

COMMITTEE ON PUBLIC UNDERTAKINGS

(1980-81)

(SEVENTH LOK SABHA)

THIRD REPORT

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

ON

EXPENDITURE ON HIRING OF STORAGE SPACE BY PUBLIC UNDERTAKINGS

Presented to Lok Sabha on

Laid in Rajya Sabha on



LOK SABHA SECRETARIAT
NEW DELHI

November, 1980/Agrahayana, 1902 (Saka)

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COMMITTEE ON PUBLIC UNDERTAKINGS

(1980-81)

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ON PUBLIC UNDERTAKINGS
(1980—81)**

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-

INTRODUCTION

1. I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this 3rd Report on Action Taken by Government on the recommendations contained in the 24th Report of the Committee on Public Undertakings (Sixth Lok Sabha) on Expenditure on hiring of Storage Space by Public Undertakings.

2. The 24th Report of the Committee on Public Undertakings was presented to Lok Sabha on 26th March, 1979. Replies of Government to all the recommendations contained in the Report were received on 7th November, 1979. Further information called for in respect of 2 recommendations was furnished by the Ministry on 6 June, 1980. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings on 14th November, 1980. The Report was finally adopted by the Committee on Public Undertakings on 18 November, 1980.

3. Analysis of the Action Taken by Government on the recommendations contained in the Twenty-Fourth Report of the Committee is given in Appendix IV.

BANSI LAL,

Chairman,

Committee on Public Undertakings.

NEW DELHI;

November 24, 1980

Agrahayana 3, 1902 (S)

CHAPTER I

REPORT

1.1. This Report of the Committee deals with the action taken by Government on the recommendations contained in the 24th Report of the Committee on Public Undertakings (6th Lok Sabha) on Expenditure on Hiring of Storage Space by Public Undertakings which was presented to Parliament on the 26th March, 1979.

1.2. Action Taken Notes have been received from Government in respect of all the 11 recommendations contained in the Report.

1.3. The Action Taken Notes on the recommendations of the Committee have been categorised as follows :—

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

Sl. Nos. 1, 2, 4, 6, 7, 8, 9, 10, 11 (1) (2) & (4)

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

Sl. Nos 3, 5, and 11 (3)

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation Nos. 1 & 2 (Para Nos. 1.9 & 1.10 & 1.11)

The Committee find that 67 Public Undertakings incurred on hiring of godown space a total expenditure of Rs. 5251.65 lakhs of which a sum of Rs. 2001.50 lakhs was paid to private parties during the period 1974-75 to 1976-77.

It is a matter of real concern to the Committee that in spite of expanded activities of public institutions, these public undertakings themselves have to go in for hiring of godowns from private parties. The Committee, therefore, feel that there is imperative need for the Government to have a close look at the matter and to adopt suitable corrective methods to ensure that within a reasonable time, the godown requirements of all public undertakings are fully met from within the resources of the public warehouses and storages etc., themselves.

The Committee find to their surprise that there are 20 Public Undertakings listed in Appendix II who went in for hiring of godown space only from private parties. The Committee deplore that the continued patronage of private sector by these 20 public undertakings to the complete exclusion of public institutions for a period of three years. The Committee, therefore, require that all these 20 public undertakings should be directed in unambiguous terms to make sure that within a specified period they completely switch over the hiring of godown space from public institutions, the hiring of private godowns being continued only at such places where there are no public godowns at all or are not otherwise available.

Reply of Government

All administrative Ministries concerned and Public Sector Enterprises have been advised to make use of Public Sector storage space as far as possible (Copy of O.M. No. F. 15/8/89-BPE(C) dated the 12th October, 1979 enclosed at Annexure-I).

[Ministry of Finance, Bureau of Public Enterprises, O. M.
No. 3(4)/79-BPE (GM-I), dated the 5th November, 1971.]

Recommendation No. 4 (Para 3.6)

The Committee find that the Corporation incurred a total expenditure of Rs. 98 lakhs on hiring of godowns during the 3 year period (1974-75 to 1976-77), out of which Rs. 80.89 lakhs had gone to private parties which is indicative of the fact that the C.W.C. have not been able to add to the godown space owned by them as was warranted. The Committee, therefore, reco-

mmend that the C.W.C. should be provided with sufficient funds for building its net work of godowns throughout the country so that it may gradually come up to play effectively the role of handling of storage work for all public undertakings in future.

Reply of Government

The Committee's recommendations regarding the provision of sufficient funds to the Central Warehousing Corporation for building net work of godowns throughout the country has been noted.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 3(4)/79-BPE (GM-I) dated the 5th November, 1979.]

