

SEVENTH REPORT
PUBLIC ACCOUNTS COMMITTEE
(1980-81)

(SEVENTH LOK SABHA)

**CASH ASSISTANCE FOR EXPORT OF
ABSORBENT COTTON
MINISTRY OF COMMERCE**

**[Action taken by Government on 108th Report
(Sixth Lok Sabha)]**



Presented in Lok Sabha on
Laid in Rajya Sabha on

**LOK SABHA SECRETARIAT
NEW DELHI**

December, 1980/Agrahayana, 1902 (S)

Price : Rs. 1.80

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CORRIGENDA TO 7TH REPORT OF THE PUBLIC ACCOUNTS
COMMITTEE (7TH LOK SABHA) PRESENTED TO LOK SABHA
ON 15 DECEMBER, 1980.

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<u>Page</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
1	24	not	now
4	11	unpercedented	unprecedented
8	5	considered	consider
23	28	extend	extent
28	12	thns	this
30	7	pemrit	permit
32	12th (from bottom)	ram .	raw
33	24	dereliction	direliction
36	2	Obsorbent	Absorbent

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PUBLIC ACCOUNTS COMMITTEE
(1980-81)

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Shri Chandrajit Yadav

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3. Shri Subhash Chandra Bose Alluri
4. Shri Tridib Chaudhuri
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SECRETARIAT

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

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Seventh Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their Hundred and Eighth Report (Sixth Lok Sabha) relating to Ministry of Commerce on Cash Assistance for export of absorbent cotton. While dealing with the policy of Government in regard to cash assistance for export of absorbent cotton, the Committee had highlighted an instance where there was a sudden spurt in the export of Bengal Deshi during the cotton season 1976-77 under the garb of absorbent cotton—circumventing the ban on export of the former. In this Action Taken Report the Committee have *inter alia* reiterated their earlier recommendation that a thorough investigation should be made to find out how semi-processed raw cotton was allowed to be exported in the garb of absorbent cotton in violation of the existing policy of the Government and large amounts in the shape of cash subsidy were paid.

2. On 20 August, 1980, the following 'Action Taken Sub-Committee' was appointed to scrutinise the replies received from Government in pursuance of the recommendations made by the Public Accounts Committee in their earlier Reports:

Shri Chandrajit Yadav—*Chairman*

2. Shri K. P. Unnikrishnan	}	<i>Members</i>
3. Shri K. P. Singh Deo		
4. Shri V. N. Gadgil		
5. Shri Satish Agarwal		
6. Shri N. K. P. Salve		

3. The Action Taken Sub-Committee of the Public Accounts Committee (1980-81) considered and adopted the Report at their sitting held on 15 November, 1980. The Report was finally adopted by the Public Accounts Committee (1980-81) on 1 December, 1980.

(vf)

4. For reference facility and convenience, the recommendations and observations of the Committee have been printed in thick type in the body of the Report, and have also been reproduced in a consolidated form in the Appendix to the Report.

5. The Committee place on record their appreciation of the assistance rendered to them in this matter by the office of the Comptroller and Auditor General of India.

NEW DELHI;

December 1, 1980

Agrahayana 10, 1902 (S)

CHANDRAJIT YADAV,

Chairman,

Public Account Committee.

CHAPTER I

REPORT

1.1. This Report of the Committee deals with the action taken by Government on the Committee's conclusions/recommendations contained in their 108th Report (Sixth Lok Sabha) on Cash Assistance for Export of Absorbent Cotton relating to Ministry of Commerce and Civil Supplies (Deptt. of Commerce).

1.2. Replies to all the conclusions/Recommendations contained in the Report have been received from Government.

1.3. The Action Taken Notes on the Conclusions/Recommendations of the Committee contained in the Report have been categorised under the following heads:

- (i) Conclusions or Recommendations that have been accepted by the Government:

Sl. Nos: 2, 3 and 11.

- (ii) Conclusions or Recommendations which the Committee do not like to pursue in view of the replies of Government:

Sl. Nos: 1, 5—9.

- (iii) Conclusions or Recommendations replies to which have not been accepted by the Committee and which require reiteration:

Sl. No. 4, 10.

- (iv) Conclusions or Recommendations in respect of which Government have given interim replies:

Sl. Nos: Nil

1.4. The Committee will not deal with the action taken by Government on some of the recommendations, viz.

Export of absorbent cotton not conforming to pharmacopoeial standards (Paragraph 1.138—S. No. 4).

1.5. While recommending investigation to find out whether there was collusion between the field officers of the Government and the exporters in the suspected export of Bengal Deshi under the garb of absorbent cotton during the period when the export of raw cotton

was not permitted, the Committee had, in the above paragraph, recommended as under:

"The Committee note that there was a spurt in the export of absorbent cotton during the cotton season 1976-77 when the export of its raw material—Bengal Deshi was not permitted. According to Audit para, the absorbent cotton exported was not fully conforming to the pharmacopoeial requirements on the point of carding, sterilisation, moisture-proof packing etc. and as such these exports were not entitled to cash assistance. The Ministry have stated that cash assistance schedule describes the item as "absorbent cotton wool" and not as "absorbent cotton wool IP-BP" or not even "absorbent cotton wool conforming to pharmacopoeial specifications". According to them the goods described as "absorbent cotton uncarded silver type bleached cotton made out of 100 per cent Bengal Deshi" were reclassified to mean "absorbent cotton wool" for purpose of cash assistance by the Local Classification Committee (EP), Bombay at their sitting held on 10 January, 1974 and this reclassification was approved by the Head quarters classification Committee (1974) at their meeting held on 2 December, 1974. Thus, according to Government it was already decided that absorbent cotton for which cash assistance was admissible could be carded or uncarded. Further according to them, when a Cost Study in respect of 'absorbent cotton' was made in June, 1975 which was duly considered at the time of continuing the cash assistance on the commodity, the study pertained to "absorbent cotton wool uncarded."

The Committee, however, do not accept this view of the Government. The term "Absorbent cotton wool" *per se* is not indicative of any description except on the point of absorbency of cotton. That it was not the intention to allow cash assistance to cotton which was merely rendered absorbent is amply clear from the January, 1978 communication of the Ministry of Commerce to Audit (reproduced at pp. 35-36 of the Audit Report) which stated that a conscious decision was taken in the Ministry in July, 1977 that "exports of absorbent cotton conforming to pharmacopoeial standards, except on the point of carding, should be allowed as has been done during the last 10 years". The reason for this decision, according to this communication, was "the consideration on that this is a processed item, industries of which have come up in the

last few years" and that "most of these industries are in the small scale sector." It was also stated that:

"Decision has been taken to allow exports of uncarded absorbent cotton because it has been represented to the Ministry that there is no demand for carded cotton from India as the buyers in developed countries wish to do the carding and packaging at their end... it has also been represented that no extra value addition or any other advantage would be obtained by exporting carded absorbent cotton rather than uncarded. This is why a slight deviation from the pharmacopoeia standard was allowed."

If "absorbent cotton wool" had to be of certain pharmacopoeial standard, then we have no recourse but to refer to the Indian Pharmacopoeia for the description of this item. (The description given in Pharmacopoeias of other countries are not relevant). Absorbent cotton wool is clearly described on the Indian Pharmacopoeia which also prescribes certain requirements to be fulfilled before raw cotton could be regarded as "absorbent cotton wool". The practice of exporting this item without carding all through was admitted to Audit by the Ministry of Commerce. In June, 1977, the Collector of Customs informed Audit that this item was being exported in bales of 125 lbs. and not in small packs as enjoined upon in the Indian Pharmacopoeia. The non-observance of the requirements of sterilisation and moisture proof packing have been admitted during evidence, though various reasons have been adduced to explain why these could not be observed. The Committee appreciate that grant of cash assistance to encourage the export of any item processed in the country is an executive decision, based on the prevailing economic situation in the country and abroad. It is, however, imperative that the description of the item on which cash assistance is made available should be absolutely clear and not susceptible to varying interpretation by executive agencies in the field. It is also necessary that if circumstances justify a change in the description of the item on which cash assistance is available, it should be made after due consideration by the Cash Assistance Main Committee and the changed description should be duly notified. In the present case, the Local Classification Committee or for that matter even the Head quarter Classification Committee was not

competent to allow cash assistance on consignments which were clearly and substantially different from "Absorbent cotton wool" as described in the Indian Pharmacopoeia. The local officers or lower bodies should not have been allowed to *suo moto* modify the description and ignore any of the concomitant requirements, as they were more amenable to influence by powerful vested interests. This is a major irregularity for which the blame lies squarely on the Ministry of Commerce. Deviation from the pharmacopoeial standards on a large-scale accompanied by an unprecedented spurt in the export of absorbent cotton during the period when export of raw cotton was not permitted leads to the legitimate suspicion that unscrupulous exporters had been really exporting Bengal Deshi with very little value added under the garb of absorbent cotton, thus circumventing export policy then in force and, in addition, getting the cash subsidy applicable to the commodity. This could not have been done unless there was collusion between the field officers of the Government and the exporters. The Committee would like the matter to be investigated from this angle with a view to fixing responsibility and identifying the lacuna in procedures to take remedial measures."

1.6. In their reply dated 1 April, 1980, the Ministry of Commerce & Civil Supplies (Department of Commerce) have stated:

"The Committee's observation that the description of the items on which cash compensatory support is made available should be absolutely clear and that any change in the description of such items should be made with the approval of Cash Assistance Review Committee and should be duly notified has been noted.

