

COMMITTEE ON PUBLIC UNDERTAKINGS (1980-81)

(SEVENTH LOK SABHA)

FIRST REPORT

Action taken by Government on the recommendations contained in the Twenty-fifth Report of the Committee on Public Undertakings (Sixth Lok Sabha)

ON

**JUTE CORPORATION OF INDIA LTD.—
SHORTCOMINGS IN THE FUNCTIONING OF JCI.**

**MINISTRY OF COMMERCE
(Department of Textiles)**

*Presented to Lok Sabha and
Laid in Rajya Sabha on*



**LOK SABHA SECRETARIAT
NEW DELHI**

November, 1980/Mgrahayana, 1902 (Saka)

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First Report of the Committee on Public Undertakings (1980-81) on Action Taken by Government on the recommendations contained in the Twenty-fifth Report of the Committee (Sixth Lok Sabha) on Jute Corporation of India Ltd. - Shortcomings in the Functioning of JCI.

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
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CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE	(iii)
COMPOSITION OF ACTION TAKEN SUB-COMMITTEE	(v)
INTRODUCTION	(vii)
I. REPORT	1
II. Recommendations that have been accepted by Government	8
III. Recommendations which the Committee do not desire to pursue in view of Government's replies	27
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee	30
APPENDICES	
I. Copy of the opinion of solicitors regarding private agents appointed by the Corporation during 1973-74 season	33
II. Copy of note dated 3-11-79 regarding guidelines for depositing the money in Banks.	37
III. Copy of Circular No. JCI/F&A/R.O. dated 10-12-79 regarding Regulation of funds in the current A/cs.	39
IV. Analysis of action taken by Government on recommendations contained in the 25th Report of the Committee	40

COMMITTEE ON PUBLIC UNDERTAKINGS

(1980-81)

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2. Shri T. R. Krishnamachari—*Chief Financial Committee Officer.*
3. Shri S. P. Chanana—*Senior Financial Committee Officer.*

*Ceased to be a Member of the Committee on his appointment as a Deputy Minister w.e.f. 31-10-1980.

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

(1980-81)

1. Shri Bansi Lal—*Chairman*
2. Shri R. R. Morarka—*Convener*
3. Shri Gulam Nabi Azad
4. Shri Swami Dinesh Chandra
- 5 Shri S. M. Krishna
6. Smt. Geeta Mukherjee
7. Shri B. K. Nair

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this 1st Report on Action Taken by Government on the recommendations contained in the 25th Report of the Committee on Public Undertakings (Sixth Lok Sabha) on Jute Corporation of India—Shortcomings in the Functioning of J.C.I.

2. The 25th Report of the Committee on Public Undertakings was presented to Lok Sabha on 2 April, 1979. Replies of Government to all the recommendations contained in the Report were received on 3 October, 1979. Further information called for in respect of 12 recommendations was furnished by the Ministry on 15 July, 1980. Out of these further/up-to-date information was furnished in respect of 4 recommendations on 26 September, 1980 and 22 October, 1980. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings on 14 November, 1980. The Report was finally adopted by the Committee on Public Undertakings on 18 November, 1980.

3. Analysis of Action Taken by Government on recommendations contained in the 25th Report of Committee is given at Appendix IV.

NEW DELHI;
November 24, 1980
Agrahayana 3, 1902 (Saka)

BANSI LAL,
Chairman,
Committee on Public Undertakings.

CHAPTER I

REPORT

The Report of the Committee on Public Undertakings deals with the action taken by Government on the recommendations contained in the 25th Report (Sixth Lok Sabha) on 'Jute Corporation of India Ltd.—Shortcomings in the Functioning of JCI' which was presented to Lok Sabha on 2 April, 1979.

2. Action Taken notes have been received from Government in respect of all the 30 recommendations contained in the Report. These have been categorised as follows:—

- (i) Recommendations/observations that have been accepted by Government:

Serial Nos. 1 to 14, 17 to 22, 24, 26, 27 & 29.

- (ii) Recommendations/observations which the Committee do not desire to pursue in view of Government's replies:

Serial Nos. 15, 25 & 28.

- (iii) Recommendations/observations in respect of which Government's replies have not been accepted by the Committee:

Serial Nos. 16, 23 and 30.

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

A. Appointment of Agents (S. No. 10, Para 1.66)

4. The Committee on Public Undertakings (1978-79) demanded a thorough probe into the non-existence of 186 growers, out of 198 in 21 villages whose names had been shown by the private agents as sellers of jute to them, and the denials by the other 12 growers about their having sold any jute to either of the two agents. In the opinion of the Committee, the incorporation of such fictitious names in the records of the agents amounted to a criminal breach of trust which required to be thoroughly investigated and followed up by launching prosecution against the persons concerned.

5. In their reply dated 15-9-1979 the Ministry stated that the Corporation, on the advice of its Solicitor hand withheld payment of Rs. 7.06 lakhs approximately due to the two private firms who were appointed as agents of the Corporation in Andhra Pradesh. However, as per the agreement, the agents had gone into arbitration. In June, 1980 the Ministry intimated that one of the two private firms, namely M/s. Maheshwari Bros. and Company had unconditionally withdrawn the arbitration proceedings and requested the CMD, JCI to give a final decision on the case. It was further stated that CMD was likely to decide the matter within next month or two.

6. In their latest reply dated 23rd October, 1980 the Ministry have stated that the results of arbitration proceedings/CMD's decision were awaited and that the question of prosecution can be considered on receipt of the arbitration award/CMD's decision.

7. In September, 1975 the Solicitor had given the following advice to J.C.I.:—

“***There are, however, some practical difficulties in the matter. First of all, having regard to the very large purchases made from numerous persons it will be difficult and extremely expensive to prove that the purchases were made at a lower price than the statutory rate or that the receipts produced are fictitious. Secondly, it might be contended by the Agents that the Jute Corporation having made 90 per cent payment under Clause 31 must have made the necessary enquiry and satisfied itself. Moreover, there is an Arbitration Clause of arbitration by two Arbitrators one to be nominated by each in case there is no agreement as to a single arbitrator. It is unlikely that the Agents will agree to a single arbitrator and the arbitrators are likely to disagree and refer the matter to an umpire. The proceedings before the Arbitrators and umpire will be prolonged ones and it may take several years before the cases are completed either before the Arbitrators or before the Umpire. In the circumstances, it will be better to make an assessment of the secret profits that were made by the Agents and try to realise at least half the amount. The alternative course is to file criminal cases against the Agents for producing false receipts and keeping false accounts. If a complaint is made and there

is an enquiry by the police, it may be easier for the police to prove that the vouchers produced are false."

8. The Committee deplore the delay in proceeding against the two private firms who were appointed as Agents of the JCI in Andhra Pradesh and who were alleged to have shown in their records fictitious names of sellers of jute thereby making secret profits by purchasing jute at lower rates without paying statutory price to genuine growers. Though the Ministry of Commerce had assured the Committee in June 1980 that the Chairman and Managing Director of JCI was likely to decide the case of the Agent, M/s. Maheshwari Bros. & Co., who had withdrawn the Arbitration proceedings, within a month or two, the decision is still awaited (October 1980). The arbitration proceedings against the other agent (Gouri Shankar Bhagwati Prasad) are stated to be in progress. In view of the gravity of the alleged offence by the agents, the Committee would urge that the pending proceedings and examination of the matter should be completed without further delay and prosecution launched in the event of there being prima facie case.