Recommendation No. 6 (Para 5.8)

A number of cases where the rate of rent for hiring of private godown space was obviously quite high, have come to the notice of the Committee. The Electronics Trade and Technology Development Corporation Limited paid an excessive rate of Rs. 2.25 per sq. ft. for private godown space in the Muland area in Bombay, as against the rate of about Re. 1/- per sq. ft. paid by certain other undertakings (like CWC, STC, ITI, Bangalore) for hiring such space in Muland and Bhandup areas of Bombay. The ETTDC also similarly paid a rate of Rs. 2.40 per sq. ft. in Mazagon Area of Bombay as against a rate of Rs. 1.50 per sq. ft. paid by the ITI Bangalore in the same area. The Committee would like these cases to be investigated.

Reply of Government

The Electronics Trade and Technology Development Corporation Limited (ETTDC) have clarified that they have not hired any storage space in Muland or Mazagaon. The space is actually hired in Byculla. The confusion seems to have arisen from the fact that the addresses of the owners of the space hired are at Muland and Mazagaon. The Corporation's need was both for some area of bonded warehouse and some area of unbonded warehouse, as the bonded warehouses affords better facilities for customs clearance and for convenient payment of customs duty.

While taking a decision to hire godown space in Byculla by ETTDC it had considered an offer of Central Warehousing Corporation at Bombay. The CWC had offered a godown of 12000 sq. ft. at Muland. This accommodation was unbonded.

Having regard to the distance from the port area and other working difficulties it was decided not to hire this godown. The area of the godown actually hired in 1975 was 6400 sq. ft., out of which 4000 sq. ft. was bonded area. The other godown (2550 sq. ft.) hired in November, 1977 is adjacent to the one hired in 1975 and is unbonded. Considering the prevailing rent at Byculla, ETTDC considered the rate paid by them as reasonable.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 3(4)/79-BPE (GM-I), dated the 5th November, 1979.]

Recommendation No. 7 (para 5.9)

The Banana and Fruit Development Corporation paid cold storage @Re. 1/- per cft. per month in 1975-76 to a private party in Bombay. The very next year (1976-77) when public cold storage space became available to the Corporation in Bombay at a rate of 28 paise per cft. per month, the private party of 1975-76 also reduced the charge to 28 paise per cft. There is, therefore, need for further probe into the payment of higher rate of Re. 1/- per cft. per month in 1975-76 to the private party *viz* M/s Allana Cold Storage Private Limited, Bombay.

Reply of Government

The observations of the Committee have been noted and communicated to the concerned Ministry for necessary action.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 3(4)/79-BPE(GM-I), dated the 5th November, 1979]

Further Information called for by the Committee

Please ascertain and state the outcome of the probe by the Ministry concerned into the payment of higher rent of Re. 1/- per Sq. ft. per month made by BFDC to M/s Allana Cold Storage Pvt. Ltd. Bombay in 1975-76 [L.S.S. No. OM No. 267/2/PU/78 dated 6th June, 1980]

The Ministry *vide* their letter No. 4-8/80-AM dated 21st June, 1980 have replied as under :—

“A detailed report in the matter has been furnished to the Central Vigilance Commission on 6th June, 1980. Further action is proposed to be taken on receipt of the advice of the Commission.”

[Ministry of Finance, Bureau of Public Enterprises, C.D. dated 30th June, 1980]

Recommendation No. 8 (para 5.10)

The B.H.E.L. paid a rate of Rs. 6.50 per sq. ft. in Hide Road Extension of Calcutta and OGNC paid rates of Rs. 4/- and Rs. 7/- per sq. ft. in Lower Parel and Kurla areas respectively in Bombay. In this connection, it is significant that the B.H.E.L. themselves hired some storage space in Lower Parel at a rate of Rs. 0.90 per sq. ft. The rates of Rs. 2.40 per sq. ft. and Rs. 2.00 per sq. ft. paid by STC at Worli and Patker Marg areas, respectively of Bombay also appeared to be excessive. The Hindustan Photo Films Manufacturing Co. Limited hired cold storage from private parties at rates ranging from Rs. 4/- to Rs. 5.50 per sq. ft. which also appear to be quite excessive. All these need to be looked into.

Reply of Government

It appears that the name of B.H.E.L. mentioned in para 5.10 of the Report is a printing error and the recommendation perhaps relates to BEML. From details furnished by BEML regarding the area and rent being paid for the storage space hired by them at Hide Road Extension, Calcutta, it is seen that the total area hired is 48,000 sq. ft. and the rent paid is Rs. 7,800. This works out to a rate of Rs. 0.16 per sq. ft. and not Rs. 6.50 per sq. ft.

