

**STATE TRADING CORPORATION
OF INDIA LIMITED**

MINISTRY OF COMMERCE

**COMMITTEE ON
PUBLIC UNDERTAKINGS
1989-90**
SIXTIETH REPORT

EIGHTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

SIXTIETH REPORT

COMMITTEE ON PUBLIC UNDERTAKINGS (1989-90)

(EIGHTH LOK SABHA)

STATE TRADING CORPORATION OF INDIA LTD.

(MINISTRY OF COMMERCE)



Presented in Lok Sabha on

Laid in Rajya Sabha on

**LOK SABHA SECRETARIAT
NEW DELHI**

June, 1989/Jyaistha, 1911 (Saka)

**CORRIGENDS TO SIXTIETH REPORT OF
COMMITTEE ON PUBLIC UNDERTAKINGS
(EIGHTH LOK SABHA)**

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**COMMITTEE ON PUBLIC UNDERTAKINGS
(1989-90)**

CHARMAN

Shri Vakkom Purushothaman

MEMBERS

Lok Sabha

- 2. Shri K. P. Singh Deo**
- 3. Shri S. G. Gholap**
- ***4. Shri Dinesh Goswami**
- 5. Shri Virdhi Chander Jain**
- 6. Shriam Shieta Kaul**
- *7. Shri Mohd. Mahfooz Ali Khan**
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- 9. Shri Balwant Singh Ramoowalia**
- 10. Shri K. H. Ranganath**
- 11. Shri Harish Rawat**
- 12. Shri Bezawada Papi Reddy**
- @13. Shri Ajit Kumar Saha**
- 14. Shri Lal Vijay Pratap Singh**
- 15. Shri S. D. Singh**

Rajya Sabha

- **16. Shri T. R. Balu**
- *17. Shri Dipen Ghosh**
- 18. Shri A. G. Kulkarni**
- *19. Shri Kamal Morarka**
- 20. Shri V. Narayanasamy**

- Resigned from the Membership of the Committee w.e.f. 12-5-89
- Resigned from the Membership of the Committee w.e.f. 18-3-89
- Resigned from the Membership of the Committee w.e.f. 29-5-89
- @ Resigned from the Membership of the Committee w.e.f. 9-6-89

- 21. Thakur Jagatpal Singh**
- 22. Shri Raoof Valiullah**

COMMISSION OF INQUIRY
SECRETARIAT

1. Shri R. D. Sharma—*Joint Secretary*
2. Smt. P. K. Sandhu—*Under Secretary*

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Sixtieth Report on State Trading Corporation of India Ltd.

2. The subject was examined by the Committee on Public Undertaking (1988-89). The Committee took evidence of the representatives of State Trading Corporation of India Limited on 25 January and 22 February, 1989 and also of the representatives of the Ministry of Commerce on 14th March, 1989.

3. The Committee on Public Undertakings (1989-90) considered and adopted the Report at their sitting held on 15th June, 1989.

4. The Committee wish to express their thanks to the Ministry of Commerce and State Trading Corporation of India Limited for placing before them the material and information they wanted in connection with examination of the Corporation. They also wish to thank in particular the representatives of the Ministry of Commerce and the State Trading Corporation of India Limited who appeared for evidence and assisted the Committee by placing their considered views before the Committee.

NEW DELHI;
21 June, 1989
31 Jyaistha, 1911(S)

VAKKOM PURUSHOTHAMAN,
Chairman,
Committee on Public Undertaking.

CHAPTER I

OBJECTIVES AND OBLIGATIONS

1.1. State Trading Corporation of India Ltd. (STC) was established in 1956 under the Indian Companies Act. The major functions of STC are export, import and domestic trade.

A. *Objectives and Obligations*

1.2. In November, 1970, the Government of India accepted the recommendation of the Administrative Reforms Commission that the Government in consultation with the Public Undertakings should make a comprehensive and clear statement of objectives and obligations. Subsequently in 1979 and 1983 the Bureau of Public Enterprises (BPE) issued instructions to all Ministries to advise the Public Undertakings under their administrative control to frame their micro objectives consistent with the broad objectives spelt out in Government Industrial Policy statement of 1977. The statement *inter-alia* should lay down the broad principles for determining the precise financial and economic obligations of the public enterprises in matters such as creation of various reserves, responsibility of self financing, the anticipated returns on the capital employed and the basis for working out national wage and pricing policies. These micro-objectives required to be specifically approved by the Administrative Ministry.

1.3. The Committee enquired as to whether STC had formulated its micro objectives in terms of BPE guidelines. STC replied in a written note as follows:—

"The role of STC was redefined as a result of a study conducted by Indian Institute of Management, Ahmedabad into the working of STC in 1977. The new role includes:—

- (i) Undertaking a substantial amount of actual trading on their own account including buying, selling, stocking, etc. which would involve undertaking greater risks than in the conventional back-to-back contracts entered into in the past.
- (ii) Playing a leadership role, entering into difficult and long gestation oriented activities, which are socially important and in which private enterprise is not likely to enter without being forced to do so.

- (iii) Placing due emphasis on the developmental role as also on the role associated with achieving social objectives.
- (iv) Playing an effective role as field agency of the Government operating in the market so that the Government is able to obtain through it the timely feedback on developments in the market which are likely to affect the economic conditions in a significant manner.
- (v) Managing canalised items as decided upon by the Government from time to time.

Item-wise micro objectives in terms of turnover, trading profit and other attributes are formulated on year to year basis."

1.4 During oral evidence of the representatives of STC the Committee enquired whether the above role redefined by IIM had the approval of the administrative Ministry. Chairman, STC replied as follows:—

"This (study) was conducted by the IIM, Ahmedabad on being told by the administrative Ministry. The Board of Directors of STC while passing the resolution in this regard considered the Government indication and also mentioned that Government has already approved it. But we have not been able to find any formal letter from the Ministry, there is Government approval."

1.5. The Committee pointed out that the role defined by IIM was too general and not in specific terms as required in BPE guidelines. Asked about the reasons for not framing micro objectives in terms of BPE guidelines, Chairman, STC stated:—

"BPE guidelines by and large are directly related to the manufacturing organisations."

1.6. When again pointed out that the BPE guidelines were applicable to all undertakings, the witness stated:—

"The whole policy is framed keeping in view the manufacturing organisations. There are only 2 to 3 trading organisations. Last year we imported 2.1 million tonne of edible oil. The profitability depend on the edible oil quantum. Suddenly this year the import has come down to 1.2 million tonnes. So, we cannot keep that objective. It all depends on the Government's policy of canalisation or decanalisation. But we do have in our companies our own guidelines. But we cannot

strictly adhere to the micro objectives as laid down in the BPR because they are more related to the manufacturing organisation."

1.7. The Committee also wanted to know as to what extent the Corporation has achieved its objectives. STC stated in a written note as follows:—

"The objectives have been achieved substantially as may be seen from the brief review of the activities given below:—

Main Activities:

STC's contribution in strengthening country's foreign trade has mainly been in the following three directions:—

- (a) Promotion of exports of non-canalised items and diversification of markets.
- (b) Import of essential raw-materials at economic prices and their efficient distribution.
- (c) Generation of resources for the public exchequer.

Trade Turnover:

The turnover of the Corporation in 1956-57, the year of its inception, at Rs. 9 crores has grown steadily year after year and reached Rs. 3646 crores during 1987-88.

Financial Highlights:

The Corporation started with a paid up capital of Rs. 1 crore. Over the years, the paid up capital has increased to Rs. 30 crores, this includes Rs. 28 crores capitalised by way of bonus shares. Since its inception, STC has contributed Rs. 1516 crores to the Government by way of dividends and Corporate Taxes. In addition the Corporation has accumulated reserves of Rs. 238 crores during these years. The reserves have been deployed in business, reducing dependence on the banking sector for working capital.

Exports:

The Corporation's efforts for promoting exports have been directed mainly towards non-canalised items. Exports of non-canalised items over the years have increased to Rs. 407

crores during 1987-88 from Rs. 65 crores in 1975-76. The number of items handled has risen from 10 in 1956-57 to about 300 at present. STC's exports are now highly diversified and cover almost the entire range of country's production like agricultural products, chemicals, engineering products, leather goods, consumer goods etc. The progress achieved in diversification of markets has been noteworthy. Today the Corporation's exports reach to over 100 countries scattered all over the world. ECM accounts for about 31 per cent of STC's exports followed by Asia 22 per cent, East Europe 19 per cent and North America 15 per cent.

Import Management:

The Corporation handles mostly the import and distribution of canalised items. Over the years, it has built up expertise and infrastructure needed in import, handling and distribution of imported items. It has streamlined its procedures and practices in the purchase, storage and distribution. Started with a very low quantum of imports it is now geared to handle large quantities of bulk items. During 1987-88, it handled about 2 million MT of edible oils, 7 lakh MT of sugar, 2 lakh MT of newsprint and large quantities of rubber, chemicals and drugs.

STC meets the import requirements of actual users generally in time and satisfactorily.

STC maintains adequate stocks of essential items like edible oils, newsprint, sugar, rubber, fatty acids, etc., as per the directive of the Government at port-towns as well as at in-land depots."

1.8 During oral evidence of the representatives of Ministry of Commerce the Committee pointed out that objectives of STC framed on the basis of IMM study were not in line with the guidelines issued by Bureau of Public Enterprises in this regard. Asked as to whether the Ministry had approved the redefined role of STC, a representative of the Ministry stated as follows:—

"The Government had asked the Indian Institute of Management, Ahmedabad, in 1977 to conduct a study into the working of STC. We had received the recommendations of the Institute of Management making a number of suggestions about the role of the STC as they saw it. These were examined in detail by the Government in the Ministry of Commerce

and they were accepted. The role of the STC and particularly a point which was made that being a trading company the guidelines of the BPE would not be applicable to it in the sense that it was not a manufacturing organisation were also examined. This was accepted and the recommendations of the IIM were accepted and the STC was informed accordingly in 1981."

1.9 The Committee also wanted to know as to whether Ministry assessed at any time the extent to which STC had achieved its role. The witness stated:—

"This assessment is done regularly and periodical reviews are held at senior levels in the Ministry, usually at the level of Commerce Secretary. The performance of STC is reviewed in the light of the role, as defined by the Government on the basis of the IIM recommendations. By and large, we would say, that atleast in regard to the management of canalised items the Government is quite satisfied with the role performed by STC. But with regard to the other role of STC, namely for making greater efforts to achieve the objective of making direct transactions on their own for export of items other than canalised items, we feel that there is scope for considerable improvement and we have been advising them in the various reviews that they should make greater efforts in that regard."

1.10 Asked about the follow-up action on directions issued by the Ministry, he replied:—

"Yes, Sir. This in fact forms the most important part of the reviews which are undertaken by the Commerce Secretary."

1.11 The Committee pointed out that the role of STC was in general terms and not specific as required in BPE guidelines. Similarly item-wise micro objectives of STC in terms of turn over, trading profit and other activities are formulated on year to year basis. Asked as to whether it would not be desirable to frame long term objectives instead of framing the objectives on year to year basis. the representative of the Ministry replied as follows:—

"Yes Sir. Of course, we may agree that as far as possible, there should be a long term corporate plan for each organisation. In the case of a trading organisation such as this, it does become much more difficult to do so."

1.12 On being further pointed out by the Committee that long term perspective plan would be useful even for trading organisations, the witness replied:—

“That is true, Sir. I agree with that. But Sir, bulk of STC's business is still imports, and import of items like edible oils, newsprint and thing like that is determined on year to year basis, depending on a number of factors like demand in the country, the availability in the country and above all, the availability of foreign exchange which the Government can spare for the purpose of these imports. Therefore, in the case of a trading organisation, long-term projection does become much more difficult than in the case of a manufacturing concern which has to look, by and large, only on its capacity and the infrastructure available to it for drawing up its plan. So, I do not dispute a long-term perspective plan.”

He further added:

“Considering that it depends on so many factors which influence the trading performance, for example, the international competition, the international economic situation, Government's import and export policy which does change a bit from year to year, foreign exchange fluctuation, etc. etc. It is much more difficult to have reliable and authentic performance of the corporate plan. We have been having dialogue with the STC. The new M.O.U. is going to be signed with them shortly. We will have it as authentic as we can, given all these constraints.”

B. Corporate Plan

1.13 In regard to preparation of Corporate Plan of the Corporation STC informed the Committee in a written note that STC was in the process of drawing a corporate plan which would outline long term policies and strategies. During the course of evidence of the representatives of STC the Committee pointed out that Bureau of Public Enterprises had issued guidelines to all public sector undertakings as far back as 1974 that all undertakings should finalise their corporate plan with specific approval by the concerned administrative Ministries. Asked about the reasons for not finalising corporate plan so far, Chairman, STC stated as follows:—

“The exercise was undertaken several times. It got shelved every time. The Institute which is established is being associated. Our managers and other people are also associated in pre-

paring the corporate plan. It will be ready within a short time."

1.14 The Committee enquired about the salient features of the proposed corporate plan. Chairman, STC stated as follows:—

"The proposed corporate plan has five objectives. They are (1) increase in total exports; (2) to build an umbrella for the small scale entrepreneurs preferably in non-traditional items; (3) to encourage small scale entrepreneurs along with domestic market because it involves socio-economic policy; (4) import substitution and (5) trade partnership with the international organisations. These are the major thrust areas of the corporate plan."

1.15 During oral evidence of the representatives of Ministry of Commerce, the Committee pointed out that STC was not having any corporate plan even after 15 years of the issuance of BPE guidelines. To this the representative of the Ministry replied, "Yes, till last year no corporate plan of this kind has been prepared." He however, added:

"It would also not be quite right to say that they did not have corporate plan at all. They did work out some sort of projections even in the past. But they were not in the manner in which we are trying to work out. It is certainly true that in the past, we did not work out the corporate plan. Even in the M.O.U. which was signed last year, it was said that the STC will undertake the preparation of corporate plan and the export plan upto the year 1995. So, in the M.O.U. signed last year it was already agreed that it will be prepared shortly."

1.16 Asked about the form in which projections were made in the past, the witness replied:

"In the past there were different Chairmen with the STC and they did adopt different methodologies for projecting what they saw as the future role of the STC. They may not be in the nature of written down corporate plan as such, but there used to be different system of performance budget and appraisal."

1.17 The Committee note that in terms of Bureau of Public Enterprises guidelines issued in 1970, 1979 and 1983 each public undertaking was required to formulate with the specific approval of the administrative Ministry, a statement of objectives and obligations which should inter-alia,

lay down the broad principles for determining the precise financial and economic obligations of the undertaking in the matter of creation of various reserves, responsibility of self-financing, the anticipated returns on the capital employed and the basis for working out national wage and pricing policies. The Committee, however, regret to note that STC has not yet framed its specific micro objectives. The Committee are not satisfied with the reply given by SIC and Commerce Ministry that BPE guidelines were not applicable to the trading organisations like STC and that the micro objectives in terms of turn over, trading profit and other attributes are formulated on year to year basis. The role of STC was redefined in 1977 on the basis of a study conducted by Indian Institute of Management, Ahmedabad. This redefined role was belatedly approved by the Ministry in 1981. As the redefined role is worded in too general terms, the Committee strongly feel that to facilitate realistic and meaningful evaluation of the enterprise by Parliamentary Committees and Government, setting of specific objectives and long term objectives is very essential. The Committee, therefore, strongly recommend that micro objectives of STC should immediately be redefined in consonance with the corporate plan of STC, which is reported to be under finalisation and Committee be informed.

1.18 The Committee also note that the role of STC as redefined in 1977 inter alia includes undertaking a substantial amount of actual trading on their own account including buying, selling, stocking, playing a leadership role, placing due emphasis on the developmental role, playing an effective role as field agency of Government and managing the canalised items. In regard to achieving these objectives, while STC has maintained that it has achieved its role significantly, the Ministry was candid in their admission that whereas they were satisfied with the role of STC in regard to imports of canalised items but much more was still desired to be done by STC in case of exports. As discussed elsewhere in the Report that the STC has been mainly performing the role of importing agency, the Committee would like to point out that mere laying down the high sounding statement of objectives does not serve any purpose. The Committee, therefore, feel that a time bound programme should have been chalked out for achieving each of the objectives. The Committee recommend that STC should immediately formulate a time bound programme for achieving its objectives and obligations. The Committee also feel that a paper on the actual performance of the Corporation during 1980 to 1988 in fulfilment of its objectives and obligations, is brought out and placed before Parliament to enable members to assess the growth and activities of the Corporation on a realistic basis.

1.19 It is incredible, yet true that big public sector undertaking like STC which is in existence for the last 32 years has been hitherto functioning without a corporate plan. The Committee, however, regret to note that

though the Bureau of Public Enterprises had issued the guidelines as far back as in 1974, requiring each undertaking to prepare the Corporate plan with formal ratification/approval of the administrative Ministry, STC has yet to finalise the same. Chairman, STC was frank enough to admit during evidence that, "The exercise was undertaken several times. It got shelved every time." What dismays the Committee further is that even the administrative Ministry appears to have not cared to pursue the matter with STC, otherwise there does not seem to be any plausible reason on account of which the Corporate Plan could not be finalised even after 15 years of the issue of BPE guidelines.

1.20. The Committee are simply astonished to hear from the representative of the Ministry during oral evidence that in the past different Chairmen used different methodologies for projecting the future role of STC in the absence of the Corporate Plan. While expressing their displeasure, the Committee desire that the Corporate Plan, the details of which are reportedly being worked out, should be finalised expeditiously and laid before the Parliament immediately and in no case later than the

CHAPTER II

FINANCIAL PERFORMANCE

A. Exports Performance

2.1 The STC at present is reported to be handling with more than 300 items of export to over 100 countries throughout the world. The range of STC's export items include leather, footwear, rice, engineering goods, sports good etc.

2.2 The following table shows the India's share in world exports from 1980 to 1986:—

Year/Period	World's Exports	India's share	(Value in million dollars)
			India's share in world exports in %
1980	1,997,840	8,378	0.42
1981	1,976,733	8,373	0.42
1982	1,845,641	8,807	0.48
1983	1,811,600	8,713	0.48
1984	1,903,772	8,793	0.46
1985	1,938,599	7,631	0.39
Jan—Sept. 1986.	1,541,310	6,890	0.45

2.3 As against the above the following table shows the export performance of STC vis-a-vis country's export performance during the last 3 years:—

Year	Country's export	STC's export	% (Rs. in crores)
1985-86	10,984	338	3.5
1986-87	12,566	543	4.3
1987-88	15,720	581	3.7

Although one of the main objectives of STC is to export, STC's share in the total exports of the country, as may be seen from above, has been very small.

2.4 The following table shows the composition of canalised and non-canalised export of STC:—

	1983-84	1984-85	1985-86	1986-87	1987-88
(Rs. in crores)					
Canalised items . . .	362.37	205.41	149.77	143.81	173.75
Non-canalised items . . .	433.74	499.16	223.79	383.17	406.55
Off-shore trade . . .	14.99	3.88	15.14	0.69	
Total:	796.11	719.56	377.44	542.12	580.99

2.5 During the course of oral evidence of the representatives of the Corporation, the Committee pointed out that STC has been doing export business for the last 32 years, however, its share in country's total exports varied from 3 to 4 percent only. To this Chairman, STC stated as follows:—

"I agree with you but export was the main thrust of the STC. If you see 1956-57 when STC started, the export was Rs. 6 crores. This has gone upto Rs. 581 crores. So efforts may not have been inline with the structure and the size of the organisation, but efforts have been made and the increase in the export is there."

2.6 The Committee pointed out that STC's exports had declined from Rs. 796.11 crores in 1983-84 to Rs. 580.99 in 1987-88. Asked about the reasons for steep decline in exports, Chairman, STC replied as follows:—

"The reason for decline in export performance has been that this figure includes canalised items also. Some items have been de-canalised. That is why, the figures of export performance have gone down."

2.7 On being further pointed out that there was decline in non-canalised items also, the witness then stated:—

"The turnover has gone down from Rs. 499 crores in 1984-85 which is the base for non-canalised items, to Rs. 223 crores in 1985-86. From 1985-86 this figure has been going up steeply. The fall in 1984-85 to 1985-86 was attributable

to the major accounting policy changes. After that, this policy changed. In the beginning of 1985, it was decided that some of the export entries which are not directly related to us and which are only the sales of our business associates whom we help to get orders, will not be accounted for in the books. So, that has accounted for the downfall in the non-canalised exports from 1985-86 and that continues till today."

Explaining it further, the witness added:—

"Before 1985-86, even if a business associate worked with STC and if we had made some contribution in getting the order, we used to book it in our accounts. After that, we changed the policy and no export made by our business associates is booked, even though we help them in getting the order. But from 1985-86, a uniform accounting policy has been adopted. Export is booked only where we have a solid contribution to make."

2.8 While explaining the reasons for poor export performance of the Corporation, Chairman, STC also stated during his evidence:—

"One of the weaknesses of this organisation is it could not grow in the non-canalised trade. We are expected to compete with the private sector. No private export house is questioned by the Government regarding the procurement and selling of commodities. Take for example Tatas. I think they must be the largest canalising agency in the country. Nobody has questioned them as to where from they procure; at what price they procure; and why they sell at this price. We are competing with everybody in the country and abroad. This flexibility of rules lies with the dealing managers as to which unit they feel can produce a quality product; which unit can give them qualitative price; and which unit can cope up with the time schedule. The tender processing and the screening process takes time, and by which time, we may lose orders. We should have flexibility within the parameters by ensuring that the public and the Government money is saved and should be realised at the optimum advantage for canalised and non-canalised trade. We cannot follow the same procedures on canalised and non-canalised items."

2.9 STC had estimated its exports at Rs. 699.60 crores for the current year i.e. 1988-89. The Committee enquired as to what extent these targets have been achieved. The Chairman, STC replied:—

"In the year 1988-89 exports upto January 6th are for canalised items Rs. 58 crores and non-canalised items Rs. 232 crores. We have revised the targets to less than Rs. 700 crores which was set in the beginning of the year. With regard to non-canalised items we have not achieved the targets, but we will be almost nearing it."

2.10 The Committee further pointed out that one of the objectives of the STC was export. When asked about the steps taken by STC to increase the exports to rectify the adverse balance of payment, Chairman, STC replied as follows:—

"You have raised two issues; one is balance of payment and the STC's role therein and the other is how for we have achieved the objective of increasing the non-canalised goods export with regard to balance of payment, it is adverse today, I must say that the balance of payment position can be rectified only by exports. There are two ways of increasing the exports. Firstly we should encourage the export oriented industries much more. Secondly we have to restrict the imports to the areas only where it is absolutely necessary. Also we have to think of and develop import substitute products as much as we can. Sometimes export earning may not help so much as the import substitution products do. The ultimate objective is to reduce the trade gap. STC in this context has gone ahead in the past with the non-canalised items export which is now standing at Rs. 500 crores. In about three years time we are planning a quantum jump and the target has been drawn upto 1992. By that time the non-canalised items export will touch Rs. 1500 crores.

Uptil now STC has been working with the business associates of its own. But from 1st April 1989 we are in the process of having our own sources of supply wherein STC will have finance participation and management representation so that it is able to provide facilities to the small and medium scale entrepreneurs. Under that scheme STC is contemplating to import some raw materials which are under OGL. The idea is that we will take the demands of a few users and import bulk so that we can obtain the competitive prices. Actually private importers are not generating any counter-trade against the imports that they are doing. Therefore the foreign exchange outgo on OGL is uncontrollable

Government has to regulate the imports involving foreign exchange by giving instructions to companies like STC and MMTC to import a particular quantum. They should be able to generate the counter-trade in proportion to their imports. That is one way of rectifying the balance of payment and STC is planning to identify some areas where it can have counter-trade. One such item is rice. We are working on it and it will take about six months. That is why we have in our next year targets at least two import substitution units to start experimenting this."

2.11 As regards steps taken to increase non-canalised items, the witness stated:—

"In my view the non-canalised exports should have been such larger for STC keeping in view its size. STC being a public undertakings, it is answerable to various authorities like Parliamentary Committee and its rules and regulations are not that flexible as they are for non-canalised items export by the private houses. A private non-canalised exporter does not have to undergo the tendering process, etc. so STC is in the process of reviewing all its procedures within the overall parametres of the Government's rules. We are trying to make flexible rules and regulations. A separate group is being organised in the STC which will have experts who are doing the non-canalised trade. These people will not come under the normal transfer rules of the company, so that they continue in their seats for some years. The thrust markets and commodities are being identified by them. For the time being we have identified leather and pharmaceuticals as the thrust areas of export. Markets have been identified and the delegation of authority has been reviewed."

2.12 The Committee also enquired about the steps taken by STC to achieve three fold increase of non-canalised exports. The witness stated:—

"We have various schemes. We will develop an export Development Fund. We are in the process of building a consortium of small and medium scale industry. We are going to have our own captive sources partly or fully owned and identify certain thrust areas to import raw materials for the industry which is under the OGL."

2.13 Asked whether the objective of increasing non-canalised exports was not too ambitious, Chairman, STC stated as follows:—

“After analysing the functioning of the organisation I found that the STC has tremendous potential. There is no reason why this organisation should not achieve the target of Rs. 1500 crores in three years.”

2.14 The Committee also wanted to know as to whether any preference is given to small scale sector for procuring various items for exports. Chairman, STC replied that about eighty per cent of the items was meant for small scale industries.

2.15 Enquired about any market survey undertaken by STC to identify certain export areas, the witness stated:—

“Yes Sir, it is under process and the dead line is 31st March.”

2.16 Asked about the special measures taken to improve the export performance of the Corporation, STC stated in written note as follows:—

“The following promotional measures are being undertaken by the Corporation to encourage exports:

- (i) MOUs for handling exports of various public sector undertakings are being signed by STC. These will start giving results soon.
- (ii) Similarly MOUs are being signed with several international trading houses to increase exports.
- (iii) Appointment of foreign agents in selected markets.
- (iv) To enlarge the supply base by enrolling new business associates.
- (v) To enlarge our presence in the East European Markets a separate desk has been created to improve the exports to this region.
- (vi) During the year STC will be participating in about 60 commodity fairs, exhibitions and buyer-seller meets. It is expected that large business will be negotiated in these fairs.
- (vii) To open new branches in India and abroad so that STC is as near the consuming/producing centres as possible.
- (viii) Preparation and adoption of strategy and action plan for exports of selected identified major commodities in identified markets.

- (ix) Adoption of schemes for forging long term links between STC and private exporters and production units.
- (x) Strengthening links with selected central and state public sector and cooperative organisations to enable them to enter the export market.
- (xi) Procurement of raw materials for export production for drugs & chemicals and leather units.
- (xii) Financial assistance to associates through supply of imported machinery on deferred payments basis.
- (xiii) Import of consumables/embellishments for supply to the leather goods manufacturers.
- (xiv) Import of hides and skins against specific indents of the local tanneries for sale to them on high-seas basis.
- (xv) Scheme to make available ex-bond methanol at international prices.
- (xvi) More stress would be laid on value added products.
- (xvii) To give the associates technical know-how for improving the products.
- (xviii) To provide testing facilities to the associates in STC's laboratories.
- (xix) Raw material assistance to associate contractors.
- (xx) To supply imported machinery on easy terms.
- (xxi) To supply graded patterns for production of footwear."

2.17 The Committee also wanted to know as to whether STC has to face any competition in regard to items exported by it. STC replied in a written note as follows:—

"STC exports all non-canalised items from the country in competition with the private exporters. However, the institutional and infrastructural frame work of STC gives it greater strength particularly while dealing with big importers abroad. Competition is met not only at home but also abroad where exporters from different countries bid to seek the orders. In case of canalised items, though there is no competition within the country, international competition has to be faced."

2.18 As regard constraints of procedures faced by STC with regard to exports and flexibility required, the Committee were informed by STC in a note furnished after the evidence, as under:—

"(i) Slow decision making process:

Being a public sector undertaking STC is accountable not only to the Government and Parliament but also to press and public. Every purchase and sale deal entered into by STC is subject to analysis criticism and comments from various Government, Semi-Government and private agencies and committees. As a result of this, it has become a practice in STC, at all levels, to play safe. The decision making gets delayed and the real business spirit is lost. Procedures have been so drawn as to avoid criticism and questions at a later date.

(ii) Principle of Equality:

Being a public sector undertaking, STC is expected to give equal opportunity in exports to all the manufacturers/traders who approach STC. At present there are a large number of associates registered with STC for export of each item. As and when an export enquiry/order is received or obtained STC has to approach all these registered associates and to the extent possible divide the order on a pro-rata basis. Some exporters may not be found competent enough and efficient but at the same time, it may be difficult to establish the same on record. For example, in the case of manufactured products, the export market is highly quality conscious and demands strict adherence to the delivery schedule. It is not possible to involve all the registered manufacturers spread all over the country. STC needs to deal with selected associates as it deems fit.