C. Sale of Jute to Kinnison Jute Mill (Sl. No. 16, Paragraph 2.45)

9. The Committee on Public Undertakings (1978-79) took a very serious note of the fact that the executives of Jute Corporation of India by-passed the Board of Directors as well as the Committee of Operations and entered into a deal with the National Company and agreed to meet their entire requirement of raw jute at concessional rates, much lower than the rates at which jute was supplied to other mills. The Committee agreed with the observations of the Board that the National Company had been given a preferential treatment and thus an irregularity had occurred. The Committee recommended that the matter should be thoroughly investigated with a view to fix responsibility.

10. In their reply the Ministry have stated that a preferential treatment was accorded to the National Company Limited, an undertaking under Government Management, as a result of a meeting which was attended by the Chairman, the Managing Director, the Director (Finance), OSD of the Corporation and the Jute Commissioner. When the matter was reported to the Board on 13th April, 1977, the Chairman agreed that such decisions would in future be reported to the Board. It has been stated that

such an assurance is deemed to be adequate and it is not necessary to make further investigations to fix responsibility.

11. The responsibility for extending preferential treatment to National Company Ltd. by meeting their entire requirement of raw jute at concessional rate was that of the Chairman, the Managing Director, the Director (Finance) and OSD of the Corporation. Government perhaps considers that no malpractice on the part of the Corporation was involved because the Jute Commission was associated with the decision and the concession was after all extended to a Company under Government management.

12. The Committee would, however, like to stress that the Management of Public Undertakings should be guided solely by commercial considerations unless there is a policy directive by Government to the contrary.

C. Sale of Jute to Kinnison Jute Mill (S. No. 16, Paragraph 2.45)

13. The Committee felt that it was most inappropriate for the Ministry to issue directive to the JCI to make further supply of Jute to Kinnison Jute Mill without insisting on the payment of huge arrears. It was for the Government to take other measures to see that the mill was not closed down. The Committee observed that the Public Enterprises should be allowed to function on sound commercial lines without interference of the kind that happened in this case, from Government.

14. In reply, it has been pointed out that in a communication to the Jute Corporation of India the Ministry had stated that "it will be advisable to adopt only that part of the suggestion which does not result in financial loss to Jute Corporation of India. For supplying raw jute to this mill, it is not the intention that we should suffer any financial loss on this account."

15. The Ministry has pleaded:

"Government had neither the intention to give any directive to JCI nor to interfere with their commercial functioning. This has always been the stand of Government."

16. The Committee are not convinced about the justification for further supply of Jute to a Mill against whom huge arrears were

outstanding. Even if there was no loss on the subsequent supply of jute it was commercially unwise to have supplied jute without establishing any possibility of recovery of the arrears. The Committee, therefore, wish to reiterate that the public enterprises should be allowed to function on sound commercial lines based on their own assessment of situations.

D. Appointment of Auditors (Sl. No. 23, Para 3.22)

17. The Committee on Public Undertakings (1978-79) felt that the internal audit work should be handled by a properly staffed cell of the Corporation.

18. In their reply, the Ministry have stated as follows:—

“Corporation have advised the Government that rather than to leave the internal audit work to a Cell consisting of Corporation's own employees, it is desirable to have an independent firm of auditors. The Corporation has watched the progress of the work of the auditors for over three years and they are satisfied with the arrangements. According to the Corporation these firms have already experience of such work in various other organisations of both public and private sectors which indirectly helps the Corporation.”

19. According to the guidelines of the Government issued through the Bureau of Public Enterprises in September, 1968, regarding introduction of comprehensive and effective system of Internal Audit in the Public Sector Enterprises, Internal Audit should be within the administrative set up of the undertaking itself. Despite these guidelines, the Jute Corporation of India appointed an external firm of auditors to conduct internal audit. The Committee desire that the guidelines, which are sound in principle ought to be followed and internal audit work entrusted to a properly staffed cell of the Corporation.

E. Hiring of Taratola Godown (Sl. No. 28, Paragraph 4.16)

20. Commenting on hiring of the private godown at exorbitant rates during 1976-77 the Committee, *inter alia*, recommended that before hiring of godowns the Central Warehousing Corporation and other Central or State Government Organisations having

warehousing space to offer should invariably be consulted and it should be ensured that the godowns were hired at the prevailing market rates and that they were structurally suitable in all respects. Ministry's reply to this recommendation is silent on this point.

21. The Committee would like to invite attention to their 24th Report (Sixth Lok Sabha) on Expenditure on Hiring of Storage Space by Public Undertakings and reiterate that public undertakings including the JCI should make use of public storage space wherever possible without resorting to hiring of private accommodation. The Committee are constrained to reiterate this because the JCI had admittedly hired the Taratola Private Godown at exorbitant rates though it was for a year only.

F. Loss of Jute in fire in Belvedere Godown (Sl. No. 30, Paragraph 4.21)

22. The Committee noted that the entire quantity of about 29 thousand bales of Jute worth Rs. 75.21 lakhs kept in the Belvedere godown was burnt in fire. The Committee appointed by JCI Management to make an enquiry into the loss of Jute in fire recommended that the case should be referred to CBI. The Committee desired to be informed about the results of investigations conducted by the CBI.

23. In their reply dated 15-9-1979 the Ministry stated as follows:—

"The Report of the Committee set up by Jute Corporation of India for investigating the fire in the Belvedere godown was furnished to the Superintendent of Police, CBI Calcutta. The Superintendent of Police, CBI after studying this Report came to the conclusion that 'it appears that it would be difficult to come to definite conclusion that the stock (of raw jute) was actually less than the actual stock by 5 per cent and as such no useful purpose would be served by initiating any enquiry by CBI at this stage'."

24. The Committee enquired why such a conclusion about stock was necessary or relevant for initiation of a CBI inquiry to find out the cause of fire. In their reply dated 28-6-1980, the Ministry stated that the matter was being referred to the CBI and the result thereof would be intimated in due course.

25. In a subsequent note submitted on 23-10-1980 the Ministry have stated as follows:—

“The matter was taken up with the SP, CBI, Calcutta. The reply received from him shows that there is no case for CBI taking up this enquiry. The matter may be treated as closed.”

26. It is astonishing that the cause of the fire that allegedly destroyed the entire quantity of jute worth Rs. 75.21 lakhs kept in the Belvedere godown years ago could not be ascertained as yet. Though a committee was appointed by the Jute Corporation of India to make an enquiry into the loss, that committee not being able to locate the cause of fire, had recommended that the case be referred to CBI. According to the CBI, however, there is no case for their taking up the enquiry. The matter seems to have been allowed to rest there without even investigating the actual shortage of raw jute stock. It is regrettable that the Committee have not been given any reason why it has been held that there is no case for enquiry. They, therefore, desire that Government should look into it and see that the cause of the fire as well as the extent of shortage of stock of jute ascertained by such agency as can take up the enquiry and take appropriate punitive and preventive steps so that such huge losses could be avoided in future.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Sl. No. 1)

From the figures made available to them regarding publicity pamphlets and total expenditure of Jute Corporation of India on publicity, the Committee cannot but conclude that the publicity aspect has been utterly neglected by the Corporation. On the basis of the experience of the study groups of the Committee during their extensive tours to jute-growing areas, the Committee are inclined to agree with the complaints made to them that even the limited number of publicity pamphlets issued by the Jute Corporation are not being actually distributed to the growers properly.

As admitted by the Management, the expenditure on publicity is insignificant as compared to the total overheads of the Corporation. Also, the Publicity leaflets are printed and issued only in September/October each year which is well after the commencement of the jute season when their distribution can hardly serve any purpose.

The Committee would, therefore, suggest that a well-thought out publicity plan should be prepared and launched every year well in advance by the Corporation in order to ensure that right at the time of harvesting of their jute crops, the growers are fully aware of the operations of the JCI and connected facilities available to them in the area for selling their produce directly to the Corporation.