2. It is noted that the main thrust of the deservation of the PAC contained in this paragraph is as under:

- (a) no deviation should have been allowed from the Indian pharmacopoeial standards for absorbent cotton in respect of points like carding sterilisation, moisture proof packing, etc.;
- (b) deviation from the pharmacopoeial standards accompanied by an unprecedented spurt in the export of absorbent cotton during a period when export of raw cotton was not permitted leads to the suspicion that Bengal Deshi cotton

was being exported under the garb of absorbent cotton, thus defeating the then prevailing export policy and also getting unauthorised cash assistance, and

- (c) this could not have been done unless there was collusion between the field officers of the Government and the exporters.

3. It is submitted that since the description of the item in the Cash Assistance schedule referred to Absorbent Cotton Wool and not absorbent cotton wool IP or BP or not even absorbent cotton conforming to pharmacopoeial specifications, it would not be correct to come to the conclusion that eligibility for Cash Assistance would depend upon the item conforming to pharmacopoeial specifications in every respect as enjoined in the Indian pharmacopoeia. The decision taken in July, 1977, should not be considered as introducing any change in the policy or description of the item or deviation from the pharmacopoeial specification. Even earlier, absorbent cotton which was being exported, was mostly in conformity with the pharmacopoeial standards except on the point of carding. The July, 1977 decision only confirmed that this practice should be continued. What the Loal Classification Committee had done at their meeting held on 10th January, 1974, was not to substantially dilute the definition of absorbent cotton. The Committee only came to the conclusion that absorbent cotton, uncarded conforming to BP, would be eligible for cash assistance under the description absorbent cotton wool. It is further reiterated that for the reasons stated above there is no strong ground to believe that under the guise of absorbent cotton, non-absorbent cotton had been exported in large quantities.

4. Regarding the recommendation relating to investigation from the angle of possible collusion between the exporters and the field officers, which enabled unscrupulous exporters to export Bengal Deshi cotton in the garb of absorbent cotton and the recommendation for fixation of responsibility and identification of lacuna in procedure, it is stated that the matter was examined in consultation with the Ministry of Finance (Department of Revenue). Based on Press reports in February, 1977, the Bombay Customs had held up some consignments of absorbent cotton uncarded and the samples drawn from one such consignment were found to be not fully conforming to the specifications of British Pharmaceutical Codex. In view of the non-conformity of the consignments to the British Pharmaceutical Codex, the Customs decided to treat such consignments as raw cotton for the purpose of levy of export duty... However

for export control purposes, it was decided in consultation with the Joint Chief Controller of Imports & Exports, Bombay not to treat such consignments as restricted. The Shipping Bills submitted by the exporters were referred to the Assistant Drugs Controller at the Port for "No Objection" and the exporters were asked to produce test reports certifying that the goods exported conformed to pharmacopoeial specifications in all respects except on the point of carding. Drug Licences and other relevant documents such as invoices and test reports were also scrutinised in order to foil any attempt to export raw cotton in the guise of absorbent cotton.

5. In view of the position explained, it is submitted that there is no reason to suspect any collusion between exporters and the field officers of the Government and that the Customs House had taken precautions to ensure that raw cotton was not exported in violation of the ban."

1.7. The reply of the Government has not brought forth any new point which was not already considered by the Committee before making the recommendation. Moreover, in their action taken note the Ministry of Commerce have stated that the Customs authorities at Bombay had held up some consignments of absorbent cotton uncarded and had decided to treat them as raw cotton for the purpose of levy of export duty. However, for export control purposes, it was decided in consultation with the Joint Chief Controller of Imports and Exports, Bombay not to treat such consignments as restricted. The Committee are unable to appreciate as to how the Joint Chief Controller of Imports and Exports, Bombay could be a party to the decision not to treat such consignments as restricted for export control purposes. The Committee, therefore, reiterate their earlier recommendation that a thorough investigation should be made to find out how semi processed raw cotton in the garb of absorbent cotton in violation of the existing policy of the Government was allowed to be exported and large amounts in the shape of cash subsidy were paid.

Leakage of information regarding withdrawal of cash assistance (Para No. 1.144—Sl. No. 10)

1.8. While concluding that there was a leakage of the decision to abolish cash assistance on absorbent cotton wool from the Ministry of Commerce before the issue of the Notification thereof, and also of the orders of the Export Commissioner to withhold payment of pending claims of cash assistance before these were formally communicated to the field authorities, the Committee in above paragraph 1.144 had recommended as under:

"The Committee note from the evidence of the representatives of the Ministry of Commerce and the written deposition of the Ministry that the decision to abolish cash assistance on absorbent cotton wool was taken at the level of the Commerce Minister on 8th July, 1977. On 14th July, 1977, Shri K. L. Rekhi, the then Export Commissioner issued an order to withhold payment of pending claims of cash assistance on the export of this commodity and the letter containing the necessary instructions to Port Officers was issued on 18 July, 1977. On 15 July, 1977, i.e., a day after the order of the Export Commissioner to withhold payment and a couple of days before the necessary communication was sent to the port offices forward contracts with delivery periods ranging from 2 to 17 months worth Rs. 3.29 crores were entered into by the exporters and these were registered with the banks on 16 July, 1977. As the notification withdrawing cash assistance was issued only on 30 July, 1977, the contracts entered into and registered with banks on 15 and 16 July, respectively continued to derive for the exporters the benefits of cash assistance till much after the date of withdrawal of cash assistance.

The instantaneous effect given to the withdrawal of cash assistance on 30 July, 1977 was, therefore, nullified. The Committee were informed that the delivery schedule normally depends on the urgency with which the consignment is required by the importers and stocks readily held by the exporters or time required for manufacture by the manufacturer exporters. While in the past, also there had been rare cases of extended delivery periods ranging upto 16 months, it is intriguing to note that in almost all the contracts entered into on 15 and 18 July, 1977, the delivery schedule started much later—from periods ranging from 2 to 17 months. Another notable feature was that all the contracts of a total value of Rs. 3.29 crores entered into on the 15th and 18th July, 1977 were by the single firm M/s. Lavino Kapur Pvt. Ltd. These facts lead to the inescapable conclusion that there was a leakage of the decision to abolish cash assistance from the Ministry of Commerce before the issue of the Notification thereof, and also of the orders of the Export Commissioner to withhold payment of pending claims of cash assistance before these were formally communicated to the field

authorities. Since the premature leakage of Government decision and orders has directly resulted in financial loss to the Government to the tune of nearly Rs. 50 lakhs, being cash subsidy on hurriedly negotiated and finalised export contracts, the Committee considered it a fit case for proper investigation by an independent agency such as CBI, to fix responsibility and punish all those guilty of collusion with the unscrupulous exporters.

The course of events narrated by the Commerce Secretary during evidence shows that from 2 July to 30 July, 1977, the file containing the important and far reaching decision of the Commerce Minister was shuttling from officer to officer and from Section to Section making the decision easily vulnerable to leakage to interested parties. The Committee would like the Ministry of Commerce to review their systems and procedures and suitably modify them to maintain the secrecy of decision making process until its final announcement. The Committee would in particular, recommend that, as far as possible, a final decision taken on a matter affecting public interest should be announced on the same day, or, latest, on the following day."

1.9. In their reply dated 1 April, 1980, the Ministry of Commerce and Civil Supplies (Department of Commerce) have stated:

"In pursuance of the recommendations made by the Committee Central Bureau of Investigation has been requested to investigate to find out whether there had been any leakage of information from the Ministry relating to withdrawal of cash assistance on absorbent cotton wool.

2. As regards the recommendation in regard to streamlining of procedure for announcing decisions affecting public interest and maintenance of secrecy, it has not been the practice of this Ministry to classify as "Secret" or "Confidential" files/papers dealing with proposals for grant of or withdrawal of cash compensatory support. The normal procedure followed for notifying the decisions of Cash Assistance Review Committee (CARC) during 1977-78 involved some time-lag between the date of decision and issue of relevant notification. According to the procedure in force at that time, as soon as decision was taken by CARC, draft minutes were prepared by the concerned Section in the Ministry and were to be got approved by

different senior officers. After such approval the same were issued. On the basis of these minutes, draft orders were prepared and were sent to Finance Division for vetting before these orders were announced. On account of this procedure, some time-lag between the date of decision and issue of notification was inevitable.

3. However, keeping in view the recommendations made by the Committee, it has been decided that all efforts should be made to reduce to the minimum extent the time-lag between the date of a decision involving reduction or abolition of an existing cash compensatory support rate and the date of its announcement. While a detailed procedure in this respect is being worked out, it has been tentatively decided that as soon as a decision to reduce or abolish cash compensatory support was taken by the CARC, a note would be put up immediately to Secretary/Minister seeking approval for the reduction or abolition without waiting for the preparation of minutes of the meeting. As soon as approval of Secretary/Minister was received, the decision would be notified with the least possible delay."

1.10. The Committee note that the Ministry of Commerce have requested the Central Bureau of Investigation to find out whether there had been any leakage of information from the Ministry relating to withdrawal of cash assistance on absorbent cotton wool. They would like to be apprised of the findings of the CBI and the action taken by Government in pursuance thereof.

CHAPTER II

CONCLUSIONS OR RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

The Committee are informed that it was only in June, 1974 that the Government appointed a standing committee, called the "Cash Assistance Review Committee," to review cash compensatory support allowed for the export of products from time to time. Normally this committee reviews the rates of cash compensatory support "just before the rates are due to expire". The Committee also note that "no separate cell has been set up in the Ministry of Commerce exclusively to watch the trends of international trade in respect of products for which cash compensatory support is available" and that Government is relying largely on the cost data, statistics etc., supplied by the industry through the concerned Export Promotion Council. It is stated that the data so received is examined in the Ministry in consultation with the Administrative Ministry, DGTD and Finance Division. In cases where sufficient justification for grant of cash compensatory support exists, the matter is placed before the Marketing Development Assistance Main Committee (where the proposal is for grant of cash assistance for the first time) or the Cash Assistance Review Committee (in cases where the proposal is only to review the existing rate of cash assistance on any particular commodity). Final decisions are then taken by the appropriate committee "on the basis of a broad general judgement taking into account the various criteria laid down".