(iii) Constraints of Socio-Economic Obligations:

In order to meet the socio-economic obligations, STC is asked to take-up/stop export of a particular commodity every now and then resulting in lack of continuity of exports. For example export of wheat, sugar, alcohol, molasses."

2.19 During the evidence of the representatives of STC the Committee pointed out that the STC as well as its subsidiary companies and business associates have been accounting the same exports figures in their

respective accounts. Asked about the rationale behind double counting, Chairman, STC stated as follows:—

“As per the import-export policy of the country, the export could be accounted for by two parties by the manufacturer-exporter and the exporter itself. As far as the country's exports are concerned, when they are calculated, no duplicacy is there because Form 1-B of the RBI is the governing factor. Form L-B of the RBI will have only one name of the party. So, when the total country's export is to be calculated, there is the name of the party.”

2.20 The Committee further pointed out that besides business associates, there may be other public sector undertakings supplying goods to STC for exports and in that case there will be duplication of figures of the exports. On being suggested by the Committee to maintain separate figures, the Chairman expressed, “That may not be possible... You can have a separate account in the books. But the Ministry has one book which does not have separate account.”

2.21 During oral evidence of the representatives of Ministry of Commerce, the Committee pointed out that country's export share in world exports declined from 0.48 per cent in 1983 to 0.45 per cent in 1986. When asked about the reasons for the decline of export share, the representative of the Ministry replied:

“There was a decline in the year 1984, 1985 and a part of 1986. According to the figures which we have got of 1986-87 and 1987-88 according to the IMF figures—India's share in the world trade was 0.48 and 0.49 per cent respectively. Otherwise there is no decline.”

2.22. Asked whether Ministry was satisfied with STC's export performance, the witness stated:—

“No, Sir. We want the export performance to be much higher.”

2.23 The Committee enquired about the efforts made by the Ministry to improve the export performance of STC. The representative of the Ministry stated as follows:—

“We have been asking them to increase their export performance. In fact, canalisation is becoming less and less and we would like STC to export more and more. According to the Memorandum of Understanding which we have signed last year,

we have emphasised this point and we have been emphasising this point in this year's MOU also."

The witness added:—

"They (STC) have the trained, experienced manpower who have been mostly importing all these years. Now, they have to reorient themselves and start looking to the export front. They have the infrastructure and knowledge of the world market condition and trained manpower. We have asked them to reorient completely and start thinking of direct export and to improve the export and to improve the export performance."

B. Imports

2.24 Besides exports, the other main activity of the corporation is import. Imports are made by STC on direction from the Government. Out of the total turn over of the Corporation about 80 per cent consist of imports only as is evident from the following table:—

Year	Total turnover	Exports	Imports	Domestic trade
		(Rs. in crores)	(Rs. in crores)	(Rs. in crores)
1986-87	2735	542	2179	14
1987-88	3646	581	3037	28
1988-89 (Target)	4227	700	3506	21

2.25 The following table shows the canalised and non-canalised imports made by the Corporation during the last 5 years:—

	1983-84	1984-85	1985-86	1986-87	1987-88
	(Rs. in crores)				
Canalised items	1402.15	2097.31	-142.48	2167.11	2998.32
Non-canalised.	1.23	21.69	15.90	12.16	38.49
	1403.38	2119.00	2158.38	2179.27	3036.81

The main items of import handled by STC are edible oil, sugar, rubber, chemicals and drugs. However, from the item-wise details of the imports furnished to the Committee it has been noticed that the main item is edible oil (Rs. 2222.58 crores in 1987-88) followed by sugar, newsprint and rubber.

2.26 During oral evidence of the representatives of Ministry of Commerce, the Committee pointed out that 80 per cent of the STC's turnover was imports and STC had become only an importing agency of the Government diluting thereby the main objective of increasing the exports. To this, the representative of the Ministry stated as follows:—

"Certainly, Sir, the import of these few items does form a very very large bulk of the total turnover of the STC. But as far as defining the objectives of STC is concerned, as far back as in 1981 the objectives of the STC were defined and in fact, in all the reviews this point has been taken up with the STC by the Ministry at a senior level that apart from the import of canalised items, they should also pay attention to other items of export. In the new MOU and the corporate plan that they are going to draw up, they are going to make re-doubled efforts towards achieving other objectives."

2.27 On being pointed out by the Committee that when import of certain commodities would not be required, STC's turnover will come down considerably, the witness then stated:—

"Actually, it is in this context, there is a need for them to improve the export performance by going to new products, new market, new competitive marketing efforts. It becomes not only important but crucial. This is what the Ministry has made them aware of and they are now quite aware of it. In the medium as well as long term future, they cannot depend on import of canalised items for their existence and they will have to move very rapidly into new areas of exports. That is how we see the role of STC in the coming years."

2.28 The Committee have noticed that there are wide variations between the imported cost and selling price of various items. For instance, the following table shows the cost of import *vis-a-vis* selling prices of

edible oil:—

	* Average cost of imports including customs duty, clearance and storage, refining, tinning and distribution charges and STC's service margin (Rs. PMT)	** Average sales realisation (Rs. PMT)	Deficit/Surplus PMT (Rs. PMT)
1985-86	9191	9444	+253
1986-87	7190	10480	+3290
1987-88	8853	11907	+3054

*Excludes adjustment for stocks/losses.
** Excludes other income.

In this connection STC has stated that all the import and resale of edible oil is on Government account and all surplus/deficit on import/resale are remitted to Government. The issue prices are fixed by Government keeping in mind the cost of imports and other Government objectives.

2.29 The Committee pointed out that with regard to the imports and sale of edible oil during the current year, the Minister of Food & Civil Supplies, in reply to a question informed Lok Sabha on 1-3-1989, as follows:—

“Approximately 15.12 lakh MTs of edible oils were imported on Government account during 1988 (1-1-1988 to 31-12-1988). Accounts of oil imported on Government account are maintained on a financial year basis. The total quantum of edible oils imported during the financial year 1988-89 (upto January, 1989) were about 11 lakh tonnes and the unit average CIF price of edible oils imported during this period was approximately Rs. 6564 per MT. The issue prices of imported edible oils supplied to States/UTs under

the public Distribution System and to the vanaspati industry for the manufacture of vanaspati are as under:—

Public Distribution System	(Price in Rs. per MT)		
Period	Bulk	15 Kg. tins	
Upto 31-8-1988	11,000	12,500	
Since 1-9-1988	19,150	14,500	
<i>Vanaspati</i>	Normal rate	Commercial rate	
Upto 30-1-1988	15,000	19,000	
Since 1-12-1988	•	19,000	

*Allocation of imported edible oils to the vanaspati industry at Rs. 15,000/- per MT has been discontinued w.e.f. 1-12-1988.

2.30 It has also been reported that the service charges of the State Trading Corporation of India Ltd., which imports edible oil for and on behalf of the Government of India are 1 per cent of the landed cost comprising of CIF value, custom duty, handling and clearing charges etc. On an approximate sales of about 11 lakh MTs during the financial year 1988-89, the estimated surplus accruing to the Government account would be to the tune of Rs. 185 crore (excluding additional customs duty of Rs. 110 crores already paid).

In addition, the NDDB also imported 51041 MTs. of oils during the year 1988 valued at Rs. 28.46 crores for sales through agencies set up under the NDDB's oilseed project. The total sales proceeds were Rs. 85.75 crores at an average sale price of Rs. 16800/- per MT.

2.31 It was also stated during evidence of the representatives of STC that the corporation earned about Rs. 600 crores (i.e. difference between import price and selling price) on account of edible oils during 1987-88. This amount was reported to have been refunded to the Government.

2.32 During evidence of representatives of Ministry of Commerce, the Committee enquired as to how the Ministry ensured that only quality items of international competitive price were imported by STC, the representative of Ministry stated:—

“In the case of edible oils, STC has appointed surveyors of international repute which inspect each consignment of oil. These surveyors are quite fully familiar and conversant with the contractual requirements of the STC and also requirement as laid down in the Indian Law—the Prevention of Food Adulteration Act, as revised from time to time. After the arrival of the consignments, the STC's own surveyors then subject each consignment to scrutiny. Also, an independent analysis is done by the officers which are under the Director General of Health Services.

In the case of newsprint, the newsprint is brought only from reputed manufacturers and some samples are tested by the actual users before the import order is placed. The particular specification parameters are expressly stated in each case and it is ensured that they are adhered to before the consignment is cleared for import.

Similarly, in the case of chemicals, it is the drug control authority under the Ministry of Health which has to give each consignment its clearance before the material is released to the actual users. There is a difference in each case. But it is ensured that only good quality material is used.”

2.33 In regard to the competitive price for imported items, the witness stated:—

“Modality again differs from product to product. In each case there is a Purchase Committee of the STC which has on it representatives, among others, of the Ministry concerned. In some cases they do it on the basis of global tenders, in some cases it is done on the basis of certain bench mark prices which are obtained from published prices, in the case of newsprint, there is the New York delivery prices and the price fixed by Newsprint Purchase Committee is on the basis of the price. Chemicals prices are generally fixed on the basis of global tenders. In many other cases, there are other methods of obtaining information regarding the international market trends and prices and the prices quoted, etc. are taken into account by the Purchase Committee in each case and then only the contract is entered into.”

2.34 The Committee further pointed out that there were wide variations between the import-price and selling price of imported items. For instance for the year 1987-88 the selling price of edible oil per Metric Tonne (PMT), was fixed at Rs. 11,907 as against Rs. 8853 import cost PMT. (The difference being Rs. 3054 PMT). Similarly, for the current year i.e. 1988-89 as against the import cost of 6564 per MT the selling price of the edible oil through public distribution system has been fixed as high as Rs. 13,150 and Rs. 14,500 per MT. To this, the witness stated:—

"The price fixation is not done by the STC itself. These imports are done at the instance of the Ministry concerned and price fixation is under the control of the concerned Ministry. The price fixation is done by the Pricing Committee under the control of the administrative Ministry; in this case the Department of Civil Supplies. What STC gets is service charges and its overheads, but because the volume of business is large, the whole amount comes to quite a bit. But the Commerce Ministry have no hand in this."

C. Domestic trade

2.35 Apart from exports and imports, STC handles some domestic trade. The performance of the Corporation in this activity during the last 3 years was as follows:—

Year	Turnover (Rs. in crores)
1985-86 .	15.34
1986-87 .	13.87
1987-88 .	27.72

2.36 From the item-wise details it has been noticed that the main item under domestic trade handled by the Corporation is purchase and sale of imported cars. STC buys cars from diplomats, foreign missions and Indian and foreign nationals in accordance with the procedure laid down by the Ministry of External Affairs/Chief Controller of Imports and Exports. These cars are sold through tenders. As STC is the only agency permitted to buy cars from diplomats, foreign mission etc. the trade could be considered as monopolistic. Turn over of the imported cars was Rs. 10.67 crores, Rs. 13.35 crores and Rs. 14.71 crores during the year 1985-86, 1986-87 and 1987-88 respectively. Profit on purchase and sale of imported cars during these years was

Rs. 4.11 crores, Rs. 5.30 crores and Rs. 6.35 crores, respectively. Asked as to whether the purchase and sale of imported cars by STC was in accordance with the Government export and import policy, STC replied in a written note as follows:—

"No, Sir. It is as per the directives from Ministry of External Affairs.

D. Memorandum of Understanding with Government (MOU)

2.37 A Memorandum of Understanding was signed between STC and Ministry of Commerce, Government of India for the year 1988-89. The salient features of the MOU are:—

(i) STC to achieve following targets during 1988-89:—

Exports	Rs. 700 crores	(Canalised Rs. 170 crores, Non-canalised Rs. 500 crores and Off-shore Rs. 30 crores)
Imports	Rs. 3506 crores.	

(ii) Profit before tax Rs. 57 crores.

The other features are:—

- (a) STC to earn 30 per cent of its GGA foreign exchange import requirements through its exports.
- (b) STC to draw a Corporate Plan and export plan upto the year 1995.
- (c) Government to give clearances related to off-shore trade.
- (d) Government to release advance foreign exchange for STC imports.
- (e) Government to grant STC the trading house recognition.
- (f) Government to delegate to STC the powers on administrative matters relating to foreign posting[travel].

As mentioned earlier in the report, the export targets for the year 1988-89 have already been lowered down. The Corporate Plan is yet to be finalised.

2.38 During the course of evidence of representatives of Ministry of Commerce, the Committee pointed out that in MOU signed with

STC for the year 1988-89 the target for exports were fixed at Rs. 699.60 crores. However, STC has reduced these targets. Asked as to whether the Ministry has approved the reduced export targets, the representative of the Ministry stated:—

“We have not approved it. Originally, they had given us about Rs. 700 crores. Now with decanalisation of some of the items, namely semi-processed leather goods etc., STC felt that their export target of Rs. 700 crores was ambitious. While, we have not approved the revised target formally, we are aware of this problem which STC are facing.”

2.39 Asked about the progress made in respect of other items (c to f) of the MOU, the Ministry replied in a written note as follows:—

“The fulfilment of the commitments on (c) to (f) is indicated below:—

- (c) Government have since given clearance relating to off-shore trade. Some further relaxation in RBI regulations in this regard was also obtained and communicated to STC in the first week of March;
- (d) Government does release advance foreign exchange to STC for imports based on a phased programme and depending upon the availability of foreign exchange. The STC's operations have not been affected on this ground and timely foreign exchange has been released to them.
- (e) STC has since been granted Trading House recognition;
- (f) Further delegations in respect of foreign travel has been communicated in October, 1988. With this only the foreign travel programme of Chairman of the Corporation comes to Government for approval. STC is free to do the foreign postings or re-allocate the foreign offices.”

2.40 During oral evidence of the representatives of the Ministry of Commerce, the Committee enquired about next MOU. The representative of the Ministry stated, “It is under drafting stage. We are looking into it.”

2.41 Asked as to whether this was also for one year, the witness replied:—

“Yes, it is for one year. But they have also been given directions to project their plans till 1995.”

He added:—

“We are making sure that it will have an export-orientation.”

E. Working Results

2.42 The following table shows the estimated *vis-a-vis* actual profit earned by STC during each of the last 5 years:—

Year	Estimated Profit	Actual Profit
(Rs. in crores)		
1983-84 .	47.7	59.8
1984-85	47.9	61.1
1985-86 .	64.4	61.7
1986-87 .	65.9	55.4
1987-88 .	54.0	52.0

2.43 Asked about the reasons for declining profit during 1985-86 and 1986-87, STC stated in a written reply as follows:—

“The profit figures given are profit before tax. The reduction in profit during 1986-87 and 1987-88 is due to change in the mode of financing and consequent recovery of interest on imports handled on Government Account. Upto October 1986 the operations were financed exclusively form STC's own funds and borrowings but from October, 1986, as a result of Government instructions, STC operated Bankers' Acceptance Scheme for financing its imports. The borrowings under Banker's Acceptance Scheme were at considerably lower rates of interest averaging around 7 to 8 per cent per annum compared to the normal bank lending rate of 15 to 16 per cent per annum. Bankers' Acceptance Scheme with lower rates of interest, as explained above, entitled STC to avail of six months credit on the purchases financed under it. The surplus funds thus generated during the period of credit are invested in deposits with public sectors/other schemes earning interest of about 12 per cent per annum. This interest is also credited to the Government account and hence the net recovery of interest has gone down substantially accruing benefit to the Government. Therefore, despite increase in import turnover there is a drop in the profit of STC with corresponding gain to the Government.”

2.44 The following table shows the profitability in respect of exports, imports and domestic trade for the period from 1983-84 to 1987-88:—

	Trading Profit	(Rs. in crores)				
		1983-84	1984-85	1985-86	1986-87	1987-88
Exports	(-)	8.05	9.63	2.77	3.02	4.37
Imports		67.44	90.46	97.04	54.02	45.03
Domestic		7.68	5.41	2.76	5.33	6.08
		67.07	105.50	102.57	62.37	55.48

It would be seen from the above that the profits of the Corporation have been mainly from the imports. The Corporation also suffered a loss of Rs. 8.05 crores in exports during the year 1983-84.

2.45 The Committee wanted to know about the steps proposed to be taken to increase the profitability of the Corporation. STC stated in a written reply that the following steps were proposed for increasing the profitability of the Corporation:

- (i) Further improve the existing purchase procedures to minimise cost of imports;
- (ii) Improve return on capital invested;
- (iii) By further strengthening the inventory control measures; and
- (iv) Increase in turnover by handling more items of non-capitalised imports/exports.”

2.46 Asked about the estimated profits for the current year i.e. 1988-89, STC has informed the Committee that profits for the year 1988-89, as per revised budget, were estimated as Rs. 69.9 crores.

2.47. The Committee regret to note that country's share in world's total exports has been below 0.50 per cent. Country's share which was 0.48 per cent in 1982 and 1983 came down to 0.46, 0.39 and 0.45 per cent in 1984,

1985 and 1986 respectively. It increased to 0.48 and 0.49 per cent in 1986-87 and 1987-88 respectively. Astoundingly country's exports are stagnating at 1982 level. Taking inflation and price index into account, the exports have fallen in real terms. As the country is having adverse balance of payment at present, there is a greater need for increasing the exports. Since most of the trading public sector undertakings (like STC, MMTC and their subsidiaries) are under the administrative control of Ministry of Commerce, the Committee recommend that the Ministry should formulate a long term plan for boosting the exports.

2.48. The Committee are dismayed to learn that so far the share of STC in the country's total annual exports has been very small i.e. 3 to 4 per cent only. In view of the fact that STC is in the export business for the last 32 years and one of its major objectives is to play the role of a leader in the matter of exports, the Committee feel that achievements of STC in the field of exports are quite unimpressive. Despite the various export promotion activities undertaken by STC, its total exports which were Rs. 796.11 crores in 1983-84 have gone down to Rs. 580.99 crores in 1987-88. Targets for exports for the year 1988-89 fixed at about Rs. 700 crores have already been reduced. The Committee are not at all happy with export performance of STC particularly when it is exporting about 300 items to about 100 countries and when it is reported to have tremendous potential for exports.

2.49. The Committee also note that export of non-canalised items which were Rs. 434 crores in 1983-84 have come down to Rs. 224 crores in 1985-86. However, it increased to Rs. 407 crores in 1987-88. One of the reasons for poor export performance given by STC is also stated to be due to de-canalisation of certain canalised items. The Committee do not find this argument quite convincing as they feel that as a result of de-canalisation of certain items, STC is not debarred from exporting these commodities. What is needed is that STC has to make vigorous efforts to export non-canalised items. Chairman, STC was, candid in his admission that 'one of the weaknesses of this organisation is that it could not grow in the non-canalised trade'. The Committee have now been informed that more efforts are being made to increase the export of non-canalised items. STC has drawn up a plan to increase exports of non-canalised items to Rs. 1500 crores in the next 3 years i.e. by 1992. The Committee feel that though setting up of such a target is laudable yet; what is more important is achieving the same, therefore, the Committee desire that a time bound programme should be chalked out to achieve the same. Needless to emphasise that progress of such programme should be reviewed at different intervals for taking remedial measures wherever necessary.

2.50 The Committee have been informed that STC is facing certain constraints in increasing their exports. These are slow decisions making process, principle of equality to all concerned and constraints of socio-economic obligations. To overcome these constraints, Chairman, STC informed the Committee that in order to compete with the private sector they are now in the process of making rules and regulations which are more flexible. Market survey for identifying the new markets for exports is reported to be completed by 31st March, 1989. The Committee recommend that Government should examine the constraints faced by STC and as far as possible it should provide necessary help in overcoming these constraints so that STC is able to compete with private sector in a big way.

2.51 The Committee are sorry to note that on the one hand its export performance is poor on the other hand its export figures include exports effected by so-called associates of STC. In certain cases associates may be other public sector undertakings. In Committee's view this is a clear case of duplication of export figures. The auditors' report has rightly drawn attention to the fact that 'sales and purchases of business associates have been accounted for as its own sales and purchases' thus overcoming the same. STC's explanation that 'it was done as per accounting policy of STC' is totally unsatisfactory. From the figures of exports, it is difficult for the Committee to make out the extent of exports generated by its own marketing activities for which STC is having many Indian and as many as 16 foreign branches. Accordingly, the Committee recommend that there should be two separate accounts showing the exports made by STC directly and its business associates. This should be reflected in the Annual Reports of the Corporation.

2.52. The Committee are unhappy to note that STC has become merely a Government importing agency. The Committee note that total turnover of the STC increased from Rs. 2735 crores in 1986-87 to Rs. 3646 crores in 1987-88. However, more than 80 per cent of this is on account of imports alone. For instance during the year 1987-88, out of total turnover of Rs. 3646 crores, the imports were of the order of Rs. 3037 crores. For the year 1988-89 targetted imports are of the order of Rs. 3506 crores. Since most of these imports are made at the instance of the Government, STC can hardly take any special credit for the bulk of turnover. Since the Committee have not gone into the details of imports like price, terms and conditions and international prices etc., the Committee are not in a position to assess the performance of STC in the matter of imports.

2.53. From the item-wise details of imports it has been noticed that main item is edible oil (Rs. 2223 crores in 1987-88) followed by sugar, newsprint and rubber. The Committee feel concerned about the turnover of STC in the coming years in case indigenous availability of these items is increased thereby reducing the gap between demand and supply. The Committee, therefore, urge upon the Government and STC to take effective measures to improve the export performance.

2.54. The Committee observe that while importing the bulk of commodities worth above Rs. 3000 crores, no serious efforts have been made to secure exports business through counter-trade. Since the practice of counter-trade agreements is very common in export-import business these days, STC should also utilise it for the country's advantage. The Committee, therefore, recommend that in future all out efforts should be made to secure export orders while making imports through counter-trade agreements.

2.55. The Committee have not gone into the details of import price and selling price of imported items. However, it appears to the Committee that there are wide variations between the import price and selling price. For instance the import cost price of edible oil for the year 1987-88 was Rs. 8853 PMT while its selling price was fixed at Rs. 11907 thereby earning a surplus of over Rs. 3000 PMT. Similarly during the current year i.e. 1988-89 as against the import cost of Rs. 6564 PMT, the selling price ranged from Rs. 11000 PMT to 19000 PMT. While STC charge about 1 per cent commission on imports all surplus revenue is reportedly refunded to Government. In this context, the Committee have been informed by representative of the Ministry of Commerce that the fixation of selling price etc. is done by concerned Ministries.

2.56. The Committee have also noted that for the first time STC signed a Memorandum of Understanding with the Government for the year 1988-89. Even though the Government have implemented its commitments, the Committee regret to note that export targets which were fixed for the year under MOU at Rs. 700 crores have been lowered down. The Committee were also informed by representative of Ministry that next MOU is under finalisation and it will be export oriented having targets upto 1995. The Committee desire that unlike previous MOU, efforts should be made by STC to achieve the export targets.

2.57. The Committee regret to note that STC's net profit is declining year after year. From a profit of above Rs. 61 crores during the years 1984-85 and 1985-86 it has come down to Rs. 55 crores in 1986-87 and

Rs. 52 crores in 1987-88. As regards the decline in profits the Corporation has stated that this is due to change in Government policy in relation to financing the imports. It has also been observed from the activity-wise results of STC that it is earning profits mainly on imports. As discussed earlier in the Report that in case there is decline in imports it will be very difficult for STC to maintain its current profitability trend. The Committee are of the view that since profits have been earned from charging commission by importing canalised items, STC's performance cannot be judged by profitability alone. The Committee, therefore, recommend that effective steps should be taken by STC to keep its overhead expenses at a minimum possible level.

CHAPTER III

EXPORTS—SOME SELECT CASES

A. Garment Exports

3.1. It was reported in the press that STC has been defrauded of lakhs of rupees in premium in a garment export deal. In gross violation of rules STC failed to notify its quota to its branches and overseas offices in time even though it had obtained the quota sheet from Apparel Export Promotion Council well in advance and thereby avoided direct exports. Several associates at Bombay were disqualified to place all the garments orders on M/s. Haria Exports who allegedly committed a forgery by unauthorisedly signing before AEPC on behalf of STC. The matter was later reportedly referred to CBI in December, 1987.

3.2. Asked about the comments of STC in this regard, a representative of STC stated during evidence as follows:—

“We have read the news item appeared in the newspaper. This case was examined by the Internal Audit. They felt that this should be probed into further. We gave this to the Vigilance for investigation. Then it was decided to give it to the CBI. Now, the CBI is investigating it and we are waiting for their report.”

3.3. The Committee wanted to know the value of garment orders in the above case. STC replied in a written note as follows:—

“M/s. Haria Exports were allocated quota worth Rs. 84 lakhs which works out to 70 per cent of the aggregate quota of Rs. 121 lakhs. The balance 30 per cent of the aggregate quota was shared by 6 other associates of STC who continued to be our associates from the past.”

3.4. In reply to question about placement of orders on M/s. Haria Exports Ltd. during the last 3 years, STC stated:—

“We confirm that during the last 3 years, only in the year of 1987 M/s. Haria Exports were allotted PPQ out of surplus which become available as a result of de-empanelment of 20 associates.”

3.5. The Committee also wanted to know the specific grounds on which 20 associates were disqualified by the Bombay Branch. STC replied in a note as follows:—

Reasons given by STC, Bombay for de-empanelment are as follows:—

- (a) Non-utilisation of STC's quota allotted to them, thereby attracting penalty from AEPC.
- (b) Arranging orders through another exporter amounting to trading in STC's quota.
- (c) Non-submission of documents thereby attracting penalty from AEPC.
- (d) Misutilisation of STC's quota.
- (e) Due to slackness of marketing not accepting quota.
- (f) Non-submission of counter B/Gs in time.

3.6 Asked as to why the major portion of quota was given to Haria Export which was a non-associate, STC replied in a note:—

“Approximately 69 per cent of total quantity allocated to Bombay was given to M/s. Haria Exports with a view to avoid lapse on quota as the remaining quota was proposed to be utilised from 26-4-87 to 30-4-87. STC was informed by M/s. Haria Exports that they have necessary orders and L/Cs and they were in a position to utilise the quota as per the AEPC policy for 1987.”

3.7. In regard to utilisation of quota by 30th April, 1987, the Committee enquired as to when the quota entitlement sheet was collected from AEPC. STC stated in a note that the quota certificates dated 15th December, 1986 were received towards the end of December, 1986.

3.8. The Committee also wanted to know as to whether any time limit has been laid down for allocation of quota and notifying the same to the registered associates, STC replied in a note as follows:—

“There is no specific time bound schedule for allocation of quotas. However, CO on receipt of PPQ allocation from AEPC asked the branches to furnish past performance information of their associates to make further allocation branch-wise, supplier-wise on the basis of their past performance. The branch in turn has to notify to the parties concerned immediately.”

3.9 Asked as to when was the first message from the Corporate Office to various branches sent informing them about tentative allocation, STC replied in a note:—

“Vide message No. 5 dated 30th January, 1987 CO communicated to Bombay branch quota quantities country-wise, category-wise to be allotted to their associates during the year 1987 followed by another message No. 13 dated 25th February, 1987 giving further details on category USA-340, 341 and 342.”

3.10. The Committee further wanted to know the comments of the internal auditors in this case. STC informed the Committee in a note as follows:—

“Audit opined that there was a further scope for investigation. Accordingly our Vigilance Division was asked to probe into the matter further.”

3.11. As regard the investigation by Vigilance division of the corporation STC intimated the Committee in a written note as follows:—

“The matter has been investigated by the Corporation. The report was submitted to the then Chairman (Shri Muralidharan) who concluded that further investigation by CBI is called for considering the outside agencies involved. The matter was referred to CBI in December, 1987. The report of CBI is still awaited and action, if any, will be taken on receipt of report from the CBI. We have sent reminders through our Ministry to expedite the matter.”

3.12 During the course of evidence of the representatives of the Corporation, the Committee wanted to know the present position of the CBI case. Chairman STC stated as follows:—

“The case was referred to CBI through the Ministry of Commerce in December, 1987. Again the Ministry was approached on 18-1-1988. They have to have their own priorities. And our Vigilance Officer is in touch with them quite often to follow up the cases.”

3.13 The Committee further pointed out that since STC has investigated the case first, they should have identified the officers responsible for irregularities. Asked about the action taken against the concerned officers, a representative of STC stated:—

“In the mean time, we have transferred the whole set of officers who were directly dealing with the subject.”