(Paragraphs 1.13 to 1.15)

Reply of Government

The Corporation has welcomed the suggestion of the Committee and steps are being taken to ensure that in future leaflets shall be distributed in the villages before the harvesting of the Jute Crop commences. The help of the local administration or Agriculture Department would be necessary for such wide spread distribution. Besides, the Publicity Plan also includes advertisements on All

India Radio and use of public address system in the villages covered by the DPC.

(Ministry of Industry, Deptt. of I.D. O.M. No. 26/13/79- Jute,
dated 15-9-79)

Recommendation (Sl. No. 2)

The Committee note that as against the arrivals of jute in the markets in the month of June/July, the JCI has, during the last three years, been entering the field of purchase mostly in the later half of August by which time the small jute growers, to meet their pressing demands of finance, sell most of their produce to private traders.

The Committee feel that the real objective of ensuring remunerative prices to the jute growers, for which the Jute Corporation of India was set up, cannot be achieved unless the Jute Corporation is in a position to buy jute at the peak arrival time immediately after raw jute begins to be brought by the growers to the markets for sale.

The Committee strongly stress that the procurement operations of JCI should be taken up in right earnest from the start of the jute season and so oriented that there is no complaint from any corner about the growers having to resort to distress sales to private traders due to delay on the part of JCI in entering the market. The Corporation should also ensure that their procurement operations are at full swing at the time of festivals like Puja and Id when the demands of the growers, pressing as they are, generally compel them to dispose of their jute at whatever prices are offered to them.

(Paragraphs 1.21 to 1.23)

Reply of Government

Government agrees with the suggestion. It is normal practice with the Corporation to be in the market during the peak arrivals which take place near about Puja time. In the current year 1979-80, the Corporation has started their purchases from the beginning of August itself.

(Ministry of Industry, Deptt. of I.D. O.M. No. 26/13/79- Jute,
dated 15-9-79)

Recommendation (Sl. No. 3)

The Committee are unhappy that even in the limited number of centres which the JCI has the staff of JCI indulge in the malpractice of not purchasing jute directly from the growers. The allegation that JCI officials refuse to purchase jute from farmers on one pretext or the other as a result of which the farmers are compelled to sell their jute to private traders at lower rates is a very serious one and needs to be thoroughly investigated with a view to imposing proper punishment on those found guilty in the matter.

In regard to the allegation that while purchasing jute from the middlemen bogus cash memo are prepared by the JCI staff in the name of different farmers in order to show on records that jute has been purchasing from the growers, the Committee are not convinced with the statement of the Chief Marketing Officer that they had no way of confirming whether vouchers issued by the JCI staff were genuine or otherwise.

The Committee desire that the complaints that are pending with the JCI in this regard should be thoroughly investigated and exemplary punishment is awarded in proven cases of indulgence.

(Paragraphs 1.44 to 1.46)

Reply of Government

The Corporation is making thorough investigation into complaints relating to refusal to purchase directly from the growers and other malpractices like preparation of bogus cash memos etc. referred in the Committee's report. So far the services of four persons have been terminated and one person has resigned.

(Ministry of Industry, Deptt. of I.D. O.M. No. 26/13/79- Jute, dated 15-9-79)

Recommendation (Sl. No. 4)

The Committee also recommend that the Government should issue necessary directive to the Corporation so that its procurement is restricted mostly to the growers and the Cooperatives.

(Paragraph 1.47)

Reply of Government

As a matter of policy, the Corporation has been relying more and more on the purchases being made from the actual growers and through the Cooperatives. The State Governments, to whom

The recommendations were referred to for their comments, have also indicated that the plan of the Cooperation Departments is to involve primary agriculture credit societies so as to purchase loose jute at the door steps of farmers and also to eliminate the middlemen from the trade.

(Ministry of Industry, Deptt. of I.D. O.M. No. 26/13/79- Jute,
dated 15-9-79.

Recommendation (Sl. No. 5)

In this context, the Committee also feel that the suggestion for opening a national register of jute growers, in the different jute growing States deserves to be seriously considered by the Government so that each and every farmer could get a certificate which besides helping the Corporation in identifying the growers, could also be beneficial in several other ways like distribution of credit inputs and other such facilities. The services of the staff of JCI, during lean months of the JCI's procurement operations could, in the opinion of the Committee, be utilised in the opening and maintenance of such a register.

(Paragraph 1.48)

Reply of Government

The suggestion for opening of national register of jute growers in different jute growing States is welcome. The State Governments who have replied to this recommendation have also welcomed the suggestion. Government of West Bengal have already asked their officers to see that each and every Cooperative Marketing Society maintains a list of jute growers of their respective areas. This is a good beginning.

(Ministry of Industry, Deptt. of I.D. O.M. No. 26/13/79- Jute,
dated 15-9-79)

Recommendation (Sl. No. 6 & 7)

As regards alleged cheating of poor jute growers by the officials of JCI in other ways like down-grading of their jute, underweight and deductions on account of moisture etc., the Committee recommend that popular committees consisting of representatives of growers organisations should be formed without delay in order to exercise proper vigil and prevent the malpractices.

The Committee also recommend that periodical surprise checks by supervisory staff of the JCI should be made at all D.P.Cs. of the Corporation where complaint/suggestion books should also be kept for the help of the jute growers coming to sell their jute.

(Paragraph 1.40)

Reply of Government

According to the Corporation the Departmental Purchase Centres are maintaining complaint-cum-suggestions books and surprise checks are made by the Supervisory Staff of the JCI. The suggestion of setting up popular Committees consisting of representatives of growers is also under examination.

(Ministry of Industry, Deptt. of I.D. O.M. No. 26/13/79- Jute,
dated 15-9-79)

Further Information desired by the Committee

Please state the results of the examination of the suggestion of setting up popular Committees consisting of representatives of growers.

(Lok Sabha Secretariat O.M. No. 110/2(1)-PU/79 dated 15-3-1980)

Reply of Government

It is proposed to set up committees consisting of representatives of growers on an experimental basis in certain selected areas. The matter has been taken up with the State Government of West Bengal.

(Ministry of Commerce, Department of Textiles O.M. No. 26/13/79-
Jute dated 28-6-1980)

Recommendation (Sl. No. 8)

In regard to the use of Moisture Meters at the D.P.Cs of the JCI, which are stated to have the effect of scaring away of jute sellers from the D.P.Cs, the Committee would suggest that the jute growers should be educated through issue of leaflets and otherwise about the utility of such meters and their usefulness to the growers against exploitation by private traders. The Committee would also suggest that till such time as the growers get psychologically adjusted to the use of such meters, the D.P.Cs of the JCI should restrict their use only in cases of dispute in regard to the extent of moisture content in the jute offered for sale, and that too after

convincing the seller about the utility of the meter for an amicable settlement of the difference of opinion in the matter.

(Paragraph 1.50)

Reply of Government

Leaflets on the utility of use of moisture meter on the lines suggested are being issued in regional languages. The Departmental Purchase Centres of the Corporation restrict the use of moisture meters only in disputed cases.

(Ministry of Industry, Deptt. of I.D. O.M. No. 26/13/79-Jute, dated 15-9-79)

Recommendation (Sl No. 9)

The Committee are surprised to note that in 1973-74, two private firms (M/s. Maheshwari Brothers and Gouri Shanker Bagawati Prasad) of Calcutta were appointed as agents of the Jute Corporation of India for purchase of jute in Andhra Pradesh.

In view of the serious allegations also involving the Chief Marketing Officer (Shri R. R. Yagnik) of Jute Corporation of India, in respect of the appointment of these agents and also the malpractices indulged in by them during their purchase operations on behalf of the Jute Corporation of India, the Committee recommend that all these allegations should be thoroughly investigated in order to pin-point the lapses and to fix responsibility for each of them, with a view to take suitable action in the matter. Pending investigation Shri Yagnik should be shifted from the present position and should not be allowed to handle purchase, sale and delivery of jute.