The table included in the Audit para indicates that during January and February, 1977 the average f.o.b. unit value on Indian exports of Bengal Deshi were more than that of Indian exports of absorbent cotton. It also shows that during June and December, 1976 and January-February, 1977 (for which figures are available), the f.o.b. prices of Pakistan Deshi (quotations) were substantially more than the average f.o.b. value of Indian exports of absorbent cotton. Further, when the export of Bengal Deshi was not permitted from the 1976-77 cotton season on account of acute scarcity of cotton within the country and large-scale import of cotton

against free foreign exchange had to be resorted to, the export of absorbent cotton continued to be encouraged by the grant of cash assistance. It was after Audit pointed out the anomaly on 21st July, 1977 that on 30th July, 1977 the Ministry issued a Notification, withdrawing the cash assistance on export of this item with immediate effect. This case confirms the view of the Committee that the existing procedure of appraisals of the need for the continuance of cash assistance in respect of individual commodities is defective. The Committee have already in para 1.13 of their 101st Report (Sixth Lok Sabha) recommended that an effective system of evaluating the need for introduction or continuance of, or alteration in, the cash assistance schemes or other export incentives should be introduced forthwith and that such a system should include collection of requisite data and study of import export trends on a regular basis. At this stage they can only regret that though the Government were forewarned by the export data thrown up that the exports of absorbent cotton with cash assistance were no longer advantageous to the country and had in fact become uneconomic, Government did not react promptly to take corrective action.

[S. No. 2 Appendix V, Para 1.136 of 108th Report of Public Accounts Committee (6th Lok Sabha)]

Action taken

The various observations contained in this para have been noted.

2. A decision has already been taken to set up a Monitoring and Evaluation Unit under the charge of Chief Controller of Imports and Exports. The functions of this unit would be to collect requisite data on prices, f.o.b. realisation, etc., which has a bearing on the determination of cash compensatory support rates on various commodities. Further, the criteria for continuation of or alteration in the cash assistance rates have been revised keeping in view the recommendations made by the Alexander Committee. A copy of the revised proforma, which seeks detailed information on various disadvantages, export trends, etc. is enclosed. In addition, the Commodity Divisions of the Ministry, before finalising their recommendations on Cash Compensatory Support on any commodity, would consult the Monitoring and Evaluation Unit of the CCI&E. The views/recommendations of CCI&E would be incorporated in the note, which the Commodity Divisions would submit to the Cash Assistance Review Committee (CARC).

Audit Observations:

The decision to associate a representative of the Comptroller and Auditor General of India with the deliberations of the CARC has not been agreed to by audit.

[Ministry of Commerce and Civil Supplies (Deptt. of Commerce) O.M. No. 6 (75)/77-EP (CAP) Vol. V dated 1 April, 1980]

PROFORMA

While filling up the proforma the following should be noted:—

1. Inadequacy of the Drawback rate cannot be refunded through CA. Therefore, particulars of refundable taxes are not to be given under part II(a).
2. The criteria and guidelines referred to in the letter should be kept in view.
3. The data given in the proforma should be supported by suitable explanatory notes indicating the basis adopted for arriving at the figures.
4. As various elements of non-refundable duties and taxes may differ from State to State, weighted average/simple average as the case may be, should be adopted.
5. Information relating to Pt. I to Pt. IV of the proforma may be furnished on top priority basis. Data relating to other parts may be furnished by 15th December, 1978.

Part I

1. Name of the Export Product.
2. Total production within the country during the last one or two years.
3. Total exports and its percentage to total production.
4. Whether it is manufactured in the Small Scale Sector. If so, percentage of such production.
5. Whether it is an item of Cottage Industries. If so, indicate details.
6. Whether it is labour intensive item. If so, the cost of labour related to total f.o.b. cost of production.
7. F.O.B. realisation during last one year.

Part II*Indirect Taxes not refunded through Duty Drawbacks.*

Inputs (both imported & domestic).	Finished Products.
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- (a) State Sales Tax (rate & amount).
- (b) Central Sales Tax (Rate and amount).
- (c) Octroi Duty.
- (d) Duty on Electricity/Power/Coal/Oil.
- (e) Any other non-refundable taxes/duty.
- (f) Total non-refundable taxes as a percentage of f.o.b. realisation and FOB cost of the finished product.

Part III*Interest on Working Capital*

- (a) Total Working Capital utilised.
- (b) Turn round period adopted.
- (c) Rate of interest.
- (d) Whether working capital is covered fully or partly through preshipment and post-shipment credit given through RBI under the Interest (Credit Subsidy) Scheme. If not, please indicate details of the amount required.
- (e) Incidence of interest on working capital as percentage of f.o.b. realisation and FOB Cost.

Note.—The working capital may be taken as the f.o.b. value of the product plus the cash compensatory support that is being provided. The period for which this working capital will be needed can be worked out as the average period of entitlement at the concessional rates according to RBI instructions. This average period will be approximately 112 days for other goods and 225 days for the specified capital and heavy engineering goods. The Indian rate of interest will at present be taken as 11.4 per cent, which is the weighted average. The extent of assistance will be the difference between 11.4 per cent and the London International Bank Rate (LIBOR), calculated on f.o.b. value plus cash assistance taken as the working capital and the period at charge being taken as 112.5

days or 225 days, as the case may be. For post shipment credit, the period for the f.o.b. value will be 128 days; and for drawback amount, 38 days.

Part IV

Higher Cost of Indigenous Capital Goods

- (a) Total capital invested on Plant and Machinery for the manufacture of Export Product.
- (b) Cost of indigenous capital goods, and the excise duty thereon.
- (c) Cost of comparable imported capital goods including import duty and Countervailing duty, if any.
- (d) Incidence of higher cost of indigenous capital goods.
- (e) Normal life of the capital goods as permissible for the purpose of depreciation under the Income Tax Act, or any other statutory provision.
- (f) Amount required through CCS for distributing the above incidence over the normal life of capital equipment and related to total production of manufactured products.
- (g) Incidence of excise duty or import duty and Countervailing duties on capital goods (indigenous or imported as the case may be) amortised over the life of the asset per unit of production.

PART V

Development of New products for export to various markets requiring special developmental assistance.

- (a) name of the new export product.
- (b) major markets to which the item is likely to be or expected to be exported.
- (c) cost of product development and research prior to commencement of commercial production.
- (d) incidence of this cost on the FOB cost.
- (e) any other relevant details/factors.

PART VI

Development of new markets for existing as well as new products

- (a) name of the export product.
- (b) details of new markets to which item is proposed to be exported for the first time.
- (c) cost of developing new market with full details.
- (d) estimated expenditure for a special marketing thrust necessary to retain the even existing market on account of entry of powerful competitors in the market.
- (e) level of assistance or benefit likely to be separately available under the Code of grants in aid or by weighted deduction for income Tax purposes.

PART VII

Export products which are handicapped by way of higher freight rates

- (a) details of export products.
- (b) freight rate per unit from India to various important export markets.
- (c) comparable freight rates applicable to export from our competitors.

PART VIII

Details of FOB cost of production and FOB realisation

Date may be given as in Annexure.

ANNEXURE

PROFORMA—PART-I

Data for working out Cash Compensatory Support on items of export manufactured processed or semi-processed.

1. (a) Full name of item desired to be exported (manufactured processed or semi-processed).

(b) Is the item already classified under Section II of the ITC Policy (for Registered Exporters)? If so, indicate the S.No. of Policy Statement in Section II of the policy *ibid* under which the item is covered/classified.

(c) Brief specification including chemical composition, identification or similar information specific for the item desired to be exported.

2. (a) Total ex-factory cost of production of the item per unit of production.

(b) Average wholesale selling price per unit of production in India.

(c) Average FOB price per unit of production ex-India Port at which the item can be competitively exported.

3. Details of raw materials, if any used in the manufacture/processing of the exportable production.

S. No.	Name of raw materials and consumables (imported)	Per Unit of production of the products			
		Quantity of raw material and consumables (imported)	CIF import price of raw materials & consumables	Amount of customs duty	Amount of Draw-back
1	2	3	4	5	6

1.

2.

3.

S. N.	Name of raw materials and consumables (indigenous).	Quantity of raw materials & consumables (indigenous)	Purchase price.	Amount of Central Excise.	Amount of Draw-back
1	2	3	4	5	6

1.

2.

3.

4. (a) Export price per unit of production of item f.o.b. India [As in 2(c)].

(b) Total of import price of raw material per unit of production of Item (as in 3).

5. Exports—

(a) In the last three financial years both quality and value of annual basis.

(b) Name of the main countries importing the product at present and the names of the particular countries which are sources of supply; and

(c) Total world's exports of the item, if available.

(d) Prevailing international price from competing sources of supply.

(e) Whether any floor price has been fixed.

6. Any other information useful for consideration before a decision is taken on the fixation of Cash Compensatory Support.

DECLARATION

Certified that the details of cost of production in the enclosed proforma have been obtained from the manufacturers details of whom are as follows:—

S. No.	Name & Address of the manufacturer (also indicate whether the manufacturer belong to large, medium or small scale sector)	Installed capacity of the manufacturer (per annum)	Licensed capacity of the manufacturer (per annum)	Actual Production per annum	Percentage share of country's total production (per annum)	Percentage share in country's total export (per annum)
1	2	3	4	5	6	7
1.						
2.						
3.						
4.						
5.						

