

COMMITTEE ON PUBLIC UNDERTAKINGS

(1980-81)

(SEVENTH LOK SABHA)

SEVENTH REPORT

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

ON

**TEA TRADING CORPORATION OF INDIA LTD.—
GENERAL FUNCTIONING AND INTERNAL SALES**

MINISTRY OF COMMERCE

(Department of Commerce)

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

17 MAR 1981
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**LOK SABHA SECRETARIAT
NEW DELHI**

February, 1981/Phalguna, 1902 (Saka)

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CORRIGE 10A TO SEVENTH REPORT OF COMMITTEE
ON PUBLIC UNDERTAKINGS (SEVENTH LOK SABHA)

<u>Page</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
3	17	Report	Reports
6	13 from below	requirement	requirements
9	3 of table (col.3)	1.35	135
9	5 of table (col.4)	7.13	713
10	19	incured	incurred
14	12 from below	for	from
21	11 from below	undertaking	undertakings
23	4-5	therefor	therefore
24	3	Chairman & Director	Chairman & Managing Director
25	2	Testing	Tasting
31	10	is	its
37	8 from below	full	felt
38	14 from below	section	sections
41	11 from below	1.10	0.10

COMPOSITION

CONTENTS

	PAGES
COMPOSITION OF THE COMMITTEE .	(iii)
COMPOSITION OF SUB-COMMITTEE ON ACTION TAKEN	(v)
INTRODUCTION	(vii)
CHAPTER I Report	1
CHAPTER II Recommendations that have been accepted by Government.	8
CHAPTER III Recommendations which the Committee do not desire to pursue in view of Government's replies.	27
CHAPTER IV Recommendations in respect of which replies of Government have not been accepted by the Committee.	32
CHAPTER V Recommendations in respect of which final replies of Government are still awaited.	40
APPENDICES	
I Details of trading expenses during 1976-77.	41
II Copy of letter dated 25-7-1979 from the Ministry of Railways to the Ministry of Commerce and Civil Supplies regarding purchase of tea from TTCL.	42
III Note on selection of Financial Adviser and Chief Accounts Officer.	44
IV Copy of letter dated 27-6-1979 from the Department of Food to the Ministry of Commerce and Civil Supplies regarding purchase of tea from TTCL.	53
V Analysis of Action taken by Government on the recommendations contained in the Forty-fourth Report of Committee on Public Undertakings (Sixth Lok Sabha).	55

(i)

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COMMITTEE ON PUBLIC UNDERTAKINGS

(1980-81)

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22. Shri Sunder Singh Bhandari

SECRETARIAT

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

*Elected w.e.f. 28-11-1980 in the vacancy caused by appointment of Shri P.A. Sangma as Deputy Minister.

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

(1980-81)

1. Shri Bansj Lal—*Chairman*
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4. Shri Swami Dinesh Chandra
5. Shri S. M. Krishna
6. Smt. Geeta Mukherjee
7. Shri B. K. Nair

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this 7th Report on Action Taken by Government on the recommendations contained in the 44th Report of the Committee on Public Undertakings (Sixth Lok Sabha) on Tea Trading Corporation of India Ltd.—General Functioning and Internal Sales.

2. The 44th Report of the Committee on Public Undertakings was presented to Lok Sabha on 24 April, 1979. Replies of Government to all the recommendations contained in the Report were received by 27 November, 1980. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings on 23 February, 1981. The Report was finally adopted by the Committee on Public Undertakings on 26 February, 1981.

3. An analysis of the Action Taken by Government on the recommendations contained in the 44th Report (1978-79) of the Committee is given in Appendix V.

NEW DELHI;
February 28, 1981
Phalgun 9, 1902 (Saka)

BANSI LAL,
Chairman,
Committee on Public Undertakings.

CHAPTER I

REPORT

The Report of the Committee deals with the action taken by Government on the recommendations contained in the Forty-fourth Report (Sixth Lok Sabha) of the Committee on Public Undertakings on Tea Trading Corporation of India Ltd.—General Functioning and Internal Sales which was presented to Lok Sabha on 24 April, 1979.