(Paragraphs 1.64 to 1.65)

Reply of Government

The Corporation has reported that the allegations involving Shri R. R. Yagnik (Chief Marketing Officer) are being investigated by the Central Bureau of Investigation (CBI).

(Ministry of Industry, Deptt. of I.D. O.M. No. 26/13/79-Jute, dated 15-9-79)

Further Information desired by the Committee

Please state the present position of investigation by the CBI and if the investigation in completed the findings and action taken on the basis thereof.

(Lok Sabha Secretariat O.M. No. 110/2(1)-PU/79
dated 15-3-1980)

Reply of Government

CBI have reported that there is a *prima facie* case against Shri Yagnik being in possession of assets disproportionate to his known sources of income. The Central Vigilance Commission has recommended initiation of departmental proceedings against Shri Yagnik and action is being taken accordingly.

(Ministry of Commerce, Department of Textiles O.M.
No. 26/13/79-Jute, dated 28-6-1980)

Recommendation (Sl. No. 10)

The Committee would in particular demand a thorough probe into the non-existence of 186 growers, out of 198 in 21 villages whose names have been shown by the private agents as sellers of jute to them, and the denials by the other 12 growers about their having sold any jute to either of the two agents. In the opinion of the Committee the incorporation of such fictitious names in the records of the agents amounts to a criminal breach of trust which requires to be thoroughly investigated and followed up by launching necessary prosecutions against the persons concerned.

(Paragraph 1.66)

Reply of Government

The Corporation, on the advice of its Solicitor has withheld payment of Rs. 7.06 Lakhs approximately due to the two private firms who were appointed as agents of the Corporation in Andhra Pradesh. However as per the agreement, the agents have gone into arbitration and the proceedings are continuing.

(Ministry of Industry, Deptt. of I.D. O.M. No. 26/13/79-Jute,
dated 15-9-79)

Further Information desired by the Committee

(a) It is presumed that the irregularity mentioned by the Committee is also investigated by the CBI. This may be confirmed.

(b) Please state the present position of arbitration proceedings and if the proceedings are over the outcome thereof.

[Lok Sabha Secretariat O.M. No. 110/2(1)-PU/79 dated 15-3-1980]

Reply of Government

(a) The Corporation has been informed by the Calcutta Branch of CBI that they were not enquiring into the matter.

(b) One of the two private firms, namely, M/s. Maheshwari Bros. and Company have unconditionally withdrawn the arbitration proceedings and requested the CMD, JCI, to give a final decision on this case. It is understood that CMD is likely to decide the matter within the next month or two. The arbitration proceedings regarding the other firm are still continuing.

[Ministry of Commerce, Department of Textiles O.M. No. 26/13/79-Jute, dated 28-6-1980]

Further information desired by the Committee

Please state why no probe to be followed by prosecution of what amounted to a breach of trust, could be undertaken as recommended by the Committee? What was the advice of solicitor in this regard?

[Lok Sabha Sectt. O.M. No. 110/2/PU/79, dated 2-8-1980]

Reply of Government

A copy of the opinion of solicitors is enclosed. (Appendix I) The results of the arbitration proceedings/CMD's decision are awaited. The question of prosecution can be considered on receipt of the arbitration award/CMD's decision.

[Ministry of Commerce, Deptt. of Textiles, O.M. No. 26/13/79-Jute, dated 23-10-1980]

Recommendation (Sl. No. 11)

In regard to the criteria generally adopted by the Corporation in making appointment of private agents, the Committee feel concerned at the contradictions in the statements made in this regard during evidence by the Chief Marketing Officer and by the Officer on Special Duty of the Corporation. While the former has asserted that appointments were made on the basis of recommendations of the State Government the latter has stated that "not all the agents were appointed on the basis of recommendations of the State Governments." The position as stated by the Officer on Special Duty is also confirmed from the fact that during 1973-74

only four private agents (out of a total of 36 appointed by the Corporation) were recommended by the State Governments. The Chief Marketing Officer has thus misled the Committee for which the Committee would like his explanation to be obtained and incorporated in the Action Taken reply to this observation of the Committee.

(Paragraph 1.67)

Reply of Government

The explanation of the Chief Marketing Officer has been obtained and is reproduced below:

"The Committee on Public Undertakings (1978-79) in their 25th Report observed that I had misled the Committee in regard to the appointment of private trade agents in 1973-74 by making a statement that "the State Governments were asked to recommend some names and on the basis of their recommendations, the appointments were made". The Committee thought that the statement made by the OSD during his evidence that "not all the agents were appointed on the recommendation of the State Governments" contradicted what I said and the OSD's statement was also confirmed from the fact that during 1973-74 only 4 private agents out of a total of 36 appointed by the Corporation were recommended by the State Governments. As will be seen from our replies to LSS Question No. 22(b) forwarded with their letter No. 110/1(5)-PU/77 dated 31-10-1977 as also our clarification given in reply to Question No. 26(a) forwarded with LSS letter No. 110/1(9)-PU/78 dated 5-1-1978 that it was only in Bihar that 4 out of 20 agents who actually purchased jute were sponsored by the State Government. In other States all the agents were sponsored by the State Governments. Thus, 20 out of 36 agents were actually sponsored by the Government.

Actually about 188 names were sponsored by various State Governments, 32 were directly appointed in Bihar but these appointments also were duly intimated to the State Governments. I could not actually recollect, after a lapse of 4 years, what precisely was the position and I was fortunately supplemented by OSD when he said that not all the agents were appointed on the recommendations of the State Governments. Apparently, the OSD who was dealing with the cases of violations of agreements by the private agents was able to remember the correct position. I had no

intention of misleading the Committee and I apologize for giving such an impression to the Committee in my replies."

[Ministry of Industry, Deptt. of I.D. O.M. No. 26/13/79/Jute,
dated 15-9-79]

Recommendation (Sl. No. 12)

In regard to the principle of appointment of private agents, the Committee would suggest that instead of appointing private agents, who are reported to have indulged in various types of malpractices, the JCI should have their purchases made through cooperatives who may in turn enroll small and marginal farmers as their members.

(Paragraph 1.68)

Reply of Government

The past practice of appointing private agents has since been discontinued.

[Ministry of Industry, Deptt. of I.D. O.M. No. 26/13/79/Jute,
dated 15-9-79]

Recommendation (Sl. No. 13)

The Committee take a very serious note of the fact that the Executives of Jute Corporation of India by-passed the Board of Directors as well as the Committee of Operations and entered into a deal with the National Company and agreed to meet their entire requirement of raw jute at concessional rates, much lower than the rates at which jute was supplied to other mills. They are surprised to note that even after the agreement was cancelled after obtaining legal advice, the JCI continued to supply jute at concessional terms as compared to other mills. The Board of Directors felt that this was not justified.

The Committee are informed that the Corporation could not achieve its original objective for which the deal was negotiated as it did not get any relief in regard to godown space during the purchasing period, the turnover was adversely affected and it had to incur heavy carrying costs for more than two months. The Board of Directors have rightly pointed out that the reasons stated for the sale of jute at the minimum price involving a loss were not convincing and that it was incumbent on the part of the Management that, in an important matter involving a large amount

of loss and deviation from standard practice, the Board should have been consulted.

The Committee further note that the Management flouted the decision of the Board that all jute purchased should be kept in buffer stock for sale only in the off-season. They entirely agree with the observation of the Board that the National Company had been given a preferential treatment and thus an irregularity had occurred.

The Committee recommend that the matter should be thoroughly investigated with a view to fix responsibility.