It is also certified that there are _____ (indicate number) _____ manufacturers of this product in the country and as many as _____ (indicate number) of them are either directly or indirectly engaged in exports of this product, accordingly the data given above and in the enclosed proforma could be taken as representative in character for the industry as a whole for working out the quantum of Cash Compensatory Support.

It is further certified that the export product is of acceptable quality and has very good export potential. The Council therefore recommends the fixation of Cash Compensatory Support at _____ per cent of f.o.b. value.

Signature

Name

Designation.

PART-II

Name and address of the manufacturer

STATEMENT SHOWING THE F.O.B. COSTS, NET F.O.B. REALISATIONS AND THE SHORTFALL OF THE NET F.O.B. REALISATION ON THE EXPORTS OVER F.O.B. COST FOR THE YEAR_____

<i>Per unit of production</i>	
<i>Total Cost</i>	<i>Marginal Cost</i>
Rs.	Rs.

1. Raw Materials:—

1.

2.

3.

2. Conversion charges:

(i) Direct salaries and wages.

(ii) Indirect salaries & wages.

(iii) Power.

(iv) Fuel.

(v) Repairs & Maintenance.

(vi) Consumable stores.

(vii) Other Overheads—

(a) Works.

(b) Admn.

(c) H.C.

(viii) Depreciation:

(a) Works

(b) Admn.

Total of (2)

3. Selling overheads.

4. Packing charges.

5. Freight & forwarding total of (1) to (5).

6. Interest on working capital.

7. F.O.B. Cost.

LESS

(a) Drawback (also indicate whether All Industry Rate or Brand Rate).

(b) Economic recovery of scrap (enclose a self contained note).

(c) By-product utilisation (enclose a self contained note).

(d) Premium on import entitlement.

(e) Any fiscal relief available on exports, such as railway freight concession etc., if so indicate the amount per unit of production. Net F.O.B. Cost.

8. F.O.B. Value.

Less: Commission

net F.O.B. Realisation

9. Shortfall of net F.O.B. cost.

10. Shortfall as a percentage of net f.o.b. realisation.

Signature

Name

Designation.

Date

Place.

Recommendation

The Committee are surprised that the Cash Assistance Review Committee differed with the conclusions reached by the Cost Study

made in 1975 of the cost of production of a major exporter of absorbent cotton and also with the views of the Ministry of Finance and extended the cash assistance in respect of this commodity at the rate of 15 per cent upto 31st March, 1976 (later continued upto July, 1977). The minutes of the meeting of this committee do not indicate the reasons on the basis of which such a decision was taken and the Committee are, therefore, unable to examine the considerations on which the cash assistance was allowed to continue. In the circumstances, they can only recommend that hereafter the decisions taken by the Cash Assistance Review Committee or by the Marketing Development Assistance Main Committee should be fully explained and reasoned out in the minutes so as to faithfully reflect the basis of such decisions.

[S. No. 3, Appendix V, Para 1.137 of 108th Report of Public Accounts Committee (6th Lok Sabha)]

Action taken

The observations of the Committee contained in this paragraph have been noted.

2. It has also been decided that, as far as possible, the decisions of the Cash Assistance Review Committee and Marketing Development Assistance Main Committee would be reasoned out in the minutes of the meetings of these Committees.

[Ministry of Commerce and Civil Supplies (Deptt. of Commerce)
O.M. No. 6 (75) 77-EP (CAP) Vol. V dated 1 April, 1980]

Recommendation

The Committee have been informed that no fresh contracts have been entered into by any of the exporting firms for export of absorbent cotton since the withdrawal of cash assistance on 30 July, 1977. The Ministry of Commerce are of the view that one of the reasons could be the withdrawal of cash assistance on the item. The Committee would, however, like to caution the Ministry that failure to secure export orders could as well be due to the fact that the manufacturing capacity in respect of the item may have been fully booked to meet the export commitments of forward contracts entered into in July, 1977. Further, the Committee would like to point out that as would be seen from paras 1.3 and 1.10, absorbent cotton had a certain steady genuine export market. There was a sudden spurt in the export of this commodity from 1.53 lakh kgs. in the first half of 1976-77 to 13.74 lakh kgs. in the second half of that year. It is pertinent to note that this spurt coincided with the

ban on Bengal Deshi which was imposed during that period. This would clearly show that it was the Bengal Deshi which was getting passed off as absorbent cotton enjoining both the cash subsidy as well as the exemption from export duty. It is interesting to note that all these exports were mainly being made by one single private party viz., M/s. Lavino Kapur Pvt. Ltd. It is further interesting to note that, as already pointed out, after the decision was taken in the Commerce Ministry on 8 July, 1977, forward contracts were entered into by this very firm in the short period of 2 days for export of absorbent cotton of a total value of Rs. 3.29 crores. Thus, for all practical purposes, about two years export potential has already been booked which will cost the exchequer substantially by way of cash subsidy during this period. Now that the ban on the export of Bengal Deshi has been removed and all cotton exports are being canalised through the Cotton Corporation of India, the opportunity to export Bengal Deshi surreptitiously as absorbent cotton is no longer available. In these circumstances, only the normal and genuine export market for absorbent cotton will be available and only genuine exporters of absorbent cotton are expected to take advantage of the exemption from export duty and export the same.

[S. No. 11, Appendix V, Para 1.145 of 108th Report of Public Accounts Committee (6th Lok Sabha)]

Action taken

The observations of the Committee contained in this paragraph have been noted.

[Ministry of Commerce and Civil Supplies (Deptt. of Commerce)
O.M. No. 6(75)/77-EP(CAP) Vol. V, dated 1 April, 1980]

CHAPTER III

CONCLUSIONS OR RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES OF GOVERNMENT

Recommendations

The Committee note that in 1966 the Government announced a package of measures, including the scheme of cash assistance, to encourage exports. The Committee are informed that since the introduction of the scheme of cash assistance in 1966, upto 1977-78, a total cash assistance of around Rs. 1,092 crores has been paid to the exporting firms. It is a staggering figure; but the position would appear more distressing if other incentives to encourage exports extended during this period such as import replenishment, Export Market Development Allowance, assistance under Market Development Assistance Fund, assistance through Export Promotion Councils for sending delegations, study teams etc., concessional export credit, foreign exchange facilities for foreign travel on export promotion etc. are quantified and added to the quantum of cash assistance.

When the scheme for cash assistance was introduced in 1966, the broad considerations for determination of rates of cash assistance included the view that "a scheme of generalised subsidy for broad groups would be more effective" and that "there should be a cut off point beyond which subsidy should not be granted because it is not worthwhile exporting at any cost. This cut off point should be 25 per cent of f.o.b. after deducting import content." It is, however, stated that the rates fixed in 1966 were decided for broad groups of items and "these rates were not based on any meticulous calculation of cost disadvantages." The Committee fail to understand as to how the important consideration quoted above were applied without the necessary calculations of cost disadvantages in respect of individual items or group of items.

The Committee are informed that the broad considerations adopted for determination of rates of cash assistance in 1966 were reviewed only in 1975, i.e., after a lapse of over 9 years. In November,

1975 the Bose Mullick Committee was set up, *inter alia* to "re-organise the scheme of cash assistance as an effective export promotion measure." Following the recommendations of this Committee, in March, 1976, a decision was taken with the approval of Cabinet Committee on Exports that the rates of cash assistance should be determined "by a balanced judgement" of certain specified criteria. The Committee, however, note that many of the criteria laid down were in the nature of general assessments and were not capable of objective analysis on the basis of quantification. Soon thereafter, in September, 1976, the Cabinet Committee on Exports took a decision that, with certain exceptions, cash assistance rates once fixed should remain unchanged for 3 years i.e., upto 31st March, 1979. The Committee have reason to believe that even the new criteria enunciated by the Bose Mullick Committee and decided upon by the Cabinet Committee on Exports were not applied to the existing schemes and a decision was taken on an *ad hoc* basis in September, 1976 to extend the existing rates of cash assistance upto 31st March, 1979.

Close on the heels of the Bose Mullick Committee, another committee was appointed by Government (Alexander Committee) to go into this and other related issues which submitted its report in January, 1978. The Public Accounts Committee are informed that this committee has suggested some revised criteria for the grant of cash assistance. While suggesting the principles of cash assistance scheme, the Alexander Committee has emphasised that "it is also important to recognise that cash assistance should be available only for a limited period during which the relative disadvantages, to the extent possible could be eliminated by conscious efforts. In any case, cash assistance should not be continued for indefinite period." It has also expressed the feeling that "the magnitude and pattern of cash assistance should be identified on the basis of well defined principles." The Alexander Committee has also recommended that "a detailed review of the existing cash assistance schemes should be undertaken and completed during the 12 months with a view to estimating the new levels of structure of cash assistance based on the above principles (suggested by the Committee). This new system of cash assistance should be introduced w.e.f. 1st April, 1979..." Government have stated that the recommendations of the Alexander Committee "are under the consideration of the Government." The Committee have been informed by the Ministry of Commerce on 20th December, 1978 that the present rates of cash compensatory support are generally valid till 31st March, 1979 and that w.e.f. 1st April, 1979, "new rates have to be calculated on the

basis of the new criteria. These new rates which would be applicable from 1st April, 1979, "would, by and large, be stable for a period of 3 years."

The Committee agree with the Alexander Committee in emphasising that cash assistance should not be continued for indefinite period and that it should be available only for a limited period to neutralise the relative disadvantages. The Committee also support the suggestion of that committee that the magnitude and pattern of cash assistance should be identified on the basis of well defined principles.