2. Action Taken notes have been received from Government in respect of all the 26 recommendations contained in the Report. These have been categorised as follows:—

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

Serial Nos. 1, 3, 4, 6, 7, 8, 9, 11, 15, 16, 18, 19, 20, 24, 25 and 26.

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

Serial Nos. 13, 14, 21 and 22.

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

Serial Nos. 2, 5, 10, 12, 17 & 23.

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

A. Separate Depiction of Working Results of Garden Division and Trading Activities

Recommendation (Serial No. 2, Paragraph 2.45)

3. The Committee pointed out that in respect of Pathini Tea Estate details of the turnover of the estate alone were being shown in the Annual Report of the Corporation and the profits of the estate were not being shown distinctly in the profit and loss accounts of the Corporation. They recommended that the accounts of Trading Activities and Garden accounts should be shown separately even though it might not be necessary under the Companies Act to do so. This was necessary in order that the operational results of the Corporation depicted the true state of affairs.

4. In their reply the Ministry have stated that the ownership of the Pathini Tea Estate having been vested in T.T.C.I., the assets and liabilities of the Estate form part and parcel of T.T.C.I. as a whole and have to be added to the Trading Division assets and liabilities and shown in a consolidated form. The Board of Directors of T.T.C.I. have also been of the view that the Garden Division being merely a branch of the total operations, the profit and loss of the two divisions should be judged in its totality for purposes of bonus declaration. In consideration of these factors and the advice of the C&AG the accounts of the Trading Division and of Pathini Tea Estate were merged in the final accounts with the notes and schedules clearly indicating the profit and loss position of the two units. It has been added that the presentation of consolidated annual accounts is an accepted practice in India. For example, though I.T.D.C. has Hotel Division, Transport Division and other Divisions, their financial result is shown in a consolidated manner and not division/activity wise.

5. The Committee are constrained to observe that the statements made by the Ministry are not borne out by facts. An examination of the latest available annual report of the T.T.C.I. for the year 1978-79 has revealed that the notes and schedules to profit and loss account do not clearly show separately the profit and loss position of the Trading Activities and Garden Division of T.T.C.I. as stated by the Ministry in their reply. Further, contrary to the statement made by the ministry, an annexure in the Annual Report of ITDC clearly shows the financial results of various divisions/units of the Corporation. In fact for hotels, the information has been furnished even hotel-wise. It is unfortunate that far from realising the reasonableness of the recommendation of the Committee, the Ministry have not been careful even in verifying the facts on which they have based their reply to the Committee. The Committee, therefore, reiterate that the Annual Report of the Corporation should show separately the working results of Trading Activities and the Garden Division.

B. Foreign Travel

(Recommendation [S. No. 3(2), Paragraph 2.47])

6. The expenses on internal and external Air Travel were of the order of Rs. 0.99 lakh and Rs. 1.56 lakhs respectively during 1976-77. Even the Financial Adviser and Chief Accounts officer of the Corporation with no tea background was sent on tours abroad for business promotion incurring an expenditure of Rs. 42000. The Committee desired such trends to be discouraged.

7. The Government in their reply have stated that in a commercial concern like T.T.C.I. apart from the question of marketing

various other issues including legal and financial problems arise in connection with export business. These are matters which cannot readily be solved by marketing executives, and it becomes necessary for some Senior Officer with Administrative law and financial background to visit foreign countries to solve these outstanding problems. While on the one hand, utmost care is taken to see that there are no infructuous travels, any restriction on foreign trips by Senior Officers of the Corporation is likely to jeopardize the Corporation's business. Regarding the FA&CAO's foreign visit it has been stated that as the Chairman of the Corporation was at the relevant time not in a position to undertake any foreign visit, the next senior executive i.e. FA&CAO proceeded to Europa and U.K. to attend to commercial and financial matters.