(Paragraphs 2.14 to 2.17)

Reply of Government

A preferential treatment was accorded to the National Company Ltd., an undertaking under Government management, as a result of a meeting which was attended by the Chairman, the Managing Director, the Director (Finance), OSD of the Corporation and the Jute Commissioner. It has been reported by the Corporation that when the matter was reported to the Board of Directors on 13th April, 1977, the Chairman agreed that such decisions would in future be reported to the Board. Such an assurance is deemed to be adequate and it is not necessary to make further investigations to fix responsibility.

[Ministry of Industry, Deptt. of I.D. O.M. No. 26/13/79/Jute,
dated 15-9-79]

Recommendation (Sl. No. 14)

The Committee note that the terms and conditions of the letter of credit as sent to the Jute Corporation of India by the Punjab National Bank, Calcutta, differ from the terms and conditions of the letter of credit in the records of the Bank. The Committee feel that this may not merely be a case of negligence, and that this has all appearances of a conspiracy.

The Committee accordingly recommend that the inquiry being made by the Bank into the matter should be completed without further delay and if the result of the enquiry so warrants, necessary prosecutions should be launched not only against the erring officers of the Bank but also against the persons of the JK Jute Mill involved in it. The Committee would like to be informed of

the result of the probe suggested by them and further action taken by Government in the matter, without delay.

(Paragraphs 2.27 & 2.28)

Reply of Government

Banking Division has informed that Punjab National Bank, after taking into consideration the recommendations of the Committee, has decided to refer the matter to C.B.I. for further investigation.

[Ministry of Industry, Deptt. of I.D. O.M. No. 26/13/79-Jute,
dated 15-9-79]

Further Information desired by the Committee

Please state the present position of investigation by the CBI and if the investigation is completed the findings and action taken on the basis thereof.

[Lok Sabha Secretariat O.M. No. 110/2(1)-PU/79 dated 15-3-1980]

Reply of Government

CBI has sought some information which is being collected by the Bank from its branches.

[Ministry of Commerce, Department of Textiles O.M. No. 26/13/79-Jute, dated 28-6-1980]

Further Information desired by the Committee

Has the investigation been completed by CBI? If so, what action has been taken on the basis thereof?

[Lok Sabha Sectt. O.M. No. 110/2/PU/79 dated 2-8-1980]

Reply of Government

The Punjab National Bank with whom the matter was taken up, have informed that the Deputy Inspector General, CBI had asked for certain information/clarification in the matter and the same has been supplied to him on 19th June, 1980. The case has not been finalised by the CBI so far and the Bank has again reminded them on 22nd July, 1980.

[Ministry of Commerce, Department of Textiles O.M. No. 26/13/79-Jute, dated 28-9-1980]

Recommendation (Sl. No. 17)

The Committee also recommend that vigorous steps should be taken to recover the outstanding dues from the Mill.

(Paragraph 2.46)

Reply of Government

JCI are taking necessary steps for the recovery of their outstanding dues from the Jute Mills. The Corporation has already secured arbitration awards amounting to about Rs. 83,62,908.49 in their favour in cases other than those arising out of sales of 1974-75 crop. Regarding dues on account of supply of 1974-75 crop, the arbitrators have decided to hold arbitration proceedings in abeyance till 2nd June, 1980, presumably because the Government of West Bengal have declared Kinnison Jute Mills as a "Relief Undertakings" under their Relief and Sick Industries Undertakings Act. However, the Corporation has taken up this issue with the arbitrators pleading that their dues should be treated on a different footing since they are a public sector undertakings.

[Ministry of Industry, Deptt. of Ind. Dev. O.M. No. 26/13/79-Jute, dated 15-9-1979]

Recommendation (Sl. No. 18)

The Committee feel that preferential treatment was given by JCI to Shri Ram Jute Mills and Shri Ambica Jute Mills in the supply of imported jute. They are astonished to find that in both the cases deliveries were continued without verifying whether payment against earlier deliveries had been made or not although jute was agreed to be supplied on cash and delivery terms.

The Committee recommend that the matter regarding supply of imported jute to both the mills should be thoroughly investigated with a view to pinpoint lapses. They also recommend that adequate steps should be taken to recover the dues from the mills.

(Paragraph 2.50 to 2.51)

Reply of Government

While the Corporation is taking steps for realising its dues from Shri Ram Jute Mills and Shri Ambica Jute Mills, CBI has been requested to agree to investigate into the import and disposal of raw jute from Thailand.

[Ministry of Industry, Deptt. of Ind. Dev. O.M. No. 26/13/79-Jute, dated 15-9-1979]

Further Information desired by the Committee

Please state—

- (a) The present position of recovery of dues from the two mills; and
- (b) Whether the CBI has agreed to investigate the import and disposal of raw jute from Thailand and if so, the present position of investigation, the findings and the action taken on the basis thereof.

(Lok Sabha Secretariat O.M. No. 110/2(1)-PU/79 dated 15-3-1980)

Reply of Government

(a) One of the two, namely, Shri Ambika Jute Mills has paid so far Rs. 39 lakhs out of the total dues of about Rs. 80 lakhs, and has promised to continue to pay @ Rs. 3 lakhs per month till the dues are fully cleared. The arbitration proceedings have been initiated against the other, namely, Shri Ram Jute Mills.

(b) The files relating to import of jute from Thailand were taken over by the CBI. No report has yet been received from the CBI.

(Ministry of Commerce, Department of Textiles O.M. No. 26/13/79-Jute dated 28-6-1980)

Recommendations (Sl. No. 19 & 20)

Notwithstanding the fact the delayed deposit of cheques by the Jute Corporation does not result in any loss of interest to the Corporation, the Committee feel extremely unhappy about the existence of the practice of delaying the deposits of cheques. On a perusal of some of the instances of long delays in presentation of cheques, the Committee cannot help feeling that such special accommodation has been shown by the JCI, particularly to M/s. Kinnison Jute Mills which belong to Bird & Co. Group with which the former Managing Director was connected earlier. The Committee accordingly suggest that this aspect should be probed into and responsibility fixed in the matter.

The Committee expect that in future, the working of the Accounts department of the Corporation should be so organised that all cheques received by the Corporation are duly deposited with Bankers of the Corporation by the next working day without fail.

(Paragraphs 3.5 to 3.6)

Reply of Government

The cases of suspected favouratism shown by the previous Managing Director, JCI, Shri G. Ukil, have been referred to CBI for investigation. JCI has taken steps to ensure that there is no avoidable delay in depositing the cheques with the banks.

[Ministry of Industry, Deptt. of Ind. Dev. O.M. No. 26/13/79-Jute, dated 15-9-1979]

Further Information desired by the Committee

Please state the present position of the investigation by the CBI and if the investigation has been completed the findings and action taken on the basis thereof.

(Lok Sabha Secretariat O.M. No. 110/2(1)-PU/79 dated 15-3-1980)

Reply of Government

The matter has been under investigation of CBI since July-August 1979. No report has yet been received from them.

[Ministry of Commerce, Department of Textiles O.M. No. 26/13/79-Jute dated 28-6-1980]

Recommendation (Sl. No. 21)

The Committee consider it an undesirable practice to accept post-dated cheques showing needless accommodation to the Jute Mills. They recommend that the matter should be examined and action as found necessary should be taken.

(Paragraph 3.9)

Reply of Government

Corporation has accepted the advice of the Committee and have reported that in future post-dated cheques would not ordinarily be accepted.

[Ministry of Industry, Deptt. of Ind. Dev. O.M. No. 26/13/79-Jute, dated 15-9-1979]

Recommendation (Sl. No. 22)

The Committee are greatly concerned to note that there have been serious lapses on the part of the Jute Corporation of India in

the matter of submission of Quarterly Financial Reports, for which both the Managing Director and the Finance Director jointly are responsible and their action cannot but be deprecated.