The Committee regret that the Government have failed to review comprehensively item by item the rates of cash assistance in accordance with the principles decided upon in March, 1976. The detailed review of existing cash assistance schemes suggested by the Alexander Committee in its report (January, 1978) does not appear to have been undertaken although nearly eleven months have passed by since the submission of the report. The Committee strongly disapprove the leisurely fashion in which Government has been postponing positive action on important matters involving huge expenditure. They recommend that Government should take prompt decision on the recommendations of the Alexander Committee and undertake a detailed review of the cash assistance schemes forthwith so as to complete it within the next three months.

[S. No. 1, Para 1.135 of Appendix V of 108th Report of Public Accounts Committee (6th Lok Sabha)]

Action taken

Various observations of the Committee contained in this paragraph have been noted. Having regard to the large number of items and groups of items manufactured/exported by a large number of exporters, it would have been physically impossible to undertake in each case calculations of cost disadvantage and there was no alternative but to go by a broad judgement. The cut-off point of 25 per cent of FOB value less import content had always been kept in view.

2. As regards the Committee's observation relating to delay in taking action on the recommendations made by Dr. Alexander Committee regarding detailed review of the Cash Assistance Scheme, it is stated that the Alexander Committee's Report was received in

January, 1978. The various recommendations made by the Committee were examined in the Ministry in consultation with the concerned Departments. The recommendations of the Committee on Cash Compensatory support were also considered by a Committee of Secretaries and based on their recommendations the following criteria were approved in Nov. 78 for determination of cash compensatory support for the three year period beginning from 1st April, 1979:—

1. Cash Compensatory Support rates will be so fixed so as to neutralise the following handicaps encountered by the exporters:—
 - (a) Indirect taxes including sales tax on inputs imported or indigenous that were not refunded through duty drawback;
 - (b) higher rates of interest payable in India on working capital for export production; and
 - (c) higher cost of capital goods for export production.
2. In arriving at the rate of Cash Compensatory Support, Special attention will be given to products of labour intensive industries, small scale and cottage sector and also new products in new markets. Such items would be taken up on a selective basis and the level of assistance decided on the basis of circumstances of each case.
3. Special consideration will also be given to processed food and agricultural products.
4. In the determination of the level of Cash Compensatory Support consideration would be given to discriminatory freight rates payable by Indian exporters as against their competitors abroad and also special causes of agricultural commodities such as sugar, when exports become necessary on account of excess production in India or for similar other reasons.

3. Based on the above revised criteria, all Export Promotion Councils,/Commodity Boards were requested to furnish proforma information by 30th November, 1978, in respect of products enjoying cash compensatory support. However, proforma details were received within the stipulated time in respect of a few items only as the Export Promotion Councils and Commodity Boards took time

to collect the required data in respect of most of the items, particularly those manufactured in the Small Scale Sector. As the number of item was large, collection and evaluation of data was a time-consuming process. Even so the Cash Assistance Review Committee considered the material as and when received and the detailed review of Cash Assistance Scheme for almost all the export products was completed before 31-3-1979 and the new rates of Cash Compensatory Support effective from 1-4-1979 based on the revised criteria were announced before 1st April, 1979. For certain items for which data were received subsequent to 31-3-1979 also, the rates have been finalised and brought into effect.

4. It also bears mention that the earlier Cash Compensatory Support rates were valid upto 31-3-1979 and as such the review of cash compensatory support for almost all the products was completed by the due date so as to make the new rates effective from 1-4-1979.

[Ministry of Commerce and Civil Supplies (Deptt. of Commerce)
O.M. No. 6(75) | 77-EP (CAP) Vol. V dated 1 April, 1980]

Recommendation

Audit paragraph has pointed out that the Customs authorities informed Audit in June, 1977 that "for sometime some exporters, particularly firm 'A' (M/s Lavino Kapur Pvt. Ltd.) have been exporting uncarded cotton in bales of 125 lbs. as absorbent cotton wool, BP". During evidence it came to be revealed that this fact had come to the notice of the Customs sometime in September, 1976 at the level of Assistant Collector of Customs. He however, continued the existing practice. When it became the subject-matter of press report published in February 1977 suggesting certain misuse of the facilities, the Customs started the investigation at the level of the Collector. As the British pharmacopoeia did not recognise uncarded cotton wool and required it to be in fleecy mass, the Bombay Customs had since February/March 1977 held up some consignments of absorbent cotton on the apprehension that raw cotton was being exported in the guise of absorbent cotton. Subsequently, the consignments were treated by Customs as "Raw Cotton" and exports of this item made on or after 21-3-1977 were allowed after levying an export duty of Rs. 700 per tonne (applicable to Bengal Deshi cotton). The scope of the terms "cotton, not carded or combed" as appearing under the Heading No. 55.01 of Customs Cooperation Council (Brussels) Nomenclature was cited by Bombay Custom House for the purpose of arriving at the meaning of the word "Raw Cotton" as adopted in the International Trade, particularly as that

definition applied in the importing countries, on a clarification being given by the Ministry that it was the policy of the Government to allow exports of uncarded absorbent cotton, otherwise conforming to pharmacopoeial standards, the Collector of Customs, Bombay, issued a public notice on 6 October, 1977 notifying that exports of "uncarded cotton rendered absorbent" would be permitted on declaration in the shipping bill as "absorbent cotton uncarded but otherwise conforming to pharmacopoeial grade specification" and that such exports were to be allowed without payment of duty, provided the exporters produced the test reports confirming that cotton was conforming to pharmacopoeial specifications in all respects except carding. On the 21 November, 1977, another notification was issued by the Bombay Customs stating that exports of this commodity would be permitted free of export duty on provisional assessment, pending final decision whether duty would be attracted. In March, 1978, this commodity was exempted from export duty. Thus, the liability or otherwise of duty demanded (on shipments made 6 months prior to 21-3-1977—Rs. 8.92 lakhs), duty paid between 21-3-1977 and 21-11-1977 (Rs. 11.85 lakhs on the basis of refund claims received) and duty provisionally assessed from 21-11-1977 to March 1978 (Rs. 2.77 lakhs) depended upon the advice of the Ministry of Law to which the question was earlier referred. The Committee are informed that the Law Ministry have advised that subject goods, namely, "absorbent cotton", uncarded but otherwise conforming to the pharmacopoeial standards being processed cotton would not be covered by the term "Raw Cotton" and as such no duty is leviable. The Collectors of Customs have accordingly been instructed not to levy any export duty on this item hereafter. It is also stated that "in past cases, refund may have to be given where claims were filed in time and demands for duty short-levied may have to be withdrawn". The Committee have, after detailed examination, found that at least during the cotton season 1976-77, what was being exported in the name of "absorbent cotton" was anything but 'absorbent cotton' as only some of the processes were carried out and the cotton had not acquired all the characteristics of 'absorbent cotton'. The explicit objective of exemption from duty as well as giving cash assistance being to encourage small scale industries manufacturing absorbent cotton which had an export market, there could be no excuse for circumventing it by in effect allowing the export of what was obviously not 'absorbent cotton' under the garb of 'absorbent cotton' thereby depriving the exchequer of the revenue by enjoying duty exemption and further defrauding the Government by availing of cash assistance. The Committee strongly feel that this is a

glaring example of how the Government and the exchequer can be deceived by unscrupulous elements operating at all levels. The Committee are sorry to note that when the matter was referred to the Law Ministry, the Law Ministry restricted its opinion to the phrase 'absorbent cotton uncarded, but otherwise conforming to pharmacopoeial standards' and described it as processed cotton not attracting export duty without really applying their mind as to whether the basic requirement of absorbent cotton which was exempted from export duty was fulfilled by the definition or not. As recommended in an earlier paragraph, this is a matter which needs to be thoroughly investigated with a view to fixing responsibility. "Although the matter of export duty on this commodity now stands closed, the fact remains that during the period from 21 March 1977 (when the Customs started levying export duty on this item) to 30 July 1977 (when the cash assistance on this item was withdrawn) an anomalous situation prevailed where the Ministry of Finance was levying export duty on an item on which the Ministry of Commerce was giving cash export assistance. This is regrettable. The Committee were informed during evidence that there could be other instances also of this nature and the case of 'rice bran' was specifically mentioned. The Committee would like the Ministry of Finance (Department of Revenue) and the Ministry of Commerce to undertake a joint review to identify similar cases and take prompt action to remove the anomaly.

[S. No. 5, Para No. 1.139, Appendix V of 108th Report of Public Accounts Committee (6th Lok Sabha)]

Action taken

Ministry of Law, Justice and Company Affairs (Department of Legal Affairs) has advised that the point referred to the Ministry of Law by the Ministry of Finance for advice was on the following terms:—

"In view of the conflicting opinions put forward, the advice of the Ministry of Law is solicited as to whether 'absorbent cotton, uncarded' can or cannot be classified as raw cotton for purpose of Export Tariff."

2. The matter was examined by Law Ministry, who concluded that the subject matter of exports was not in raw state and had undergone a definite manufacturing process. Though not well carded, absorbent cotton could no longer be regarded as raw cotton for the purpose of levy of export duty thereon. It is well understood that in interpreting the terms and expressions used in Acts

one has to go by strict rules of interpretation regardless of the objective or intention of the Government. The point that arose for consideration was whether "raw cotton" used in the Tariff entry 16 did or did not include absorbent cotton uncarded. If the cotton that was exported is raw cotton, it would attract levy of export duty under the Customs Tariff Act, whereas if it did not fall within the category of raw cotton, export duty would not be leviable. The Law Ministry was called upon to give its opinion only on this point. It has also been clearly stated by the Ministry of Law (*vide* pages 80—83—Appendix-III of the PAC's Report) that "the legislative intent therefore is clear that cotton whether or not carded or combed may not be the same as raw cotton". The Law Secretary had held that "it is well settled that no tax can be levied unless there is a specific charge authorised by the statute. The Customs Tariff Act authorises levy of export duty only on raw cotton and cotton waste.... It is clear that the cotton in question has been subjected to certain treatment so that it cannot be used for spinning. Having been subjected to certain treatment, it cannot, according to the meanings in the Lexicons referred to in the preceding note, be considered as being in a raw state. The absorbent cotton in question, therefore, cannot be treated as raw cotton, so as to attract liability to export duty even though it may not conform to the specifications laid down in the British Pharmacopoeia".