8. While the Committee agree that undue restriction on foreign trips by Senior Executives could run counter to commercial interest, they would like to draw attention of the Government to their 6th and 23rd Report (6th L.S.) regarding foreign tours of officials of Public Undertakings. They hope that the Government and the Public Undertakings would in future be more vigilant with a view to seeing that there is no wasteful expenditure on foreign travels.

C. Need to route the advertisements through DAVP

Recommendation (Serial No. 5, Paragraph 250)

9. The payments made to private parties by the TTCI for publicity and advertisement had gone up from Rs. 2270 in 1974-75 to Rs. 51,143 in 1976-77. The Committee desired that as assured during evidence, the Corporation should entrust such jobs to or through the Directorate of Advertising and Visual Publicity.

10. The Department of Commerce in their reply have stated:

"It is felt that TTCI being an autonomous trading organisation like all other public sector undertakings, should be allowed to handle its publicity and advertisement work on its own instead of routing it necessarily through the DAVP."

11. The Committee regret to note that though they were assured during evidence by the Chairman-cum-Managing Director of TTCI that they would not patronise the private advertising agencies in future, the Corporation are now reluctant to entrust the publicity work to or through the DAVP, on the specious plea that it is an autonomous trading organisation. The Committee would invite attention in this connection to the recommendations contained in their

17th Report (6th L. S.) and would stress that the Corporation should except in exceptional circumstances use the agency of D.A.V.P. for their advertisements and publicity.

D. Inventory Holding

Recommendation (S. No. 7, Paragraph 2. 52)

12. The Committee pointed out that there had been an increase in the closing stock of tea in TTCI by more than three and a half times from Rs. 166 lakhs in 1976-77 to Rs. 606 lakhs in 1977-78 (i.e. 60 per cent of the turn-over of Rs. 1020 lakhs in 1977-78). They therefore observed that the position needs to be probed and the results reflected in the Annual Report of the Corporation.

13. The Government in their reply have stated that TTCI's main operation is in packaged tea and that most of the orders secured by it are time-bound fixed price orders for a large quantity. When such a contract is entered into involving delivery throughout the year, one has to hedge against not only non-availability of teas during certain months of the year but also against abnormal increase in prices. It is to guard against such eventualities that TTCI follows the widely accepted commercial practice of booking inventories at the time of finalisation of the contract so that factors like price increase and/or non-availability of teas do not come in the way of execution of the time bound fixed price contracts with penalty clause for delay of Rs. 1 lakh per day. It has also been stated that while the Corporation has been able to bring down the inventory level as on date to about 30 per cent of the turn-over, the failure to buy teas at the proper time and to build up inventories has resulted in a situation where the Corporation has lost the advantage it had in 1978 due to larger stock holdings.

14. The Committee agree that as a commercial concern the Corporation has to make purchases of tea keeping in view the various aspects like price trends, order position, lead time in making purchases and the inventory carrying cost, etc. They would, however, stress that taking all relevant aspects and the past experience into consideration certain norms for inventory holding should be fixed and the reasons for any significant variation between that norm and the actual holding brought out in the Annual Reports of the Corporation.

E. Cost Analysis and Performance Review of Trading Concerns

Recommendation (Serial Nos. 8 & 10, Paragraphs 2.53 and 2.55)

15. The Committee observed that a sound costing procedure had not been developed by the TTCI as yet and urged that this deficiency should be looked into by BPE and the Ministry of Commerce

for a quick remedy. Instead of intimating the action taken in this regard, the Ministry have only stated that "the recommendation of the Committee is noted for action."

The Committee also emphasised the need for strict financial control by Government over the activities of the Corporation in view of the fact that though the turnover had been increasing the profitability of the Corporation had been declining over the years in spite of massive export subsidy. They, therefore, recommended that there should be a monitoring cell consisting of efficient cost accountants and qualified Economists in the Ministry of Commerce for cost analysis and watching constantly the performance not only of Tea Trading Corporation of India but also of all the Trading concerns.