The non-submission of the Quarterly Reports on a regular basis, would undoubtedly give rise to a suspicion that there was something to hide.

The Committee would accordingly suggest that the compilation and submission of the Quarterly Financial Reports should be so organised that the Report pertaining to each quarter reaches the Government by the end of the month following the close of the quarter as required under the existing direction of Government.

(Paragraphs 3.16 to 3.17)

Reply of Government

Government have requested the Corporation to ensure that the quarterly financial reports are compiled and sent in time to the Ministry also.

[Ministry of Industry, Deptt. of Ind. Dev. O.M. No. 26/13/79-Jute, dated 15-9-1979]

Recommendation (Sl. No. 24)

The Committee take a serious note of the fact that JCI allowed to accumulate at a time nearly one crore rupees in the Banks in the current account. It has been admitted by the Finance Director that the Management is ultimately responsible for the loss of interest amounting to about Rs. 12 lakhs. The Committee recommend that responsibility for the lapse should be fixed. They also recommend that clear guidelines should be laid down for depositing the public money in Banks so as to ensure that an amount exceeding a prescribed limit is not allowed to remain in the current account for more than a week.

(Paragraph 3.27)

Reply of Government

Government have called for further comments from Jute Corporation of India. The exact reply to the recommendation made by the Committee would be furnished in due course.

[Ministry of Industry, Deptt. of Ind. Dev. O.M. No. 26/13/79-Jute, dated 15-9-1979]

Further Information desired by the Committee

Please furnish the final reply to the recommendation.

(Lok Sabha Secretariat O.M. No. 110/2(1)-PU/79 dated 15-3-1980)

Reply of Government

The CMD, JCI has submitted his report to the Government and stated that "it may not be possible to fix responsibility on any individual officer". He has ascribed this lapse to the lack of a systematic approach and the absence of clear instructions."

(Ministry of Commerce, Department of Textiles O.M. No. 26/13/79-Jute, dated 28-6-1980)

Further Information desired by the Committee

The Committee had recommended *inter alia* that clear guidelines should be laid down for depositing the money in banks. Have the guidelines been issued? If so, please furnish a copy.

(Lok Sabha Sectt. O.M. No. 110/2/PU/79, dated 2-8-80)

Reply of Government

A copy of note dated 8-11-1979 Appendix II and also of circular No. JCI/F&A/RO dated 10-12-79 Appendix III are enclosed.

(Ministry of Commerce, Department of Textiles O.M. No. 26/13/79-Jute, dated 26-9-80)

Recommendation (Sl. No. 26)

The Committee note that about Rs. 13.48 lakh worth of jute kept by JCI in the godown of Khardah Co. Ltd. during 1974-75 was misappropriated by the Company. They are surprised to note that the Corporation did not make any arrangements for regularly inspecting the jute kept in the godowns of the mills. An Inspector was permanently posted at each mill only after this misappropriation case involving huge amount came to the notice of the Management.

The Committee regret to note that the losses have not been recovered so far. They find that even after the case was registered by the Police the matter has proceeded at a very slow pace.

The Committee recommend that the case should be pursued vigorously and the matter should be taken up with the Government of West Bengal in order to recover the value of the misappropriated jute from the mill and at the same time get the culprits punished.
(Paragraphs 4.7 to 4.9)

Reply of Government

The Jute Corporation of India are already pursuing the matter with the Government of West Bengal and the new management of Khardah Company.

[Ministry of Industry, Deptt. of Ind. Dev. O.M. No. 26/13/79-Jute,
dated 15-9-1979]

Further Information desired by the Committee

Please state the present position in regard to the action taken on the recommendation contained in para 4.9.

(Lok Sabha Secretariat O.M. No. 110/2(1)-PU/79 dated 15-3-1980)

Reply of Government

On request from CMD, JCI, the Government of West Bengal have recently appointed a Special Public Prosecutor so that the proceedings in the criminal case could be expedited. The alleged misappropriation took place in the year 1974-75 and hence, the dues arising therefrom would be classified as pre-take overdues. Since orders have been issued under the I(D&R) Act, putting such dues under moratorium, its recovery at this stage does not arise.

(Ministry of Commerce, Department of Textiles O.M. No. 26/13/79-Jute, dated 28-6-1980)

Recommendation (Sl. No. 27 & 29)

In their Thirteenth Report on Jute Corporation of India—Procurement and Marketing of Jute by JCI the Committee have recommended that adequate steps should be taken to assess the total requirement of godown space in the subsequent years and to plan the construction of such godowns in a phased manner. The Committee need hardly stress that the Corporation should learn from the past experience and avoid using the godowns of the mills for creating bufferstock.

The Committee have already stressed that JCI should assess the total requirement of godown space in the subsequent years and should plan the construction of godowns in a phased manner as to ensure that adequate storage capacity is available for maintaining bufferstock.

[Paragraphs 4.10 & 4.17]

Recommendation (Sl. 27 & 29)

In their Thirteenth Report on Jute Corporation of India—Procurement and Marketing of Jute by JCI the Committee have recommended that adequate steps should be taken to assess the total requirement of godown space in the subsequent years and to plan the construction of such godowns in a phased manner. The Committee need hardly stress that the Corporation should learn from the past experience and avoid using the godowns of the mills for creating bufferstock.

(Paragraph 4.10 & 4.17)

Reply of Government

The need for arranging adequate storage capacity is engaging the attention of the Government as well as of Jute Corporation of India. National Co-operative Development Corporation is drawing up plans in consultation with the State co-operative organisations for construction of godowns.

[Ministry of Industry, Deptt. of Ind. Dev. O.M. No. 26/13/79-Jute,
dated 15-9-1979]

The need for arranging adequate storage capacity is engaging the attention of the Government as well as of Jute Corporation of India. National Co-operative Development Corporation is drawing up plans in consultation with the State co-operative organisations for construction of godowns.

[Ministry of Industry, Deptt. of Ind. Dev. O.M. No. 26|13|79-Jute,
.. dated 15-9-79].

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENTS REPLIES

.. Recommendation (Sl. No. 15) ..

The Committee note that as a result of certain sales on credit made to the Naffar chandra Jute Mills an amount of Rs. 27.50 lakhs became outstanding as on 15-11-1976 when JCI got information to the effect that the ownership was making an arrangement of transfer and sale of the Mill. They are surprised to note that the Management of JCI did not take proper legal steps to ensure that dues were paid. It has been stated that JCI requested the Union Bank of India to take steps for the realisation of dues. The Committee feel that the matter should have been vigorously pursued with the Bank.

The Committee regret to note that the Union Bank of India did not take any prompt action to realise the dues of JCI. They recommend that firm action should be taken against those responsible for such a serious lapse in the Bank.

[Paragraphs 2.33 to 2.34]

...

Reply of Government

According to the information received from the Corporation, attempts were made to recover the dues from M/s. Naffar Chandra Jute Mills Ltd. both by exerting pressures through Banks and also by direct discussions. When the arrangement did not work, the matter was brought to the notice of the mills Bankers again. The Bank was also informed of the recommendations that in case of transfer or sale of the mill they should take steps for realisation of Jute Corporation of India's dues and Bank was requested to keep the Corporation informed of the developments. Meanwhile, the mill was declared a Relief Undertaking when it was taken over by other parties. The Ministry of Industry was approached with certain proposals for settlement of the outstanding dues of Jute Corporation of India. The proposals were discussed by the Board of Directors and after consideration, counter proposals were made. As

the settlement could not be reached, legal steps for the recovery of the dues are being taken.

As regards action against United Bank of India (Not Union Bank of India as referred to in the report) the matter has been referred to the Banking Division who, in their turn, have taken up the matter with the Bank.