3.14 Asked as to whether these officers transferred to superior positions. The witness replied:—

“The concerned four officers dealing with the subject both in the branches and in the Corporate office have been transferred to some other posts which were not sensitive. Another officer who was working in the headquarters has resigned from the post and the CBI is still investigating. Pending receipt of CBI report we are unable to take further action.”

3.15 The Committee further wanted to know as whether Vigilance report did not find any particular officer guilty. The witness stated:—

“Vigilance investigation only indicated certain *mala fide* intention in the transaction and did not mention any particular name. But on our own, we have transferred all the four officer who were directly concerned.”

3.16 On being further pointed out by the Committee that as Vigilance report did not pinpoint any particular officer responsible then why the dealing officers were transferred, the witness replied:—

“We felt that there were certain procedural lapses and mistakes on their part. Therefore, we thought to remove them from sensitive position.”

3.17 STC subsequently furnished the list of officers who had directly dealt with the allocation of PP Quota to M/s. Haria Exports.

Name	Designation
1. Sh. D.K. Rastogi	Chief General Manager, STC, Bombay
2. Sh. V. Jagannathan	General Manager, STC, Bombay. He was GM, Edible Oils and was not responsible for Textile Division. However, he had signed the note on 30-6-87 put up by MM (Bhanu Prashad) in absence of CMM, Text Divn. Bombay.
3. Sh. Bhanu Prashad	Marketing Manager, transferred from Bombay to STC-Kandla Branch.
4. Sh. J. S. Saxena	Marketing Manager, STC New Delhi, transferred from Textile Divn. to Agricultural Commodities-I Division.
5. Sh. R.M. Parate	Deputy Marketing Manager, transferred from Bombay to STC, Ahmedabad Branch.

None of the above mentioned officers have been promoted.

3.18 It also came out that one of the officers dealing with the garment deal has since resigned from STC. Asked as to whether all retirement benefits were given to the concerned officer, Chairman, STC replied as follows:—

“His resignation was accepted and the benefits have been given.

We can not detain provident fund as per the law. Gratuity was also released.”

3.19 On being asked as to why the resignation was accepted when CBI case was pending against a person, Chairman, STC replied:—

“When the resignation letter was submitted, there was no charges against him in the report. The resignation was accepted by then Chairman.”

3.20 There have been several irregularities and undue favours in the deal. Even the Report of the Vigilance Division of STC has pointed *inter alia* the following:—

(i) Out of total allocation of 121.63 lakhs, STC Bombay allocated quota amounting to Rs. 84.13 lakhs which works out to 69 per cent of STC Bombay Branch quota to a non-associate viz. M/s. Haria Exports. It appears to irregular/wrong action and undue favour appears to have been shown to a party which was not even an associate of STC as the PPQ commands good premium and the premium on the PPQ allotted to M/s. Haria Exports can be estimated above Rs. 40 lakhs.

(ii) Bombay Branch sent a note date 13-3-87 recommending de-empanelment of 20 associates out of a total number of 25 associates. (PPQ allotted to 20 de-empanelled associates Rs. 90.56 lakhs). The Branch allocated the quantities to the remaining 5 associates on 23-3-1987. Thus, the allocation even to the remaining 5 associates was abnormally delayed as corporate office had advised allocations on 30-1-1987 25-2-87.

(iii) Director (Dr. TP) approved the above note of Bombay Branch recommending de-empanelment of 20 associates on 20-3-87 with the following remarks:—

“Approved—de-employment of associates as proposed by Bombay office. However, allocation of unutilised quota

will be on All-India basis to give equal opportunity to eligible associates."

These orders were not implemented by the Bombay Branch.

- (iv) Even the balance of quota (1,57,484 pieces) which was given to 5 associates 2/3 of this (1.05,747 pieces) was given to one associate viz M/s. Ambattur Clothing.
- (v) M/s. Ambattur *vide* their letter dated 14-4-87 advised that they will be in a position to utilise allocation to the only extent of 72155 pieces by 30-4-87 provided the LCs received in the name of their associate companies were allowed to be utilised. However, Bombay Branch kept pending the party's letter till expiry of the last date given by them *i.e.* 20-4-87. Subsequently, total quantities of 1,05,747 pieces earlier allotted to M/s. Ambattur alongwith 4528 pieces of BLX—4 (Total quantity 1,10,275 pieces) were allotted to M/s. Haria Exports *vide* STC Bombay's letter dated 24-4-87 for immediate utilisation by 30-4-87.
- (vi) Third party LCs were not allowed to Ambattur but allowed to M/s. Haria.
- (vii) In 1986, one of the associates of M/s. Haria Exports (M/s. Kumar International) had exported garments through STC, Bombay. The concerned marketing Division in STC, Bombay had allowed them to export garments under "State Quota" without approval of Finance Branch Manager and by giving a false affidavit to the effect that M/s. Kumar International are STC's captive unit. Thus M/s. Haria Exports were known to the officials of STC Bombay. There contacting STC, Bombay immediately after expiry of the date given by M/s. Ambattur (for confirming that M/s. Ambattur could utilise the LCs of their associates) shows that there was meeting of minds between STC officials and M/s. Haria Exports. It appears that the opportunity was created and utilised for allotting maximum PPO which commands considerable premium. Shri P. C. Malhotra, GM (IA) in his supplementary report dated 11-8-87 has stated that he was informed by the parties that quotas are sold at premium even on the last day of the periods.
- (viii) STC Bombay in their letter dated 24-4-87 allocating PPO to M/s. Haria Exports for utilisation by 30-4-87 had stated that

the garment quota for second and third periods will be intimated to them shortly. From this, it is evident that at that time itself, STC Bombay had intention to allocate further quantities to M/s. Haria Exports for IIInd and IIInd quarters also.

- (ix) An associate of Delhi Branch had offered to utilise US CAT 340, 341 and 342 with a premium of Rs. 15, Rs. 25 and Rs. 20 per peice respectively. He had also stated that he was willing to negotiate for higher premium. This was ignored by STC Bombay and the associate was asked on 1-7-87 to see the officials of STC Bombay after the whole quota for 1987 had been allocated by STC Bombay on 29-6-87. It is not understood why he was asked to see the STC officials at Bombay and why anybody should go to Bombay when STC Bombay had already allocated the whole quota for 1987.
- (x) PPO command premium specially USA categories. The premium for category 340, 341 and 342 only for the quantities allocated to M/s. Haria Exports at the rates offered by a Delhi associate comes to about Rs. 25 lakhs. The total premium cannot be worked out as rates of premium for various categories are not known and are negotiable. However, the total premium may be estimated at Rs. 40 lakhs. This has been the gain of M/s. Haria Exports, whereas a reasonable marketing approach on behalf of Textile & Garments Division would have brought it to STC.
- (xi) STC Bombay had sought *post-facto* approval for the quantities allotted to M/s. Haria Exports on 24-4-87. In reply Corporate Office invited STC Bombay's attention to the rules and regulations in force. It means that Corporate Office did not accord approval for allocation of quantities to M/s. Haria Exports as rules do not permit allocation of quotas to non-associates in this fashion. Inspite of this, they were again given huge quotas for the subsequent period for 115234 pieces.
- (xii) STC Bombay made some calculation mistakes and it is interesting to note that the beneficiary was again M/s. Haria Exports who got additional quantity of 11.61 pieces of US CAT 340 valued Rs. 5.12 lakhs. The premium on these 11,631 pieces work out to Rs. 1.74 lakhs.
- (xiii) In spite of their unsatisfactory performance, M/s. Haria were again allotted quantities by Bombay Branch to the extent of

78 per cent of the STC Bombay Quota for the remaining period.

(xiv) Conclusion by Vigilance Deptt.

From the above, it is evident that undue favour has been shown by officials of STC and M/s. Haria Exports have been given a benefit of about Rs. 40 lakhs. It may be mentioned here that M/s. Haria have defaulted and their bank guarantee has been invoked. They have not utilised allocated quota in full for the periods ending 30-4-87 and 31-7-87 and the quotas have lapsed to that extent. This will reduce STC's future quota also .

B. Export of rice to Abu Dhabi

3.21 It was reported in the press that STC signed a contract with a Dubai party for exporting the Basmati Rice in 1985. However, soon after signing the rice export contract price of Basmati rice shot up.. The prospective domestic suppliers of rice refused to supply Basmati rice to STC at the contracted price. After a great deal of persuasions and through an office level dialogue between the Dubai authorities and the foreign office, the contract was cancelled.

3.22 Asked about the factual position in this regard, STC stated in a written note as follows:—

"In November, 1984 our Kuwait Office informed our Corporate Office that Abu Dhabi Municipality required approximately 20,000 MT Basmati rice from India and accordingly, Corporate Office informed Delhi Branch of STC to call for the offers. On 7th November, 1984, Delhi Branch issued express telegrams to 13 parties inviting their offers for supply.

In response to the enquiry, six parties responded but subsequently, their offers were not found suitable due to subsequent revision of price/refusal to extend validity. Meanwhile, offers were also received from 2 other parties namely M/s. Satish Kumar and Brothers and M/s. Shree Ambica Trading Corporation *vide* their written quotations on 24th and 28th Dec 1984. Subsequently, it was informed by Kuwait Office that a meeting has been fixed with the buyer *i.e.* Abu Dhabi Municipality at Abu Dhabi for spot negotiations in which representatives of both these parties along with representative of STC participated. During discussions with buyer, the buyer agreed to purchase the rice on the basis of samples submitted by M/s. Satish Kumar & Brothers and accordingly, a contract was

signed on 6th March, 1985 between STC and Abu Dhabi Municipality for the export of 7500 MTs Grade B Indian Basmati rice 1984-85 crop (firm) plus 2500 MTs at STC's option on this @ C&F US Dollars 600 per MT. In order to meet our obligation as per export contract, back-to-back contract was prepared to be signed between M/s. Satish Kumar & Brothers and STC. Later on M/s. Satish Kumar & Brothers backed out from signing the contract taking the plea that the terms of the back-to-back contract were not as per the offers originally submitted by them, though the export contract was based on the samples submitted by M/s. Satish Kumar & Brothers only and on spot discussions.

In the light of the above unexpected developments, Delhi Branch was left with no other alternative except to locate alternative suppliers in order to meet export obligation as per the contract. Following three suppliers were located:

1. M/s. Jainson Clothing Corporation.
2. M/s. Excourt Farms (Ramgarh) Ltd.
3. M/s. S.H.K.P. Babu Traders.

STC, Delhi Branch signed back-to-back contract with all the above three suppliers for a total quantity of 9000 M/s. offered and in terms of agreement, all these suppliers submitted the samples of contracted goods for approval of Abu Dhabi Municipality's representatives, who were on a visit to India as per terms of the export contract. The rice offered for inspection by these parties was not acceptable to Abu Dhabi Municipality's representatives and without approving samples, they went back. As our associate suppliers failed to get the samples approved/failed to ship the goods as per contractual terms, anticipating liabilities on account of breach of contract, Delhi Branch initiated action for invocation of BGs furnished by the above mentioned suppliers at Ar. No. 1 and 2; the third one having defaulted in giving the BG.

Both the parties whose BG had been invoked have challenged action of STC in court of law/Indian Council of Arbitration. The cases are being contested by STC and are on various stages of hearing.

In the case of M/s. S.H.K.P. Babu Traders who had not submitted BG, arbitration proceedings have been filed separately."

3.23 During the course of evidence of the representatives of STC the Committee enquired about the action taken against the defaulter parties. A representative of STC stated as follows:

"There was a case against them and CBI is investigating it."

3.24 When asked as to when the case was referred to CBI for investigation, he stated:—

"CBI took all the files relating to this matter about two years back... The case is going on. It is still under investigation."

3.25 In reply to a question about the source of supply from which Abu Dhabi Government procured rice after cancellation of order, STC replied in a note as follows:—

"Regarding alternative sources from which Abu Dhabi had procured rice after cancelling STC contract, we would like to put on record (best to our knowledge), that the buyers bought their requirement from Pakistan and no Indian party supplied during this year."

3.26 On being pointed out by the Committee that non-compliance of order like this tarnish the image of the country, a representative of STC stated:—

"As far as we are concerned, it is a very serious matter. Our country has entered into a contract with a foreign country. According to me we should not allow our country's name tarnished. The STC should take stringent action against the suppliers."

3.27 The Committee also wanted to know as to why STC could not take any action against the defaulter associates. A representative of STC replied as follows:—

"We registered these three associates with us and we had asked them to submit bank guarantees. This is one form of guarantee with us to ensure that the supplies are made at the contracted price. When we went to Abu Dhabi, the prices were agreed. We came back to India and by that time the prices were shooting up. In spite of that, the team from Abu Dhabi had come to Delhi to inspect the rice. Some quantity of rice from one of the suppliers was placed for inspection. The entire quantity was rejected as sub-standard. Thereafter, the party never came to STC. They told us that they did

not want to buy rice from us. We would like to offer them the quantity that they wanted to buy from us. They said that they did not want to buy rice from STC. In the meantime prices were going up. The suppliers automatically backed out. So the bank guarantee was there. But Mr. Satish Kumar & Brothers did not sign the bank guarantee."

3.28 The Committee also wanted to know whether any laboratory test were made before rejecting the rice by Abu Dhabi authorities. The witness stated:—

"To our knowledge, by mere visual inspection they rejected the rice. They did not really go into it in detail."

3.29 When asked as to whether any civil suit was filed against the defaulters in the court for backing out the agreement, the witness stated:—

"CBI has been asked to institute a case against h m."

He added:—

"The party, M/s. Satish Kumar & Brothers did not sign back to back contract and failed to honour the commitment. Under the export contract, legal action against the party was contemplated. The matter was referred to the Additional Solicitor General of India seeking advice about the legal action. The second one was M/s. Escort Farms (Ramgarh) Ltd., STC has invoked the performance bank guarantee of Rs. 7,80,000 furnished by the party who have challenged the invocation of the performance guarantee/bank guarantee before the Indian Council of Arbitration, New Delhi. STC is contesting the case. The party has also moved a fresh application before the Indian Council of Arbitration for amending their original application on the alleged grounds of the contract being void.

The third company was M/s. Jain Clothing Corporation. The performance bank guarantee of Rs. 11,70,000/- furnished by this party could not be invoked as the party had obtained stay order from the Court. STC is contesting this case and as per the Supreme Court orders, this amount has been deposited by the paying bank in fixed deposit with a nationalised bank through its Registrar pending the decision of the court.

The fourth one is M/s. SHKP Babu Traders. The party did not furnish the performance bank guarantee of Rs. 11,70,000

as per the back-to-back contract signed between the STC and the party. The case was referred for the opinion of the Additional Solicitor General of India and as per his advice we have filed a claim of Rs. 1,26,87,134/- before the Indian Council of Arbitration. The party is contesting the claim."

3.30 Asked as to whether the defaulter parties have been black listed by STC, representative of the STC stated as follows:—

"So far the above suppliers have not been black-listed by STC. However, we have not placed any export orders or are having any dealings with these parties after their failure in not honouring the export commitments for export of rice to Abu Dhabi in 1985."

3.31 Asked about the reasons for which the parties have not been black-listed so far, the witness stated:—

"There is no reason whatsoever as to why we should not black-list them."

3.32 When asked as to whether some rice was exported by STC to Abu Dhabi after this incident, the witness stated:—

"No, Sir."

3.33 Asked as to whether any efforts are being made to export rice to Abu Dhabi, the witness replied:—

"This year the group has just come in. The Gulf cooperation meeting is due to take place very soon. We are also making a bid for rice this time once again."

3.34 Chairman, STC also informed the Committee that certain papers have been received from CBI and they will communicate to the Committee about the CBI recommendations. Subsequently STC furnished the following written note:—

"CBI took up the matter for investigation on the basis of a source information. Their report was received by the then Chairman (Shri Mulji) vide letter dated 10-12-86 of the then Commerce

Secretary, Shri Prem Kumar. CBI report had suggested the following action:—

CBI Recommendations	Action taken
1. Banning all the business with M/s. Jainson Clothing Corporation, New Delhi— M/s. Escorts Farms, Ramgarh New De'hi & M/s. Satish Kumar & Brothers etc.	The action on these recommendations has been completed in February, 1987.
2. To bring to the attention of STC, part played by ex-Chairman, Shri P. C. Luther	
3. To write to BPE about the conduct of Shri S. K. Caroli the then GM, Delhi Branch	Complied with
4. To proceed with major penalty action against Shri K.C. Hazarika, Chief Marketing Manager.	The major penalty proceedings against Shri K. C. Hazarika are under process. The charge sheet has already been issued and Inquiry Officer appointed. CBI have also nominated their Presenting Officer. The regular hearing will start shortly.
5. Minor Penalty action against Chief Finance Manager (Shri L.C. Mehra), Marketing Manager (Shri J.C. Jain) and Dy. Marketing Manager (Shri G.L. Bajaj)	The minor penalty proceedings against M.M. Shri Jain and DMM Shri Bajaj have been completed. CFM, Shri Mehra had retired before minor penalty proceedings could be started.

Banning of business with the Indian Suppliers who had defaulted

As per recommendations of CBI in their report the business with following firms and individuals was banned in February, 1987:—

- Shri Arun Kumar Jain, Managing Partner M/s. Jainson Clothing Corporation, New Delhi.
- M/s. Jainson Clothing Corporation, New Delhi.
- Shri D. Bidani, Director, Escorts Farms (Ramgarh) Ltd.
- M/s. Escorts Farms Ramgarh Limited, New Delhi.
- M/s. Satish Kumar & Brothers, New Delhi.
- Shri Satish Kumar Pahwa, Partner, M/s. Swadeshi Enterprises, Uttam House, Delhi-6.
- M/s. Swadeshi Enterprises, Delhi.
- M/s. Ranks India Pvt. Ltd., Delhi-6.
- Shri Raj Kumar Garg, Director, M/s. Ranks India Pvt. Ltd. Delhi-6."

3.35 The Committee further pointed out that CBI had recommended major penalty against Shri K. C. Hazarika. Asked as to why the officer has not been suspended so far, STC replied in a written note as follows:—

“In the case of Shri K. C. Hazarika the then Chairman (Shri Sudhi Mulji) took a view that the official had only a “peripheral Role” to play and therefore, only an oral warning may be administered. This was not however, agreed to by CVC/ Ministry of Commerce and accordingly major penalty Proceedings have been initiated in August, 1988.”

3.36 During oral evidence of the representatives of STC, the Committee pointed out that CVC and the Ministry of Commerce were in favour of major penalty. Asked as to why STC was in favour of an oral warning only. Chairman STC replied as follows:—

“The then Chairman persisted with this view. I have no comments on that.”

3.37 It has been also noticed from the written reply furnished by STC that the CBI report in the matter was received on 10-12-1986 whereas STC initiated action against Shri Hazarika on 2-3-1987.

3.38 As regards the action taken against the other concerned officers, STC stated in a written reply as follows:—

(i) Shri S.K. Caroli, GM Delhi Branch.	Resigned with effect from 16-7-1985.
(ii) Shri LC Mebra, CFM	Retired on 28-2-87.
(iii) Shri G C Jain, MM	Was promoted from MM to CMM vide office order dt. 3-3-1988. The departmental action for minor penalty proceedings started on 28-7-88.
	Subsequently, the official was exonerated on 19-8-88 (The promotion was given as the then Chairman, Sh. Sudhir Mulji had earlier taken a view that an oral warning would suffice).
(iv) Shri GL Bajaj, DMM	The official neither resigned nor retired. He was promoted from DMM Gr. II to DMM Gr. I vide office order dt. 16-1-89 prior to that minor penalty proceedings initiated against him on 29-7-88. He had been exonerated on 16-12-88.

C. Export of rice to Gulf Countries

3.39 Gulf Cooperation Council (GCC) is an apex body with its Secretariat at Riyadh, entrusted with the task of ascertaining annual requirements of Basmati Rice and other grains by different member countries. The annual imports of Basmati Rice by Gulf Cooperation Council (GCC) member-countries for sale through Government Ration Shops are stated to be as follows:—

	Approx.
UAE (Abudhabi -Dubai)	20/25,000 Mts.
Kuwait	40/50,000 Mts.
Doha (Qatar)	10/15,000 Mts.
Bahrain	15/20,000 Mts.
Muscat (Quan)	30/40,000 Mts.
Saudi Arabia	9.0/1,00,000 Mts. (Imports by private traders only)

In addition to above imports by different Government buying organisations, private traders are also allowed to import Basmati Rice freely in bulk and consumer packing. For the first time in 1987 STC supplied 45,000 MT basmati rice to the above countries.

3.40 According to some press reports STC started negotiations for exports of rice to Gulf countries with Bombay based consortium of rice exporters in 1986. The consortium had offered A-grade basmati rice to the Gulf Cooperation Council (GCC) countries at \$ 800 per tonne, which was considered to be a fair price and in accordance with the quality specification of the buyers. The total quantity to be exported was 45,000 tonnes. Later STC purchased this rice from a Delhi based firm (Rehmatulla & Co.) ignoring the negotiations with consortium at Bombay.

3.41 During the course of evidence of the representatives of STC the Committee wanted to know the price at which the rice was purchased from Rahmatulla & Co. and price offered by Bombay based Consortium/ of firms. A representative of STC informed the Committee that the rice was purchased at a price of \$ 721 per tonne as compared to quotation of \$ 825 quoted by Bombay based firms.

3.42 The Committee further wanted to know as to whether any open tenders were invited for purchasing the rice for exports. The witness stated: "No tenders". Explaining it further a representative of STC stated:—

"We did invite the tender but it was not an open tender. It was a limited tender. We did invite offers from our associates in Delhi and Bombay both and STC requested the Ministry of Commerce to organise meetings with the State Government agencies like the U.P., Haryana and Punjab. That was done. In return the STC was advised to make its own assessment and arrange for procuring the rice. The STC convened meetings with different organisations like the U.P. Export Corporation, etc. They advised that they were in no position to make any offer for bulk export."

3.43 Asked about the difficulty in inviting the open tenders the witness stated:—

"It is a very specific item. They wanted only 'Basmati' grade B quality. We thought if we make it too open, then it will create problem. A lot of undesirable people come to us and put pressure on us."

3.44 The Committee wanted to know the procedure of STC in purchasing such commodities. The witness stated:—

"For some items, we have a system of registered suppliers. Rice is one such item because it is a commodity. We have a list of registered suppliers to whom we send the offer. We do not make an open tender in the Press."

3.45 The Committee further enquired as to whether STC received any complaints in regard to the quality of rice exported to Gulf countries. A representative of STC stated as follows:—

"Not to our knowledge. They are quite happy. We have not received any complaints so far. On the other hand, we received an appreciation letter."

3.46 The Committee also enquired about the efforts being made by STC to export more rice to Gulf countries. The witness stated:—

"The different Government buying organisations in these countries, except Saudi Arabia, where all purchases are made by private traders, import of rice is negotiated through the Gulf Cooperative Council. The Council holds its meeting annually

and our people have just attended one of their meetings this year. They invite the exporters from various countries and take a decision there."

3.47 It also come out during evidence that the main competition in the export of rice to Gulf—Countries is Pakistan.

3.48 The Committee also wanted to know as to whether STC had received any subsequent order from Gulf countries. A representative of STC replied as follows:—

"Like last year, we have received one order from Kuwait for 20000 tonens, 10000 tonnes to be supplied by us and 10,000 tonnes by MMTC; and also an order for a small quantity from Bahrain."

3.49 The Committee also called the relevant file. After perusal of the file by the Committee, the following main points emerged:—

- (i) STC was contacted by GCC in 1986 to make offers for rice. And on that basis STC which was not having much registered suppliers for rice identified and registered 5 firms at Bombay. These firms quoted US \$ 950 and US \$825/- PMT for A and B grade of Basmati Rice respectively.
- (ii) Apart from the above price the main condition imposed by Bombay based firms was that STC shall not entertain any offers from any other firm or organisations for export of rice to Gulf countries other than these five firms. Efforts were made to persuade these parties to reduce the price and drop the condition imposed by them but they never agreed for the same.
- (iii) Pakistan enjoyed monopoly as far as rice export was concerned and in the past GCC used to invite only Pakistan. India was invited for the first time in December, 1985 in addition to Pakistan but no business could be finalised in view of India's price not being competitive. India was invited again in February, 1987 for the second time to participate in GCC meeting which was held on February 9, 1987. It was made clear in the said meeting that unless price offered was competitive with that of Pakistan, India would not stand any chance. Pakistan was expected to offer a price of around US \$ 775 MPT. and since Rahmatulla & Co. offered a rate of 271 US \$ as compared to the rate of 825 US \$ offered by Bombay Consortium, the contract was awarded to Rahmatulla & Co.

- (iv) During the meeting with GCC, Director General, GCC pointed that the member countries, had serious reservations with regard to the quality of rice exported from India earlier. They insisted on knowing the name of STC suppliers. STC therefore, was left with no option but to disclose the name of Rahmatuila & Co. GCC members decided that supplies should be made by this party only who already have a standing in the Gulf countries due to their fertilizer dealings in the area.
- (v) It seems that a number of offers were received for Basmati rice and many exporters were interested for enrolment as associates. In some case, the rates offered were even lower than the one offered by Rahmatualla & Co.
- (vi) In regard to inviting open tenders it has been stated that "if tenders have been invited, the basmati market might have flared up and no business probably could have been concluded."

3.50 It was also observed from the file that STC was willing to give countertrade benefits to Rahmatulla & Co. The relevant extracts are given below:—

"As regards the condition of M/s. Rahmatullah & Co. to give them counter trade benefits against the export of rice. it may be noted that last year also STC had agreed for similar condition of M/s. Rahmatullah & Co.

3.51 When asked to whether these benefits were offered to Bombay based firms also, a representative of STC stated evidence:—

"It was considered in the Committee, but counter trade benefits were not offered to Rahmatullah & Co."

He added:—

"This was discussed in the meeting and they asked for these benefits. But we did not agree for the same."

3.52 Asked about the views of Chairman, STC in this regard, Chairman stated as follows:—

"The internal noting on the file says that since it was given last time, this time also it should be given. It was not given at all. I would simply say that it was a bad drafting."

3.53 The Committee have not gone into details of all export agreements but they have examined three selected export deals on the basis of news items which appeared in the Press. One of these deals relates to the garment export while the other two relate to export of rice to Gulf countries. Committee's examination of these deals indicate that the integrity of STC personnel is not above board. Giving undue favours to the private parties at the cost of the larger interest of the Corporation appears to be a normal practice in STC. In case of garment deal the officers of STC at Bombay placed almost all the garment quota worth more than a crore on a non-associate viz. M/s. Haria Exports Ltd. The Committee take a serious note of the matter particularly in view of the fact that orders were placed on a non-associate while disqualifying the already 20 registered associates. STC first placed orders on M/s. Haria Exports to the tune of Rs. 84.13 lakhs out of Rs. 121.63 lakhs and subsequently the order placed in M/s. Ambattur Clothing was also given to M/s. Haria Exports Ltd.

3.54 The report of the vigilance division of the Corporation in the above case has clearly brought out as to how the officials of STC were systematically giving undue favour to one firm. Had the concerned officials cared for the interests of the Corporation it could have earned more than Rs. 40 lakhs in this deal. M/s. Haria Exports Ltd. got the benefit at the cost of STC obviously with the support of STC officials. Even the orders o' Head Office regarding giving unutilised quota on all India basis thereby denying equal opportunity to other eligible associates were flouted. The case was later referred to CBI in December, 1987 for investigation. CBI report is still awaited.

3.55 The Committee are astonished to note that inspite of the findings of Vigilance Division that undue favours were shown to M/s. Haria Exports ignoring all ethics, rules and orders, no action has hitherto been taken against any of the dealing officers. The Committee are not satisfied with the explanation of STC that all the dealing officers have been transferred to non-sensitive posts and further action can be taken on receipt of the CBI Report in the matter. The Committee feel that STC is trying to shield these officers. Since it has been established that some officers have committed irregularities and have caused substantial financial loss to the Corporation, the least that was expected was to suspend the concerned dealing officers. The Committee hope that STC will now take immediate action to suspend the concerned officials immediately without waiting for the CBI report.

3.56 It is a matter of serious concern that one of the dealing officers has been allowed to go scot free by the SFC. SFC's contention that pending receipt of CBI report, there was no case against the officer and his resignation was accepted is far from satisfactory. The concerned officer has taken all dues from STC. The Committee have also come across some other cases of similar nature. It appears to Committee that STC is deliberately trying to protect the guilty officers by delaying action against them and allowing them either to resign or retire and that too with full retirement benefits. The Committee desire that in order to eliminate chances of corruption in the Corporation, it should be ensured that enquiries into cases of corruption/malpractices are completed expeditiously and stern action taken against officers found guilty.