3. It would, thus be seen that the Law Ministry—even if the reference to that Ministry had been worded differently—could not have come to a different conclusion. The Committee would appear to be under the impression that 'absorbent cotton' was exempt from duty (6th to 4th Line from the bottom of Page 98 of the Report) and hence the Ministry of Law should have applied its mind to the question whether the cotton that was exported fulfilled the pharmacopoeial definition. As a matter of fact, under tariff entry 16 what was subject to duty was 'raw cotton' all other forms of cotton—irrespective of the pharmacopoeial standards—were not subject to duty.

4. As regards the recommendation to take prompt action to remove the anomaly of certain items being subjected to export duty and also enjoying cash assistance, the recommendation has been noted and such anomalies would be avoided in future. Even in the past when such anomalies arose as a result of misunderstanding or misinterpretation rather than as a result of deliberate policy such a situation, prevailed only during a short period, but as soon as it was brought to light, action was taken to rectify the omission. There is no reason to believe nor have any complaints

been received that there are now items having both cash assistance and export duty.

[Ministry of Commerce and Civil Supplies (Deptt. of Commerce) O.M. No. 6(75)/77-EP(CAP) Vol. V dated 1 April, 1980]

Recommendation

As already stated, in view of the tight situation prevailing at the commencement of 1976 cotton season (September-August), Government did not permit the export of Bengal Deshi during that season. Since the Customs have also the duty of enforcing the Export Control Order and in their view "Absorbent Cotton uncarded" was Raw Cotton, a point was raised as to how they initially allowed export of this item even on payment of export duty. The Secretary of the Ministry of Commerce explained during evidence that "Customs took the view that uncarded absorbent cotton should be treated as something separate from Bengal Deshi for export control purposes and export policies; for the purpose of levying duty it was deemed to fall under the same category as raw cotton." The statement is, in the Committee's view, a contradiction in terms and not tenable. The Committee consider that in allowing the export of what they regarded as raw cotton they violated the Export Control Order and the export policy then in force. This should not have been done.

[S. No. 6, Para 1.140 Appendix V of 108th Report of Public Accounts Committee (6th Lok Sabha)]

Action taken

Ministry of Finance (Department of Revenue) has advised that the Customs House at Bombay, had taken necessary precautions to prevent export of raw cotton in the guise of absorbent cotton. Shipping Bills submitted by the exporters were referred to the Assistant Drugs Controller at the Port for "No Objection". The Exporters were also asked to produce test reports certifying that the goods exported conformed to pharmacopoeial specifications except in respect of carding. Drug Licences and other relevant documents such as invoice and test reports were also scrutinised. in order to foil any attempt to export raw cotton in the guise of absorbent cotton. Regarding violation of Export Control Order and export policy then in force. it has been stated that though the Customs decided to treat the goods as raw cotton for the purpose

of duty in February, 1977, for export control purposes, it was decided in consultation with the Joint Chief Controller of Imports & Exports, Bombay, to treat such cotton as not restricted. Later, on a reference made to the Ministry of Law, that Ministry clarified that though the consignments of absorbent cotton were uncarded, but since the cotton was rendered absorbent, it was a processed item and therefore, was not raw cotton. It would, thus be seen that there had not been any violation of export policy then in force by allowing export of uncarded absorbent cotton. Later in September, 1977, this matter was discussed in an inter-Ministerial meeting between this Ministry and the Ministry of Finance and it was decided that absorbent cotton uncarded but otherwise conforming to pharmacopoeial specifications could be allowed to be exported free of duty.

[Ministry of Commerce and Civil Supplies (Deptt. of Commerce) O.M. No. 6(75)/77-EP(CAP) Vol. V dated 1 April, 1980]

Recommendation

Another point that strikes attention is that the Ministry of Commerce informed Audit in January 1978 that a conscious decision has been taken in the Ministry that exports of absorbent cotton conforming to pharmacopoeial standard except on the point of carding should be allowed, "as has been done during the last 10 years." This indicates that it was the practice all along to export Absorbent Cotton in uncarded form and the Ministry of Commerce were aware of it. Bombay Customs, however, became aware of this practice for the first time in September 1976 and did not take serious note of it until in February 1977 the malpractices were highlighted in a Press report. It shows that the Bombay Customs had no organised machinery or system of check whether the goods exported were of desired specifications and were allowing duty relief on the basis of labels marked on the consignments. This reflects adversely on the organisation and working of Bombay Customs. The Committee would like this to be specifically brought to the notice of the Customs organisation at Bombay.

[Sl. No. 7, Para No. 1.141, Appendix V of 108th Report of Public Accounts Committee (6th Lok Sabha)]

Action taken

(i) *Ministry of Commerce and Civil Supplies (Deptt. of Commerce)*

Ministry of Finance (Department of Revenue) has advised that the Customs House at Bombay, had not been allowing duty relief

on the basis of label marked on the consignments. In fact, when there were reports in February, 1977, that raw cotton was being exported in the guise of absorbent cotton, some consignments of absorbent cotton, were held up by the Bombay Customs and samples were drawn from one such consignment. It was found that the goods did not conform to all requirements of British Pharmaceutical Codex. In order to ensure that raw cotton was not exported in the garb of absorbent cotton, all the Shipping Bills were referred to Assistant Drugs Controller for "No Objection". Exporters were also asked to submit test reports certifying that the goods exported conformed to pharmacopoeial specifications except on the point of carding. Drug Licences and other relevant documents such as invoices and test reports were also scrutinised. Further, as per the advice of the Law Ministry, received later, the consignments would not have attracted export duty. Pending finalisation of the question of export duty on this item, Customs had resorted to provisional levy of export duty and they had been obtaining test reports from the exporters that the consignments conformed to pharmacopoeial specifications, except on the point of carding.

2. However, as recommended by the Committee, the Department of Revenue has been asked to convey the observations of the Committee to the Customs Organisation at Bombay.

[Ministry of Commerce and Civil Supplies (Deptt. of Commerce) O.M. No. 6(75)/77-EP(CAP) Vol. V dated 1 April, 1980]

(ii) *Ministry of Finance (Deptt. of Revenue)*

The Collector of Customs Bombay has stated that the raw material for absorbent cotton is ram cotton mainly of Bengal Deshi Type. Before September, 1976, when the export of Bengal Deshi was banned, Bengal Deshi and absorbent cotton were being exported side by side and the question of export of raw cotton in the guise of absorbent cotton could not, therefore, arise. In fact, after the imposition of the ban on export of Bengal Deshi around September, 1976, the Custom House became more cautious in order to prevent the export of raw cotton in the guise of absorbent cotton. Shipping Bills were referred to Asstt. Drugs Controller for 'no objection' and the relevant documents, such as drug licence/invoice and test reports were scrutinised for ensuring that no attempt to export raw cotton, as such, was made. 23 consignments of a value of Rs. 16,37,232/- of

Cotton Textile Corporation, Bombay which were found to be containing raw cotton were confiscated and a fine of Rs. 1,31,300/- was levied. The goods covered in these 23 consignments had been declared as absorbent cotton BP whereas on percentage examination and on further investigation, the goods were found to be a mixed lot of uncarded, semi-bleached, unbleached and raw cotton.

[Ministry of Finance (Deptt. of Revenue) O.M. No. F.369/3/79-Cus. I, dated 18 March, 1980]

Recommendation

The Committee were informed during evidence that in cases where doubts about the specification of exported items arise and if a specific reference is made to the Assistant Drug Controller, he would check the item before allowing export. In the instant case, although a doubt was raised in September, 1976 itself by the Assistant Collector of Customs, Bombay that the export consignment did not fully conform to the requirements of absorbent cotton as laid down in the pharmacopoeia, he did not refer the matter to higher authorities. The Collector of Customs also conceded during evidence that "there were some laboratory tests done in Manchester Chamber of Commerce and these were produced and these to some extent confused them" and "they did not go into the details of the pharmacopoeial specifications". He even admitted that "otherwise, it would have been corrected in September, 1976 itself". It is thus evident that there was dereliction of duty on the part of the Assistant Collector of Customs also, who failed to take serious note of the irregularities noticed by him and bring them to the notice of the Collector for taking remedial measures.

[Sl. No. 8, Para No. 1.142, Appendix V of 108th Report of Public Accounts Committee (Sixth Lok Sabha)]

Action Taken

(i) *Ministry of Commerce and Civil Supplies (Deptt. of Commerce)*

The observations of the Committee have been conveyed to the Ministry of Finance for further action.

[Ministry of Commerce and Civil Supplies (Deptt. of Commerce)
O.M. No. 6(75)/77-EP(CAP) Vol. V, dated 1 April, 1980]

(ii) Ministry of Finance (Deptt. of Revenue)

The Collector of Customs Bombay has stated that all Shipping Bills relating to the subject goods were being referred for certification and 'No objection' to the Asstt. Drugs Controller. Collector has also said that the concerned Asstt. Collector verified, in each case, that the consignments conformed to the pharmacopoeial standard except for carding, as per test report produced by the exporter. Further, the goods which were allowed to be exported were manufactured under licence issued under Drugs and Cosmetics Act, 1945.