[Ministry of Industry, Deptt. of I.D. O.M. No. 26/13/79-Jute, dated 15-9-79].

Further Information desired by the Committee

Please state (a) the outcome of the legal steps taken to recover the dues from the mill and (b) the outcome of the Banking Divisions' taking up the matter with the Bank.

[Lok Sabha Secretariat O.M. No. 110/2/ (1)-PU/79 dated 15-3-1980]

Reply of Government

As regards action against United Bank of India (not Union Bank of India as referred to in the Report), the Banking Division of the Ministry of Finance have intimated that the Bank was helpless in the matter in view of the continuous cash losses sustained by M/s. Naffarchandra Jute Mills Ltd. and the erosion of the bank's own securities.

[Ministry of Commerce, Department of Textiles O.M. No. 26/13/79-Jute dated 30-5-1980]

Recommendation Sl. No. 25)

The Committee take a serious note of the fact that no provision for tax liability on account of export of raw jute was made by JCI in spite of the advice of their Sales Tax Advocate. They hardly stress that such irregularities should be avoided so that the accounts give a true picture of affairs of the Corporation.

[Paragraph 3.30]

Reply of Government

Jute Corporation of India has contested the levy of Raw Jute Purchase Tax since, according to the Corporation, the purchases were made directly in the course of exports and as such they are exempted from Raw Jute Purchase Tax. The case is lying before the Calcutta High Court and is as such *sub-judice*.

[Ministry of Industry, Deptt. of Ind. Dev. O.M. No. 26/13/79-Jute, dated 15-9-79].

Recommendation (Sl. No. 28)

The Committee find that the Taratola godown was not only hired by JCI at exorbitant rates but it was also not fit to be hired because it was lacking in necessary fire extinguishing arrangements. JCI did not renew this godown for another year only when the Director of Fire Services advised them to release this godowns. The Committee recommended that before hiring of godowns the Central Warehousing Corporation and other Central or State Government organisations having warehousing space to offer should invariably be consulted and it should be ensured that the godowns are hired at the prevailing market rates and that they are structurally suitable in all respects.

[Paragraph 4.16]

Reply of Government

Jute Corporation of India has stated that the two godowns of Taratola were operationally the best godowns in their possession. The Corporation were able to recover the entire rent paid on these godowns through sale of jute procured during 1976-77. These godowns were released not on the advice of the Director of Fire Services but the land-lord refused to renew the tenancy on the 1976-77 terms.

[Ministry of Industry, Deptt. of Ind. Dev. O.M. No. 26/13/79-Jute,
dated 15-9-79].

CHAPTER IV

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

Recommendation (Serial No. 6)

The Committee feel that it was most inappropriate for the Ministry of Commerce to issue directive to the JCI to make further supply of jute to Kinnison Jute Mill without insisting on the payment of huge arrears. It was for the Government to take other measures to see that the Mill was not closed down. The Public Enterprises should be allowed to function on sound commercial lines without interference of the kind that happened in this case, from Government.

(Paragraph 2.45)

Reply of Government

.....

It was stated by the Ministry in a communication to the Jute Corporation of India that "it will be advisable to adopt only that part of the suggestion which does not result in financial loss to Jute Corporation of India. For supplying raw jute to this Mill, it is not the intention that we should suffer any financial loss on this account".

It will be seen from above that Government had neither the intention to give any directive to the Jute Corporation of India nor to interfere with their commercial functioning. This has always been the stand of Government.

[Ministry of Industry, Deptt. of Ind. Dev. O.M. No. 26/13/79-Jute,
dated 15-9-79].

Recommendation (Sl. No. 23)

The Committee feel that the internal audit work should be handled by a properly staffed cell of the Corporation.

(Paragraph 3.22)

Reply of Government

Corporation have advised the Government that rather than to leave the internal audit work to a Cell consisting of Corporation's own employees, it is desirable to have an independent firm of auditors. The Corporation has watched the progress of the work of the auditors for over three years and they are satisfied with the arrangements. According to the Corporation these firms have already experience of such work in various other organisations of both public and private sectors which indirectly helps the Corporation.

[Ministry of Industry, Deptt. of Ind. Dev. O.M. No. 26/13/79-
Jute, dated 15-9-1979]

Recommendation (Sl. No. 30)

The Committee regret to note that the entire quantity of about 29 thousand bales of jute worth Rs. 75.21 lakhs kept in the Belvedere godown was burnt in fire. They are surprised to note that no written instructions had been issued to the security staff and others concerned for keeping the necessary vigil. The Committee appointed by JCI Management to make an enquiry into the loss of fire has recommended that the case should be referred to the CBI. The Committee would like to be informed about the result of investigations conducted by the CBI.

(Paragraph 4.21)

Reply of Government

The Report of the Committee set up by Jute Corporation of India for investigating the fire in the Belvedere godown was furnished to the Superintendent of Police, CBI, Calcutta. The Superintendent of Police, CBI, after studying this Report came to the conclusion that "it appears that it would be difficult to come to definite conclusion that the stock (of raw jute) was actually less than the actual stock by 5 per cent and as such no useful purpose would be served by initiating any enquiry by CBI at this stage".

[Ministry of Industry, Deptt. of Ind. Dev. O.M. No. 26/13/79-
Jute, dated 15-9-1979]

Further Information desired by the Committee

It has been stated that according to the Suptd. of Police, CBI, Calcutta, no useful purpose would be served by initiating any inquiry by CBI at this stage into loss of jute in fire at Belvedere godown because it appeared that "it would be difficult to come to

definite conclusion that the stock (of raw jute) was actually less than the actual stock by 5 per cent". Please explain why such a conclusion about stock is necessary or relevant for initiation of a CBI inquiry to find out the cause of fire?

[Lok Sabha Sectt. O. M. No. 110/2(1)-PU/79, dated 15-3-1980]

Reply of Government

The matter is being referred to the CBI and the result thereof will be intimated in due course.

[Ministry of Commerce, Department of Textiles O.M. No. 26/
13/79- Jute, dated 28-6-1980]

Further Information desired by the Committee

Has the matter referred to CBI? If so, what reply has been received from them?

[Lok Sabha Sectt. O. M. No. 110/2(1)-PU/79, dated 2-8-1980]

Reply of Government

The matter was again referred to the SP, CBI, Calcutta Branch, seeking the information called for. Reply from CBI, Calcutta Branch is awaited.

[Ministry of Commerce, Department of Textiles O.M. No. 26/
13/79-Jute, dated 26-9-1980]

Further Information required by the Committee

Has the matter been referred to CBI? If so, what reply has been received from them?

[Lok Sabha Sectt. O.M. No. 110/2/PU/79, dated 2-8-1980]

Reply of Government

The matter was taken up with the SP, CBI, Calcutta. The reply received from him shows that there is no case for CBI taking up this enquiry. The matter may be treated as closed.

[Ministry of Commerce, Department of Textiles O.M. No. 26/
13/79-Jute, dated 23-10-1980]

NEW DELHI;
November 24, 1980.
Agarayana 3, 1902 (Saka).

BANSI LAL,
Chairman,
Committee on Public Undertakings.

APPENDIX I

(Vide Recommendation of Serial No. 10, Page 15)

FOX & MONDAL
SOLICITORS

12, Old Post Office Street,
Calcutta-700001

Ref. No. 11536/75

1st September, 1975

Shri S. K. Bhattacharya
Officer-on-Special Duty
Jute Corporation of India

Dear Sir,

Private agents appointed by the Corporation during 1973-74 season.

Kindly refer to our discussions on 25th August.

We have gone through the papers made over to us and considered the same.

The material clauses in the form of Agents' agreement shortly are as follows:—

Clause 4 provides that jute will be purchased by the Agent from the growers directly at statutory price.