Oil and Natural Gas Commission have clarified that they are not paying rental charges of Rs. 4/- and Rs. 7/- per sq. ft. in Lower Parel and Kurla areas of Bombay as pointed out by the Committee. In Lower Parel, the Committee had hired an area of 17,495 sq. ft. at the rate of Rs. 22,000 p.m. w.e.f. 31-7-1976. This works out to a rate of Rs. 1.26 instead of Rs. 4/- per sq. ft. This accommodation has now been de-hired and now only Rs. 0.18 per bag per week or part thereof is being paid on warehousing basis. As regards Kurla area, the Commission had hired a covered space of 15,090 sq. ft. at Rs. 30,190 per month which works out to a rate of Rs. 2/- per sq. ft. This accommodation has also been de-hired on 31-1-78 and the Commission is now paying Rs. 0.12 per bag per week or part thereof on warehousing basis. The Commission has also clarified that the Central Warehousing Corporation accommodation could not be made available to ONGC on yearly basis. Accommodation was offered only on short-term week to week basis which did not meet the requirements of ONGC.

Worli storage space was hired in 1974 by STC and then transferred to CWC with the lease. This godown is located in the centre of the business activities, was pucca construction Class 'A' under the Insurance Rules and having a cargo lift, high ceilings with proper movement and working facilities inside and with pucca flooring. The commodities to be stored were high valued chemicals requiring proper storage and security arrangements. All the facilities were available in this godown. Under the circumstances, the rate of Rs. 2.40 per sq. ft. is considered reasonable. As regards Patker Road accommodation, this was required for sale of foreign cars. It has to be a show-room with drive-in facilities with glass front and in a posh locality where the cars could be seen on display. The godown hired was in Kemp's Corner area having show rooms of other prominent car manufacturers like FIAT and this was an ideal location with all the necessary facilities with a wide frontage. As specific type of godown was required, open quotations were asked for through Press Advertisement and the lowest tender was accepted. Under the circumstances, this rate is considered reasonable.

Hindustan Photofilms Manufacturing Company has clarified that the company had hired ordinary storage accommodation in Madras @Rs. 0.65 per sq. ft. from private parties whereas the rate offered by Central Warehousing Corporation for similar space was Rs. 1.20 per sq. ft. The Corporation also hired special storage accommodation keeping in view the need for maintaining special temperature and humidity etc. from private parties at a competitive rate of Rs. 4/- to Rs. 5.50 per sq. ft. Presently, such storage accommodation are not available with CWC in Madras. As and when CWC make arrangements to provide special storage conditions, HPF will consider the proposal of hiring the storage space from them.

[Ministry of Finance, Bureau of Public Enterprises O.M.No. 3(4)/79-BPE (GM-I), dated the 5th November, 1979.]

Recommendation No. 9 (Para 5.11)

The ONGC hired private storage space in Barotiwala Industrial Area of Himachal Pradesh from two different parties and it is surprising to note that the rate paid in one case was Re. 1/- per sq. ft. while in the other case the rate was just 20 paise sq. ft. The justification for hiring accommodation at higher rates need to be investigated for removing any suspicions of favouritism in this regard.

Reply of Government

It has been clarified by the Oil and Natural Gas Commission that they had hired 35,000 sq. ft. area of a plot of land at Rs. 2,000 per month which works out to about Rs. 0.057 per sq. ft. and not Rs. 0.20 per sq. ft. as stated in the report. The Commission had also hired a factory shed and some accommodation built in R.C.C. having 9,500 sq. ft. area at Rs. 3,200 per month. The rent thus works out to Rs. 0.34 per sq. ft. and not Re. 1/- per sq. ft. per month as stated in the Report.

The reason for payment of higher rate of rent in the second case was that it was a pucca godown instead of a plot of open land in the other case.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 3(4)/79-BPE (GM-I) dated the 5th November, 1971]

Recommendation No. 10 (para 6.5)

The Committee can not but express their unhappiness over the fact that the Indian Dairy Corporation, the FACT and the IDPL, who are incurring considerably high expenditure on storage rent have not furnished the information in this regard in the manner desired by the Committee. This is a serious lapse on the part of these Undertakings which displays a sense of irresponsibility and non-cooperation that is not conducive to proper accountability to Parliament and ought therefore to be curbed.

Reply of Government

The Committee's views have been brought to the notice of these companies for future guidance. (Copy of O.M. No. F.15/8/79-BHE(C) dated the 12th October, 1979 enclosed at Annexure-III).

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 3(4)/79-BPE (GM-I), dated the 5th November, 1979]

Recommendation No. 11 [para 7.1 (1), (2) and (4)]

In the context of huge expenditure being incurred by Public Sector Enterprises on hiring of storage space year after year and in view of what strikes one as inordinately high rate of rent paid to private parties by a number of enterprises, the Committee expect the following action to be initiated forthwith :

- (1) It should be made mandatory for the Public Sector Undertakings to make the use of Government or Public Sector owned Warehouses

wherever available. In other places Government should take up a project in consultation with the National Building Construction Corporation and National Building Organisation who should be asked to design the cheapest type of utility oriented warehouses.

- (2) The existing arrangements of a long term nature with the private parties should be reviewed to ascertain besides the need and the extent of utilisation, the reasonableness or other wise of the rate of rent and to discontinue the arrangements as early as possible wherever the justification is not clearly established.