16. The Government in their reply have stated that they are exercising strict financial control over the activities of the Corporation. The Joint Secretary and Director (Finance) of the Ministry of Commerce are Directors of T.T.C.I. In addition, Additional Economic Adviser in the Ministry of Commerce is also now appointed as Director of the Corporation. Financial reviews are also being made by the Ministry.

17. The Committee would like to point out that what they had recommended was a monitoring cell in the Ministry of Commerce for cost analysis and watching the performance not only of T.T.C.I. but also of all the trading concerns under the Ministry. They, therefore, reiterate that a review of cost analysis should form a part of periodical performance reviews at the Ministry level associating experts as far as possible. For this purpose it is necessary to develop sound costing procedures as recommended, without further delay.

F. Management of Tea Gardens

Recommendation No. 12 (Paragraphs 3.7 to 3.9)

18. The management of certain sick tea gardens has been entrusted to T.T.C.I. The Committee observed that they were unable to understand as to why the Corporation which had yet to establish itself in the tea trade was saddled with the additional responsibility to manage sick Tea Gardens and thereby fritter away its energies. The Committee recommended that management of tea estates might be either transferred to the State Governments concerned or to a separate Corporation created for it so that the Tea Trading Corporation was left free to concentrate on its main activities.

19. In their reply the Government have stated that tea being a seasonal product, it may not be possible to ensure availability of the required type of tea at optimum prices at all times. Managing

of tea gardens is an asset from the export point of view as the Corporation can use profitably the produce of their own gardens for export. Moreover, the garden management had not put any strain on the management of TTCI. The Corporation has been able to develop a small tea garden division from within and has been able to manage not only its own garden but also the sick tea gardens taken over by the Government and entrusted to it for management. The sick tea gardens generated profits in the very first year of their operation under the management of the Corporation.

20. The Committee are unable to entirely agree with the Ministry. They hold the view that it is necessary to maintain the character of the TTCI as essentially a trading concern and to vest the management of sick gardens in other body or bodies in the event of any necessity to take over a large number of such gardens, though the TTCI may have remunerative gardens of its own which it could continue to maintain. This should be kept in view for the future.

G. Sales to Defence

Recommendation (Serial No. 17—Paragraph 5.45)

21. The Committee while noting that TTCI's share of tea supplied for free issue to Defence Personnel was normally 40—50 per cent, recommended that Army Purchase Organisation which was responsible for purchase of tea for free issue to Defence Personnel should first place their order for the entire quantity of tea needed by them with the TTCI and only if TTCI was not in a position to supply as confirmed in writing, that tenders should be invited from private parties. It was pointed out that when tea was bought from a public undertaking, Army Purchase Organisation or the Defence Department who had no Tea Taster of their own could be reasonably sure that tea was of a desired quality. The Committee also felt that the Corporation should be able to meet the requirement of the Canteen stores.

22. In their reply the Ministry have stated that though the Corporation is in a position to meet the entire requirement of tea of the Defence Department as also the Canteen Stores Department, these organisations are continuing the system of tender and no preference is being given to TTCI as yet. The inability of Defence Department and Department of Food to purchase only from TTCI has been stated to be due to the revised purchase preference policy of Government contained in the instructions issued by BPE in July, 1978 according to which no purchase preference is available to public sector enterprises in the matter of purchases made by Government Departments/other public enterprises.

23. In the case of tea, the price would depend upon the quality. As already pointed out by the Committee Army Purchase Organisation or the Defence Department who have no Tea Taster of their own can be reasonably sure that tea is of a desired quality if they make purchases from a public sector undertaking. Further, as per the latest guidelines issued by Government, price preference of 10 per cent can be allowed to public sector enterprises in the matter of purchases made from them by Government Departments/other public enterprises. The Committee, therefore, reiterate that as far as possible the purchase of tea by Army Purchase Organisation/Department of Defence should be made from TTCI. This should also apply to other purchasing public undertakings and Government organisations.