[Ministry of Finance (Deptt of Revenue) O.M. No. F.369/3/79-Cus.I,
dated 18 March, 1980]

Recommendation

Although the term "absorbent cotton wool" was clearly described in the monograph of this item in the Indian Pharmacopoeia (IP) and British Pharmaceutical Codex (BPE) and clear distinctions have been drawn by the Cotton Technological Research Laboratory to identify raw cotton from absorbent cotton,, the Committee are unable to understand why this term came to be interpreted differently by different Government agencies, leading consequently to export of a huge quantity of this commodity which did not fully conform to pharmacopoeial requirements. It is distressing to note that the Assistant Drugs Controller to whom the consignment used to be referred for certification as to their being of pharmacopoeial standard merely endorsed his remark "no objection" on the shipping bills on the basis of laboratory test reports which accompanied the shipping bill. The Drugs Controller deposed before the committee that in the case of absorbent cotton wool the manufacturers had been giving alongwith the invoices, a test report either from their own laboratories or in the case of merchant exporters, from certain laboratories which had been approved by the Drugs Controller of Maharashtra State, if in Bombay, and "the Assistant Drugs Controller had been checking whether the tests given in the test reports are according to the pharmacopoeial specifications". According to him "no test is conducted by him and if he finds that the test report of the consignment is passing the pharmacopoeial specifications, though in certain cases it is uncarded, he indicates his 'no objection', but the consignment is labelled that it is uncarded." The Member, Customs, stated before the Committee that this "no objection" from the Assistant Controller amounted to a certification that the consignment conformed to the pharmacopoeial requirements. The Committee consider this system as unsatisfactory as it leaves ample scope for malpractices on the part of exporters. They

would like the system of certification at the port by the Drugs Controller's organisation to be streamlined so as to plug any loopholes for possible malpractices by the exporters. The system should provide for a percentage test check being done by the Assistant Drugs Controller himself or under his supervision so that the deficiencies of pharmacopoeial requirements are brought to light and got corrected before exports are allowed.

[Sl. No. 9, Appendix V, para 1.143 of 108th Report of Public Accounts Committee (Sixth Lok Sabha)]

Action Taken

Under the provisions of the Drugs and Cosmetics Act, no control is exercised by the Assistant Drugs Controller (India) at the Port on the quality of drugs exported from the country. Under this Act, no drug can be manufactured without a licence issued by the State Drugs Control Authorities, whether the drug is manufactured for domestic consumption or for export. Drugs manufactured for domestic consumption should conform to the standards prescribed under the Act and the processes of manufacture and quality control procedures employed by the manufacturers are subject to inspection by Drugs Inspectors appointed under the Act. There is, however, no such provision for the drugs intended for export and the same are permitted for manufacture in accordance with the standards as required by the importing country. As such, the Drug and Cosmetics Act and Rules do not contain any provision for exercising control on the quality of drugs exported from the country. However, Rule 94 of the Drugs and Cosmetics Rules enjoins on the exporters of Drugs to label the drugs exported with particulars regarding:

- (i) the name of the drug;
- (ii) the name and address of the manufacturers;
- (iii) the licence number under which the drug is manufactured;
- (iv) the batch number; and
- (v) the date of expiry, if any.

2. The Assistant Drugs Controller (India) checks at the time of export whether the drugs exported are labelled in accordance with Rule 94 and ensures that they have been manufactured under a licence granted under the Act.

3. It is seen that the Committee's recommendation for a percentage check on the quality of export consignments of absorbent cotton wool is in the context of export assistance on this item. It is stated in this connection that the item is no longer eligible for any Cash Compensatory Support. However, keeping in view the recommendations of the Committee, the Assistant Drugs Controllers at the Ports have been requested by the Drugs Controller (India) to take the following action:—

- (i) In the case of exports of "Absorbent Cotton Wool conforming to pharmacopoeial standards except in regard to carding" to advise the Customs authorities (on the Shipping Bill) that the consignment of Absorbent Cotton Wool proposed to be exported, not being carded, would not fully conform to the pharmacopoeial standards; and
- (ii) In case of exports of consignments of "Absorbent Cotton Wool claiming to conform to pharmacopoeial standards in all respects" to advise the Customs authorities (on the Shipping Bill) to test check samples from the consignment at the Customs Laboratory at the Ports.

4. It may be mentioned that there is no laboratory attached to the office of the Assistant Drugs Controller (India) at the various ports and samples of drugs imported into the country are being got tested by them at the Central Drugs Laboratory, Calcutta.

[Ministry of Commerce and Civil Supplies (Deptt. of Commerce)
O.M. No. 6(75)/77-EP(CAP) Vol. V, dated 1 April, 1980]

CHAPTER IV

CONCLUSIONS OR RECOMMENDATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation

The Committee note that there was a spurt in the export of absorbent cotton during the cotton season 1976-77 when the export of its raw material—Bengal Deshi—was not permitted. According to Audit para, the absorbent cotton exported was not fully conforming to the pharmacopoeial requirements on the point of carding, sterilisation, moisture-proof packing etc. and as such these exports were not entitled to cash assistance. The Ministry have stated that cash assistance schedule describes the item as “absorbent cotton wool” and not as “absorbent cotton wool IP-BP” or not even “absorbent cotton wool conforming to pharmaceutical specifications”. According to them the goods described as “absorbent cotton uncarded silver type bleached cotton made out of 100 per cent Bengal Deshi” were reclassified to mean “absorbent cotton wool” for purposes of cash assistance by the Local Classification Committee (EP), Bombay at their sitting held on 10th January, 1974 and this re-classification was approved by the Headquarters Classification Committee (1974) at their meeting held on 2nd December, 1974. Thus, according to Government it was already decided that absorbent cotton for which cash assistance was admissible could be carded or uncarded. Further according to them, when a Cost Study in respect of “absorbent cotton” was made in June 1975 which was duly considered at the time of continuing the cash assistance on the commodity, the study pertained to “absorbent cotton wool uncarded”.

The Committee, however, do not accept this view of the Government. The term “Absorbent Cotton Wool” *per se* is not indicative of any description except on the point of absorbancy of cotton. That it was not the intention to allow cash assistance to cotton which was merely rendered absorbent is amply clear from the January, 1978 communication of the Ministry of Commerce to Audit (reproduced at pp. 35-36 of the Audit Report) which stated that a conscious decision was taken in the Ministry in July, 1977 that “exports of absorbent cotton conforming to pharmacopoeial standards,

except on the point of carding, should be allowed as has been done during the last 10 years". The reasons for this decision, according to this communication, was "the consideration that this is a processed item, industries of which have come up in the last few years" and that "most of these industries are in the small scale sector." It was also stated that:

"Decision has been taken to allow exports of uncarded absorbent cotton because it has been represented to the Ministry that there is no demand for carded cotton from India as the buyers in developed countries wish to do the carding and packaging at their end.....it has also been represented that no extra value addition or any other advantage would be obtained by exporting carded absorbent cotton rather than uncarded. This is why a slight deviation from the pharmacopoeia standard was allowed."

If "absorbent cotton wool" had to be of certain pharmacopoeial standards, then we have no recourse but to refer to the Indian Pharmacopoeia for the description of this item. (The description given in Pharmacopoeias of other countries are not relevant). Absorbent Cotton Wool is clearly described in the Indian Pharmacopoeia which also prescribes certain requirements to be fulfilled before raw cotton could be regarded as "absorbent cotton wool". The practice of exporting this item without carding all through was admitted to Audit by the Ministry of Commerce. In June, 1977, the Collector of Customs informed Audit that this item was being exported in bales of 125 lbs. and not in small packs as enjoined upon in the Indian Pharmacopoeia. The non-observance of the requirement of sterilisation and moisture proof packing have been admitted during evidence, though various reasons have been adduced to explain why these could not be observed. The Committee appreciate that grant of cash assistance to encourage the export of any item processed in the country is an executive decision, based on the prevailing economic situation in the country and abroad. It is, however, imperative that the description of the item on which cash assistance is made available should be absolutely clear and not susceptible to varying interpretation by executive agencies in the field. It is also necessary that if circumstances justify a change in the description of the item on which cash assistance is available, it should be made after due consideration by the Cash Assistance Main Committee and the changed description should be duly notified. In the present case, the Local Classification Committee or for that matter even the Head Quarter Classification Committee was

not competent to allow cash assistance on consignments which were clearly and substantially different from "Absorbent cotton wool" as described in the Indian Pharmacopoeia. The local officers or lower bodies should not have been allowed to *suo moto* modify the description and ignore any of the concomitant requirements as they were more amenable to influence by powerful vested interests. This is a major irregularity for which the blame lies squarely on the Ministry of Commerce. Deviation from the pharmacopoeial standards on a large-scale accompanied by an unprecedented spurt in the export of absorbent cotton during the period when export of raw cotton was not permitted leads to the legitimate suspicion that unscrupulous exporters had been really exporting Bengal Deshi with very little value added under the garb of absorbent cotton, thus circumventing export policy then in force and, in addition, getting the cash subsidy applicable to the commodity. This could not have been done unless there was collusion between the field officers of the Government and the exporters. The Committee would like the matter to be investigated from this angle with a view to fixing responsibility and identifying the lacuna in procedures to take remedial measures.

[S. No. 4 para No. 1.138, Appendix V of 108th Report of Public Accounts Committee (6th Lok Sabha)]

Action taken

The Committee's observation that the description of the items on which cash compensatory support is made available should be absolutely clear and that any change in the description of such item should be made with the approval of Cash Assistance Review Committee and should be duly notified has been noted.