- (4) On the basis of an assessment of need for storage space over a period of time, action should be taken to acquire or construct godowns etc. as it should be economical in the long run rather than depend on private parties. A system of pooling of resources by the Public Enterprises at each place to accomplish this should be considered, so that on the one hand the capital cost may not be a deterrent to any particular enterprise and on the other hand the optimum utilisation of the facility created in common may be ensured. Such common storages facility could be managed by the Central Warehousing Corporation.

Reply of Government

1. Necessary advice that hiring of private storage accommodation should be resorted to only in cases where operationally suitable Government or Public Sector owned godowns are not available has already been issued to public enterprises (refer reply to recommendation Sl. No. 1). As regards the design, of cheapest type of utility oriented warehouses it may be mentioned that the design and specifications of the warehouses are reviewed from time to time by the Central Warehousing Corporation in consultation with other agencies involved in similar works.

2. The observations have been noted and the public sector undertakings have been suitably advised in the matter [copy of O.M. No. F.15/8/79-BHE(C) dated 12th October, 1979 enclosed at Annexure-I].

3. As indicated in replies to Recommendation Nos. 1 and 2 Public Sector Enterprises have already been advised to make use of Public Sector storage, space as far as possible. As organisations engaged in commercial activities very often in competition with private sector enterprises, it may not be operationally feasible for the enterprises to tie themselves to procedural formalities which will hinder decision making at the required time. It is, therefore, felt that subject to the general advice regarding utilisation of public sector storage space as far as possible the public enterprises should have the right to choose the space best suited for their purpose. For the same reason it is felt that the responsibility for assessing reasonable rent for hired private storage space should fully rest with the management of the enterprises. The enterprises could, however, consult CWPD or other expert organisations, wherever found necessary.

4. The observations have been noted and the public sector undertakings have been suitably advised in the matter [copy of O.M. No. F. 15/8/79 BPE(C) dated 12th October, 1979 enclosed at Annexure-I].

[Ministry of Finance, Bureau of Public Enterprises, O.M. No.3(4)/79-BPE (GM-I), dated the 5th November, 1979.]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES

Recommendation No. 3 (para 2.9 & 2.10)

The Food Corporation of India alone accounted for about 66 per cent of the total expenditure on hiring of storage space during the period 1974-75 to 1976-77.

It is a matter of concern to the Committee that the storage capacity (for foodgrains) hired by the FCI at fabulous amounts is not fully utilised throughout the year for diverse reasons. The position in this regard was so bad in 1972-73 to 1974-75 that, on the basis of overall percentage of utilisation, even their own godown space was more than the space utilised, with the result that with proper planning the hiring of private godowns at a total cost of more than Rs. 20 crores could have been avoided by the FCI during these years. It is apparent to the Committee that in the absence of a system, whereunder godown space vacated by the FCI from month to month could be simultaneously put to use by other undertakings, the storage capacity of FCI is bound to be wasted on a continuing basis. Such an arrangement, in the opinion of the Committee, can only be brought about by implementing the recommendation made in their 9th Report (4th Lok Sabha) about creation of single unified agency responsible for carrying out the specialised function of management of godowns on a scientific basis. In the opinion of the Committee, the Central Warehousing Corporation is the agency which can be broad based to ensure better utilisation of storage capacity. For this purpose, the provision in the Central Warehousing Corporation Act, prescribing the functions of this Corporation, could be suitably amended.

Reply of Government

The Food Corporation of India is the largest public sector enterprise engaged in procurement, storage and distribution of about 25 million tonnes of foodgrains per year. Storage accommodation is secured by the Corporation on the basis of anticipated procurement, off-take etc. The capacity utilisation of FCI during certain years was low due to decrease in procurement and increase in off-take as compared to those anticipated. Though the stock levels during 1972-73, 1973-74 and 1974-75 were within the total capacity of their owned accommodation, certain hired godowns had to be retained by the Corporation till the liquidation of stocks therein, partly in view of the fact that contracts for storage space with Public/Private agencies are entered into for a specified period.

The question of entrusting the management of storage space requirements of Government/Departments/Food Corporation of India to the Central Warehousing Corporation (C.W.C.) as recommended by the Parliamentary Com-

mittee in their 9th Report (4th Lok Sabha) had been examined earlier and Government found it difficult to agree with the recommendation for various reasons as would be seen from the Government reply extracted at Annexure-II.