H. Employer—Employee Relations

Recommendation (Sl. No. 23, Paragraph 6.35)

24. The Committee *inter-alia* observed that the employer-employee relations in the Corporation were not what these ought to be and these should be improved to inspire confidence among all sections of the employees.

25. However, in the reply furnished by Government this point was not dealt with. Subsequently, a letter dated 1st April, 1980 was received by the Committee from the General Secretary, TTCI Employees' Association referring to certain problems relating to employer-employee relations as brought out in the Annual Report of the Association. A copy of the letter was forwarded to the Ministry for such action as may be deemed necessary with a request that a revised reply to the recommendation of the Committee be sent, if necessary taking into account the letter of the Association. The revised reply received on 27th November, 1980 from the Ministry also did not meet the point raised by the Committee.

26. The Committee regret that no specific reply to their observations regarding employer-employee relations in the Corporation was furnished by the Ministry despite a specific request on receipt of a letter from the General Secretary, TTCI Employees' Association which referred to certain problems. They are, therefore, constrained to reiterate that steps should be taken to improve the employer-employee relations in the Corporation.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 1, Paragraphs 2.43 & 2.44)

The Committee note that profit earned by the Tea Trading Corporation of India during 1976-77 as shown in the annual accounts of the Corporation was Rs. 22.61 lakhs against Rs. 23.82 lakhs during 1975-76. The profit during 1976-77 also includes profit of Rs. 10.5 lakhs earned on account of Pathini Tea Estate acquired by the Corporation in July, 1976. Thus the actual profit of the Corporation during 1976-77 on account of trading activities comes to only Rs. 12.11 lakhs i.e. 50 per cent of the profit earned in the preceding year. This is inspite of the fact that its sales turnover on trading account increased from Rs. 341.20 lakhs during 1975-76 to Rs. 576.45 lakhs during 1976-77.

Moreover, but for the cash assistance etc. of the order of Rs. 57.49 lakhs received by the Corporation from the Government, as against Rs. 4.28 lakhs during 1975-76, the Corporation would have ended up with a loss of Rs. 45.38 lakhs during 1976-77. This does not include the loss of Rs. 24.70 lakhs on management of Public Tea Warehouses incurred during 1976-77. This only depicts the disappointing operational results of the Corporation which require to be thoroughly gone into. The profitability during 1977-78 has also to be viewed on this basis.

Reply of the Government

It is submitted that the operational results of this Corporation have to be judged not only from the profitability angle but also from the point of view of another objective i.e. value addition in export of tea.

The main objective of the Corporation as set out in the Memorandum of Articles, is to export tea in all its forms from India. TTCI's endeavour till recently was to engage itself almost exclusively in the export of tea from India in value-added form. Internal distribution and/or catering to domestic needs was never made a primary objective of the Corporation.

TTCI's share of exports of value added tea at 12 per cent was achieved within an operative period of only 3 years. This was no small achievement. Incidentally, during the period 1978-79, TTCI achieved the distinction of being the largest packet tea exporter from India.

The performance of this Corporation since its inception over the years has fully justified the specific objective for which the Corporation was set up i.e. export of value added tea.

The performance of the Corporation from its inception over the years has been as follows:—

Year	Export Revenue	Internal Sales etc. & (Pathini Tea Estate	Total Revenue	(Rs. in lakhs)			
				Profit (+)/Loss (—)	Revenue from Managed Units.	Grand Total Revenue.	
1972-73	Nil	Nil	Nil	—0.35	..	—	
1973-74	Nil	0.67	0.67	—3.00		0.67	
1974-75	1	1.35	136	9	37	173	
1975-76	196	150	346	24	53	399	
1976-77	355	356	7.13	25	44	757	
1977-78	793	383	1176	45	160	1336	
1978-79 (subject to audit)	1740	300	2040	60	130	2170	

The Committee has stated that the Corporation has relied heavily on export incentive in order to make whatever little profit the Corporation has made. It has to be appreciated that without cash compensatory support given by the Government, it would have been difficult for the Indian Packaged Tea Industry to make a breakthrough in the discerning market of the developed countries or to compete with established organisation like Brooke Bond, Typhoo, Lyons etc.

