 per month or Rs. 1000/- per day. In the case of another undertaking viz., Minerals and Metals Trading Corporation, the expenditure had increased to Rs. 3.49 lakhs in 1976-77 which also works to about Rs. 1000/- per day. The Committee are constrained to observe that there has been a steep increase in the expenditure on entertainment from year to year in the case of a number of undertakings. In the case of Minerals and Metals Trading Corporation the expenditure had jumped from Rs. 1.78 lakhs in 1974-75 to Rs. 3.49 lakhs in 1976-77. In the case of Projects and Equipment Corporation of India Ltd. the expenditure has galloped from Rs. 1.16 lakhs in 1974-75 to Rs. 3.16 lakhs in 1976-77. In the case of Engineering Projects (I) Ltd., the expenditure has increased from Rs. 0.25 lakhs in 1974-75 to Rs. 2.79 lakhs in 1976-77.

In the case of Hindustan Photofilm Mfg. Co. the expenditure has gone up from Rs. 0.43 lakh in 1974-75 to Rs. 1.60 lakhs in 1976-77. Similarly in the case of Rail India Technicals and Economic Services Ltd., the expenditure has gone up from Rs. 0.21 lakh in 1974-75 to Rs. 1.13 lakhs in 1976-77, which is about 55 per cent increase.

(1)	(2)	(3)
4	61	<p>Even a number of Public Undertakings which are incurring heavy losses have spent lavishly on this account. For example, the Central Inland Water Transport Corporation with a cumulative loss of Rs. 2143.87 lakhs at the end of 1977, spent Rs. 75,000 on entertainment during 1976-77, Jessop and Co. Ltd., with a cumulative loss of Rs. 1247.47 lakhs till 1976-77 spent Rs. 97,772 on entertainment during 1976-77. Bharat Aluminium Co. Ltd. with a cumulative loss of Rs. 1858 lakhs at the end of 1976-77, spent Rs. 69,000 on entertainment during 1976-77. Cochin Shipyard Ltd., with a cumulative loss of Rs. 20.72 lakhs, till 31-3-1977 spent Rs. 89,855 during 1975-76. Garden Reach Shipbuilders and Engineers Ltd., with a cumulative loss of Rs. 195.86 lakhs till 31-3-77 spent Rs. 59,000 on entertainment during each of the years 1975-76 and 1976-77. Hindustan Antibiotics Ltd. with a cumulative loss of Rs. 835.56 lakhs till 31-3-77 spent Rs. 55,502 on entertainment during 1976-77. Mining and Allied Machinery Corpn. with a cumulative loss of Rs. 3516.34 lakhs as on 31-3-1977 spent Rs. 67,000 in 1975-76 and Rs. 85,000 on entertainment during 1976-77.</p>

The Ministry of Shipping and Transport etc. are requested to review the entertainment expenditure incurred by the Public Enterprises under their administrative control during the last three years, particularly with reference to the undertakings which have been reported upon by the Parliamentary Committee on Public Undertakings, in their above report and supply the necessary material for preparation of the Government reply to the observations made by the Committee.

Sd/-

(KRISHNA CHANDRA)

Deputy Director,

Tel. No. 43730

To

All Administrative Ministries/Departments.

APPENDIX VIII

(Vide para 3 of Introduction)

Analysis of Action taken by Government on the recommendations contained in the First Report of the Committee on Public Undertakings (Sixth Lok Sabha)

I. Recommendations that have been accepted by Governments .

Serial Nos. 7, 9, 10, 11, 12, 13 and 14.	7
Percentage to total	50%

II. Recommendations which the Committee do not desire to pursue in view of the Government's replies :

Serial No. 8	1
Percentage to total	7.14%

III. Recommendations in respect of which replies of Government have not been accepted by the Committee :

Serial Nos. 1, 2, 3, 4, 5 and 6	6
Percentage to total	42.86%