It is felt that creation of a single unified agency like C.W.C. responsible for carrying out the specialised function of the management of godowns on a scientific basis, as now recommended by the Committee would not be practicable for the following reasons :—

- (i) The storage of foodgrains is a legitimate function of the FCI which has come to assume a commanding position in regard to the operations of foodgrains trade. The functions of the FCI extend from the stage of procurement to distribution/sale including storage in between. If the storage function is divested, the two functions will fall apart and it will be difficult for FCI to achieve either flexibility or efficiency in the entire operations.
- (ii) The work of management of entire storage space in the Public Sector by one particular agency would affect manoeuvrability and flexibility of operations besides attracting the infirmities of a monopolistic organisation.
- (iii) The storage space at present with FCI is much larger than that with the C.W.C. The locations selected by FCI for godowns are based on national considerations and not merely on market considerations since the buffer stocks held by FCI are either in the producing or consuming areas. Entrusting the work to one agency would introduce an intermediary and reduce the flexibility and efficiency in operations of the FCI.
- (iv) At the height of purchase operations, the FCI makes full use of storage staff, wherever possible, to supplement and assist the FCI's fields purchase organisation. This operational expediency would be lost if FCI depots are to be managed by C.W.C.

It is, however, mentioned that the Government are alive to the need for coordination in management of storage requirements of Public Sector at particular locations and have set up Central Storage Committee at the Centre and State level Coordination Committees in the States to ensure that there is no overlapping or duplication of construction efforts at the same place by different agencies.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 3(4)/79-BPE (GM-I) dated the 5th November, 1979].

Recommendation No. 5 (para 4.9 & 4.10)

The Tea Trading Corporation of India, which is suffering losses in the management of Public Tea Warehouses in Calcutta is hiring godown space for its own use in Calcutta at a considerable expenditure of about Rs. 1,000 per month. The reasons for this state of affairs have been attributed to the fact that the Public Tea Warehouses belonging to the Calcutta Port Trust and taken on rent by the Government (the Sales Tea Warehouse and Libyan Warehouse) are only storing warehouses with no facility for blending and packaging of tea.

The Committee would, therefore, strongly urge that the management of the Public Tea Warehouses should immediately be transferred to an organisation like the Warehousing Corporation of India who should make full use of those Warehouses, if necessary, by making suitable alterations to make them fit for taking in commodities other than tea also. In the alternative, Government should seriously consider the desirability of making suitable structural alterations of these two Public Tea Warehouses in order to make them fit for blending and packaging to operations of the Tea Trading Corporation of India to enable them to concentrate their operations at one place, thereby reducing their overall cost and ensuring full utilisation of the Tea Warehouses in question. As admitted during evidence by the Managing Director of the TTCI himself, this is not an impossible proposition to be put into effect.

Reply of Government

The feasibility of taking over the management of public tea warehouses at Calcutta has been examined earlier in consultation with the C.W.C. and the then Ministry of Foreign Trade and it has not been found possible to take over these godowns for storage of tea and other commodities for economic, operational and other considerations. The C.W.C. has felt in the past that they could undertake the work as national interest subject to safeguards and conditions such as the CWC starting the work with no liability and commitment, that, losses be underwritten by Ministry of Foreign Trade/Tea Board in full and profits shared on 50 : 50 basis, that CWC would not subordinate itself to the conditions of operations imposed by CTITA etc. The Ministry of Commerce had revived this question sometime back when it was pointed out to them that the CWC has not found it feasible to take over the warehouses, the main reason being the operational problems, doubtful economics of the project and the other attending negative factors.

As regards Committee's alternative suggestion of making suitable structural alterations of these two Public Tea Warehouses in order to make them fit for blending and packaging operations of the Tea Trading Corporation of India, the Administrative Ministry concerned has been suitably advised to examine its feasibility in all its aspects and take further action.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 3(4)/79-BPE (G. M-I) dated the 5th November, 1979]

Further information called for by the Committee

(L.S.S. OM No. 267/2/PU/78 dated 6th June, 1980)

Please state the outcome of the advice given to Administrative Ministry concerned to examine the feasibility of making suitable structural alterations in the two Public Tea Warehouses at Calcutta to make them fit for blending and packaging operations of TTCI.

2. The Ministry of Commerce *vide* their letter No. C-12016 (11)/80 Plant (A) dated 28th June, 1980 have replied as under:—

- (i) "The Public Tea Warehouses are primarily constructed for storage of pre-auction teas and the mechanical aids installed therein such as lifts, elevators, spiral shut etc. are specially designed for this purpose.

- (ii) Tea Trading Corporation of India Limited Packaging consultant had inspected the Warehouses and advised that they could not be properly utilised for blending and packaging operations.
- (iii) A serious attempt was, however, made by Tea Trading Corporation of India Limited to segregate one of the warehouses, viz., Sale Tea Warehouses for storage of tea, packaging material and blending-cum-packaging operations.
- (iv) The Public Tea Warehouses labour could not handle the blending operations efficiently, as a result of which the cost of blending and packaging became very high.
- (v) Frequent labour troubles and agitations have been disrupting the working of the Public Tea Warehouses. Since it would not have been practical to employ more efficient workers for this job from outside, the Tea Trading Corporation Labour Union was requested to allow transfer of surplus staff from Sale Tea Warehouse to Libyan Tea Warehouse so that blending and packaging operations could be segregated and performed more efficiently.
- (vi) This proposal was not finally acceptable to the Labour Union and at last the project had to be abandoned."