3.57 The Committee regret to note that STC could not fulfil its obligation in a rice deal agreement entered into with Abu Dhabi Authorities in 1985 for about 10,000 MT basmati rice. It appears to the Committee that STC has not been in a position to take any action against its associates who fail to honour their commitment made to STC. In this case STC first identified 3 parties and contracts were signed with them. These parties later backed out. Again STC identified other 3 parties. However, their samples were not acceptable to the buyers i.e. Abu Dhabi Municipal authorities. The cases against these parties are reported to be under court/arbitration proceedings. The Committee find that all business with these parties is reported to have been banned by STC in February, 1987. But it has been done only on the recommendation of CBI. To Committee's dismay STC on its own did not take any action to black list the defaulting associates even though the default was known to them as far back as in 1985. The effect of the failure of the deal has been that STC has not been able to export any rice to Abu Dhabi after this episode.

3.58 In the above case CBI had recommended major penalty against Shri K. C. Hazarika, Chief Marketing Manager. However, the then Chairman took a view that since the official had only a peripheral role to play an oral warning might be administered. This was not agreed to by Central Vigilance Commission and Ministry of Commerce. Even though the CBI report was received in December, 1986 it is only recently that a charge sheet has been issued to the concerned official. The Committee fail to understand as to why the officer has not been placed under suspension. When the CBI recommended major penalty against him and even the Ministry and C.V.C. held the same view. The Committee cannot but express their displeasure over the inordinate delay on the part of STC in taking action in this case. Although the CBI submitted its report in December, 1986, the S.T.C. issued charge sheet only in 1989.

3.59. The Committee note that annual requirements of rice of 6 Gulf-countries is more than 2 lakh metric tonnes. For importing the rice, these countries have formed a body namely Gulf Cooperation Council (GCC) having its Secretariat at Riyadh. Every year this Council asks the exporter countries to attend their meeting for negotiations. Even though STC was first contacted by GCC in December 1985, no efforts were since made to identify a good number of associates. STC first started negotiations with a Bombay based consortium of firms. Certain State agencies like UP, Punjab and Haryana State Corporations were also approached, however, these agencies expressed their inability to export rice in bulk. Later on STC received one offer from a Delhi based firm viz. Rahmatulla & Co. In this connection, it has been noticed that the Rahmatulla & Co. offered a rate of 721 US \$ as compared to the rate of 825 US \$ offered by Bombay based consortium. The Bombay based consortium also insisted that STC would not enter into deal with any other firm. As the consortium was not agreeable to drop this condition and also for lowering down the rates, the contract was awarded to Rahmatulla & Co.

3.60. After having gone into details of this contract, Committee find that the matter is not above suspicion. Regrettably no open tenders were called for inviting the offers. STC's explanation that "if tenders had been invited, the basmati market might have flared up and no business probably could have been concluded" seems to be totally ununderstandable. The Committee find no justification for this explanation. It seems that a number of offers were received for Basmati rice and many parties were interested for enrolment as associates. In some cases, the rates offered were even lower than the one offered by Rahmatulla & Co. The Committee, therefore, feel that in cases of such bulk orders open tenders should be invited and wide publicity should be made so that STC gets better and competitive offers.

CHAPTER IV

MAN POWER PLANNING

4.1 The total manpower strength of the Corporation at the end of last 3 years was follows:—

<i>Year</i>	<i>Total manpower Strength</i>
31.3.1986	2457
31-3-1987	2524
31-3-1988	2547

4.2 The Committee enquired as to whether any assessment was made by the Corporation in regard to its actual requirement of manpower. The STC replied in a note as follows:

“No need was felt to assess the total manpower requirements for the level of the last 3 years. However, a Committee has been set up this year to review the detailed manpower requirements in the context of the revised targets of exports and imports for the year.....

The justification for the present level of manpower and expenditure thereon with respect volume of work will be examined in detail on receipt of the Committee report.”

4.3 Asked as to whether the increase in manpower from 2457 in 1986 to 2547 in 1988 was commensurate with the increase in volume of business handled by the Corporation, STC replied in a written note as follows:—

“The STC is an international trading organisation dealing in imports and exports. Depending upon the items which are canalised through STC from time to time and the quantum of imports handled by it, the workload varies widely from year to year. For example, turnover of the Corporation which increased from Rs. 2551/- crores in 1985-86 to Rs. 3645/-crores in 1987-88 is likely to be around Rs. 2600/-crores in 1988-89. In view of this, proper comparison of manpower from year to year with reference to the level of turnover may not be feasible. The Corporation is in the

process of formulating plans to increase its turnover particularly in the area of non-canalised exports. The proposed increase in the activities will lead to increase in the turnover with fuller utilisation of the existing manpower."

4.4 As regards the report of the Committee set up to review the manpower requirements, STC replied in a note as follows:

"The Committee has since finalised its Report. The Report is however confined to the Corporate Office and since it does not cover the branches the same has not been considered."

4.5 The Committee pointed out that the report covered only corporate office. Asked about the terms of reference for the Committee set up to assess the manpower requirements of the Corporation, STC replied as follows:—

"The terms of reference of the Internal Study Committee was to review (a) functions of the existing division and (b) manpower requirements of each Division in relation to 1988-89 targets in so far as each trading divisions are concerned and in relation to the existing work load in so far as service divisions are concerned.

The review was meant to cover corporate Office and Branches including foreign offices."

4.6 In reply to a further question as to how no study was made for manpower requirements for the branches and foreign offices STC replied as follows:—

"The Committee was to cover Corporate Office as well as Branches and foreign offices. However, the Committee has made the study only in respect of Corporate Office and hence it was incomplete."

4.7 Asked as to why the Report could not be considered in respect of Corporate Office, STC explained in a note as follows:—

"As the entire STC's operations relating to import/export trade involve Corporate Office, Branch Offices as well as foreign offices and these are inter linked, it would not be realistic to draw any conclusions based on a study of Corporate Office alone."

4.8 The Committee also enquired about the views of the Ministry in regard to justification of the present level of manpower strength in the Corporation. The STC replied in a note as follows:—

“The present level of manpower in STC and the expenditure thereon have not been examined by the Ministry of Commerce. Ministry of Commerce do not have any assessment in this regard.”

4.9. The Committee are dismayed to note that neither the STC nor the Ministry have made any proper assessment of the manpower requirements of the corporation, and no scientific study has been undertaken in this regard so far. The Committee were informed by STC that recently a Committee was set up to review the detailed manpower requirements of the Corporation. However, its Report could not be implemented as it was confined to Corporate Office only. The Committee are unable to understand as to why the Committee set up to review the manpower requirements of STC submitted its report on corporate office only when it was to cover all branches in India and abroad. Since there has been no scientific evaluation of the manpower needs of the Corporation as a whole, at any time, the Committee recommend that for a proper and realistic appraisal of the manpower needs, STC should entrust this work to a recognised management institution like National Productivity Council. The Committee may be informed of the action taken in the matter at the earliest.

CHAPTER V

COMPLAINTS AND VIGILANCE ACTIVITIES

1. Complaints

5.1 During the course of evidence of the representatives of STC, the Committee pointed out that the Corporation must be receiving various complaints from supplies, buyers, associates etc. Asked about the complaints received during the last 3 years and action taken thereon, Chairman STC stated as follows:—

“Here I must admit that this is an area where there is no central cell in the corporation which can receive complaints, register them, record them and take action. Now, we are going to open the cell from the 1st April. There is no such monitoring system for the time being wherein the complaints can be received, registered and so on.”

5.2 On being pointed out that even then Corporation must be receiving some complaints, Chairman STC replied:—

“I can tell you that there is no monitoring in our Department.”

He added:—

“Sir, there is no data available with us regarding the complaints received, etc. as on today. There is no central complaint cell which can record the total number of complaints received and action taken by them etc. Now an export service Division is being operated. It will take one month to settle down. Sir, the central service cell will start from 1st April.”

5.3 When asked about the rationale for waiting for April, the witness stated:—

“I have to implement it on all India basis.”

5.4 The Committee further pointed out that STC had recently increased its vigilance activities. Asked as whether to this action was due to increase in complaints, the witness stated:—

“No, Sir, generally a complaints is a part of the job here. First problem is about export service and the conditions. Not that

it has become complaint oriented. Any complaint about exporters or the commodities is replied to immediately and trade matters are also attended to immediately. We are dealing with them urgently."

5.5 Asked about the nature of complaints, STC replied in a note furnished after the evidence as follows :—

"Vigilance Division receives complaints from various sources like:—

- Public, Press, Ministries, CBI & CVC.
- (1) Most of the complaints are anonymous/Pseudonymous. These are dealt with as per Government instructions.
- (2) Some complaints are general in nature and do not contain verifiable facts—these are taken on record with the approval of competent authority.
- (3) The signed complaints which contain verifiable facts are taken up for full investigation.

Complaints having Vigilance Angle

Such complaints normally contain allegation of the one or more of the following nature:

1. Favour shown in Purchase for import, export and domestic items.
2. Distribution of imported goods/export orders.
3. Favour shown in sale of good like sludge, imported cars, other miscellaneous items.
4. Awarding of contract for construction and maintenance and other work.
5. Appointment of handling agents, surveyors, transporters etc.
6. Hiring of tanks/storage space.
7. Misuse of facilities like medical, house building advance, motor car advance etc.

8. Possession of disproportionate assets.
9. Favour in appointments.
10. Leakage of commercial information.
11. Leasing/hiring of accommodation.

Where the complaints are not substantiated by relevant records/investigation etc., these are filed. However, when a *prima facie* case exists, further action like calling of explanation of the concerned official, initiating departmental proceedings for a major/minor penalties and referring the case to CBI for investigation is taken."

5.6 In the context of complaints and many vigilance cases pending with CBI, the Committee enquired as to whether it was not desirable to improve the work culture of the Corporation. STC stated in a written reply as follows :—

"STC is in the process of emerging as a vibrant international trading house with a thrust on export of non-canalised items. As a result the work culture of the organisation will undergo a change and the process of laying down the procedures and systems, training programmes are under way to match the organisation's culture with the activities expected to be performed specifically with reference to non-canalised trade."

5.7 During the course of evidence of the representatives of the Ministry, the Committee wanted to know as to why there was no centralised system in STC for attending the complaints. A representative of the Ministry replied as follows :—

"There has been a Committee of Chief General Managers since 1986. The STC have told us in their letter of 30th July, 1986 that there was a Committee comprising of four General Managers to look into the grievances of the consumers."

5.8 On being pointed out by the Committee that such system was not in operation as admitted by Chairman STC, he replied :—

"I have before me the statement of the Chairman and I really cannot say what he had in mind when he said this because the STC told us that this Committee of Chief General Manager is there to look into the grievances. We got this letter in July, 1986."

5.9 The Committee further enquired as to how many complaints were received by the Committee of General Managers and how many were disposed of. The witness replied :—

“We don't have this information. I will send this information to you.”

B. Vigilance Cell.

5.10 It has been stated in the annual report of the Corporation for the year 1987-88 that a detailed programme was chalked out in the beginning of the year requiring, inter alia :—

- (a) Maintaining a close liaison with the CBI, Central Vigilance Commission and Ministry of Commerce in the matter of exchange of information about corruption.
- (b) Preparation of the 'Agreed list' of Officers.
- (c) Identification of points and places of corruption.

5.11 During the course of examination of STC, the Committee wanted to know as to whether the Corporation has identified the points and places of corruption. STC replied in a note as follows :—

“Sensitive Points and places likely to cause corruption have been identified as under:—

- (i) Placement of orders on suppliers for export/import of commodities;
- (ii) Hiring of storage space;
- (iii) Awarding contracts for transport of imported commodities/commodities meant for exports;
- (iv) Appointment of agents, surveyors etc;
- (v) Selection/recruitment and posting;
- (vi) Communication Cell, such as Telex;
- (vii) Department purchasing equipment/stores for office use;
- (viii) Construction of STC Building and other projects;
- (ix) Distribution of imported goods; and
- (x) Department leasing/hiring accommodation for office/ residential flats.”

5.12 Asked about the steps taken to minimise the cases of corruption, STC stated in a written note as follows:—

“Remedial Measures.”

—Rotation of staff.

The transfers effected:

In	1985—About	200	Managers & Staff	Members
In 1986—	”		”	”
In 1987—	”	300	”	”
In 1988—	”		”	”

—Study of system and Procedures are being conducted by the Vigilance Division with a view to improve them.”

5.13 The Committee also wanted to know about the present set up of Vigilance Cell in the Corporation and whether it was considered sufficient to watch the complaints in respect of all branches of STC in the country and abroad. STC replied in written note as follows:—

“We have a full-fledged Vigilance Division headed by one Chief Finance Manager who is exclusively looking after vigilance work. The Chief Vigilance Officer has a team of Managers and staff who assist him in the job. Vigilance Division is reporting directly to Chairman.

In order to strengthen vigilance, a need was felt to have sub-units of vigilance in Branches. Accordingly, vigilance units have been established in the major branches like Bombay, Madras, Delhi, Cochin and Agra. Shortly, such units will be established in Calcutta and Kandla also. Complaints in respect of STC are looked into thoroughly. Existing set-up of Vigilance Division is considered adequate for carrying out the vigilance functions satisfactorily.”

5.14 The Committee further wanted to know that as to whether it would not be desirable to have some officer from Home Ministry or IPS to head the Vigilance Division of STC particularly in view of the fact that there were many vigilance cases and areas of likely corruption being more. Chairman STC replied during evidence as follows:—

“When the approval was obtained in 1987. I understand the incumbent who was an IPS officer from Madras did not join. After that, we had internal candidate for which ACC's approval was not required.”

He added:—

“I wish to have a senior officer of that cadre and I have informally discussed with Director, CBI to take action so that a senior officer of the rank of Chief General Manager may be appointed to look after the whole matter.”

5.15 During the course of evidence of the representatives of the Ministry the Committee pointed out that since there were many vigilance cases pending in STC involving very senior officers and areas of likely corruption being large, would it not be desirable to have some officer from Ministry of Home of IPS to head the vigilance department of STC. The representative of the Ministry stated as follows:—

“It is the policy that there will be Vigilance Officer in the STC. The procedure is that a panel of names has to be obtained from the Department of Personnel and after the approval of

the Ministry it has to be conveyed to the Chief Vigilance Commissioner. Then only is the person considered for appointment."

He added:—

"We in fact depend on the Department of Personnel to give the names to us. We have been after them to give us the names. But it seems, somehow it is not a very popular post. Not many people seem to be wanting to come to it. Recently, we have made the post more attractive, even though it is not a top level post, and we have given a number of facilities and other perquisites."

5.16 On being asked as to whether any specific name was considered in the past, the witness stated:—

"Usually they do come from the Police but according to the system the names are suggested by the Department of Personnel and we have to choose out of those names only. We have been pursuing vigorously with the Department of Personnel, to suggest a suitable person. Twice in fact we had selected persons and posted them but they did not join. But the whole process had to be started all over again."

5.17 The Committee further pointed out that at present Chief Finance Manager is working as Vigilance Officer in STC and most of the corruption charges relate to finance. To this the witness stated:—

"This is only *ad hoc* arrangement till we find a full fledged officer."

C. CBI CASES

5.18 It was reported in the press that there were 42 CBI cases against the STC officials in September, 1986. Asked about the details of these cases, STC in a written reply furnished the details of 11 cases. As regards the other cases, STC replied:—

"There may also be some other cases directly taken up by CBI without reference from STC. We are accordingly not aware of the details of 42 cases reported to be with CBI in September, 1986."

The details of 11 CBI cases are as follows:—

5.19 A. Cases referred by STC to CBI for which investigation reports are awaited

Sl. No.	Name of the Official	Allegation in brief	Present Position of the case
1.	M/s. Laxmi Oil & Extraction Mills Limited, Jaipur	M/s. Laxmi Oil & Extraction Mills Limited were appointed as our refining & tinning oil unit in Jaipur. During 1984-85, a total quantity of 3560 MTs of oil was lifted by the party for refining and tinning. They have yet to deliver about 600 MTs oil to STC, valued at about Rs. 90 lakhs. The party was not honouring the delivery orders issued by STC on one excuse or the other and was also avoiding inspection of the stock at their premises. When all efforts failed, the case was referred to CBI in May, 1986 to register a case against the party and its three directors for the offences of criminal misappropriation of Government property and cheating etc., and to recover the said 600 MTs of the Oil.	CBI conducted raid on party's premises and also arrested one of their directors. The case is still under investigation by CBI. Incidentally, it is mentioned that we have realised Rs. 20 lakhs by invoking Bank Guarantee given by the said party to STC. The house of Shri B.R. Mina, the then dealing Manager in STC's Delhi Branch was also raided by CBI.

5.20 As regards the involvement of STC officials in this case, STC informed the Committee in written reply furnished after the evidence as follows:—

“In view of the fact that CBI report has not been received till date, we are not aware of the involvement of any official of STC. However, CBI have desired the presence of one CMM (Shri B. R. Mina) in their office on various dates, latest being for 20/22-2-89. This official has not resigned/retired/promoted.”

Sl. No.	Name of the official	Allegation in brief	Present Position of the case
2.	PPQ Case-M/s Haria Exports	While allocating Past performance Quota for Textile Garments for 1987, major portion was allocated to a non-associate viz. M/s. Haria Exports. The investigation both by internal audit and vigilance Division showed that undue favour had been shown in allocating the quota to M/s Haria Exports. The then Chairman, Shri Muralidharan referred the case to CBI through Ministry of Commerce (in December, 1987). (Discussed in a earlier Chapter of the Report)	CBI is investigating the case.

5.22 B. Cases which have been taken up by CBI for investigation without reference from STC and reports are awaited from CBI.

Sl. No.	Name of the official	Allegation in brief	Present position of the case
3.	Construction of STC Bldg. Complex at Jaipath, New Delhi	This case has been taken up by CBI themselves. They suspect irregularities in this project.	The documents/files asked for by CBI have been furnished. CBI is still investigating this case and their report is awaited.
4.	M/s Indian Molasses Co. Pvt. Ltd. and Indian Ports Warehousing Company, New Mangalore	In connection with an enquiry relating to allotment of land to M/s Indian Ports Warehousing Company, at New Mangalore Port, etc. CBI asked for certain documents/files relating to contracts for handling molasses edible oil in respect of Indian Ports Warehousing Co. Indian Molasses & Co. and its sister concerns, which were furnished to them.	We have not yet received CBI report.

As regards the present position and involvement of STC officials in the above cases, STC stated in written note as follows:—

“These cases have been taken up by CBI on their own and we have not received any report till date.”

5.23 C. Cases which have been taken by CBI for investigation without reference from STC and investigation reports received and are under process.

Sl. No.	Name of the official	Allegation in brief	Present position of the case
5.	Shri Yoginder Raj, GM, STC, New Delhi	STC had released 25600MTs imported cement to M/s St. Anthony's GuHd, Madras for actual use in April/June, 1984 for construction of 300 houses for the rehabilitation of repatriates from Burma & other places. It is alleged that they sold this cement in black market and a case was registered by CBI in this regard.	We have since received CBI report which has been processed and Chairman, in the capacity of Disciplinary Authority has already given the sanction <i>vide</i> his sanction order dt. 13-10-88. The CBI are now expected to file the case in the Court the details of which are awaited

Sl. No.	Name of official	Allegation in brief	Present position of the case
6.	Shri Yoginder Raj, GM/STC, New Delhi	<p>While functioning as GM during 1-1-80 to July, 1987 in STC, New Delhi, Shri Yoginder Raj:</p> <ol style="list-style-type: none"> (1) Amassed total assets (movable & immovable) to the extent of Rs. 1,56,756.60 which are disproportionate to his known sources of income. 2. Did not report/obtain permission of the competent authority regarding transactions relating to movable & immovable properties exceeding Rs. 2,000/- (the properties are ranging between Rs. 22,500/- to 2,05,000/-) 	CBI report has been received on 29-12-88 CBI has recommended major penalty proceedings and placing Shri Yoginder Raj under suspension. The report is under process.

As regard the present position STC stated that "the official has not resigned/retired/promoted. (Retiring on 31-3-1989).

5.24 During the cause of evidence of the representatives of STC the Committee wanted to know as to why Shri Yoginder Raj has not been suspended so far inspite of major penalty and suspension recommended by CBI. Chairman STC replied as follows:—

"The inquiry regarding Shri Yoginder Raj was referred to CBI who said that in view of the fact that he is retiring shortly he may not be placed under suspension. He is actually given only administration work. But as soon as the letter had come we took immediate action. Our Vigilance Department has been advised not to give any clearance to him. Provident Fund dues we cannot withhold. With immediate effect all his functions have been withdrawn. Today he has no work."

5.25 As regard the date of receipt of CBI enquiry and date on which the action was initiated against the officer, STC intimated in a written note:—

Date of receipt of report from CBI	Date of action initiated
(i) 28-12-1988 (Disproportionate assets)	5-1-1989
(ii) 24-6-1988 (Alleged irregularities in the allocation of imported cement-83-84)	13-10-1988

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7. ABU DHABI Rice Case-Shri S.K. Canoli Ex-GM STC New Delhi. Resigned w.e.f. 16-7-85. Shri K.C. Hazarika CMM & Others.	STC signed a contract on 6-3-85 with Abu Dhabi Municipality for export of 7500 Mts Basmati Rice at USU 600 PMT. The foreign buyers inspectors and survey inspected the rice at the godown of our packers in Delhi and on 15-5-85 foreign buyers inspectors handed over to STC a copy of the report of M/s Geo-Chem stating that samples drawn by them were not as per the goods contracted. The contract was subsequently cancelled by the buyer.;	We have since received CBI report on the basis of which major penalty proceedings have been initiated against CMM, SHRI KC. Hazarika CBI had also recommended minor penalty proceedings against three Managers (viz. S/Shri LC Mehra, Chief Finance Manager GC Jain, Marketing Manager and GL Bajaj, Deputy Marketing Manager) which has been completed.
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Another recommendation of CBI for banning of business with certain firms and individuals has also been complied with.

5.27

(Discussed in earlier Chapter of the Report).

8. Dr. R.V. Reddy, (the then Dir. IDPL), at present, CGM STC, New Delhi	While functioning as Director (Marketing) in the IDPL during 1985, Dr. R. V. Reddy, had shown undue favour to M/s Nutech Photo Lithograph, New Delhi in awarding the job for printing etc.	CBI in their report (which was received by STC on 8-12-88) has recommended Regular Departmental Action for minor penalty against Dr. RV Reddy. The case is under process. (The official has not resigned/retired/promoted).
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428 D. Cases pending trial in the Court on the basis of CBI's report

Sl. No.	Name of the official	Allegation in brief	Present position of the case
9.	Shri S. Kumar, CMM Meat & Marine (Now under suspension w.e.f. 9-1-84). The scale of pay is Rs. 2450 -100- 3150. He is B. Sc. (Engg). Joined as M. Man. 30-7-71 and promoted as CMM promoted as CMM on 3-8-77. His date of birth is 19-9-36. Subsistence allowance reduced from 75% to 25% of his pay w.e.f. July, 1986 since increased to 75% w.e.f. 14-6-88.	Alleged to have been caught by CBI for demanding & accepting a sum of Rs. 7500/- as illegal gratification on 4-1-84 from one Shri AK Hamid of Bombay dealing in export of fish as a consideration for showing favours in the award of a contract for supply of sprats placed under suspension w.e.f. 9-1-84.	CBI in their report dt. 28-8-84 had recommended that Sh. S. Kumar may be prosecuted in a court of law. It was decided to accept the recommendation of CBI. STC issued sanction to the prosecution of Shri S. Kumar to CBI on 10-12-84. CBI has filed a case in the Court of Shri Jaspal Singh, Addl. Distt. Judge, Delhi..

As regards the action taken against the officer STC replied in a written note:—

“The official has not resigned|retired|promoted. He is under suspension.”

Sl No.	Name of the official	Allegation in brief	Present position of the case
10.	Shri BN Rao, GM, STC, New Delhi in the scale of pay of Rs. 3000-100-3700. He is B. Sc. He joined STC on 20-11-79 as CMM-II and promoted as GM w.e.f. 13-4-83. His date of birth is 16-12-36. He is working as GM at Corporation Office.	While functioning as CMM-II during 1980-81 in STC, New Delhi Shri Rao entered into/or was a party to a Criminal conspiracy with S/Shri KV Seshadri, the then Managing Director, FCI New Delhi, M/s Action SA Paris & Sh. George R. Lobo, the representative of M/s Action SA Paris with the object of causing undue pecuniary advantage to M/s Action SA & corresponding loss to Govt. of India by manipulation through wrong notings & wilful suppression of material information in respect of sale of 45000 Mts of IR-8 variety of rice to M/s. Action SA Paris at uneconomical rates. The short realisation from M/s Action SA had been estimated at US\$ 8,54,000 approx.	The case was investigated by CBI who in their report dated 24-8-84 had recommended the prosecution of Shri BN Rao in a court of law. STC examined the case and comments were sent to CVC requesting for a departmental inquiry for major penalty instead of prosecution in the court of law. The CVC advised for prosecution of the accused. The sanction for prosecution was accorded on 28-1-86 (revised) by the Disciplinary Authority. The case is pending trial in the court of Shri Jaspal Singh Add. Dist. Judge, Delhi.

5.29 During the course of evidence of the representatives of STC. The Committee pointed that Shri Rao, was found guilty of entering into/or was a party to a criminal conspiracy causing loss to Government of India as back as in 1980-81. He was promoted as GM in 1983. Asked as to why no action was taken for his suspension, a representative of STC stated as follows:—

“On processing the CBI report in this case STC was of the view that Shri Rao's involvement was marginal and therefore, a departmental enquiry may suffice. In view of this, he was not suspended.”

5.30 On being pointed out that Shri Rao was found guilty by CBI, he stated:—

“There was not only Shri B. N. Rao but there were two other officers also who were involved in this case. While going through the report our vigilance group observed that in particular Shri Rao's action was only marginal.”

5.31 The Committee further pointed out in this case CBI recommended prosecution, while STC again requested CVC for a departmental inquiry for major penalty instead of prosecution in court of law. Asked about

the rationale behind requesting CVC to lower down the punishment, the witnesses stated:—

“The fact of the case, at that point of time is that CBI recommended prosecution instead of that it was referred back to CVC and then our vigilance division also went through the report and reported the matter to the Chairman who said that Shri Rao's case when compared to the other case was only marginal.

That is the reason why we did not suspend him.”

5.32 Asked as to why an attempt was made to lower down the punishment, the witness replied:—

“.... After the prosecution was approved there was no attempt made by the STC to water it down either at top management level or by the vigilance.”

5.33 Asked about the time taken in sanctioning the prosecution, Chairman STC stated:—

“On 9th December, 1985 the CVC made the recommendation and in January, 1986, the sanction for prosecution was accorded by us.”

5.34 The Committee further wanted to know as to whether present Chairman would like to review the case, Chairman STC replied:—

“As on today, I am going into the record of the case bit by bit.

Today I have issued an order asking him to take charge of the other department. Now, he is incharge of the SC & ST cell.”

5.35.

Sl. No.	Name of the official	Allegation in brief	Present position of the case
11.	Shri Srimannaryana, Ex-Branch Manager, STC Guntur. He is MA. His date of birth is 24-7-26 Joined as Asstt. from 10-1-57. Promoted as SO from 20-5-64. DMM-II from 20-5-70 DMM-I from 2-7-74. MM from 5-3-81. Retired w.e.f. 31-7-84 as MM from the office of STC Madras on superannuation.	In 1978 STC as per directives of Government of India undertook purchase of tobacco as a price support operation to help the actual growers. The growers were to form themselves into syndicates and nominate one among themselves as power of attorney to deal with STC in all matters. No payment was to be made direct to the power of attorney holder and all payments were to be made direct to the growers by crossed A/C Payee Cheques. STC officials were to check the Central Excise register of the godown to ensure that the stocks offered were of the	The case is pending trial in the court of special judge for SPE cases, Visakhapatnam.

Sl. No.	Name of the official	Allegation in brief	Present position of the case
		actual growers. Complaints were received that a number of bogus agents/ syndicates were formed and tobacco which did not genuinely belong to the actual growers was offered for sale and was bought by STC. The matter was investigated by CBI whose reports revealed that STC did not check the records of Central Excise and also gave cheques to power of attorney holders who encashed the cheques under bogus names. As a result of this, the benefit which was meant for actual growers did not reach them. CBI recommended prosecution in a court of law of Shri P. Srimannarayana. Necessary Sanction orders were issued in April, 1982.	