Cash Compensatory Support is granted in order to compensate the exporter of packaged tea against local taxes and levies imposed and covers items like unrefunded tax, tax on capital goods, freight disadvantage, interest disadvantage, and other promotional costs. The aggregate of this works out to between 27 per cent to 45 per cent of the total cost of the finished product. Against this the Cash Compensatory Support was only 10 per cent till 1978/79 and is 12½ per cent now.

Cash Incentives are always taken into the pricing structure, as otherwise there will be no incentive for Indian exporters to promote Indian packaged tea.

It is admitted that the operational results of 1976-77 was lower than expectation and does not compare favourably with the project ratio of 1975-76. The main cause for the unsatisfactory trading result in 1976-77 was due to the fact that the Corporation made a loss on the first breakthrough export order received from Libya and also on Defence supplies. This was due to the sudden and unprecedented rise in the price of tea in India in 1976-77 when the orthodox grade suitable for Libya and Defence shot up by Rs. 3 to Rs. 5 per kg. but the buyers were unwilling to increase their price as these were fixed price contracts. Even Defence Authorities did not agree to any price increase. The loss in respect of Libya and Defence was over Rs. 25 lakhs; otherwise the total profit would have been higher.

The Public Tea Warehouses were entrusted to the Corporation for Management and it was one of the conditions for management that any loss incurred would be reimbursed to TTCI by the Ministry. Due to lack of support by the tea producers, and drop in arrivals of tea at Calcutta auctions, the PTW's capacity had not been fully utilised. As a result of under-utilisation of capacity and continuous labour trouble the PTWs continue to incur loss. The reimbursement of the loss incurred by PTWs has no direct relevance with the operational results of TTCI as they are only managed units.

It may be noted that Cash Compensatory Support (Cash Subsidy) is an integral part of our costing procedure. After very careful scrutiny, the Government has increased the C.C.S. to enable Indian Exporters to be competitive in the International Market. Since September, 1977 the International Tea Market had turned into a buyers market and now supply exceeds demand. This has caused a depression in the export prices. Despite offering rock-bottom prices, TTCI and other Indian Exporters have been out-priced by Exporters from Sri Lanka, Kenya and Bangladesh.

*[Ministry of Commerce & Civil Supplies (Deptt. of Commerce)
O.M. No. I-12014(1)/79-Plant-A dated 6th December 1979.]*

Recommendation [Serial No. 3(1) Paragraph 2.46]

Surprisingly, the Corporation has stated that its development is not possible without export incentives from Government. The Committee cannot lose sight of the fact that there was a steep increase

in over-heads expenditure from Rs. 38.41 lakhs in 1975-76 to Rs. 117.93 lakhs in 1976-77 and Rs. 242.62 lakhs in 1977-78. Government should analyse the reasons for this steep rise in expenditure to find out how much of the increased expenditure was actually justified and whether any malpractices or unwarranted activities have taken place and thereafter devise measures to effect economies.

Reply of the Government

Increase in Overhead expenditure in 1976-77 over 1975-76 has been referred to. It is submitted that the overhead expenditure of two years have to be seen in the proper perspective. Firstly, it has to be noted that in the year 1976-77 the accounts of Pathini Tea Estate was merged with the Trading Accounts under the advice of the Company Auditors. The income and expenditure on Pathini Tea Estate were connected with the Trading Accounts. Thus, the expenses of Rs. 117.93 lacs represents not only the overhead of the Trading Division but also the overhead on Pathini Tea Estate.

Secondly, it is submitted that what the Committee has taken as overhead expenditure cannot strictly be termed as overhead in as much as the Profit & Loss Account includes certain direct expenses as also a large element of Excise Duty and other taxes. These expenses amount to Rs. 91.90 lacs in 1976-77 as per Appendix I and should technically be termed as trading expenses leaving administrative overhead of only Rs. 28.03 lacs which works out to only 4.57 per cent of the total turnover of Rs. 713 lacs. Increase in the volume of expenditure in administrative overhead which includes items like Promotional Expenses etc. is not unjustified and/or out of proportion when compared to the increase in the volume of business.