[Ministry of Finance, Bureau of Public Enterprises,
C.D. dated 30th June, 1980]

Recommendation S. No. 11, [Para 7.1 (3)]

In future before hiring storage space from private parties the public undertakings should be under an obligation to ascertain from the Government and other Public Sector Organisations as well as Cooperative Institutions having storage space, about the availability of accommodation. It is only when the non-availability is clearly indicated should there be a resort to hiring of private accommodation. Even then the reasonableness of rent should be got certified by either the Central Public Works Department or other expert organisation such as the Central Warehousing Corporation.

Reply of Government

As indicated in replies to Recommendations Nos. 1 and 2 Public Sector Enterprises have already been advised to make use of Public Sector storage space as far as possible. As organisations engaged in commercial activities, very often in competition with private sector enterprises, it may not be operationally feasible for the enterprises to tie themselves to procedural formalities which will hinder decision making at the required time. It is, therefore, felt that subject to the general advice regarding utilisation of public sector storage space as far as possible the public enterprises should have the right to choose the space best suited for their purpose. For the same reason it is felt that the responsibility for assessing reasonable rent for hired private storage space should fully rest with the management of the enterprises. The enterprises could, however, consult CPWD or other expert organisations, wherever found necessary.

CHAPTER IV

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

—NIL—

CHAPTER V

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

—NIL—

NEW DELHI;
November, 24, 1980

Agrahayana 3, 1902(S)

BANSI LAL,
Chairman
Committee on Public Undertakings.

APPENDIX I

(Vide reply to Recommendation No. 11)

No. F. 15/8/79-BPE(C)

GOVERNMENT OF INDIA

Ministry of Finance

BUREAU OF PUBLIC ENTERPRISES

(Construction Division)

F- Wing, Nirman Bhavan,
New Delhi, 12th October, 1979.

OFFICE MEMORANDUM

SUBJECT:—*Expenditure on hiring of storage space by Public Undertakings*

The Parliamentary Committee on Public Undertakings (6th Lok Sabha) have in their 24th Report on the above subject, expressed concern that in spite of expanded activities of public institutions, public sector enterprises have to go in for hiring of godowns from private parties. In this connection, recommendations (serial Nos. 1, 2 and 11) made by the Committee along with Government replies thereto are enclosed.

The Ministry of Industry etc. are requested to note these recommendations and bring these to the notice of public enterprises under their control for necessary action.

(S. S. KAIMAL),
Deputy Adviser (Construction).

Encls: as above

To

All Ministries/Departments of Govt. of India.

All Integral Financial Advisers.

All Public Undertakings and their units.

Recommendation (Serial No. 1)

The Committee find that 67 Public Undertakings incurred on hiring of godown space a total expenditure of Rs. 5251.65 lakhs of which a sum of Rs. 2101.50 lakhs was paid to private parties during the period 1974-75 to 1976-77.

It is a matter of real concern to the Committee that in spite of expanded activities of public institutions these public undertakings themselves have to go in for hiring of godowns from private parties. The Committee, therefore, feel that there is imperative need for the Government to have a close look at the matter and to adopt suitable corrective methods to ensure that within a reasonable time, the godown requirements of all public undertakings are fully met from within the resources of the public warehouses and storages etc., themselves.

Reply of Government

All administrative Ministries concerned and Public Sector Enterprises have been advised to make use of Public Sector storage space as far as possible.

Recommendation (Serial No. 2)

The Committee find to their surprise that there are 20 Public Undertakings listed in Appendix II who went in for hiring of godown space only from private parties. The Committee deplore that the continued patronage of private sector by these 20 public undertakings to the complete exclusion of public institutions for a period of three years. The Committee, therefore require that all these 20 public undertakings should be directed in unambiguous terms to make sure that within a specified period they completely switch over the hiring of godown space from public institutions, the hiring of private godowns being continued only at such places where there are no public godowns at all or are not otherwise available.

Reply of Government

All administrative Ministries concerned and Public Sector Enterprises have been advised to make use of Public Sector storage space as far as possible.

Recommendation (Serial No. 11)

In the context of huge expenditure being incurred by Public Sector Enterprises on hiring of storage space year after year and in view of what strikes one as inordinately high rate of rent paid to private parties by a number of enterprises, the Committee expect the following action to be initiated forthwith :—

1. It should be made mandatory for the Public Sector Undertakings to make the use of Government or Public Sector owned Warehouses wherever available. In other places Government should take up a project in consultation with the National Building Construction Corporation and National Building Organisation who should be asked to design the cheapest type of utility oriented warehouses.
2. The existing arrangements of a long term nature with the private parties should be reviewed to ascertain besides the need and the extent of utilisation, the reasonableness or otherwise of the rate of rent and to discontinue the arrangements as early as possible, wherever the justification is not clearly established.
3. In future before hiring storage space from private parties the public undertakings should be under an obligation to ascertain from the

Government and other Public Sector Organisations as well as Cooperative Institutions having storage space, about the availability of accommodation. It is only when the non-availability is clearly indicated should there be a resort to hiring of private accommodation. Even then the reasonableness of rent should be got certified by either the Central Public Works Department or other expert organisation such as the Central Warehousing Corporation.