Clause 6 provides that a cash receipt should be obtained from the growers declaring the grade and quality of jute purchased and the rates thereof and the total price paid and the receipt will be signed and dated by the growers.

Clause 28 provides for indemnification and guarantee by the agent for quality, moisture and weight.

Clause 31 provides for payment. Under it if on the receipt of the documents mentioned therein they are found in order and after such enquiry as may be deemed necessary the Regional Office of

the Corporation shall within 7 working days from the date of the receipt of the bill, pay 90 per cent of the value of the jute delivered.

Clause 32 provides for payment of balance 10 per cent and also provides that if the agent fails to pay the deficit the Corporation will be entitled to retain and forfeit the balance 10 per cent of the price.

Clause 34 provides for payment of service charges to the Agent.

Under Clause 35 the agent is bound to keep and maintain proper books of account recording all the transactions made by the Agent, under the said agreement as also a register showing the names and addresses of the growers and is bound to give inspection to the Corporation of all registers, vouchers, bills, receipts etc.

Clause 36 provides that the Agent shall not deal with any jute in any manner except as an Agent on behalf of the Corporation without the consent and approval of the Corporation first and had obtained in writing.

Clause 37 is in the following terms:

In case of any default or neglect or breach of any of the terms and conditions on the part of the agent the Corporation shall have the right and be at liberty to forthwith determine these presents and to hold the Agent liable for all damages and costs as may be suffered or incurred by the Corporation thereby. The Corporation in such cases will also be free to take such steps against the Agent under the law, as it may deem fit.

Clause 38 provides for arbitration by an agreed arbitrator and in default by two arbitrators one to be appointed by such party.

It is clear from the Agreement that one of essential terms thereof is that the Agent should purchase the jute direct from the growers and pay them the statutory price and that he should obtain cash receipts from them and maintain proper books of account. From the enquiry made in respect of the two Agents Maheswari Brothers & Co. and Gouri Shankar Bhagawati Prasad it appears that they have not purchased the jute from the growers and have

not purchased the jute from the growers and have produced false receipts and probably purchased jute at the market rate which was lower than the statutory price.

Section 220, of the Contract Act provides that any Agent, who is guilty of misconduct in the business of the agency, is not entitled to any remuneration in respect of that part of business which he has misconducted. It has also been held that if an Agent makes a secret profit, he is liable not only to account for the secret profit to the principal but to return the remuneration which he has received in respect of the said transaction. In the present cases, therefore, the Agent, if they have made secret profits, are liable not only to account to the Jute Corporation for such profits but will not be entitled to any remuneration from the Jute Corporation in respect of that part of the business which they have misconducted.

Clause 37 of the Agreement also provides that in case of default or neglect or breach of the terms of the conditions on the part of the Agent the Corporation will have the right to determine the agency and to hold the agent liable for damages. The Corporation will have the right to take such action against the Agent under the law as it may deem fit.

If, therefore, it can be proved that the Agents have either purchased the jute at a lower price and made a secret profit or that they have not purchased the jute from the growers at all but from middlemen and have produced false receipts and account, then the Jute Corporation is entitled not only to make the Agents accountable for the secret profits made but also to obtain refund of the remuneration paid.

There are, however, some practical difficulties in the matter. First of all, having regard to the very large purchases made from numerous persons it will be difficult and extremely expensive to provide that the purchase were made at a lower price than the statutory rate or that the receipts produced are fictitious. Secondly, it might be contended by the Agents that the Jute Corporation having made 90 per cent payment under Clause 31 must have made the necessary enquiry and satisfied itself. Moreover, there is an Arbitration Clause of arbitration by the Arbitrators one to be nominated by each in case there is no agreement as to a single arbitrator. It is unlikely that the Agent will agree to a single arbitrator and

the arbitrators are likely to disagree and refer the matter to an umpire. The proceedings, before the Arbitrators and Umpire will be prolonged ones and it may take several years before the cases are completed either before the Arbitrators or before the Umpire.

In the circumstances, it will be better to make an assessment of the secret profits that were made by the Agents and try to realise at least half the amount. The alternative course is to file criminal cases against the Agents for producing false receipts and keeping false accounts. If a complaint is made and there is an enquiry by the police, it may be easier for the police to prove that the vouchers produced are false.

The papers received from you are returned herewith.

Yours faithfully,
Sd. Fox & Mondal

APPENDIX II

(Vide Recommendation at serial No. 24, Page 24)

Copy of note dated 8-11-79 regarding guidelines for depositing the money in Banks

At present four current accounts are operated by Head Office at the following banks:

<i>Name of Bank & Branch</i>	<i>Purposes</i>
1. Bank of India J. N. Road Branch	to meet day to day expenses of H.O.
2. United Bank of India J. N. Road Branch	occasional remittances of funds to Purchase Centres
3. United Commercial Bank Bra-bourne Road Branch	in operative
4. West Bengal State Coop. Bank Waterloo Street Branch	in operative

According to the information available with the undersigned no fund is allowed to remain idle in these bank accounts. However, the undersigned is not aware of any Office Order giving guidelines intended to regulate funds flow in these accounts. While the purposes for which the accounts are used continue to be the same, it should be ensured that at any point of time there should not be any sum exceeding Rs. 5,000.00 and Rs. 500.00 allowed to remain in the current accounts at Nos. 1 & 2 respectively for a period exceeding a week.

The remittances in and out of the accounts 1 & 2 are made under the supervision of DFM(PM) and/or DEM(MP). The responsibility of regulating the bank accounts may kindly be discharged by them.

Regarding maximum balances to be kept in these accounts deviations whenever necessary should follow approval of the management.

Sd/- D. Bhattacharya
F.M./8-11-79

- Copy to : (1) FM(C)
(2) DFM(P)
(3) DFM(M)
(4) AFM(KB)

APPENDIX III

(Vide Recommendation at Serial No. 24 page 24)

The Jute Corporation of India Limited

1, Shakespeare Sarani

Calcutta-700072

No. JCI/F & A/RO

Dated : 10-12-79

CIRCULAR

Sub: Regulation of funds in the Current A/Cs

From time to time Field Offices have been advised to regulate flow of funds in the bank accounts maintained there in a manner so as to keep the incidence of idle funds, at minimum. For this purpose they have been instructed not to retain/ask for funds exceeding requirements of 10 days. Needless to mention that these requirements vary from time to time depending on the arrivals at the Centre, the price and purchase policy and other factors and the requirements, therefore, will have to be estimated very carefully so that funds are not kept idle.

Apart from keeping a watch on the utilisation of funds during the season, they are also instructed to refund the excess funds when the operation is over. It is requested that to minimise the expenditure on interest and with a view to ensuring optimum utilisation of funds the Field Offices should regulate utilisation of funds in the above said manner. Managers and staff of the Finance Division posted at the field offices should ensure that these instructions are strictly adhered to.

Sd/- (D. Bhattacharya)
Finance Manager

TO

All Regional Offices|DPCs|Sub-Centres

All Officers of the Corporation.

APPENDIX IV

(Vide para 3 of Introduction)

Analysis of the action taken by Government on recommendations contained in the 25th Report of Committee on Public Undertakings (Sixth Lok Sabha) on Jute Corporation of India Ltd.—Shortcomings in the functioning of J.C.I.

I.	Total number of recommendations	30
II.	Recommendations that have been accepted by the Government Serial Nos. 1 to 14, 17 to 22, 24, 26, 27 and 29	24
	Percentage to total	80%
III.	Recommendations which the Committee do not desire to pursue in view of Government's replies—Serial Nos. 15, 25 and 28	3
	Percentage to total	10%
IV.	Recommendations in respect of which replies of Government have not been accepted by the Committee— Serial Nos. 16, 23 and 30	3
	Percentage to total	10%