Trading turnover in 1977-78 increased by 68.95 per cent over 1976-77 turnover. The increase in actual administrative overhead in terms of volume is wholly off-set by the steep increase in the trading turnover.

TTCI would like to assure the Ministry and the Committee that the increase in administrative overhead has not been out of proportion to the increase in business and in fact efforts have been made at every stage to avoid infructuous expenditure and at no stage whatsoever malpractices or unwarranted activities has taken place.

*[Ministry of Commerce & Civil Supplies (Deptt. of Commerce)
O.M. No. I-12014(1)/79-Plant-A dated 6th December 1979.]*

Recommendation [Serial No. 3(2) Paragraph 2.47]

In this connection the Committee wish to point out that the expenses on internal and external Air Travel were of the order of Rs. 0.99 lakh and Rs. 1.56 lakhs during 1976-77. Even the Financial Adviser and Chief Accounts Officer of the Corporation with no tea background was sent on tours abroad for business promotion incurring an expenditure of Rs. 42,000. This must be discouraged.

Reply of the Government

It was explained to the Committee during the evidence of the Corporation that a large number of Foreign Customers had been pressing us for attending to certain outstanding commercial and financial matters and that the Director, Tea Promotion, Brussels had sent an urgent letter to the Corporation in June '78 stating that there was a possibility of doing business in West Germany and that in this regard, few of the prospective importers could be contacted. It was also mentioned by the Director, Tea Promotion, Brussels, that a senior officer of the Corporation should visit Germany in order to apprise himself of the suitability of the various parties and to carry on negotiations. There was, furthermore, at that time certain difficulties in realisation of dues from one of the customers in U.K., with whom TTCI had been doing substantial business and which was in fact started at the behest of and on the recommendation of the Tea Board. It was also explained to the Committee that the Chairman of the Corporation was, at the relevant time not in a position to undertake any foreign visit due to illness as also due to his pre-occupation with the Committee hearings. Accordingly, therefore, the next senior executive, i.e., F.A. and C.A.O. was deputed to proceed to Europe and to U.K. to attend to the commercial and financial matters in Europe and financial matters in U.K.

It is a matter of record that substantial export business was obtained by the Corporation as a result of F.A. and C.A.O.'s visit to Europe and particularly to West Germany, where the F.A. and C.A.O. located an importer, who was persuaded to sign a contract for Rs. 172 lakhs worth of packaged tea, this being the largest ever order secured by TTCI for packaged tea from West Germany.

In addition it was directly as a result of the F.A. and C.A.O.'s visit to U.K. that the matter of outstanding dues from one of the U.K. customers has been solved satisfactorily and TTCI has already collected most of its dues, the balance being subject to trial before the London Courts.

In a commercial concern like TTCI's, apart from the question of marketing, various other issues including legal and financial problems arise in connection with export business. These are matters which cannot readily be solved by marketing executives, and it becomes necessary for some Senior Officer with administrative law and financial background to visit foreign countries to solve these outstanding problems. While on the one hand, utmost care is taken to see that there are no infructuous travels, any restriction on foreign trips by Senior Officers of the Corporation is likely to jeopardize the Corporation's business.

[Ministry of Commerce & Civil Supplies (Deptt. of Commerce)
O.M. No. I-12014(1)/79-Plant-A dated 6th December 1979.]

Comments of the Committee

(Please see Paragraph 8 of Chapter I of the Report)

Recommendation (Serial No. 4, Paragraphs 2.48 and 2.49)

Yet another item of overhead expenditure which compels attention is that the expenditure on maintenance of cars by the Corporation which increased from Rs. 37,433 during 1975-76 to Rs. 80,116 during 1976-77. During 1977-78 when another car was purchased the expenditure on maintenance of cars increased to Rs. 2.37 lakhs. The Committee regret that inspite of the increase in expenditure on maintenance of cars, taxi hire expenses did not come down but increased from Rs. 29,103 in 1975-76 to Rs. 69,780 during 1976-77 and Rs. 74,237 during 1977-78. This does not appear to be justifiable because the places required to be visited on official duty are confined to a limited area.