5.36 During the course of evidence of the representatives of STC the Committee wanted to know as to whether retirements benefits were given to Shri Srimannarayana on his retirement. A representative of STC replied as follows:—

“From the records it appears that he has been given the benefits of gratuity and provident fund.”

5.37 The Committee further pointed out that STC officials were supposed to check the Central Excise register of the godown to ensure that the stocks offered were of the actual growers. Complaints were received that a number of bogus syndicates were formed and tobacco which did not generally belong to actual growers was offered for sale and was bought by STC. The matter was referred to CBI whose reports revealed that STC did not check the records of Central Excise. Asked as whether any responsibility had been fixed by STC in this case, representative of STC replied as follows:—

“We forwarded the report to the Ministry of Commerce for a thorough investigation. The Government did not give any decision at that point of time, but directed CBI to look into the matter. The examination is still going on we are awaiting the report from CBI.”

5.38 The Committee pointed out that in many cases CBI has taken a number of years in finalising the cases. Asked as to whether STC ever made any request to CBI to expedite the cases, Chairman STC replied as follows:—

“There is constant liaisoning with the CBI but the communications may not be in writing. We are in constant touch with them

either asking for information or giving information on this issue."

As regards the delay, he stated:—

"I think this should be answered by the CBI department."

5.39 The Committee further pointed out that in some cases CBI has taken up cases themselves without any reference made by STC. Asked as to why STC itself not pursued those cases, the witness stated:—

"Certain cases are looked into directly by CBI because they should act in such cases. When the Vigilance Department comes to know of that the normal course of checking, etc. will be done by us. So, it is not only that CBI does it."

5.40 The Committee also wanted to know as to how the gratuity and P.F. were given to the officer on retirement when he was involved in CBI cases. The Chairman STC replied as follows:—

"If vigilance clearance is not given by the Vigilance Department, their dues are not released except legal dues."

5.41 When asked as to who was the competent authority for referring the cases to CBI, he stated "By Chairman." As regards the involvement of administrative Ministry, he replied:—

"This goes through the Vigilance Department of the Ministry."

5.42 During the course of evidence of the representatives of the Ministry of Commerce the Committee pointed out that there were 11 cases against STC officials. In case of 7 cases the CBI had submitted its report, however, STC had not imposed any major penalty against the guilty officials. Asked as to whether it was not the responsibility of the Ministry to ensure that appropriate action is taken against the guilty officials particularly when these cases were referred through the Ministry, the representative of Ministry replied as follows:—

"Sir, according to the revised instruction which the BPE has issued, the Ministry is concerned with cases relating to the officers only of the Board level and above. In respect of employees below the Board level, action to be taken has to be decided by the STC itself. But we do pursue with the CBI and asked them to give us their findings as quickly as possible. There are only two cases which are pending with the CBI relating to the officers of the Board level and above which we are constantly pursuing with the CBI. In fact, the Commerce Secretary himself has written to the Director of the CBI to expedite the findings. With regard to other cases which are below the Board level, we do not have any information."

5.43 The Committee further pointed out that in some cases even though CBI recommended higher punishments, STC gave only minor punishments. Asked as to whether this was on Ministry's instructions, the witness replied:—

“No, Sir, the things which are within their jurisdiction, we have not asked them.”

5.44 The Committee further wanted to know as to whether Ministry were not aware of the action taken by STC on CBI recommendations. The witness replied:—

“No, Sir, in the Ministry we are not aware of it. We can obtain the information from the STC.”

He added:

“It is not that the Ministry is not concerned. These cases are under the administrative autonomy which has been given to the STC by the Ministry. We presume that they must be taking action. If we feel that the STC is acting wrong in certain matters, we can certainly question them, though not in the nature of appellate authority. Otherwise, as a Ministry we do not interfere with their routine work.”

5.45 The Committee further drew the attention of the witnesses to a case in which (on the basis of CBI Report) the case is pending against an officer of STC in court of law since 1986. The concerned officer is still working as senior manager. To this the witness replied:

“It is very difficult to answer the question. We may have heard something about the case. But that is different. I was submitting that matters at this level were usually dealt with by the STC itself. If the case relates to an officer below the Board level, we do not come into the picture.”

5.46 When further pointed out that in case of Shri K.C. Hazarika, representative of STC informed the Committee that the matter was referred to Ministry for thorough investigation, the witness stated:

“This was before the revised instruction were issued. It was issued in October, 1986.”

5.47 The Committee further observed that it would not be proper to promote an officer, if he was found guilty by CBI. To this the representative of the Ministry stated:

“There is no policy in this matter as such. I could express my personal opinion. Unless a man is tried and proved guilty,

we cannot really hold that he is guilty. I am not making that remark with reference to this particular case about which I know nothing. If somebody is convicted of an offence, it would be wrong to promote him."

5.48 On being pointed out by the Committee that at least the person concerned should be suspended, the witness stated:

"He may be posted on a particular post where he could be dealing with some non-sensitive matter."

In reply to a further question, he stated:

"I cannot differ from the hon. member on this, viz. that if a man is *prima facie* guilty, he should not be promoted. But in a specific case about which I do not have the details whether STC necessarily did something which was so totally wrong. I cannot say; but I do agree that if CBI feels that somebody is guilty of something serious, he should not be promoted. But in this particular case, I do not know whether he was promoted or not."

5.49 On being pointed out by the Committee as to whether a Government officer if found guilty by CBI could continue in service and would earn normal promotion also, the witness stated:

"It does seem wrong that a man who, CBI feels, is guilty, should be promoted. But then, in an individual case, the Chairman, STC or some other appointing authority may feel that there are factors where it feels that CBI has not come to the right conclusion, or in his opinion, what the CBI has suggested goes too far compared to what he feels is the magnitude of the offence. There, if he differs, I would not say that he is necessarily wrong."

5.50 On being asked as to how many CBI/CVC cases have come to the notice of the Ministry, the representative of Ministry stated as follows:

"Three complaints relating to the officers at the Board level have come to our notice in the last three years. The first complaint was of a general nature without any specific charges. This was forwarded to STC and they were asked to look into it and take necessary action; this was in 1987. We got the reply that they looked into it and it could not be substantiated."

5.51 The Committee further pointed that as these complaints were against Board level officers and enquired as to whether it was proper to get these examined from STC. The witness stated:

"If it is of a serious nature we can ask an officer of the Ministry to investigate or refer the case to the CBI."

5.52 Asked as to whether any complaint was still pending concerning Board level officials, the Ministry informed in a written note that one complaint against Shri A. K. Sen, Executive Director made by one Shri P. K. Patel regarding irregularities in the allocation of Castor Oil was pending.

5.53 The Committee further enquired about the latest position of this complaint, representative of the Ministry stated during evidence as follows:

"This complaint is still pending with them."

5.54 When pointed that how a senior board level officer can keep quiet for the allegations against him, the witness replied:

"We will consider the suggestion."

5.55 The Committee are quite unhappy to note that so far STC has not considered the necessity for having a centralised cell for registering the various complaints received from different sources like buyers, suppliers, associates etc. Chairman, STC was quite candid to admit during his evidence before the Committee that 'Here I must admit that this an area where there is no central cell in the Corporation which can receive complaints, register them, record them and take action.' This is decidedly a very sad commentary on the working of a big public sector undertaking like STC which is in existence for the last 32 years. While expressing their displeasure over this lapse, the Committee trust that as assured by the Chairman, STC during the evidence, this centralized system might have started working by now.. The Committee would like to be apprised of the latest position in this regard.

.. 5.56. The Committee observe that there are several areas in STC which are sensitive from vigilance angle and are open to corruption. Some of the sensitive points and places likely to cause corruption are reported to have been identified by STC and include placement of orders on suppliers both for imports and exports, hiring of storage space, awarding contracts for export/import commodities, appointment of agents, selection/recruitment and postings etc. With regard to the remedial measures undertaken by STC to overcome the existing loopholes in such divergent areas the Committee have been informed by STC that they

have followed the system of rotation of staff transferring 200 to 300 managers and staff members each year. Besides, a study of systems and procedures is also being conducted by the Vigilance Division with a view to improve upon the existing system. The Committee, desire that this study should be completed at the earliest and steps be initiated to improve upon the existing practices and procedures with a view to evolve a system which is free from present shortcomings.

5.57. The Committee regret to note that despite the fact that STC is a large public sector undertaking having most of the areas which are highly sensitive and prone to generate corruption and that there are many CBI cases pending, there is no regular vigilance officer in the Corporation who is qualified enough to hold such a sensitive and important post. The Committee feel highly dissatisfied with the present set up of Vigilance Department of STC which is reported to be headed at present by one Chief Finance Manager. They fail to understand how a person with an entirely different background can do full justice to such type of job. During the course of the evidence the Committee have been informed that efforts were made in the past for appointing suitable officers through the Department of Personnel, but the same did not bear fruit because the officers did not find this post attractive enough, however, a decision has been taken recently to make this post more lucrative offering thereby higher pay, more facilities and some other perquisites. The Committee hope that S.T.C. would take steps to appoint a senior officer from I.P.S. or Department of Personnel on this post so that he is able to discharge his functions independently, and is not susceptible to any kind of pressure. The Committee expect that this aspect which hitherto stands neglected will now be taken care of by the Ministry and the Corporation.

5.58. The Committee regret to note that one of the weaknesses of the Corporation has been that it has not taken appropriate action against the guilty officials even on the basis of CBI recommendations. STC's own vigilance division is evidently very weak. This is further strengthened by the fact that as against the reported 42 CBI cases against STC officials, the Corporation has given details of only 11 cases. Out of these only two cases were referred by STC to CBI for investigation. The other cases have been taken up by CBI themselves for investigation. The Committee fail to understand how an outside agency could have better information in regard to the malpractices indulged in by the officials of the Corporation as against its own Vigilance Department which apparently miserably failed to take notice of such cases of corruption, favouritism etc. The statement of STC that "there may also be some other cases directly taken up by CBI without reference of STC is regrettable

and shows the weakness of the Vigilance Department of S.T.C. The Committee wonder how this Department which is reported to be adequate enough to handle the complaints is functioning when it is not even aware of the cases of irregularities under examination of C.B.I. The Committee desire that STC should approach the CBI to ascertain the full position of cases pending against their officials.

5.59 The Committee note that Shri Yoginder Raj, General Manager, has been found guilty by CBI in two cases viz, alleged sale of imported cement in black in 1984 and for having amassed disproportionate income. CBI Report in the first case was received by STC in June 1988. However, Chairman, STC took about 4 months time in accoridng sanction for the prosecution of the guilty official in the court of law. In the second case the CBI Report was received on 29th December, 1988 recommending major penalty against the official and placing him under suspension. The Chairman, STC informed the Committee during his evidence that 'CBI has now stated that in view of the fact that since the concerned officer is retiring shortly he may not be placed under suspension'. The Committee fail to understand as to why the concerned official could not be placed under suspension in June 1988 itself when he was found guilty by CBI in cement case.

5.60 The Committee are further astonished to note that in such cases not only STC has failed to take action against the guilty officials but they have also been allowed to avail of all terminal benefits like Provident Fund, gratuity etc. The Committee have, found that while STC cannot retain P.F., it can certainly withhold payment of gratuity. The Committee hope that in future STC will take due care in this regard.

5.61 Similarly, in another case, Shri B. N. Rao, General Manager, was found guilty by CBI. In 1980-81 he entered into or was a party to criminal conspiracy with Shri K. V. Seshadri, the then Managing Director, FCI, M/s. Action S. A. Pari and their agents causing loss to Government of India to the tune of about US dollars 8,54,000 approx. It is a matter of serious concern that while the Report of CBI was received in August, 1984, the sanction for prosecution was accorded by Chairman, STC as late as in January, 1986. The Committee are shocked to note that STC even made a request to the CVC to lower down the punishment from prosecution in Court to departmental enquiry. The case is now reported to be pending for trial in Court.

5.62 The Committee are perturbed to note that in spite of the fact that a CBI enquiry was pending against Shri Rao, he was promoted as General Manager w.e.f. 13-4-1983. The Committee take a serious note of this especially when such a serious charge of criminal conspiracy causing thereby pecuniary loss to the Government of India was pending

against the concerned official, at the time of promotion. The Committee are surprised at STC's explanation that the officer has been posted to a non-sensitive division now. In Committee's view transfer from one division to another division is no punishment. The Committee desire that in order to improve the work culture of the organisation STC should get rid of at least such officials who have been found guilty by CBI|CVC of serious charges of criminal conspiracy or causing financial loss to Government of India.

5.63 In yet another case Shri P. Srimannarayana, Marketing Manager was found guilty by CBI in connection with irregularities in purchase of tobacco. CBI recommended Shri Srimannarayana's prosecution in the Court and the sanction orders for the same were issued in April, 1982. The case is pending trial in the court of special judge for SPE cases, Vishakhapatnam. The Committee are dismayed to learn from STC that the official retired in July 1984 and all retirement benefits including P.F. and Gratuity were given to him. In this connection, Committee would like to draw the attention of STC to their Death-cum-Retirement Gratuity Regulations. Section 6(e) of these rules provides inter alia as follows:—

“An employee against whom disciplinary action|proceedings are contemplated or are pending at the time of resignation|retirement etc. will not be paid gratuity unless the action|proceedings against him have been finalised. On finalisation of the disciplinary proceedings, the release of payment of amount of gratuity will depend upon the final outcome of the disciplinary proceedings and keeping in view the orders of the disciplinary authority.” ..

The Committee fail to understand as to how the payment of gratuity could be made to the officer in view of the above rules. The Committee, therefore, desire that appropriate action should be taken against the officials who are responsible for making payment of gratuity.

5.64 The perusal of file of Shri Srimannarayana regarding his retirement by the Committee further shows the extent to which STC can go in helping its officials who have been found guilty by CBI and CVC. In view of Court case against Shri Srimannarayana, he tendered his resignation on 10-6-1983. The matter was then referred to CVC through Ministry of Commerce. The Ministry communicated as under:

“The matter was taken up with CVC who have advised as follows: Ministry of Commerce may take their own decision on accepting resignation of Shri P. Srimannarayana, Marketing Manager, STC which is an administrative matter. In case his

resignation is accepted, the Ministry may mention the fact of criminal prosecution in the letter of acceptance."

The Committee are surprised to note that instead of acting immediately upon the advice tendered by CVC, Shri Srimannarayana on the contrary was informed to this effect in a manner which was suggestive enough and was asked if he would yet like to resign. Shri Srimannarayana thereafter on reconsideration on 4th July, 1983 requested that his resignation be treated as voluntary retirement which could not be accepted by STC in the absence of rules to this effect. Thereafter on 18th January, 1984, a request was made by him for withdrawal of the resignation which was accepted and he was ultimately allowed to retire on attaining the age of superannuation on 31st July 1984 and an order to this effect was issued on 7th June, 1984. Regrettably there was no mention about the criminal prosecution. The facts in the file clearly show the attitude adopted by the officials of STC in the present case who tried to help the defaulting officials out of the way even when not less than 4 CBI cases were reported to be pending against him at that time.

5.65. The Committee further note that CBI reports on the purchase of Tobacco in 1978 had revealed that STC did not check the Central Excise Register of the godown to ensure that the stocks offered were of the actual growers. Complaints were received that a number of bogus agents/syndicates were formed and tobacco which did not belong to the actual growers was offered for sale and bought by STC. However, the Committee are shocked to hear from representative of STC that the matter is still under investigation by CBI though a period of about 10 years has elapsed. The Committee desire that CBI should be approached immediately for finalising their investigation. Appropriate action should also be taken against the officials found guilty.

5.66. The Committee regret to note that even though many cases have gone through the Ministry of Commerce to CBI, the Ministry have now shown ignorance about these cases on the plea that as per the latest guidelines, vigilance cases of the Board level officers only come to them. The Committee are not at all satisfied with such a reply and feel that being an administrative Ministry at least it should ensure that appropriate action has been taken by STC in cases which come to the notice of Ministry or cases which were referred to CBI through the Ministry. In Committee's view, the Ministry can not absolve itself of such responsibility.

5.67. As per the revised guidelines only complaints relating to Board level officers are sent to the Ministry. However, representatives of the

Ministry informed the Committee during their evidence that the Ministry passes on these complaints to STC for examination. The Committee wonder how STC will verify the truthfulness of complaints against its top level officials. For instance, in one Board level case STC is yet to give reply to the Ministry. The Committee, accordingly desire that the Ministry should examine this matter with a view to improve upon the present system.

5.68. From the examination of the above cases, the Committee have noticed that the officers against whom allegations of serious nature were pending or who were found guilty by CBI, were allowed to resign/retire from service and all the terminal benefits paid to them in violation of the existing rules. The Committee cannot but express their serious concern and anguish over such action on the part of STC authorities who allowed the delinquent officers to go scot free. The Committee, therefore, desire that action should be taken against the officers who were instrumental in relieving the guilty officers from STC. STC should also ensure that such cases do not recur in future.

CHAPTER VI

CONSTRUCTION OF OFFICE BUILDING

A. *Contract for construction work*

6.1 While examining the working of STC it came to the notice of the Committee that the Corporation has recently constructed their office Building at New Delhi. In this connection, the Committee pointed out that Bureau of Public Enterprises had intimated to all undertakings as far back as in 1968 that CPWD was in a position to undertake civil construction works all over the country. It was also intimated that there were several advantages in entrusting the work to CPWD.

6.2 Asked by the Committee as to whether STC entrusted the construction work of their office building to CPWD, STC replied in a written note as follows:

"The then STC Board does not appear to have considered appointing C.P.W.D for the Building Project. However, the BPF guidelines on involving C.P.W.D. appear to be only recommendatory in nature and not mandatory. But before awarding the contract to the eventual contractor, STC did contact C.P.W.D. to intimate them about the proposed contract and to ascertain whether C.P.W.D. would be prepared to undertake the building project on contract basis. The DG (W), C.P.W.D. replied that C.P.W.D. could not enter into a contract and explained that work could be undertaken as deposit work in accordance with Government rules and that the specifications for the project would be as per the standards laid down for similar Government buildings. STC decided not to award the work to C.P.W.D. on this basis."

6.3 During the course of oral evidence of the representatives of STC, the Committee wanted to know as to why the construction work could not be entrusted to CPWD especially when CPWD had expressed its willingness to undertake the construction of office building complex as deposit work in accordance with Government rules. A representative of STC replied as follows:

"This relates to 1979. The matter of placing the order for construction, CPWD laid down certain conditions stating that the construction was delayed by fifteen months basically on this ac-

work will be done according to their specification. All these were not considered acceptable to the then Board. The full Board met and considered all these things. They felt apparently that this was a prestigious building."

6.4 On being pointed out by the Committee that by entrusting the work to CPWD, chances of corruption etc. would have been less as compared to giving it to private contracts, the witness stated:

"The full Board including the Financial Adviser of Commerce Ministry took the decision. CPWD conditions were not acceptable to the full Board."

6.5. Asked as to whether open tenders were invited for awarding the construction work, STC replied in a written note as follows:

"STC issued a press announcement for prequalification of parties for civil works construction of the STC office building. 28 applications were received. These were scrutinised by a technical committee and 9 parties were prequalified. Tenders were issued to these 9 prequalified parties and the contract was awarded to M/s. Consortium of Engineers (P) Ltd.

Based on the revised quotations submitted by all the parties and the rebate offered therein, M/s. Universal Consortium of Engineers (P) Ltd. had emerged as the lowest tenderer."

6.6 During the course of evidence of the representatives of Ministry of Commerce, the Committee wanted to know as to whether Ministry analysed the pros and cons of the CPWD's offer before giving their approval in favour of a private contractor. The representative of the Ministry replied as follows:—

"This did not really require Ministry's approval because the contract was not approved by the Ministry in favour of any specific party. The decision was taken by the STC on its own and the contract was awarded by them to the private party, Universal Consortium. Only the estimates had been approved by the Ministry and not the party, which was to do the construction work."

This was within their powers. After studying the pros and cons, they took this decision."

6.7. When pointed out by the Committee that STC had informed that one of the reasons for delays in construction of the Building was due

to delay in handing over the work to the contractor and the delay was basically at the Government level, the witness stated:—

“We received a number of complaints including the award of contract to private parties and other irregularities in 1979. After which, the Ministry asked for all the details from the STC. We consulted the Finance Ministry and the Law Ministry and in between, there was also some delay as mentioned by the hon. Member. There were a number of changes in the Ministry at that time. The Minister changed twice and in fact there was a change in Secretary. In the process of consultation with the various Ministries, it took some time. In early February, 1980 it was felt that we could not really change the contract, which was already given. Anyway, the Ministry advised the STC that this was something which they had to decide themselves.”

6.8. When asked about the time taken by the Ministry in examining the matter, he stated:—

“For about a year, from the beginning of 1989 to the beginning of 1980.”

6.9 On being pointed out by the Committee as to whether the Ministry came to the conclusion that it was too late to take any action, the witness replied:—

“This was the legal opinion which the Government receive from the Ministry of Law. Since the contract was valid and binding, nothing could be done to change it.”

B. Cost Over-run

6.10. For office building originally an estimate was prepared in October, 1976 by National Building Construction Corporation (NBCC) at Rs. 476.10 lakhs. The contract of civil work was approved in February, 1979 in favour of M/s. UCE at about Rs. 438 lakhs. The estimates were revised to Rs. 2590 lakhs in December, 1985 and subsequently approved by Government in March, 1986. The final cost estimates is expected to be in the region of Rs. 3280 lakhs.

6.11. The Committee enquired about the reasons for cost escalation from Rs. 476.10 lakhs to Rs. 3280 lakhs. STC replied in a written note as follows:—

“Originally an estimate was prepared in October, 1976 by M/s. National Building Construction Corporation at Rs. 476.10

lakhs including Rs. 283.20 lakhs for piling and civil works. It appears this estimate was not prepared correctly. The contract for civil works alone was approved in February, 1979 in favour of M/s. U.C.E. at about Rs. 438 lakhs. Moreover the High Powered Committee appointed by Government subsequently concluded "there was under estimation in respect of areas air conditioning, extra cost due to structural pattern, special glazing, lifts and electrical provision.

Assuming the above NBCC estimate to be the original project estimate the revised estimate proposed to the Government by the then Chairman, STC in December, 1985 and subsequently approved by Government in March, 1986 was Rs. 2590 lakhs (which included Rs. 205 lakhs for items not in the NBCC estimate and Rs. 175.5 lakhs on account of fire detection and fire fighting as against Rs. 9.5 lakhs in the NBCC estimate.)

The final cost estimate is expected to be in the region of Rs. 3280 lakhs (which includes as much as Rs. 600 lakhs on account of items not included in 1986 Government approval of Rs. 2590 lakhs).

The increase in costs has arisen from (i) under-estimate originally. (ii) due to delay in completion of building and consequent increase in costs of inputs and (iii) due to items like fire fighting equipment not originally provided."

6.12 During the course of evidence of the representatives of STC the Committee pointed out that the difference between the original estimates and actual expenditure was about 700 per cent. To this a representative of STC replied as follows:—

"I am not sure if the work had been given to CPWD the cost would not have been that much. The high-powered Committee of the Government went on record that the estimate prepared by the NBCC was gross-under-estimate."

6.13 The Committee also wanted to know as to whether STC had obtained the approval of Government for the expenditure beyond Rs. 2590 lakhs. The witness stated:—

"It has not gone to the Government till today."

6.14 On being asked by the Committee, STC subsequently furnished the item-wise details of cost escalation. (As per appendix-I)

6.15. During the course of oral evidence of the representative of the Commerce Ministry the Committee enquired as to whether the Ministry had examined the reasons for huge cost escalation from Rs. 475.10 lakhs to Rs. 3280 lakhs. The representative of the Ministry replied as follows:—

“Of the total escalation of Rs. 21 crores, about Rs. 4 crores was due to the change in specifications, around Rs. 3 crores was due to extra items of work which were not originally provided and around 13 crores was due to escalation due to time over run from 1977 to 1986. In percentage terms, it is about 22 per cent, 16 per cent and 63 per cent respectively.”

6.16 In reply to an another query about cost escalation from the Committee, the witness stated as follows:—

“In fact, this is also one of the subject matters which is under the examination of CBI. We have asked them to go into the whole matter right from the award of contract to the escalation, irregularities and various other allied matters. We hope the CBI in the course of investigation will throw some light on this.”

C. Time Over-run

6.17 As per the tender for civil works issued in 1978-79 the civil works were to be completed within 30 months of issue of letter of intent i.e. by September, 1981. However, as per the new addendum signed with civil contractor in July, 1987, the civil works were to be completed by end of September, 1988. Thus there has been delay of about 7 years in the completion of the Building.

6.18 Asked about the reasons for delay of about 7 years in completion of the building. The STC replied in a written note as follows:—

“The delay in completion has been mainly on account of:—

- (i) Delay of 15 months in handing over the site to the civil contractor,
- (ii) inadequate supply of cement/steel by STC to the contractor during 1981-82 because of heavy ASIAD construction in Delhi and non-availability of workers,
- (iii) 3 months delay in 1984 due to collapse of scaffolding during construction and death of workers,
- (iv) claim of the civil contractor for revision of rates due to above factors and consequent further stoppage of construction, and

(v) incorporation of additional fire protection measures."

6.19 As regards the latest position, STC informed as follows:—

"At the moment the Building is undergoing fire fighting and other equipment tests, (awaiting no objection certificate from Delhi Fire Service) and Interior furnishing and is expected to be ready for occupation in the next 4-5 months."

6.20 During course of oral evidence of the representatives of STC the Committee enquired about the reasons for delay of 15 months in handing over the site to the civil contractor. A representative of STC replied as follows:—

"After the tender was opened, the question arose whether the contract should be given to CPWD or to NBCC or to someone else. Basically the delay was at the Government level."

6.21 The Committee also wanted to know as to whether STC examined the matter with a view to fixing the responsibility on individual officers for the delay. The witness replied:

[Text] "No, Sir."

He added:—

"Whenever there has been revision of estimates, it has been going to the Board and to the Government and the reason for the delay has been asked. I presume, everybody was satisfied that there is no individual who is responsible for this delay."

6.22 The Committee further enquired as to whether there was any penalty clause in the agreement entered into with contractor for delay in construction work. The witness stated "Yes, Sir."

Asked as to whether any penalty has been imposed on the contractor, he replied:—

"You are right, Sir, but we will have to check up the reason for the delay."

6.23 During the course of oral evidence of the representatives of Ministry the Committee wanted to know as to whether they have analysed the reasons for delay in completion of the building. The representative of the Ministry replied as follows:

"The Government appointed a Committee to go into this, under the Chairmanship of Mr. Fernandes. This Committee went

into details and came to the conclusion that the reasons given by the STC were correct."

Defects in the Building

6.24. The building had developed cracks in the vertical posts and in certain longitudinal ribs of STC's block at the ends around large diameter AC Ducts.

6.25. The Committee also visited the building and it was noticed that the cracks were visible in basement and other two floors. The Committee enquired about the steps taken to rectify these cracks. STC stated in detailed written note as follows:—

"1.1. The Government of India vide Ministry of Commerce OM No. 19(35)/74-FT(ST) dated 28th April, 1984 set up a High Powered Committee (HPC) on STC's Building Project to examine specifications, likely cost, revised time schedule of completion, need of central air-conditioning etc. The Committee submitted its report to the Government on 31st August, 1984.

1.2. The High Powered Committee in its report had *inter alia* recommended "In view of the complex structural pattern and certain deviations from IS Code 1893-1975, it is suggested that STC get the structural design checked independently including the effect on pile foundations which were provided before full analysis and subjected to inadequate tests."

2. Accordingly in May, 1985, M/s. Engineers India Limited (EIL) were instructed to undertake the review of the structural design including the effect on pile foundations. EIL in turn had associated the Indian Institute of Technology (IIT) to undertake the review.

3. Arising out of their routine inspection of the STC building complex in December, 1985 Technical Examiners Organisation Central Vigilance Commission had made *inter-alia* the following observations on the structural design of the building:

"Cracks have appeared in the R.C.C. ribs on the first floor where the office of the EIL was located. These cracks are at about 30 deg. to the horizontal and have occurred immediately on one side of the duct opening the diameter of which is about 90 per cent of the depth of the rib and appear to be due to inadequate reinforcement to resist the sheer transferred by dowel action of the main reinforcement. At many places these cracks were observed. The cracks are quite

serious in nature. The same may please be got investigated by a structural expert of Engineers India Ltd. and remedial measures proposed may be intimated to this organisation alongwith a report of the investigating agency.