4. On the basis of an assessment of need for storage space over a period of time, action should be taken to acquire or construct godowns etc. as it should be economical in the long run rather than depend on private parties. A system of pooling of resources by the Public Enterprises at each place to accomplish this should be considered, so that on the one hand the capital cost may not be a deterrent to any particular enterprise and on the other hand the optimum utilisation of the facility created in common may be ensured. Such common storage facility could be managed by the Central Warehousing Corporation.

Reply of Government

- (1) Necessary advice that hiring of private storage accommodation should be resorted to only in cases where operationally suitable Government or Public Sector owned godowns are not available has already been issued to public enterprises (refer reply to recommendation Sl. No. 1). As regards the design of cheapest type of utility oriented warehouses it may be mentioned that the design and specifications of the warehouses are reviewed from time to time by the Central Warehousing Corporation in consultation with other agencies involved in similar works.
- (2) The observations have been noted and the public sector undertakings have been suitably advised in the matter.
- (3) As indicated in replies to Recommendation Nos. 1 and 2 Public Sector Enterprises have already been advised to make use of Public Sector storage space as far as possible. As organisations engaged in commercial activities, very often in competition with private sector enterprises, it may not be operationally feasible for the enterprises to tie themselves to procedural formalities which will hinder decision making at the required time. It is, therefore, felt that subject to the general advice regarding utilisation of public sector storage space as far as possible the public enterprises should have the right to choose the space best suited for their purpose. For the same reason it is felt that the responsibility for assessing reasonable rent for hired private storage space should fully rest with the management of the enterprises. The enterprises could, however, consult CPWD or other expert organisations, wherever found necessary.
- (4) The observations have been noted and the public sector undertakings have been suitably advised in the matter.

APPENDIX II

(Vide Reply to Recommendation No. 3)

Extracts from the Thirty Second Report (FOURTH LOK SABHA) of Committee on Public Undertakings on Action taken by Government on the recommendations contained in the Ninth Report of the Committee on Public Undertakings on General Warehousing Corporation.

Recommendations (Serial No. 11)

The Committee are of the view that godowns should not be set up by multiplicity of agencies like the Central Warehousing Corporation, the Central/state Governments and any other public undertaking at the same centre. unless there is one agency handling the work for all the organisations the average occupancy of warehouses constructed from public funds or hired for public purposes cannot be maintained at a high level. Secondly, the overhead costs, particularly for establishment and inspection, in the operation of multiple agencies for a storage at a centre will be higher. Thirdly, the cost of maintenance of fumigation and other services in such warehouses will be high because each agency will have to keep the required equipment and staff for such services. The operation of warehouses at the same centre by different Government agencies, therefore, uneconomical. It is also desirable that Government Departments/public Undertakings should increasingly patronize the Central Warehousing Corporation for their storage.

The Committee recommend that at places where the Corporation has warehouses, no new ones should be constructed or hired by the Central Government or Food Corporation of India or any public sector organisation unless this becomes necessary due to the inability of the Central Warehousing Corporation to cater to their needs. The question of entrusting the storage of Government Departments/Food Corporation of India to the Central Warehousing Corporation at places where multiple Government storage agencies are functioning also needs to be examined. For the warehouses to be set up in future, the storage requirements of Government. Departments etc. should be communicated to the Central Warehousing Corporation, who should take necessary steps to construct or hire Warehouses. The Committee hope that the State Governments would also co-operate by entrusting their storage work to the Warehousing Corporations. Since the Central Warehousing Corporation subscribes fifty per cent of the Share capital of the State Warehousing Corporation and also the fact that a State Warehousing Corporation cannot acquire or build godowns and warehouses without the approval of the Central Warehousing Corporation, it should not be difficult to make the State Warehousing Corporation fall in line in the interest of efficiency and economy.

(paragraph 72-73)

Reply of Government

Government agree with the assumption of the Committee that the operation of warehouses at the same centres by different Government agencies is uneconomical. It will, however, be difficult to agree with these recommendations for the following reasons:—

- (a) The Warehousing Corporations have been set up with a defined set of functions. They are expected mainly to help the producers to

store their foodgrains under scientific conditions as also to provide easy means of credit to them. The work in this regard has not picked up fully upto now. The committee has also recommended in paragraph 90 of the Report that further efforts are needed to attract deposits from producers and cooperatives for whose benefits the facilities were originally contemplated. The purpose will definitely be defeated if the Warehousing Corporations were to handle the entire foodgrains trade in the public sector.