2. It is noted that the main thrust of the observations of the PAC contained in this paragraph is as under:—

- (a) no deviation should have been allowed from the Indian pharmacopoeial standards for absorbent cotton in respect of points like carding, sterilisation, moisture proof packing, etc.,
- (b) deviation from the pharmacopoeial standards accompanied by an unprecedented spurt in the export of absorbent cotton during a period when export of raw cotton

was not permitted leads to the suspicion that Bengal Deshi cotton was being exported under the garb of absorbent cotton, thus defeating the then prevailing export policy and also getting unauthorised cash assistance, and

- (c) this could not have been done unless there was collusion between the field officers of the Government and the exporters.

3. It is submitted that since the description of the item in the Cash Assistance schedule referred to Absorbent Cotton Wool and not absorbent cotton wool IP or BP or not even absorbent cotton conforming to pharmacopoeial specifications, it would not be correct to come to the conclusion that eligibility for Cash Assistance would depend upon the item conforming to pharmacopoeial specifications in every respect as enjoined in the Indian pharmacopoeia. The decision taken in July, 1977, should not be considered as introducing any change in the policy or description of the item or deviation from the pharmacopoeial specifications, but only as a clarification. Even earlier, absorbent cotton which was being exported, was mostly in conformity with the pharmacopoeial standards except on the point of carding. The July 1977 decision only confirmed that this practice should be continued. What the Local Classification Committee had done at their meeting held on 10th January, 1974 was not to substantially dilute the definition of absorbent cotton. The Committee only came to the conclusion that absorbent cotton, uncarded conforming to BP, would be eligible for cash assistance under the description absorbent cotton wool. It is further reiterated that for the reasons stated above there is no strong ground to believe that under the guise of absorbent cotton, non-absorbent cotton had been exported in large quantities.

4. Regarding the recommendation relating to investigation from the angle of possible collusion between the exporters and the field officers, which enabled unscrupulous exporters to export Bengal Deshi cotton in the garb of absorbent cotton and the recommendation for fixation of responsibility and identification of lacuna in procedure, it is stated that the matter was examined in consultation with the Ministry of Finance (Department of Revenue). Based on Press reports in February, 1977, the Bombay Customs had held up some consignments of absorbent cotton uncarded and the samples drawn from one such consignment were found to be not fully conforming to the specifications of British Pharmaceutical Codex. In view of the non-conformity of the consignments to the British Pharmaceutical Codex, the Customs decided to treat such consign-

ments as raw cotton for the purpose of levy of export duty. However for export control purposes, it was decided in consultation with the Joint Chief Controller of Imports and Exports, Bombay not to treat such consignments as restricted. The Shipping Bills submitted by the exporters were referred to the Assistance Drugs Controller at the Port for "No objection" and the exporters were asked to produce test reports certifying that the goods exported conformed to pharmacopoeial specifications in all respects except on the point of carding. Drug Licences and other relevant documents such as invoices and test reports were also scrutinised in order to foil any attempt to export raw cotton in the guise of absorbent cotton.

5. In view of the position explained, it is submitted that there is no reason to suspect any collusion between exporters and the field officers of the Government and that the Customs House had taken precautions to ensure that raw cotton was not exported in violation of the ban.

[Ministry of Commerce and Civil Supplies (Deptt. of Commerce) O. M. No. 6(75)/77-EP(CAP) Vol. V dated 1 April, 1980].

Recommendation

The Committee note from the evidence of the representatives of the Ministry of Commerce and the written deposition of the Ministry that the decision to abolish cash assistance on absorbent cotton wool was taken at the level of the Commerce Minister on 8th July, 1977. On 14th July, 1977, Shri K. L. Rekhi, the then Export Commissioner issued an order to withhold payment of pending claims of cash assistance on the export of this commodity and the letter containing the necessary instructions to Port Offices was issued on 18 July, 1977. On 15 July, 1977, i.e., a day after the order of the Export Commissioner to withhold payment and a couple of days before the necessary communication was sent to the port offices, forward contracts with delivery periods ranging from 2 to 17 months worth Rs. 3.29 crores were entered into by the exporters and these were registered with the banks on 16 July, 1977. As the notification withdrawing cash assistance was issued only on 30 July, 1977, the contracts entered into and registered with banks on 15 and 16 July, respectively continued to derive for the exporters the benefits of cash assistance till much after the date of withdrawal of cash assistance.

The instantaneous effect given to the withdrawal of cash assistance on 30 July, 1977 was, therefore, nullified. The Committee were informed that the delivery schedule normally depends on the urgency with which the consignment is required by the importers and stocks readily held by the exporters or time required for manufacture by the manufacturer exporters. While in the past also there had been rare cases of extended delivery periods ranging upto 16 months, it is intriguing to note that in almost all the contracts entered into on 15 and 18 July, 1977, the delivery schedule started much later—from periods ranging from 2 to 17 months. Another notable feature was that all the contracts of a total value of Rs. 3.29 crores entered into on the 15th and 18th July, 1977 were by the single firm M/s. Lavino Kapur Pvt. Ltd.

These facts lead to the inescapable conclusion that there was a leakage of the decision to abolish cash assistance from the Ministry of Commerce before the issue of the Notification thereof, and also of the orders of the Export Commissioner to withhold payment of pending claims of cash assistance before these were formally communicated to the field authorities. Since the premature leakage of Government decision and orders has directly resulted in financial loss to the Government to the tune of nearly Rs. 50 lakhs, being cash subsidy on hurriedly negotiated and finalised export contracts, the Committee consider it a fit case for proper investigation by an independent agency such as CBI, to fix responsibility and punish all those guilty of collusion with the unscrupulous exporters.

The course of events narrated by the Commerce Secretary during evidence shows that from 2 July to 30 July, 1977, the file containing the important and far reaching decision of the Commerce Minister was shuttling from officer to officer and from Section to Section making the decision easily vulnerable to leakage to interested parties. The Committee would like the Ministry of Commerce to review their systems and procedures and suitably modify them to maintain the secrecy of decision making process until its final announcement. The Committee would, in particular, recommend that, as far as possible, a final decision taken on a matter affecting public interest should be announced on the same day, or, latest, on the following day.

[S. No. 10, Appendix V, para 1.144 of 108th Report of the Public Accounts Committee (6th Lok Sabha)]

Action taken

In pursuance of the recommendations made by the Committee Central Bureau of Investigation has been requested to investigate to

find out whether there had been any leakage of information from the Ministry relating to withdrawal of cash assistance on absorbent cotton wool.

2. As regards the recommendation in regard to streamlining of procedure for announcing decision affecting public interest and maintenance of secrecy, it has not been the practice of this Ministry to classify as 'Secret' or 'Confidential' files/papers dealing with proposals for grant of or withdrawal of cash compensatory support. The normal procedure followed for notifying the decisions of Cash Assistance Review Committee (CARC) during 1977-78 involved some time-lag between the date of decision and issue of relevant notification. According to the procedure in force at that time, as soon as decision was taken by CARC, draft minutes were prepared by the concerned Section in the Ministry and were to be got approved by different senior officers. After such approval the same were issued. On the basis of these minutes, draft orders were prepared and were sent to Finance Division for vetting before these orders were announced. On account of this procedure, some time-lag between the date of decision and issue of notification was inevitable.

3. However, keeping in view the recommendations made by the Committee, it has been decided that all efforts should be made to reduce to the minimum extent the time-lag between the date of a decision involving reduction or abolition of an existing cash compensatory support rate and the date of its announcement. While a detailed procedure in this respect is being worked out it has been tentatively decided that as soon as a decision to reduce or abolish cash compensatory support was taken by the CARC, a note would be put up immediately to Secretary/Minister seeking approval for the reduction or abolition without waiting for the preparation of minutes of the meeting. As soon as approval of Secretary/Minister was received, the decision would be notified with the least possible delay.

[Ministry of Commerce and Civil Supplies (Deptt. of Commerce) OM No. 6(75)/77-EP (CAP) Vol. V, dated 1 April, 1980].

CHAPTER V

CONCLUSIONS OR RECOMMENDATIONS IN RESPECT OF WHICH GOVERNMENT HAVE GIVEN INTERIM REPLIES

NIL

NEW DELHI;
December 1, 1980.

Agrahayana 10, 1902 (S).

CHANDRAJIT YADAV,
Chairman,
Public Accounts Committee.

APPENDIX

STATEMENT OF CONCLUSIONS OR RECOMMENDATIONS

Sl. No.	Para No. of the Report	Ministry/Deptt. Concerned	Conclusion or Recommendation
1	2	3	4
1	1.7	Commerce	<p>The reply of the Government has not brought forth any new point which was not already considered by the Committee before making the recommendation. Moreover, in their action taken note the Ministry of Commerce have stated that the Customs authorities at Bombay had held up some consignments of absorbent cotton uncarded and had decided to treat them as raw cotton for the purpose of levy of export duty. However, for export control purposes, it was decided in consultation with the Joint Chief Controller of Imports and Exports, Bombay not to treat such consignments as restricted. The Committee are unable to appreciate as to how the Joint Chief Controller of Imports and Exports, Bombay could be a party to the decision not to treat such consignments as restricted for export control purposes. The Committee, therefore, reiterate their earlier recommendation that a thorough investigation should be made to find out how semi-processed raw cotton in the garb of absorbent cotton in violation of the existing policy of the Government was allowed to be exported and large amounts in the shape of cash subsidy were paid.</p>

1	2	3	4
2	1-10	Commerce	<p>The Committee note that the Ministry of Commerce have requested the Central Bureau of Investigation to find out whether there had been any leakage of information from the Ministry relating to withdrawal of cash assistance on absorbent cotton wool. They would like to be apprised of the findings of the C.B.I. and the action taken by Government in pursuance thereof.</p>