RCC brackets supporting the ramp from CCIC portion to the STC portion were found cracked. This may please be got investigated by a structural expert of EIL and his Investigation Report furnished. The cracks appears to be serious and could result in catastrophic collapse."

4. The Technical Examiner's observations were also referred to M/s. Engineers India Limited for investigations and comments.

5. EIL confirmed that:—

- (a) the design of 23-storey and 14-storey structure of STC building complex has been cleared for construction by IIT (March, 1986);
- (b) the foundations of 23 as well as 14-storey building are safe to carry the design loads. Core walls, virendeel girders including vertical posts are also adequate to carry the design loads (August, 1986).
- (c) (i) Concrete being weak in tension, micro-cracks may always occur. Micro-cracks may sometimes develop into visible cracks due to several reasons such as shrinkage, temperature, creep inadequate reinforcement etc. The presence of cracks may not be harmful perse, but it is important that cracks do not open out as the time progresses. Some of the cracks may occur due to complex interaction of several of the above causes occurring simultaneously.
- (ii) Cracks in the secondary ribs, virendeel girders, brackets, etc. will not endanger the safety of the structure. In such cases where the elements are structurally safe and where the cracks do not open out, it is not important to ascertain the exact cause of such cracks.
- (iii) However, the cracks in primary ribs do not fall in above category.
- (iv) Some ribs on second and third floor of 23 storey block are inadequately reinforced. This has occurred due to premature curtailment of bottom reinforcement i.e. at a

point where the same is still required to transfer the stress through bond. This 'Inadequate Anchorage' results in increase stresses in steel and concrete in the region near the curtailment. As these are main ribs these need to be strengthened.

- (v) Some of the main ribs on lower floors (upper ground and first floor) are inadequately reinforced to carry shear around the cut outs for ducts etc.
- (vi) Immediate steps be taken for strengthening the above mentioned ribs.
- (vii) RCC brackets supporting the ramp are adequate.

6. On review of EIL/IITs findings, however, the Structural Consultant clarified that "cracks in the ribs had appeared immediately on deproping them and since then have not shown any further signs of distress. They have also gone through almost the full design loading during construction of upper floors and are now subjected to the total designed dead load and partial live loads." They were therefore of the opinion that "the ribs are not under designed and that there is no damages to the building as mentioned in the report given by IIT.

7. The Board Building committee of STC considered the opinions of both EIL as well as the Architect and it was decided that since the safety of the building is of prime consideration, the recommendation of EIL/IIT to strengthen the affected ribs has to be carried out. Necessary action has already been taken for undertakings strengthening work.

An expenditure of about Rs. 10.5 lakhs has been incurred by the STC towards the sealing and epoxy grouting of the cracks and the estimator cost towards strengthening of ribs is about Rs. 1.5 lakhs."

6.26 STC further stated that the cracks have been sealed with epoxy grouting as suggested by the architects' Structural Consultant at a cost of about Rs. 10 lakhs.

6.27 In regard to strengthening the ribs on 2nd and 3rd floor, STC stated as follows:—

"Even though the architect and his structural consultant did not agree with this as a matter of abundant caution, as finally agreed to by the Architect/EIL/IIT, steps have been taken for strengthening the ribs at a cost of Rs. 2 lakhs approx."

6.28 During the evidence of the representatives of STC the Committee wanted to know as to whether any responsibility has been fixed for cracks either an architect or contractor. A representative of STC replied as follows:—

“It has not been established that design was the reasons for the cracks.”

6.29 The Committee further wanted to know as to whether the building had design defects or structural defects. The witness replied:—

“It has not been established that there is a structural defect. As good managers in charge of the building, they felt that a committee should go into it. They appointed committee accordingly. The Committee opined that such minor cracks are natural for variety of reasons that arises.”

6.30 In reply to an another question the Committee were informed by the witness that M/s. Raj Rewal & Associates were architects of the building. Asked about the action taken for imposing penalty on them the STC replied in a written note as follows:—

“The question of payment of the professional fee to the Architect in the context of the above was considered by the Board Committee on Building Project of the STC. Since the liability of the Architect as per contract with the architect is restricted to 10 per cent of the total fees payable, it was decided by the BBC that the payment against the Architect's bill can be released with 10 per cent being retained for adjustment of STC's claim, if any.”

6.31 During the course of evidence of the representatives of Ministry of Commerce the Committee drew the attention of the witness to the various defects and cracks in the Building. To this representatives of the Ministry replied follows:—

“We received other complaints also. In fact the matter was referred to the CBI for inquiry. We have been pursuing with the CBI to expedite its report. The matter is still with the CBI. This entire question is being investigated by the CBI. Recently, the Commerce Secretary has written a D.O. letter to the Director of the CBI requesting him to expedite his inquiry and let us have the recommendations as quickly as possible. The Ministry itself has referred it to the CBI.”

6.32 The Committee wanted to know as to when CBI started the investigations into the matter. The witness replied:—

“Reference was made to them on 16-4-1987.”

6.33 Asked as to whether the Ministry had received any report from CBI, he stated:—

“They had registered a preliminary inquiry in November 1987. We have been reminding them also. In fact, the Secretary wrote to the Director, CBI a few months ago requesting that the inquiry should be completed soon.”

6.34. Recently, STC has constructed their 23 storeyed office complex which is reported to be the highest building in Delhi on Tolstoy Marg in New Delhi. The Committee's examination has revealed several disquietening features in regard to the construction of the building. Despite the fact that the Bureau of Public Enterprises issued guidelines as far back as in 1968, inter alia recommending that CPWD, being a Government agency was in a position to undertake the Civil construction work and there were several advantages in entrusting this work to CPWD, the construction work was assigned to private contractor by STC in February, 1979. The Committee fails to comprehend as to why the work could not be awarded to CPWD and more so when they were willing to undertake this work as deposit work in accordance with the Government rules and as per the standards laid down for other similar Government buildings. The contention put forward by STC to the effect that the work was not entrusted to CPWD because it was felt that the building is prestigious, fails to satisfy the committee. The Committee also do not understand the logic behind laying down of such a lavish design for this building especially in view of several guidelines and detailed instructions issued by BPE from time to time for exercising utmost economy with regard to the construction of Administrative Buildings. Taking note of the huge cost escalation, time over-runs and cracks in the building and subsequent CBI case in this matter, the Committee are of the firm opinion that the construction work should have appropriately been awarded to a Government Agency like CPWD or NBCC which are already undertaking huge construction work on behalf of Government and Semi-Government Departments.

6.35 For office building a cost estimate was prepared by National Building Construction Corporation (NBCC) at Rs. 476.10 lakhs. The contract of civil work was approved in February, 1979 in favour of private contractor (M/s. UCE) at about Rs. 438 lakhs. The Committee are quite-unhappy and are rather astonished to note that estimates were revised to as high as Rs. 2590 lakhs in December, 1985 and the same were approved

by the Ministry in March, 1986. What further dismays the Committee is that final estimates for the building are now stated to be as much as Rs. 3280 lakhs which is almost 8 times the original estimates and the expenditure beyond Rs. 2590 lakhs has yet to be approved by the Ministry. The reasons put forward for the cost escalation of about 700 per cent in the construction of the office building are stated to be under-estimation by NBCC, cost escalation due to time over-runs and expenditure on items like fire fighting equipment which were not included in the original estimates. The Committee are not convinced of the reasons advanced by STC as these factors should have been taken care of at the time of preparation of original estimates.

6.36 The Committee further regret to note that apart from huge escalation has also been time over-runs in the construction of the building. As per the tender for civil works issued in 1978-79 the civil works were to be completed within 30 months of the issue of letter of intent i.e. by September, 1981. However, as per the new addendum signed with the contractor in July, 1987, the civil works were to be completed by September, 1988. Thus, there has been a delay of about 7 years in the completion of the building. The representatives of the Ministry were candid enough in their admission before the Committee that about 65 per cent of the cost escalation has been due to time-over runs alone. The main reasons for the abnormal delay given by STC are delay of about 15 months in handing over of the site to the contractor, inadequate supply of cement/steel during 1981-82 due to ASIAD, incorporation of additional fire protection measures etc. The constraints faced due to ASIAD were only for a short period of one year (1981-82) and so far as handing over of the site was concerned it was the responsibility of STC entirely.

6.37 The Committee are, therefore, not at all satisfied with the reasons put forward by STC which do not justify long delay of 7 years. The Committee is also pained to note the slack attitude of the Ministry in this regard as they also delayed the matter when complaints were received for having/awarded the contract to a private contractor and sat over the issue for almost one year i.e. from 1979 to 1980. It appears to the Committee that STC has failed miserably in monitoring the progress of the construction work of the office building. Timely completion of the construction would have not only reduced the cost considerably but STC could also have benefited a great deal by either renting out the complex or by self-occupation.

6.38 The Committee are further distressed to find that besides the huge cost and time over-runs, the building had developed cracks in three floors. The Committee visited the building for an on-the-spot study and noticed that

cracks were visible in basement and other two floors. What disturbs the Committee further is that STC has not so far been able to establish definite cause for these cracks and hence no responsibility has been fixed on the contractor or the architect. Evasive replies of the representative of STC in this regard failed to satisfy the Committee during the evidence. The fact, however, remains that both EIL/IIT have recommended strengthening the affected ribs. An expenditure of approximately Rs. 1.5 lakhs has been spent for strengthening the ribs alone besides an expenditure of Rs. 10 lakhs incurred towards sealing the cracks.

6.39. The Committee have been informed by the representatives of the Ministry of Commerce, that in the context of cost and time over-runs, cracks in the building and similar complaints, the matter has been referred to CBI in 1987 and they have been asked to investigate in detail the whole matter right from the award of the contract to the escalation, irregularities and various other allied matters. In view of this, the Committee recommend that matter may be taken up at the highest level in the Government for getting the CBI report expedited. The Committee expect that both STC as well as the Ministry would take immediate follow-up action on this report. The Committee would also like to be apprised of the recommendations of CBI and the subsequent action taken thereupon both by STC as well as the Ministry.

CHAPTER VII

CONSTRUCTION OF COMMUNITY CENTRE AT STC COLONY, NEW DELHI

7.1 For construction of Community Centre at STC Colony, New Delhi, a contract was awarded in April, 1979 to a local firm of contractors for Rs. 11.98 lakhs. The construction was to be completed by January 1980 including extension of time allowed. The designs were prepared by the Company's Chief Engineer and the work was executed under his supervision. The total cost of the work however, amounted to Rs. 20.10 lakhs.

7.2 During the course of execution of the work, roof of the Community Centre Hall sagged by 1 to 2 feet and cracks appeared in its beams. The defects were pointed out to the contractors in February, March, May and October, 1980 by the Chief Engineer, but remained unattended to by the contractors. A firm of architects|engineers engaged in October 1980 to give its opinion regarding the strength and soundness of the construction pointed out that the failure of structure could be either due to design deficiency or faulty construction and advised the Company to approach the Department of Civil Engineering, University of Roorkee, for carrying out the necessary tests to determine the strength of the concrete. The University was approached by the Company in March 1981 and it stated in its interim report in August 1981 that cracks had reached upto the top of the beams in many cases and it did not appear to be safe for any one to enter or remain under the roof without due precaution. In the final report of the University received in September 1982, sagging the roof was attributed mainly to the structural failure of beams due to inadequate provision of bottom steel as well as poor quality of concrete.

7.3 In the meantime, Chief Engineer informed the contractors in March, 1981 that their final bill (Rs. 2.36 lakhs) was ready and that they should sign the measurement book so that further action could be taken. The Chief Engineer also certified in the measurement book that the work had been done as per specifications, despite the defects pointed out by him in 1980 having remained unattended to. The payment of the final bill was, however, not made to the contractors.

7.4 Arbitration proceedings were initiated in October 1982 at the instance of contractors. In view of Roorkee University's report regarding inadequate steel reinforcement in the design as also the Chief Engineer's letter of March 1981 to the contractors and his certificate in the measurement book that the work had been done as per specifications, the Arbitrator disallowed all the claims of the Company and gave his award in favour of the contractors in May 1984 for payment of the balance of Rs. 2.23 lakhs due to contractors alongwith interest 18 per cent p.a. from June 1981 till date of payment. The payment was made in September 1985 and January 1986 (Rs. 3.87 lakhs).

7.5 STC informed the Audit in May 1985 that ".....action against the then Chief Engineer could not be taken on the basis of interim report of Roorkee University and the final report was received on 3-9-1982 when the Chief Engineer had already retired."

7.6 Ministry informed the Audit in February 1987 that "Vigilance Division of STC is conducting further inquiry to fix responsibility on officers other than Ex-Chief Engineer on the advice of C.B.I. and.... it has not been possible to demolish and reconstruct the defective part of the building pending settlement of dispute with the contractor in the arbitration proceedings and subsequently the High Court of Delhi."

7.7 The Committee enquired about the findings of the Vigilance Division in regard to fixing the responsibility in the matter. STC replied in a written note as follows:

"The University of Roorkee had opined that the sagging of roof was due mainly to the structural failure of the beams due to inadequate provision of bottom steel as well as poor quality of concrete.

It has been seen that the contractor had pointed to the Chief Engineer, Building Division, STC vide their letter dated 10-8-1979 about the inadequate quantity of steel and thickness of RCC stipulated.

- The Arbitrator had opined after the testing concrete that the contractor had provided the concrete as per specifications of STC and that there was also design defect for which contractor was not responsible.
- The Vigilance Division after examination came to the conclusion that since the Chief Engineer—STC was himself handling all aspects of project management from designing,

laying down specifications even recording the measurements in the measurement book and certification and verification of contractor's bills, it was difficult to fix responsibility on any officer other than the then Chief Engineer himself.

The said Chief Engineer has retired in December, 1981 whereas the final report of the university of Roorkee was received in September, 1982 and the arbitrators' findings were received much after this date."

7.8 During the course of evidence of the representatives of STC the Committee wanted to know as to whether the Chief Engineer was allowed to avail retirement benefits. A representative of STC replied as follows:

"He was not entitled to gratuity. At the end of the contracting period, he was allowed only the terminal benefit."

7.9 Asked about the terms and conditions of the contract with Chief Engineer, the witness stated:

"It was basically relating to salary and other benefits. There are stipulations about provident fund, Gratuity etc. with our employees also."

7.10 When asked as to whether STC was in a position to take any action against the retired officials, the witness replied:

"We have no machinery and we have no rule."

7.11 The Committee also enquired about the outcome of the settlement regarding payment to contractor through arbitration proceedings and subsequently the High Court, Delhi. STC replied in a written note as follows:

"Firstly, the case was referred to an Arbitrator who gave an award for payment of Rs. 2,22,589.70 due to him as per his bills + interest @ 18 per cent per annum from 1-6-1981 till the date of payment to the contractor. STC filed the objections in the High Court so that the pressure may be maintained on the contractor and an amicable settlement of the award may be arrived at. The High Court also re-confirmed the award given by the Arbitrator and an amount of Rs. 3,87,206.33 was accordingly paid to the contractor."

7.12 The Committee further wanted to know as to whether the community centre has been demolished and reconstructed for use. STC stated in a written reply as follows:

"Community centre has to be partially demolished and renovated. We have appointed a consultant for renovation of the same. The consultant has given his estimate expenditure at Rs. 16.51 lakhs. The tenders for the partial demolition and renovation of the community centre have been invited and the actual expenditure involved would be known after opening of the tenders."

7.13 The Committee are perturbed to note that STC constructed a Community Centre at its colony in New Delhi in 1980 at a cost of Rs. 20.10 lakhs as against the estimated cost of Rs. 11.98 lakhs. This Centre has not been put to any use so far. The design for the Centre was prepared by the Corporation's Chief Engineer and the work was executed under his supervision. During the course of execution of the work, roof of the Centre sagged by 1 to 2 feet. In this connection, STC approached University of Roorkee to give their opinion about the cause of the defect. The Roorkee University opined that since the cracks had reached upto the top it was not safe for any one to enter or remain under the roof. It was also stated that sagging of roof was mainly due to structural failure of beams as a result of inadequate provision of bottom steel as well as poor quality of concrete.

7.14 The Committee are astonished at the role played by the concerned Chief Engineer in the whole episode. Although the defects pointed out by him to the contractors in 1980 remained unattended, he informed the contractors in March, 1981 that they should sign measurement book so that action could be taken to make payment to them. The Chief Engineer also certified in the measurement book that the work had been done as per specifications. As regards the action taken against the Chief Engineer STC informed the Committee that no action could be taken on the basis of interim report of Roorkee University and the final report was received on 3-9-1982 when the Chief Engineer had already retired. The Committee feel sorry to hear from the representatives of STC that at present there is no rule or machinery under which they can take action against the retired persons. They are unable to comprehend this position. An officer found guilty of criminal charges cannot be allowed to go scot free. They, therefore, recommend that this matter should be entrusted to CBI for inquiry against the retired Chief Engineer and he may be prosecuted in a Court of Law, if found guilty. The Committee desire that action should also be taken against the officers responsible for making payment of terminal benefits to the Chief Engineer.

7.15 It also came out during the examination that no responsibility could be fixed in this case on any officer of STC other than the Chief Engineer as he was handling all matters relating to the construction of the Centre like designing, laying down specifications, even recording the measurements in the measurement book and certification and verification of contractors bills himself. This clearly shows the lacunae in the working system of STC. The Committee desire that the Corporation should undertake an indepth study of the different channels of work submission at various levels with a view to ensure that in future no individual officer deals with a particular work alone and there is a system of checks and balances.

CHAPTER VIII

ROLE OF THE ADMINISTRATIVE MINISTRY

A. *Lack of continuity in top Management*

8.1 STC is an autonomous company owned fully by the Government of India. Though the overall policy and guidelines are determined by the Government, all the powers for managing the business and affairs of the Corporation rest with the Board of Directors. The Board comprises of the Chairman and five full time executive directors in addition to some non-executive directors appointed by the Government.

8.2 However, there have been frequent changes in the incumbent for the post of Chairman during the last 5 years as is evident from the following table:—

Name	Period	Remarks
1. Shri P.C. Luther	27-8-83 to 1-8-85	Resigned on personal reasons.
2. Shri S.V.S. Raghavan	8-7-85 to 10-2-86	Shri Raghavan was Chairman of MMTC and held part-time charge of STC.
3. Shri R.K. Dang	10-2-86 to 1-10-86	Addl. Secy., in the Ministry and held part-time charge of STC.
4. Shri Sudhir Mulji	1-10-86 to 8-10-87	Left on health grounds.
5. Shri P.G. Murlidharan	15-9-87 to 31-3-88	Addl. Secy. in the Ministry. Held part-time charge of STC.
6. Shri M.Y. Priolkar	1-4-88 to 30-11-88	Addl. Secy. in the Ministry. Held part-time charge of STC.
7. Shri T. Prakash	30-11-88 to 29-12-88	Executive Dir. of STC asked to perform functions of Chairman till further orders.
8. Shri Bhupinder Singh	w.e.f. 29-12-88	Appointed as full time Managing Director and officiating Chairman.

8.3 Explaining the impact of frequent changes at the top level, Chairman, STC, *inter alia* stated, during his evidence, as follows:—

“We have a very very wide infrastructure facilities. The only thing that we could not do was that these were not properly channelised because of the chief executives' temporary stay. Long term planning was not done. Nobody looked ahead towards the organisation. Every body was busy in disposing of the day-to-day work.”

8.4 During the course of evidence of the representatives of the Ministry of Commerce the Committee pointed out that it was the responsibility of the administrative Ministry to ensure continuity in the top management of the undertaking under its administrative control. To this the representative of the Ministry stated:—

“From the changes as given here in the list, it does look quite impressive but it is not as if the Government kept on changing the Chairmen.”

8.5 When pointed out by the Committee that the Government took about 15 months time in appointing the present Chairman, the witness replied:—

“Mr. Raghavan was in charge till February, 1986. Mr. Luther left on personal grounds. It did not give the Government enough time to go through the process of selecting the Chairman. Likewise, Mr. Mulji also left on health grounds. If the vacancy of the Chairman arose in the normal course, Government could have taken steps to fill it.”

8.6 Asked about the adverse affect on the working of STC due to lack of continuity in top management, he stated:—

“While the search for a Chairman went on, the Additional Secretary held charge in addition to his own work in the Ministry. The need for a full time Chairman cannot be over-emphasised but out of officers, two of them, Mr. Murlidharan and Mr. Priyolkar, were Directors earlier. They were familiar with the working of the organisation. We have looked at the profits of the organisation in the context of this question. In terms of performance, it does not appear as if the performance of the organisation was affected too adversely as a result of part-time Chairman because looking at the figures of profits of the last four years from 1984 to 1988, we find that the organisation did make substantial progress.”

8.7 When pointed out that profits of STC were mainly due to canalised imports, the witness replied:—

“I would like to say that the need for a full-time Chairman is definitely to be underscored. I don't think the Ministry will disagree with the hon. Members' views in this regard. I admit that there is the need for a full-time Chairman. But when the two Chairman left without notice....”

8.8 When asked as to whether it would not increase the efficiency of STC in case there was full time Chairman instead of part-time Chairman, the witness replied:—

“Yes, Sir. As compared to somebody in the Ministry holding part-time charge as Chairman, it would no doubt be better if a full-time Chairman is there.”

8.9 Asked about the position of the present CMD the witness replied that, “He is full-time Managing Director and officiating Chairman.”

8.10 The Committee further pointed out that definite terms are given to Chairman or Managing Directors and wanted to know about the term given to the present CMD. The representative of the Ministry replied, “It is under the consideration of the Government. That matter has not yet been decided.”

8.11 On being asked by the Committee about the rationale behind making appointment of officiating Chairman, the witness stated as follows:—

“I would like to submit that I cannot answer this question at this stage because the matter is still under the consideration of the Government about the appointment of Chairman.”

B. Organisational set up in the Ministry

8.12 As regards the organisational set up in the administrative Ministry, the Committee have been informed that in the Ministry of Commerce, there is an administrative Division named Foreign Trade (State Trading) handling all administrative matters relating to STC. The administrative Division is headed by a Joint Secretary. During the course of evidence of the representatives of the Ministry the Committee pointed out that Joint Secretary of the Ministry was head of the Administration wing for STC in the Ministry. However, the Additional Secretary of the Ministry of Commerce was holding the charge of part-time Chairman of STC from, 10-2-1986 to 1-10-1986; from 15-9-1987 to 31-3-1988 and from 1-4-1988 to 30-11-1988.

8.13 Asked as to whether the Joint Secretary was able to exercise administrative control over the functioning of STC particularly when Additional Secretary of the same Ministry was working as Chairman of the undertaking, the representative of the Ministry stated as follows:—

“The Ministry does not oversee the functioning of the STC on a day-to-day basis. All that the Ministry does is to monitor the progress of the organisation on the basis of the action plans. The Joint Secretary though is incharge of the Division to oversee the work of the STC, does not function entirely in his personal capacity as such; he functions on behalf of the Minister and the Secretary. In respect of all important decisions relating to the organisation, files are put up by the Joint Secretary to the Secretary or Minister.”

8.14 When pointed out by the Committee that it was going on for the last about 5 years, the witness stated:—

“Generally speaking what has been ensured is that the Joint Secretary dealing with the STC is not under the Additional Secretary who has been made in charge of STC as its Chairman, it certainly sounds somewhat odd. But very often there are instances of this kind. Even the Chairman, Tea Board is a pretty senior officer and there is an Under Secretary or a Deputy Secretary who is far lower in rank looking after the Tea Board. While here the situation is somewhat different, as far as possible efforts are made to see that the Joint Secretary dealing with STC is not placed under the Additional Secretary and Chairman, STC.

Your point is well taken. But this was done under circumstances when suddenly the Chairman left and we had to appoint someone else in that position.”

C. Role of Government Nominees

8.15 From the information furnished to the Committee it is noticed that there are four Government nominees on the Board of STC. However, no important case or shortcoming in the working of STC was included in the agenda of Board at the instance of these Government directors during the last 3 years. Similarly, no irregularities or shortcomings have been brought to the notice of Government by these Government Directors on the Board of STC during the last 3 years. During the course of evidence of the representatives of the Ministry of Commerce, the Committee

wanted to know about the role of Ministry's nominees on the Board of STC. The representative of the Ministry stated as follows:—

“The role of the Government Directors is to ensure—

- (a) that the operations of the Corporations are in line with the Government's policies and priorities;
- (b) to ensure that the directives of the Government are faithfully carried out by the Corporation; and
- (c) as Government Directors on the Board, to participate fully in all the activities and the deliberations of the Board meetings.”

8.16 On being further pointed out by the Committee that no important case of irregularity was pointed out by these Government Directors to the Ministry nor any important case or shortcoming in the working of STC was included in the agenda of Board at the instance of these Government Directors during the last 3 years, the witness stated:—

“It would not be right to say that there is no feed back to the Ministry from these Directors. Feed back may not be in the nature of a written report, but certainly these Directors bring their views to the notice of the Ministry.”

8.17 Asked as to whether the Ministry was maintaining record of feed back from Government nominees, he replied:—

“Yes, Sir, on our files there are a number of notings recorded by these Directors about specific issues discussed in the Board meetings and their views on them.”

8.18 In reply to another question the witness replied:—

“Whether there are official or not on the Board, the Directors from the Government side are there. At present, there is nobody from the Commerce Ministry to represent there but there is usually an officer from the Ministry. The other Directors are the Joint Secretary from the Department of Petro-Chemicals, the Joint Secretary from the Civil Supplies and the Additional Secretary from the Ministry of Finance (Department of Economics Affairs).”

8.19 When asked about the present representative of Commerce Ministry, the witness stated :

“No, Sir. There is no Director from the Ministry since one month.”

8.20 Asked about the previous practice, the witness informed:—

“The Additional Secretary was on the Board. He left the Ministry and the Finance Adviser has also left the Board three month back.”

8.21 Enquired as to whether both officers were still in Commerce Ministry, the witness replied:—

“No, both of them have left the Ministry. That is why we have no Director at present moment.”

8.22 Regarding the role of Government nominees other than the Ministry of Commerce, he stated:—

“In practice, say from the Department of Civil Supplies, the person would look after the interests of civil supplies.”

8.23 The Committee also pointed out that the Statutory auditors in their Report on the accounts of STC for the year 1987-88 had recommended *inter-alia* as follows:—

“The Internal Audit conducted by the Internal Audit Department of the Corporation needs further strengthening to make it commensurate with the size and nature of business of the Corporation.”

8.24 Asked as to whether the above observation of auditors came to the notice of the Ministry during its reviews, the representative of the Ministry replied as follows:—

“It was discussed at the time of the Annual General Meeting when the annual accounts were presented and it was in the interest of the management that the steps should be taken to strengthen the internal audit system and we understand that necessary action has been taken in this regard.”

D. Performance Review Meetings

8.25 According to the guidelines issued by Bureau of Public Enterprises in 1975, 1980 and 1984, administrative Ministries should hold performance review meetings every quarter in respect of all undertakings under their administrative control associating the representatives of Bureau of Public Enterprises (BPE) and Planning Commission. During the course of examination of the Ministry of Commerce, the Committee enquired as to how many quarterly performance review meetings were held by the Ministry in respect of STC during each of the last 3 years. The Ministry stated in a post evidence reply as follows:—

“During the last years, performance review meetings were taken

by the Commerce Minister/Commerce Secretary on the dates as given below:—

Years	No. of Meetings
1986	2
1987	2
1988	2
1989	4

8.26 Asked about the main directions/suggestions given by the Ministry to STC arising out of such reviews, the Ministry replied in a written note as follows:—

“At some of the review meetings, it was emphasised that STC should identify thrust countries on which special efforts should be made to promote exports from India and formulate long term plans for promoting exports of various products handled by it. The need to give more thrust to the export of non-canalised items was also stressed.”

8.27. The Committee are distressed to note that there have been frequent changes in the incumbent for the post of Chairman, STC during the last 5 years. During this period there have been as many as 8 changes. At three occasions, the Additional Secretary of the Ministry was asked to work as part-time Chairman of the Corporation. Even though there were two full-time Chairmen, one for about two years (from August 1983 to August 1985) and one for about one year (from October, 1986 to October, 1987), it is hardly believable that they left the Corporation merely on personal and health grounds as stated before the Committee. No effort seems to have been made by the Ministry to ascertain the actual reasons for their resignations. Ministry's explanation that since full time Chairman left STC without notice, the Ministry was not given enough time to select new incumbent is most surprising to the Committee. Ministry's inaction can be judged from the fact that it took about 15 month's time in appointing the present incumbent. In this connection, Chairman, STC was candid in his admission during his evidence that “We have a very very wide infrastructure facilities. The only thing that we could not do was that these were not properly channelised because of the chief executives' temporary stay. Long term planning was not done. Nobody looked ahead

towards the organisation. Everybody was busy in disposing of the day-to-day work." At this stage the Committee can only express their displeasure over the casual manner in which administrative Ministry has been managing the affairs of this vitally important public sector undertaking having annual turnover of over Rs. 4000 crores. The Committee need hardly emphasise that such frequent changes at the highest level are bound to adversely affect the working of the Corporation.