- (b) The Warehousing Corporations are yet to achieve their main purpose. Concerted work is required in the direction of polarising warehousing practices and making their advantages felt in the rural areas. There is as yet large scope in the expansion of the activities of the Warehousing Corporations to meet the requirements of storage space, fertilizers and commercial crops like potatoes. The implementation of these recommendations will detract the Warehousing Corporations from this legitimate function set before them.
- (c) The operations of foodgrains trade in the public sector are gradually being passed on to the Food Corporation of India as far as the Central Government are concerned. Storage of such foodgrains is a legitimate function of the Food Corporation of India. The Food Corporation of India are involved in the tasks of procurement of food grains as also their distribution to the State Governments and other agencies. If the storage is totally removed from their jurisdiction, the two functions will fall apart and it will be difficult for them to achieve weather flexibility or efficiency in the entire operations. On the other hand, if the Warehousing Corporations were given this gigantic task of handling the entire foodgrains trade of about 11 million tonnes or above per year, they will have to build an unwieldy organisation to arrange work which may not lead to equivalent reduction in the staffing of the Food Corporation of India. The Food Corporation of India will require a technical organisation for inspection of stocks at the time of procurement as also during storage. The economy may not, therefore, be significant to compensate for the loss in the flexibility of operations.

2. It will, therefore, appear that the centralisation of storage work in the Warehousing Corporations will not be a practical proposition. There will, instead, be need for complete coordination in the construction of storage godowns and in the operation of the same at particular centres. This question has been fully gone into and in May, 1966 a Central Storage Committee was constituted at the Centre with Director General of Food as Chairman. Managing Directors of the Food Corporation of India and the Central Warehousing Corporation and Secretary of the National Cooperative Development Corporation as Members to co-ordinate the construction as also utilisation of available storage space. The states were also requested to set up similar committees with a representative from the Central Warehousing Corporation so as to have a full liaison with the Central Committee. The Central Storage Committee has been functioning and duplication of efforts in construction has been avoided. Efforts are being made to activate the state level Committees also.

3. Government also agree to the view that the available warehousing facility of the Warehousing Corporations should be availed of by the public Sector Undertakings without any detriment to the main purposes of the Warehousing Corporation. Therefore, the policy adopted at present to utilise the space

of the Warehousing Corporation by the Food Department, Food Corporation of India as also the State Government should continue on with the clear understanding that the quantum of utilisation of space should be gradually reduced! as the Warehousing Corporations require more space for use by the legitimate beneficiaries under the Warehousing Corporations Act.

Ministry of Food & Agriculture, C.D. & C (Deptt. of Food) O.M.No.F.26-14/68
SG II. dated the 15-10-1968).

APPENDIX III

(Vide reply to Recommendation No. 10)

No. F 15/8/79-BPE (C)

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

BUREAU OF PUBLIC ENTERPRISES

(Construction Division)

F-Wing Nirman Bhavan,
New Delhi, 12th October, 1979

OFFICE MEMORANDUM

Subject:—Parliamentary Committee on Public Undertakings 24th Report on expenditure on hiring of storage space by public undertakings.

In its recommendations S. No. 10 (para 6-5) the Committee has commented as follows.—

“The Committee cannot but express their unhappiness over the fact that the Indian Dairy Corporation, the FACT and the IDPL, who are incurring considerable high expenditure on storage rent have not furnished the information in this regard in the manner desired by the Committee. This is a serious lapse on the part of these undertakings which displays a sense of irresponsibility and non-cooperation that is not conducive to proper accountability to Parliament and ought therefore to be curbed.”

The Committee's views are hereby brought to the notice of the Indian Dairy Corporation, the Fertilizers & Chemicals Travancore and the Indian Drugs & Pharmaceuticals Limited, for future guidance.

(S. S.KAIMAL)

Deputy Adviser (Construction)

C&MD I.D.C.

C&MD, FACT

C&MD, I.D.P.L.

Copy to 1. Ministry of Agriculture

2. Deptt of Chemicals & Fertilizers

for necessary action.

APPENDIX IV

(Vide Para 3 of Introduction)

Analysis of action taken by Government on the recommendations contained in the Twenty Fourth Report of the Committee on Public Undertakings (Sixth Lok Sabha)

	Page
I. Total number of recommendations made	11
II. Recommendations that have been accepted by Government (vide recommendations at S. No. 1, 2, 4, 6, 7, 8, 9, 10, 11(1) (2) & (4)	2
III. Percentage to total 82%	
IV. Recommendations which the Committee do not desire to pursue in view of Government's reply (vide recommendations at S. No. 3, 5, 11(3)	13
Percentage to total 18%	
V. Recommendations in respect of which replies of Government have not been accepted by the Committee NIL	19
Percentage to total	
VI. Recommendations in respect of which final replies of Government are still awaited (vide recommendation at S. No.)NIL.	20
Percentage to total	