8.28. The Committee have been further informed that from January 1989 a full time Managing Director and officiating Chairman has been appointed for STC. Regrettably the terms and conditions of the new incumbent have not been finalised, as these are still stated to be under finalisation by the Government and the appointment of the Chairman is also under consideration. The Committee desire that these should be decided at the earliest as further delay in the matter may give rise to uncertainty in the future long term planning. In this connection the Committee would like to point out that in its earlier Reports the Committee on Public Undertakings have been recommending that the Chief Executives of the public sector undertakings should be given at least 5 years term. This has been again emphasised in their 32nd Report (1987-88) on Accountability and Autonomy of Public Undertakings. The Committee hope that these recommendations would be borne in mind by the Ministry while deciding the term of Chief Executive of any public sector undertaking under its administrative control.

8.29. The Committee note that at present the administrative wing dealing with STC in the Ministry is headed by a Joint Secretary. However, in the recent past Additional Secretary of the same Ministry was asked to officiate as Chairman of STC. It is beyond the comprehension of the Committee how Joint Secretary can evaluate the performance of the undertaking which is headed by an Additional Secretary of the same Ministry. The Committee desire that such an ad-hoc and unhealthy practice should be avoided in future.

8.30. The Committee note that there is provision of four Government directors on the Board of STC. Two of them are the representatives of Ministry of Commerce while other two are from other Ministries like Ministries of Finance and Food. However, the Committee's examination has revealed that working of the institution of Government nominee directors needs further improvement. Even though the Ministry has stated that these directors bring their views before the Government, admittedly at present no written reports are being submitted by these directors. No important case or shortcoming in the working of STC was included in the agenda of Board at the instance of these Government directors. Similarly, no irregularities or shortcomings have been brought to the notice of

Government by these directors on the Board of STC during the last 3 years. The Committee do not approve such laxity on the part of Government directors, who are supposed to be eyes and ears of the Government as far as the working of the public sector undertaking is concerned. The Committee hope that in future Government Directors will perform their functions more purposefully so that the existing mechanism is fully utilised. Needless to point out that this will provide necessary feed back and interaction between the undertaking and the Government

8.31. The Committee regret to note that at present there is no representative of the Ministry of Commerce on the Board of STC. This situation has arisen as the officers who were on the Board of STC have been transferred from the Ministry. The other 2 nominees of the Government from the other Ministries are reportedly there to look after the interest of their respective Ministries. The Committee desire that the Ministry should nominate its two representatives on the Board of STC immediately and in future when some officer is due for promotion/retirement or transfer, advance action should be taken to fill up the vacancy so that Board of concerned undertaking does not remain unrepresented.

8.32. As per BPE guidelines issued in 1969, 1975 and 1980 the Ministries should hold Performance Review Meetings in respect of Undertakings under their administrative control every quarter associating the representatives of Bureau of Public Enterprises and Planning Commission. The Committee have, however, found that Ministry of Commerce held only 2 such review meetings each in 1986, 1987 and 1988. This clearly shows that Ministry has not evinced keen interest in the working of STC. While expressing their displeasure over not holding the required review meetings, the Committee hope that atleast from now onwards the administrative Ministry would activate this mechanism and provide timely guidance to the Corporation to get over the constraints faced by it from time to time.

CHAPTER IX

INSTITUTIONAL FRAMEWORK

A. *Holding Company*

9.1. During the course of evidence of the representatives of Ministry, the Committee referred to the press reports about the reported approval for the proposal of setting up a holding company for STC and MMTC. The Administrative Staff College, Hyderabad was asked to go into the pros and cons of the proposal and submit their Report by end of April, 1987.

9.2. Asked about the latest position in regard to formation of a holding company for STC and MMTC, the representative of the Ministry replied as follows:—

“This was the recommendation of the Administrative Staff College. It was considered and it has not been dropped. But it is not under the active consideration of the Government, at the moment.”

9.3. Explaining it further the Ministry stated in a note furnished after the evidence as follows:—

“Ministry of Commerce has been considering a proposal for setting up a Holding Company covering all the existing Public Sector Enterprises under its administrative control. It was, however, decided that the Administrative Staff College, Hyderabad should study the organisational structure of a Holding Company in the public sector in order to assess its suitability for foreign trade operations. The Committee submitted its report towards the end of 1987 and recommended setting up of a Holding Company for Public Enterprises under the Ministry of Commerce. By that time, both the regular Chairmen of STC and MMTC had resigned. It was, therefore, decided that consideration of the recommendations of the Administrative Staff College should be deferred for the present.”

B. Subsidiaries Companies

9.4. The Corporation has the following subsidiaries to deal with specialised group of items:

- (i) The Handicraft and Handloom Exports Corporation of India Ltd. (HHEC).
- (ii) The Projects and Equipment Corporation of India Ltd. (PEC)
- (iii) The Cashew Corporation of India (CCI)
- (iv) The Central Cottage Industries Corporation (CCIC, Subsidiary of HHEC)
- (v) The Tea Trading Corporation of India (TTCI)

9.5. The following table shows the performance of these above subsidiaries for the years 1986-87 and 1987-88 :

	1986-87			1987-88			Profit before tax (Rs. in crores)
	Turnover	Exports	Profit before tax	Turnover	Exports		
PEC .	104.71	103.05	1.77	91.39	85.36	1.10	
HHEC .	72.37	71.54	0.08	65.75	64.69	0.13	
CCI .	4.63	4.00	1.44	4.17	4.17	1.14	
CCIC .	12.59	0.36	0.16	13.70*	0.32	0.16*	
TTCI . . .	17.76*	13.19	(—)2.45*	28.10*	21.46	(—)1.03*	

(*Provisional)

9.6. In the context of poor performance of the subsidiaries the Committee wanted to know about the system in the corporation to monitor the performance of these companies. STC replied in a note as follows:

"The performance of subsidiaries is monitored through monthly performance reviews of sales, profits, working capital in relation to the targets."

9.7 The Committee also enquired as to whether STC was facing any constraints in controlling as many as 5 subsidiary companies. STC replied in a note as follows:

"Except in the case of CCI, STC does not have any real control on the working of the subsidiaries.

Power for appointment of Directors of subsidiaries

Under the Company Law provisions, shareholders normally exercise control on the companies mainly by virtue of the powers vested in them for the appointment/removal of Directors. In the case of STC's subsidiaries the power to appoint Directors including the Chief Executives vest in the Govt. Since the Chief Executives of the subsidiaries are appointed directly by the Ministry, their accountability to the holding company (STC) is virtually nil. STC has, however, been allowed to nominate two of its representatives on the Boards of the subsidiaries. This does not, however, enable STC to exercise any effective control on the working of the subsidiaries.

CCI

In so far as CCI is concerned its employees are on common cadre with STC employees and one of the Executive Directors of the STC is the part-time Chairman of CCI. Thus STC has a better control on CCI as compared to other subsidiaries."

9.8 In regard to the control over HHEC, STC stated in a note as follows:

"The position of HHEC is also different from other subsidiaries, HHEC is under the administrative control of the Ministry of Textiles whereas STC is under the administrative control of the Ministry of Commerce. Thus even the administrative Ministry of the holding Co. (Ministry of Commerce) does not have any direct control either on the appointment of Board of Directors of HHEC or its operation. This matter was considered by STC Board at its meeting held on 25-3-88 when it was decided that in so far as HHEC was concerned the Government would be approached to delink it from STC by transferring the shares held by STC to the President of India. This decision has already been communicated to the Ministry of Commerce. Government decision on this matter is awaited."

9.9 In reply to a further query STC informed the Committee that HHEC has been subsidiary of STC since 1st June, 1962.

9.10 The Committee further enquired as to whether STC has informed the Ministry that it has really no control over the functioning of its subsidiaries. STC replied in a note as follows:

"Yes. The Question regarding delinking of HHEC from STC was referred to Ministry vide letter dated 28-4-1988. In addi-

tion we have now sent a detailed paper on the subject to the Ministry vide letter dated 23-2-1989 covering the relationship with all our subsidiaries. The Ministry's reaction is awaited."

9.11 Asked as to whether any remainder has been issued by Corporation to the Ministry regarding delinking of HHEC from STC after 28 April, 1988, STC replied as follows:—

"A remainder has been issued to the Ministry on 14-9-1988."

9.12 During course of examination of the Ministry the Committee pointed out that STC informed the Committee that STC was not having any control over its subsidiaries. Asked as to why these were attached with STC when it has no control over the subsidiaries. The Ministry of Commerce replied in a written note as follows:

"STC is represented on the Board of Directors of each of its subsidiaries. By this mechanism it exercises overall control over the subsidiaries.

The various subsidiaries were attached to STC at different points of time when it was thought that STC with its large sized operations would be able to nurture and develop these organisations. However, the STC's proposal for reviewing its linkages with the different subsidiaries is being examined by the Ministry."

9.13 Asked about the action taken by the Ministry with regard to delinking of HHEC from STC. the Ministry stated in note:

"With regard to HHEC, its control, under the Allocation of Business Rules, is now vested with the Ministry of Textiles. The various procedural issues involved in delinking HHEC from STC are under examination and a decision will be taken in consultation with the Ministry of Textiles."

9.14 The Committee further pointed out that while STC was under Ministry of Commerce whereas its subsidiary HHEC was under the Ministry of Textiles. Asked about the system of monitoring this subsidiary the Ministry stated in a note as follows:—

"The HHEC and its subsidiary, CCIC are under the administrative control of the Ministry of Textiles. That Ministry has analysed that the decline in the performance of HHEC is due to the following reasons:

(1) High overhead costs

- (2) lack of assured income from canalised items
- (3) stoppage of promotional assistance by STC
- (4) automatic promotion policy
- (5) skewed officer-staff ratio
- (6) induction of large number of agencies into the field of gold jewellery exports from India.

The decline is essentially on account of decline in exports of canalised items, the performance of which is linked to Government policies. The exports of knitwears have been decanalised. In the field of gold jewellery exports, which was once the monopoly of HHEC, several Government agencies have been introduced. As a result, the indirect exports of HHEC have gone down from Rs. 115 crores in 1983-84 to Rs. 42.87 crores in 1987-88.

The profitability of the Corporation is, however, affected on account of high staff costs as HHEC is following the service rules of STC—its holding company—which causes a heavy burden on the finances of the HHEC.

The Corporation has been advised by the Ministry of Textiles to increase the turnover which would help distribute high overheads over a large volume of turnover, to review operations of the overseas establishment of HHEC constantly with a view to improve their profitability. A decision has been taken to close down HHEC's Carpet Warehouse Depot in Hamburg. HHEC has been asked to draw out a perspective plan spread over to 10 years' period and improve on the exports of Gold Jewellery Schemes operated by various Government agencies. Follow up action is actively being taken on the review meeting taken by Minister of Textiles.

CCIC:

Turnover of the CCIC of India Ltd. has been increasing at the rate of about Rs. 1 crore every year. However, the net profits are not increasing at this rate only because of the high overheads which are due to the fact that the Corporation being a subsidiary of HHEC which is turn is a subsidiary of STC and follow the rules of HHEC which caused burden on the finances of the HHEC."

9.15 The Committee also pointed out that TTCA was incurring losses. Asked about the steps taken to bring it at break even point, Ministry replied in a written note as follows:

"The Tea Trading Corporation of India was incorporated on

21-12-1971 as a Government Company with the primary objective of encouraging exports of value added tea. The activities of the Corporation have diversified to include operation of Public Tea Warehouses and the management of nationalised sick tea units. Initially the company showed profit during the years 1974-75 to 1979-80.

In order to revitalise the TTCL and improve its viability, it was converted into a subsidiary of STC from 16-1-1986. To meet the working capital requirements of TTCL, STC, advanced Rs. 3 crores (Rs. one crore on 8-1-1986 and Rupees two crores on 22-8-1986) at the interest rate of Rs. 12.5 per cent p.a. for a period of one year.

Since TTCL was unable to repay even interest on the loans and in order to improve the financial structure of the Corporation, the loan of Rs. 3 crores was subsequently converted into equity, resulting in interest saving to the Corporation to the extent of Rs. 52 lakhs per annum.

The sale performance of the Corporation during the last two financial years and for the current year 1988-89 is summarised below:—

Year	(Rs. in lakhs) (Metric tonne)		
	Export Sales	Domestic Sales	Total
1986-87	1423.80 (4681 MT)	643.19 (2032. MT)	1886.99
1987-88 (Provisional)	2146.24 (6802 MT)	534.39 (2165 MT)	2680.63
1988-89 (April-Dec.)	2002.00	489.42	2491.42

even after conversion of TTCL into subsidiary of STC, the Corporation continues to incur losses. The financial position of the Company for the last four years is as under:—

	(Rs. in lakhs)			
	1983-84	1984-85	1985-86	1986-87
Profit/Loss	(—)539.43	(—)210.87	(+)32.05	(—)245.04

In view of the continued losses incurred by TTCL, the inability of the STC to provide full financial support to it, the question of delinking TTCL from STC is presently being examined by the Ministry."

9.16 During the course of evidence of the representatives of the Ministry of Commerce the Committee pointed out that there were a number of extremely small organisation like CCI, CCIC, TTCL etc. having very small turn over. Asked as to whether it would not be much more economical to merge them with the STC, rather than to run them separately, as subsidiaries of STC. The representative of the Ministry stated as follows:

"In fact, the entire question of relationship between the subsidiaries, their roles, whether there should be the holding company concept or whether these subsidiaries should be separated, etc. is under examination in the Ministry."

9.17 Asked as to whether the merger of subsidiaries with the STC was also one of the options being examined by the Ministry, the witness stated:

"We are looking at the entire question. So, that would also be examined along with the various other options."

9.18 The Committee are surprised to know that although five subsidiaries viz. PEC, HHEC, CCI, CCIC and TTCL have been attached with STC, it has virtually no control on the working of the subsidiaries. The Chief Executives of these subsidiaries are appointed directly by the Ministry and their accountability to the STC is almost nil. However, in case of CCI, there is common cadre of staff and one of the Executive Directors of STC is appointed as part-time Chairman of this Company.

The position of STC's two subsidiaries viz. HHEC and its subsidiary CCIC is rather peculiar. While STC is under the administrative control of Ministry of Commerce, HHEC is under the administrative control of Ministry of Textiles. HHEC has been attached with STC for last as many as 27 years. It is only recently in March, 1988, when STC has approached the Ministry of Commerce to delink HHEC from them. In this connection, the Committee have been informed by the Commerce Ministry that various procedural issues involved in delinking HHEC from STC are under examination and a decision will be taken in consultation with the Ministry of Textiles. The Committee desire that the decision to delink HHEC from STC should be taken without any further delay.

NEW DELHI;
21 June, 1989.

31 Jyastha 1911 (Saka)

VAKKOM PURUSHOTHAMAN
Chairman

Committee on Public Undertakings.

APPENDIX

Statement showing Approved Cost Vis-a-Vis likely Estimated Cost of construction of Building (Vide paragraph No. 6.14 of the Report).

113.

Sl.No	Item of Work	Estimates prepared by NBCC on Plinth Area Rates of July '75 and approved in March 1977	Estimates approved in March 1986	Likely final expenditure	Difference between (3 & 5)	Cost escalation on a/c Change in specifica-tions	Items of work not originally provided.	Time over run	Other rea-sons	(Rs. in lakhs)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
1	Piling	.	19.40	45.00	45.22	25.82	18.74	1.80	5.06	0.22
2	Civil	262.30	1326.35	1805.95	1543.65	431.38	74.75	557.92	479.60	
3	Water-proofing	3.84	26.00	36.00	32.16	12.72	7.19	12.25		
4	External Glazing	10.61	137.70	119.97	109.36	..	42.45	66.91	..	
5	Anti-termite Treatment	..	0.75	1.50	1.50	1.50	
6	Sanitary & Water Supply	21.58	53.76	62.44	40.86	5.00	32.94	2.92		
7	Land development	1.50	5.86	10.67	9.17	9.17	9.17	
8	<i>Electrical</i>									
(a)	Internal electrification	92.96	110.18							
(b)	Electric fixtures	51.73	38.73	38.73	171.68	..	27.99	124.77	18.92	
(c)	Service connection			36.80	36.80			
(d)	D.G. Set	34.50	37.70					

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
9	Lifts.	20.00	170.07	184.32	164.32	45.54	108.78	10.00	
10	Central Air Conditioning	27.50	237.86	280.63	253.13	64.16	188.97		
11	<i>Fire Fighting</i>								
	(i) Fire detection		43.70	29.28	163.75	65.10	98.65		
	(ii) Fire fighting	9.53	131.81	114.00					
12	Water Softening Plant	Nil	10.00	5.00	5.00			5.00	
13	Tube well	Nil	0.54	0.49	0.49			0.49	
14	Epoxy Grouting	Nil	2.00	10.00	10.00			10.00	
15	Misc. Steel Works	Nil	Nil	11.56	11.56			11.56	
16	Addl. Landscaping	Nil	Nil	15.10	15.10			15.10	
17	Strengthening of ribs	Nil	Nil	6.75	6.75			6.75	
18	Payment to land and Development office	Nil	Nil	52.00	52.00			52.00	
19	Architect's fees		54.69	54.69					
20	EII fees for project Management	35.26	110.00	150.00	169.43			169.43	
21	Contingencies	12.85	30.68	30.68	17.83			17.83	
TOTAL		476.10	2589.76	3279.66	2903.56	464.34	434.88	1392.68	511.66
			say 2590.00	say 3280.00					

APPENDIX II

Statement of Conclusions/Recommendations of the Committee as Public Undertakings contained in the Report

Sl. No.	Reference to Para No. in the Report	Conclusions/ Recommendations
1	2	3
1	1.17	<p>The Committee note that in terms of Bureau of Public Enterprises guidelines issued in 1970, 1979 and 1983 each public undertaking was required to formulate with the specific approval of the administrative Ministry, a statement of objectives and obligations which should <i>inter alia</i>, lay down the broad principles for determining the precise financial and economic obligations of the undertaking in the matter of creation of various reserves, responsibility of self-financing, the anticipated returns on the capital employed and the basis for working out national wage and pricing policies. The Committee, however, regret to note that STC has not yet framed its specific micro objectives. The Committee are not satisfied with the reply given by STC and Commerce Ministry that BPE guidelines were not applicable to the trading organisations like STC and that the micro objectives in terms of turn over, trading profit and other attributes are formulated on year to year basis. The role of STC was redefined in 1977 on the basis of a study conducted by Indian Institute of Management, Ahmedabad. This redefined role was belatedly approved by the Ministry in 1981. As the redefined role is worded in too general terms, the Committee strongly feel that to facilitate realistic and meaningful evaluation of the enterprise by Parliamentary Committees and Government, setting of specific objectives and long</p>

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term objectives is very essential. The Committee, therefore, strongly recommend that micro objectives of STC should immediately be redefined in consonance with the corporate plan of STC, which is reported to be under finalisation and Committee be informed.

2 1.18 The Committee also note that the role of STC as redefined in 1977 *inter alia* includes undertaking a substantial amount of actual trading on their own account including buying, selling, stocking, playing a leadership role, placing due emphasis on the developmental role, playing an effective role as field agency of Government and managing the canalised items. In regard to achieving these objectives, while STC has maintained that it has achieved its role significantly, the Ministry was candid in their admission that whereas they were satisfied with the role of STC in regard to imports of canalised items but much more was still desired to be done by STC in case of exports. As discussed elsewhere in the Report that the STC has been mainly performing the role of importing agency, the Committee would like to point out that mere laying down the high sounding statement of objectives does not serve any purpose. The Committee, therefore, feel that a time programme should have been chalked out for achieving each of the objectives. The Committee recommend that STC should immediately formulate a time bound programme for achieving its objectives and obligations. The Committee also feel that a paper on the actual performance of the Corporation during 1980 to 1988 in fulfilment of its objectives and obligations, is brought out and placed before Parliament to enable members to assess the growth and activities of the Corporation on a realistic basis.

3 1.19 It is incredible, yet true that a big public sector undertaking like STC which is in existence for the

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last 32 years has been hitherto functioning without a corporate plan. The Committee, however, regret to note that though the Bureau of Public Enterprises had issued the guidelines as far back as in 1974, requiring each undertaking to prepare the Corporate plan with formal ratification/approval of the administrative Ministry, STC has yet to finalise the same. Chairman, STC was frank enough to admit during evidence that, "The exercise was undertaken several times. It got shelved every time." What dismays the Committee further is that even the administrative Ministry appears to have not cared to pursue the matter with STC, otherwise there does not seem to be any plausible reason on account of which the Corporate Plan could not be finalised even after 15 years of the issue of BPE guidelines.

4 1.20

The Committee are simply astonished to hear from the representative of the Ministry during oral evidence that in the past different Chairman used different methodologies for projecting the future role of STC in the absence of the Corporate Plan. While expressing their displeasure, the Committee desire that the Corporate Plan, the details of which are reportedly being worked out, should be finalised expeditiously and laid before the Parliament immediately and in no case later than the end of 1989.

The Committee regret to note that country's share in world's total exports has been below 0.50 per cent. Country's share which was 0.48 per cent in 1982 and 1983 came down to 0.46, 0.39 and 0.45 per cent in 1984, 1985 and 1986 respectively. It increased to 0.48 and 0.49 per cent in 1986-87 and 1987-88 respectively. Astoundingly country's exports are stagnating at 1982 level. Taking inflation and price index into account, the exports have fallen in real terms. As the country is having adverse balance of payment at present, there is a greater need for increasing the exports. Since most of the

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trading public sector undertakings (like STC, MMTC and their subsidiaries) are under the administrative control of Ministry of Commerce, the Committee recommend that the Ministry should formulate a long term plan for boosting the exports.

6 2.48 The Committee are dismayed to learn that so far the share of STC in the country's total annual exports has been very small i.e. 3 to 4 per cent only. In view of the fact that STC is in the export business for the last 33 years and one of its major objectives is to play the role of a leader in the matter of exports, the Committee feel that achievements of STC in the field of exports are quite unimpressive. Despite the various export promotion activities undertaken by STC, its total exports which were Rs. 796.11 crores in 1983-84 have gone down to Rs. 580.99 crores in 1987-88. Targets for exports for the year 1988-89 fixed at about Rs. 700 crores have already been reduced. The Committee are not at all happy with export performance of STC particularly when it is exporting about 300 items to about 100 countries and when it is reported to have tremendous potential for exports.

7 2.49 The Committee also note that export of non-canalised items which were Rs. 434 crores in 1983-84 have come down to Rs. 224 crores in 1985-86. However, it increased to Rs. 407 crores in 1987-88. One of the reasons for poor export performance given by STC is also stated to be due to decanalisation of certain canalised items. The Committee do not find this argument quite convincing as they feel that as a result of de-canalisation of certain item, STC is not debarred from exporting these commodities. What is needed is that STC has to make vigorous efforts to export non-canalised items. Chairman, STC was candid in his admission that 'one of the weaknesses of this organisation is that it could not grow in the non-canalised trade'. The Committee have been informed that more efforts are being made

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to increase the export of non-canalised items. STC has drawn up a plan to increase exports of non-canalised items to Rs. 1500 crores in the next 3 years i.e. by 1992. The Committee feel that though setting up of such a target is laudable yet; what is more important is achieving the same, therefore, the Committee desire that a time bound programme should be chalked out to achieve the same. Needless to emphasise that progress of such programmes should be reviewed at different intervals for taking remedial measures wherever necessary.

8 2.50

The Committee have been informed that STC is facing certain constraints in increasing their exports. These are slow decisions making process, principle of equality to all concerned and constraints of socio-economic obligations. To overcome these constraints, Chairman, STC informed the Committee that in order to compete with the private sector they are now in the process of making rules and regulations which are more flexible. Market survey for identifying the new markets for exports is reported to be completed by 31st March, 1989. The Committee recommend that Government should examine the constraints faced by STC and as far as possible it should provide necessary help in overcoming these constraints so that STC is able to compete with private sector in a big way.

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The Committee are sorry to note that on the one hand its export performance is poor on the other hand its export figures include exports effected by so-called associates of STC. In certain cases associates may be other public sector undertakings. In Committee's view this is a clear case of duplication of export figures. The auditors' report has rightly drawn attention to the fact that 'sale and purchases of business associates have been accounted for as its own sales and purchases'

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thus overstating the same. STC's explanation that 'it was done as per accounting policy of STC' is totally unsatisfactory. From the figures of exports, it is difficult for the Committee to make out the extent of exports generated by its own marketing activities for which STC is having many Indian and as many as 16 foreign branches. Accordingly, the Committee recommend that there should be two separate accounts showing the exports made by STC directly and its business associates. This should be reflected in the Annual Reports of the Corporation.

10 2.52 The Committee are unhappy to note that STC has become merely a Government importing agency. The Committee note that total turnover of the STC increased from Rs. 2735 crores in 1986-87 to Rs. 3646 crores in 1987-88. However, more than 80 per cent of this is on account of total turnover of 3646 crores, the imports were of the order of Rs. 3037 crores. For the year 1988-89 targetted imports are of the order of Rs. 3506 crores. Since most of these imports are made at the instance of the Government, STC can hardly take any special credit for the bulk of turnover. Since the Committee have not gone into the details of imports like price, terms and conditions and international prices etc. the Committee are not in a position to assess the performance of STC in the matter of imports.

11 2.53 From the item-wise details of imports it has been noticed that main item is edible oil (Rs. 2223 crores in 1987-88) followed by sugar, newsprint and rubber. The Committee feel concerned about the turnover of STC in the coming years in case indigenous availability of these items is increased thereby reducing the gap between demand and supply. The Committee, therefore, urge upon the Government

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and STC to take effective measures to improve the export performance.

12 2.54 The Committee observe that while importing the bulk of commodities worth above Rs. 3000 crores, no serious efforts have been made to secure exports business through counter-trade. Since the practice of counter-trade agreements is very common in export-import business these days, STC should also utilise it for the country's advantage. The Committee, therefore, recommend that in future all out efforts should be made to secure export orders while making imports through counter-trade agreements.

13 2.55 The Committee have not gone into the details of import price and selling price of imported items. However, it appears to the Committee that there are wide variations between the import price and selling price. For instance the import cost price of edible oil for the year 1987-88 was Rs. 8853 PMT while its selling price was fixed at Rs. 11907 thereby earning a surplus of over Rs. 3000 PMT. Similarly during the current year i.e. 1988-89 as against the import cost of Rs. 6564 PMT, the selling price ranged from Rs. 11000 PMT to 19000 PMT. While STC charge about 1 per cent commission on imports all surplus revenue is reportedly refunded to Government. In this context, the Committee have been informed by representative of the Ministry of Commerce that the fixation of selling price etc. is done by concerned Ministries.

14 2.56 The Committee have also noted that for the first time STC signed a Memorandum of Understanding with the Government for the year 1988-89. Even though the Government have implemented its commitments, the Committee regret to note that export targets which were fixed for the year under MOU at Rs. 700 crores have been lowered down. The

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Committee were also informed by representative of Ministry that next MOU is under finalisation and it will be export oriented having targets upto 1995. The Committee desire that unlike previous MOU, efforts should be made by STC to achieve the export targets.

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The Committee regret to note that STC's net profit is declining year after year. From a profit of above Rs. 61 crores during the years 1984-85 and 1985-86 it has come down to Rs. 55 crores in 1986-87 and Rs. 52 crores in 1987-88. As regards the decline in profits the Corporation has stated that this is due to change in Government policy in relation to financing the imports. It has also been observed from the activity-wise results of STC that it is earning profits mainly on imports. As discussed earlier in the Report that in case there is decline in imports it will be very difficult for STC to maintain its current profitability trend. The Committee are of the view that since profits have been earned from charging commission by importing canalised items, STC's performance cannot be judged by profitability alone. The Committee, therefore, recommend that effective steps should be taken by STC to keep its over-head expenses at a minimum possible level.

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to 3.55

The Committee have not gone into details of all export agreements but they have examined three selected export deals on the basis of news items which appeared in the Press. One of these deals relates to the garment export while the other two relate to export of rice to Gulf countries. Committee's examination of these deals indicate that the integrity of STC personnel is not above board. Giving undue favours to the private parties at the cost of the larger interest of the Corporation appears to be a normal practice in STC. In case of garment deal

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the officers of STC at Bombay placed almost all the garment quota worth more than a crore on a non-associate viz. M/s. Haria Exports Ltd. The Committee take a serious note of the matter particularly in view of the fact that orders were placed on a non-associate while disqualifying the already 20 registered associates. STC first placed orders on M/s. Haria Exports to the tune of Rs. 84.13 lakhs out of Rs. 121.63 lakhs and subsequently the order placed on M/s. Ambattur Clothing was also given to M/s. Haria Exports Ltd.

The report of the vigilance division of the Corporation in the above case has clearly brought out as to how the officials of STC were systematically giving undue favour to one firm. Had the concerned officers cared for the interests of the Corporation it could have earned more than Rs. 40 lakhs in this deal. M/s. Haria Exports Ltd., got the benefit at the cost of STC obviously with the support of STC officials. Even the orders of Head Office regarding giving un-utilised quota on all India basis thereby denying equal opportunity to other eligible associates were flouted. The case was later referred to CBI in December, 1987 for investigation. CBI report is still awaited.

The Committee are astonished to note that in spite of the findings of Vigilance Division that un-due favours were shown to M/s. Haria Exports ignoring all ethics, rules and orders, no action has hitherto been taken against any of the dealing officers. The Committee are not satisfied with the explanation of STC that all the dealing officers have been transferred to non-sensitive posts and further action can be taken on receipt of the CBI Report in the matter. The Committee feel that STC is trying to shield these officers. Since it has been established that some officers have committed irregularities and have

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caused substantial financial loss to the Corporation, the least that was expected was to suspend the concerned dealing officer. The Committee hope that STC will now take immediate action to suspend the concerned officials immediately without waiting for the CBI report.

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It is a matter of serious concern that one of the dealing officers has been allowed to go scot free by the STC. STC's contention that pending of CBI report, there was no case against the officer and his resignation was accepted is far from satisfactory. The concerned officer has taken all dues from STC. The Committee have also come across some other cases of similar nature. It appears to Committee that STC is deliberating trying to protect the guilty officers by delaying action against them and allow them either to resign or retire and that too with full retirement benefits. The Committee desire that in order to eliminate chamees of corruption in the Corporation, it should be ensured that enquiries into cases of corruption/malpractices are completed expeditiously and stern action taken against officers found guilty.

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The Committee regret to note that STC could not fulfil its obligations in a rice deal agreement entered into with Abu Dhabi Authorities in 1985 for about 10,000 MT basmati rice. It appears to the Committee that STC has not been in a position to take any action against its associates who fail to honour their commitment made to STC. In this case STC first identified 3 parties and contracts were signed with them. These parties later backed out. Again STC identified other 3 parties. However, their samples were not acceptable to the buyers i.e. Abu Dhabi Municipal authorities. The cases against these parties are reported to be under court/arbitration proceedings. The Committee find that all business with these parties is reported to have been banned by STC in February, 1987. But it has been done only on the recommendation of CBI. The Committee's dismay STC on its own did not take any action to black list the defaulting associates even though the default was known to the mass far back as in 1985. The effect of the failure of the deal has been that STC has not been able to export any rice to Abu Dhabi after this episode.

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In the above case CBI had recommended major penalty against Shri K. C. Hazarika, Chief Marketing Manager. However, the then Chairman took a view that since the official had only a peripheral role to play an oral warning might be administered. This was not agreed to by Central Vigilance Commission and Ministry of Commerce. Even though the CBI report was received in December, 1986 it is only recently that a charge sheet has been issued to the concerned official. The Committee fail to understand as to why the officer has not been placed under suspension. When the CBI recommended major penalty against him and even the Ministry and C.V.C. held the same view. The Committee cannot but express their displeasure over the inordinate delay on the part of STC in taking action in this case. Although

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the CBI submitted its report in December 1986, the S.T.C. issued charge sheet only in 1989.

20 3.59 The Committee note that annual requirements of rice of 6 Gulf-countries is more than 2 lakh metric tonnes. For importing the rice, these countries have formed a body namely Gulf Cooperation Council (GCC) having its Secretariat at Riyadh. Every year this Council asks the exporter countries to attend their meeting for negotiations. Even though STC was first contacted by GCC in December, 1985, no efforts were since made to identify a good number of associates. STC first started negotiations with a Bombay based consortium of firms. Certain State agencies like UP, Punjab and Haryana State Corporations were also approached however, these agencies expressed their inability to export rice in bulk. Later on STC received one offer from a Delhi based firm viz. Rahmatulla & Co. In this connection, it has been noticed that the Rahmatulla & Co. offered a rate of 721 US \$ as compared to the rate of 825 US \$ offered by Bombay based consortium. The Bombay based consortium also insisted that STC would not enter into deal with any other firm. As the consortium was not agreeable to drop this condition and also for lowering down the rates, the contract was awarded to Rahmatulla & Co.

After having gone into details of this contract, Committee find that the matter is not above suspicion. Regrettably no open tenders were called for inviting the officers. STC's explanation that "if tenders had been invited, the basmati market might have flared up and no business probably could have been concluded" seems to be totally ununderstandable. The Committee find no justification for this explanation. It seems that a number of offers were received for Basmati rice and many parties were interested for enrolment as associates. In some cases, the rates

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offered were even lower than the one offered by Rahmatulla & Co. The Committee, therefore, feel that in cases of such bulk orders open tenders should be invited and wide publicity should be made so that STC gets better and competitive offers.

21 4.9 The Committee are dismayed to note that neither the STC nor the Ministry have made any proper assessment of the manpower requirements of the corporation, and no scientific study has been undertaken in this regard so far. The Committee were informed by STC that recently a Committee was set up to review the detailed manpower requirements of the Corporation. However, its Report could not be implemented as it was confined to Corporate Office only. The Committee are unable to understand as to why the Committee set up to review the manpower requirements of STC submitted its report on corporate office only when it was to cover all branches in India and abroad. Since there has been no scientific evaluation of the manpower needs of the Corporation as a whole, at any time, the Committee recommend that for a proper and realistic appraisal of the manpower needs, STC should entrust this work to a recognised management institution like National Productivity Council. The Committee may be informed of the action taken in the matter at the earliest.

22 5.55 The Committee are quite unhappy to note that so far STC has not considered the necessity for having a centralised cell for registering the various complaints received from different sources like buyers, suppliers associates etc. Chairman, STC was quite candid to admit during his evidence before the Committee that "Here I must admit that this is an area where there is no central cell in the Corporation which can receive complaints, register them, record them and take action." This is decidedly a very sad commentary on the working of a big public sector undertaking like STC which is in existence for the last 32 years. While expressing their displeasure over

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this lapse, the Committee trust that as assured by the Chairman STC during the evidence, this centralized system might have started working by now. The Committee would like to be apprised of the latest position in this regard.

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The Committee observe that there are several areas in STC which are sensitive from vigilance angle and are open to corruption. Some of the sensitive points and places likely to cause corruption are reported to have been identified by STC and include placement of orders on suppliers both for imports and exports, hiring of storage space, awarding contracts for export/import commodities, appointment of agents, selection/recruitment and posting etc. With regard to the remedial measures undertaken by STC to overcome the existing loopholes in such divergent areas, the Committee have been informed by STC that they have followed the system of rotation of staff transferring 200 to 300 managers and staff members each year. Besides, a study of systems and procedures is also being conducted by the Vigilance Division with a view to improve upon the existing system. The Committee desire that this study should be completed at the earliest and steps be initiated to improve upon the existing practices and procedures with a view to evolve a system which is free from present shortcomings.

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The Committee regret to note that despite the fact that STC is a large public sector undertaking having most of the areas which are highly sensitive and prone to generate corruption and that there are many CBI cases pending, there is no regular vigilance officer in the Corporation who is qualified enough to hold such a sensitive and important post. The Committee feel highly dissatisfied with the present set up of Vigilance Department of STC which is reported to be headed at present by one Chief Finance Manager. They fail to understand how a person with an entirely different background can do

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full justice to such type of job. During the course of the evidence the Committee have been informed that efforts were made in the past for appointing suitable officers through the Department of Personnel, but the same did not bear fruit because the officers did not find this post attractive enough, however, a decision has been taken recently to make this post more lucrative offering thereby higher pay, more facilities and some other perquisites. The Committee hope that S.T.C. would take steps to appoint a senior officer from I.P.S. or Department of Personnel on this post so that he is able to discharge his functions independently, and is not susceptible to any kind of pressure. The Committee expect that this aspect which hitherto stands neglected will now be taken care of by the Ministry and the Corporation.

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The Committee regret to note that one of the weaknesses of the Corporation has been that it has not taken appropriate action against the guilty officials even on the basis of CBI recommendations. STC's own vigilance division is evidently very weak. This is further strengthened by the fact that as against the reported 42 CBI cases against STC officials, the Corporation has given details of only 11 cases. Out of these only two cases were referred by STC to CBI for investigation. The other cases have been taken up by CBI themselves for investigation. The Committee fail to understand how an outside agency could have better information in regard to the mal-practices indulged in by the officials of the Corporation as against its own Vigilance Department which apparently miserably failed to take notice of such cases of corruption/favouritism etc. The statement of STC that "there may also be some other cases directly taken up by CBI without reference of STC is regrettable and shows the weakness of the Vigilance Department of STC. The Committee wonder how this Department which is reported to be adequate enough to handle the complaints is functioning when it is not even aware of the cases of irregularities

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under examination of C.B.I. The Committee desire that STC should approach the CBI to ascertain the full position of cases pending against their officials.

26 5.59 The Committee note that Shri Yoginder Raj, General Manager, has been found guilty by CBI in two cases viz. alleged sale of imported cement in black in 1984 and for having amassed disproportionate income. CBI Report in the first case was received by STC in June 1988. However, Chairman, STC took about 4 months time in according sanction for the prosecution of the guilty official in the court of law. In the second case the CBI Report was received on 29th December, 1988 recommending major penalty against the official and placing him under suspension. The Chairman, STC informed the Committee during his evidence that 'CBI has now stated that in view of the fact that since the concerned officer is retiring shortly he may not be placed under suspension'. The Committee fail to understand as to why the concerned official could not be placed under suspension in June 1988 itself when he was found guilty by CBI in cement case.

27 5.60 The Committee are further astonished to note that in such cases not only STC has failed to take action against the guilty officials but they have also been allowed to avail of all terminal benefits like Provident Fund, gratuity etc. The Committee have found that while STC cannot retain P.F., it can certainly withhold payment of gratuity. The Committee hope that in future STC will take due care in this regard.

28 5.61
and
5.62 Similarly, in another case, Shri B. N. Rao, General Manager, was found guilty by CBI. In 1980-81 he entered into or was a party to criminal conspiracy with S|Shri K. V. Seshadri, the then Managing Director, FCI, M/s. Action S. A. Pari and their agents causing loss to Government of India to the tune of about US dollars 8,54,000 approx. It

is a matter of serious concern that while the Report of CBI was received in August, 1984, the sanction for prosecution was accorded by Chairman, STC as late as in January, 1986. The Committee are shocked to note that STC even made a request to the CVC to lower down the punishment from prosecution in Court to departmental enquiry. The case is now reported to be pending for trial in Court.

The Committee are perturbed to note that inspite of the fact that a CBI enquiry was pending against Shri Rao, he was promoted as General Manager w.e.f. 13-4-1983. The Committee take a serious note of this especially when such a serious charge of criminal conspiracy causing thereby pecuniary loss to the Government of India was pending against the concerned official, at the time of promotion. The Committee are surprised at STC's explanation that the officer has been posted to a non-sensitive division now. In Committee's view transfer from one division to another division is no punishment. The Committee desire that in order to improve the work culture of the organisation STC should get rid of at least such officials who have been found guilty by CBI|CVC of serious charges of criminal conspiracy or causing financial loss to Government of India.

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5.63

In yet another case Shri P. Srimannarayana, Marketing Manager was found guilty by CBI. In connection with irregularities in purchase of tobacco. CBI recommended Shri Srimannarayana's prosecution in the Court and the sanction orders for the same were issued in April, 1982. The case is pending trial in the court of special judge for SPE cases, Vishakhapatnam. The Committee are dismayed to learn from STC that the official retired in July 1984 and all retirement benefits including P.F. and Gratuity were given to him. In this connection, Committee would like to draw the attention of STC to their Death-cum-Retirement Gratuity Regulations.

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Section 6(c) of these rules provides *inter alia* as follows:—

"An employee against whom disciplinary action/proceedings are contemplated or are pending at the time of resignation/retirement etc. will not be paid gratuity unless the action/proceedings against him have been finalised. On finalisation of the disciplinary proceedings, the release of payment of amount of gratuity will depend upon the final outcome of the disciplinary proceedings and keeping in view the orders of the disciplinary authority."

The Committee fail to understand as to how the payment of gratuity could be made to the officer in view of the above rules. The Committee, therefore desire that appropriate action should be taken against the officials who are responsible for making payment of gratuity.

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The perusal of file of Shri Srimannarayana regarding his retirement by the Committee further shows the extent to which STC can go in helping its officials who have been found guilty by CBI and CVC. In view of Court case against Shri Srimannarayana, he tendered his resignation on 10-6-1983. The matter was then referred to CVC through Ministry of Commerce. The Ministry communicated as under:

"The matter was taken up with CVC who have advised as follows:

'Ministry of Commerce may take their own decision on accepting resignation of Shri P. Srimannarayana, Marketing Manager, STC which is an administrative matter. In case his resignation is accepted, the Ministry may mention

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the fact of criminal prosecution in the letter of acceptance."

The Committee are surprised to note that instead of acting immediately upon the advice tendered by CVC, Shri Srimannarayana on the contrary was informed to this effect in a manner which was suggestive enough and was asked if he would yet like to resign. Shri Srimannarayana thereafter on reconsideration on 4th July, 1983 requested that his resignation be treated as voluntary retirement which could not be accepted by STC in the absence of rules to this effect. Thereafter on 18th Jan., 1984 a request was made by him for withdrawal of the resignation which was accepted and he was ultimately allowed to retire on attaining the age of superanuation on 31st July 1984 and an order to this effect was issued on 7.6.1984. Regrettably there was no mention about the criminal prosecution. The facts in the file clearly show the attitude adopted by the officials of STC in the present case who tried to help the defaulting officials out of the way even when not less than 4 CBI cases were reported to be pending against him at that time.

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The Committee further note that CBI reports on the purchase of Tobacco in 1978 had revealed that STC did not check the Central Excise Register of the godown to ensure that the stocks offered were of the actual growers. Complaints were received that a number of bogus agents/syndicates were formed and tobacco which did not belong to the actual growers was offered for sale and bought by STC. However the Committee are shocked to hear from representative of STC that the matter is still under investigation by CBI though a period of about 10 years has elapsed. The Committee desire that CBI should be approached immediately

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for finalising their investigation. Appropriate action should also be taken against the officials found guilty.

32 5.66 The Committee regret to note that even though many cases have gone through the Ministry of Commerce to CBI, the Ministry have now shown ignorance about these cases on the plea that as per the latest guidelines, vigilance cases of the Board level officers only come to them. The Committee are not at all satisfied with such a reply and feel that being an administrative Ministry at least it should ensure that appropriate action has been taken by STC in cases which come to the notice of Ministry or cases which were referred to CBI through the Ministry. In Committee's view, the Ministry can not absolve itself of such responsibility.

33 5.67 As per the revised guidelines only complaints relating to Board level officers are sent to the Ministry. However, representatives of the Ministry informed the Committee during their evidence that the Ministry passes on these complaints to STC for examination. The Committee wonder how STC will verify the truthfulness of complaints against its top level officials. For instance, in one Board level case STC is yet to give reply to the Ministry. The Committee, accordingly, desire that the Ministry should examine this matter with a view to improve upon the present system.

34 5.68 From the examination of the above cases, the Committee have noticed that the officers against whom allegations of serious nature were pending or who were found guilty by CBI, were allowed to resign/retire from service and all the terminal benefits paid to them in violation of the existing rules. The Committee cannot but express their serious concern and anguish over such action on the part of STC authorities who allowed the delinquent officers to go scot free. The Committee, therefore, desire that

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action should be taken against the officers who were instrumental in relieving the guilty officers from STC. STC should also ensure that such cases do not recur in future.

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Recently, STC has constructed their 23 storey-ed office complex which is reported to be the highest building in Delhi on Tolstoy Marg in New Delhi. The Committee's examination has revealed several disquietening features in regard to the construction of the building. Despite the fact that the Bureau of Public Enterprises issued guidelines as far back as in 1968, inter alia recommending that CPWD, being a Government agency was in a position to undertake the Civil construction work and there were several advantages in entrusting this work to CPWD, the construction work was assigned to private contractor by STC in February, 1979. The Committee fails to comprehend as to why the work could not be awarded to CPWD and more so when they were willing to undertake this work as deposit work in accordance with the Government rules and as per the standards laid down for other similar Government buildings. The contention put forward by STC to the effect that the work was not entrusted to CPWD because it was felt that the building is prestigious, fails to satisfy the Committee. The Committee also do not understand the logic behind laying down of such a lavish design for this building especially in view of several guidelines and detailed instructions issued by BPE from time to time for exercising utmost economy with regard to the construction of Administrative Buildings. Taking note of the huge cost escalation, time over-runs and cracks in the building and subsequent CBI case in this matter, the Committee are of the firm opinion that the construction work should have appropriately been awarded to a Government Agency like CPWD or NBCC which are already undertaking huge construction work on behalf of Government and Semi-Government Departments.

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36 6.35 For office building a cost estimate was prepared by National Building Construction Corporation (NBCC) at Rs. 476.10 lakhs. The contract of civil work was approved in February, 1979 in favour of private contractor (M/s. UGC) at about Rs. 438 lakhs. The Committee are quite unhappy and are rather astonished to note that estimates were revised to as high as Rs. 2590 lakhs in December, 1985 and the same were approved by the Ministry in March, 1986. What further dismays the Committee is that final estimates for the building are now stated to be as much as Rs. 3280 lakhs which is almost 8 times the original estimates and the expenditure beyond Rs. 2590 lakhs has yet to be approved by the Ministry. The reasons put forward for the cost escalation of about 700 per cent in the construction of the office building are stated to be under-estimation by NBCC, cost escalation due to time over-runs and expenditure on items like fire fighting equipment which were not included in the original estimates. The Committee are not convinced of the reasons advanced by STC as these factors should have been taken care of at the time of preparation of original estimates.

37 6.36 and 6.37 The Committee further regret to note that apart from huge escalation there has also been time over-runs in the construction of the building. As per the tender for civil works issued in 1978-79 the civil works were to be completed within 30 months of the issue of letter of intent i.e. by September, 1981. However, as per the new addendum signed with the contractor in July, 1987, the civil works were to be completed by September, 1988. Thus, there has been a delay of about 7 years in the completion of the building. The representatives of the Ministry were candid enough in their admission before the Committee that about 65 per cent of the cost escalation has been due to time over-runs alone. The main reasons for the abnormal delay given by STC are

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delay of about 15 months in handing over of the site to the contractor, inadequate supply of cement/steel during 1981-82 due to ASIAD, incorporation of additional fire protection measures etc. The constraints faced due to ASIAD were only for a short period of one year (1981-82) and so far as handing over of the site was concerned it was the responsibility of STC entirely.

The Committee are, therefore, not at all satisfied with the reasons put forward by STC which do not justify long delay of 7 years. The Committee is also pained to note the slack attitude of the Ministry in this regard as they also delayed the matter when complaints were received for having awarded the contract to a private contractor and sat over the issue for almost one year i.e. from 1979 to 1980. It appears to the Committee that STC has failed miserably in monitoring the progress of the construction work of the office building. Timely completion of the construction would have not only reduced the cost considerably but STC could also have benefited a great deal by either renting out the complex or by self-occupation.

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The Committee are further distressed to find that besides the huge cost and time over-runs, the building had developed cracks in three floors. The Committee visited the building for an on-the-spot study and noticed that cracks were visible in basement and other two floors. What disturbs the Committee further is that STC has not so far been able to establish definite cause for these cracks hence no responsibility has been fixed on the contractor or the architect. Evasive replies of the representative of STC in this regard failed to satisfy the Committee during the evidence. The fact, however, remains that both EIL/IIT have recommended strengthening the affected ribs. An expenditure of approximately Rs. 1.5 lakhs has been

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spent for strengthening the ribs alone besides an expenditure of Rs. 10 lakhs incurred towards sealing the cracks.

39 6.39 The Committee have been informed by the representatives of the Ministry of Commerce, that in the context of cost and time over-runs, cracks in the building and similar complaints, the matter has been referred to CBI in 1987 and they have been asked to investigate in detail the whole matter right from the award of the contract to the escalation, irregularities and various other allied matters. In view of this, the Committee recommend that matter may be taken up at the highest level in the Government for getting the CBI report expedited. The Committee expect that both STC as well as the Ministry would take immediate follow-up action on this report. The Committee would also like to be apprised of the recommendations of CBI and the subsequent action taken thereupon both by STC as well as the Ministry.

40 7.13 The Committee are perturbed to note that STC constructed a Community Centre at its colony in New Delhi in 1980 at a cost of Rs. 20.10 lakhs as against the estimate cost of Rs. 11.98 lakhs. This Centre has not been put to any use so far. The design for the Centre was prepared by the Corporation's Chief Engineer and the work was executed under his supervision. During the course of execution of the work, roof of the Centre sagged by 1 to 2 feet. In this connection, STC approached University of Roorkee to give their opinion about the cause of the defect. The Roorkee University opined that since the cracks had reached upto the top it was not safe for any one to enter or remain under the roof. It was also stated that sagging of roof was mainly due to structural failure of beams as a result of inadequate provision of bottom steel as well as poor quality of concrete. *

The Committee are astonished at the role played by the concerned Chief Engineer in the whole episode.

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Although the defects pointed out by him to the contractors in 1980 remained unattended, he informed the contractors in March, 1981 that they should sign measurement book so that action could be taken to make payment to them. The Chief Engineer also certified in the measurement book that the work had been done as per specifications. As regards the action taken against the Chief Engineer, STC informed the Committee that no action could be taken on the basis of interim report of Roorkee University and the final report was received on 3.9.1982 when the Chief Engineer had already retired. The Committee feel sorry to hear from the representatives of STC that at present there is no rule or machinery under which they can take action against the retired persons. They are unable to comprehend this position. An officer found guilty of criminal charges cannot be allowed to go scot free. They, therefore, recommend that this matter should be entrusted to CBI for inquiry against the retired Chief Engineer and he may be prosecuted in a Court of Law, if found guilty. The Committee desire that action should also be taken against the officers responsible for making payment of terminal benefits to the Chief Engineer.

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It also came out during the examination that no responsibility could be fixed in this case on any officer of STC other than the Chief Engineer as he was handling all matters relating to the construction of the Centre like designing, laying down specifications, even recording the measurements in the measurement book and certification and verification of contractors bills himself. This clearly shows the lacunae in the working system of STC. The Committee desire that the Corporation should undertake an indepth study of the different channels of work submission at various levels with a view to ensure that in future no individual officer deals with a particular work alone and there is a system of checks and balances.

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42 8.27

The Committee are distressed to note that there have been frequent changes in the incumbent for the post of Chairman, STC during the last 5 years. During this period there have been as many as 8 changes. At three occasions, the Additional Secretary of the Ministry was asked to work as part-time Chairman of the Corporation. Even though there were two full-time Chairmen, one for about two years (from August 1983 to August 1985) and one for about one year (from October, 1986 to October 1987), it is hardly believable that they left the Corporation merely on personal and health grounds as stated before the Committee. No effort seems to have been made by the Ministry to ascertain the actual reason for their resignations, Ministry's explanation that since full time Chairman left STC without notice, the Ministry was not given enough time to select new incumbent is most surprising to the Committee. Ministry's inaction can be judged from the fact that it took about 15 month's time appointing the present incumbent. In this connection, Chairman, STC was candid in his admission during his evidence that "We have a very very wide infrastructure facilities. The only thing that we could not do was that these were not properly channelised because of the chief executives' temporary stay. Long term planning was not done. Nobody looked ahead towards the organisation. Every body was busy in disposing of the day-to-day work." At this stage the Committee can only express their displeasure over the casual manner in which administrative Ministry has been managing the affairs of this vitally important public sector undertaking having annual turnover over of Rs. 4000 crores. The Committee need hardly emphasise that such frequent changes at the highest level are bound to adversely affect the working of the Corporation.

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The Committee have been further informed that from January 1989 a full time Managing Director and officiating Chairman has been appointed for STC. Regrettably the terms and conditions of the

new incumbent have not been finalised, as these are still stated to be under finalisation by the Government and the appointment of the Chairman is also under consideration. The Committee desire that these should be decided at the earliest as further delay in the matter may give rise to uncertainty in the future long term planning. In this connection the Committee would like to point out that in its earlier Reports the Committee on Public Undertaking have been recommending that the Chief Executives of the public sector undertakings should be given at least 5 years term. This has been again emphasised in their 32nd Report (1987-88) on Accountability and Autonomy of Public Undertakings. The Committee hope that these recommendations would be borne in mind by the Ministry while deciding the term of Chief Executive of any public sector undertaking under its administrative control.

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8.29

The Committee note that at present the administrative wing dealing with STC in the Ministry is headed by a Joint Secretary. However, in the recent past Additional Secretary of the same Ministry was asked to officiate as Chairman of STC. It is beyond the comprehension of the Committee how Joint Secretary can evaluate the performance of the undertaking which is headed by an Additional Secretary of the same Ministry. The Committee desire that such an ad-hoc and unhealthy practice should be avoided in future.

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8.30

The Committee note that there is provision of four Government directors on the Board of STC. Two of them are the representatives of Ministry of Commerce while other two are from other Ministries like Ministries of Finance and Food. However, the Committee's examination has revealed that working of the institution of Government nominee directors needs further improvement. Even though the Ministry has stated that these directors bring their views before the Government, admittedly at present no

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written reports are being submitted by these directors. No important case or shortcoming in the working of STC was included in the agenda of Board at the instance of these Government directors. Similarly, no irregularities or shortcomings have been brought to the notice of Government by these directors on the Board of STC during the last 3 years. The Committee do not approve such laxity on the part of Government directors, who are supposed to be eyes and ears of the Government as far as the working of the public sector undertaking is concerned. The Committee hope that in future Government directors will perform their functions more purposefully so that the existing mechanism is fully utilised. Needless to point out that this will provide necessary feed back and interaction between the undertaking and the Government.

46 8.31 The Committee regret to note that at present there is no representative of the Ministry of Commerce on the Board of STC. This situation has arisen as the officers who were on the Board of STC have been transferred from the Ministry. The other 2 nominees of the Government from the other Ministries are reportedly there to look after the interest of their respective Ministries. The Committee desire that the Ministry should nominate its two representatives on the Board of STC immediately and in future when some officers is due for promotional retirement or transfer, advance action should be taken to fill up the vacancy so that Board of concerned undertaking does not remain unrepresented.

47 8.32 As per BPE guidelines issued in 1969, 1975 and 1980 the Ministries should hold performance Review Meetines in respect of Undertakings under their administrative control every quarter associating the representatives of Bureau of Public Enterprises and Planning Commission. The Committee have, however, found that Ministry of Commerce held only 2 such review meetings each in 1986, 1987

and 1988. This clearly shows that Ministry has not evinced keen interest in the working of STC. While expressing their displeasure over not holding the required review meetings, the Committee hope that atleast from now onwards the administrative Ministry would activate this mechanism and provide timely guidance to the Corporation to get over the constraints faced by it from time to time.

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The Committee are surprised to know that although five subsidiaries viz. PEC, HHEC, CCI, CCIC and TTCI have been attached with SIC, it has virtually no control on the working of the subsidiaries. The Chief Executives of these subsidiaries are appointed directly by the Ministry and their accountability to the STC is almost nil. However, in case of CCI, there is common cadre of staff and one of the Executive Directors of STC is appointed as part-time Chairman of this Company .

The position of STC's two subsidiaries viz. HHEC and its subsidiary CCIC is rather peculiar. While STC is under the administrative control of Ministry of Commerce, HHEC is under the administrative control of Ministry of Textiles. HHEC has been attached with STC for last as many as 27 years. It is only recently in March, 1988, when STC has approached the Ministry of Commerce to delink HHEC from them. In this connection, the Committee have been informed by the Commerce Ministry that various procedural issues involved in delinking HHEC from STC are under examination and a decision will be taken in consultation with the Ministry of Textiles. The Committee desire that the decision to delink HHEC from STC should be taken without any further delay.