The Committee recommend that the Corporation should buy as a measure of economy and use 3 wheeler vans passenger carriers for carrying samples and other packaging material as well as for other visits as far as possible. Taxis and Cars should be used sparingly especially in the context of fuel scarcity and high cost. This should apply not only to the TTCI but also to all the undertakings.

Reply of the Government

The figures of expenditure on maintenance of cars and conveyance charges mentioned in these paragraphs are for the entire Corporation including the Pathni Estate and not for Calcutta Head Office only. They also include expenditure incurred by TTCI's employees visiting other cities in India for official work. Besides, expenses incurred on other modes of conveyance (such as public buses, scooters, rickshaws, etc.) by the employees of the Corporation are also included under the head taxi hire expenses.

Utmost economy was also achieved in maintenance of motor vehicles in Calcutta and on jeeps, tractors and trucks used in Pathini Tea Estates as the following will no doubt establish:—

Year	Expenditure on vehicle Maintenance (Rs.)	Turnover (Rs.)	Percentage of turnover
1973-74	6,199	66,794	9.28%
1974-75	12,238	1,36,18,833	0.09%
1975-76	37,433	3,45,77,853	0.11%
1976-77	80,116	7,12,91,301	0.11%
1977-78	108,118	11,76,61,652	0.09%

Although there are branches in Cochin and Gauhati no cars were provided at those centres.

The Corporation has plans to buy 3 wheelers vans, passenger carriers for carrying samples and other packaging materials as well as for other visits as a measure of economy as recommended by the Committee on Public Undertakings.

[Ministry of Commerce and Civil Supplies (Deptt. of Commerce)
O.M. No. I-12014(1)/79-Plant-A Dated the 6th December, 1979]

Recommendation (Serial No. 6, Paragraph 2.51)

The Committee find that total outstandings of the Corporation have increased for Rs. 96.55 lakhs as on 31-3-76 to Rs. 259.30 lakhs as on 31-3-78. As on 31-3-78 debts outstanding over one year but less than 2 years amount to Rs. 19.80 lakhs. The Committee stress vigorous attempts should be made to recover these outstandings from the parties concerned.

Reply of the Government

As recommended by Committee, all efforts are being directed to realise the outstanding amounts from parties as expeditiously as possible. Out of Rs. 259.30 lakhs outstanding as on 31-3-78, collections upto 30-11-79 amount to Rs. 250.15 lakhs.

[Ministry of Commerce and Civil Supplies (Deptt. of Commerce)
O.M. No. I-12014(1)/79-Plant-A Dated the 6th December, 1979]

Recommendation (Serial No. 7, Paragraph 2.52)

The Committee find that the Corporation holds huge quantities of Tea in stock. When the turnover increased from Rs. 572 lakhs in 1976-77 to Rs. 1020 lakhs in 1977-78, the closing stock increased by more than three and a half times from Rs. 166 lakhs to 606 lakhs. A closing stock of the order of 60 per cent of the turnover cannot at all be justified. It is, therefore, no wonder that the working capital needs of the Corporation is high as it is locked up in stocks with the high interest liability. This shows utter lack of foresight and business planning and management on the part of the authorities. The position, therefore, needs to be probed and the results reflected in the Annual Report of the Corporation.

Reply of the Government

To judge the commercial needs of TTCI's inventory levels, it is necessary first to appreciate that TTCI's main operation is in packaged tea and that most of the orders secured by it are time-bound fixed-price orders for a large quantity viz., Libya 4600 Tonnes in 1978-79, Afghanistan 2000 Tonnes in 1978-79 and a completed order of 5000 tonnes for Libya in 1979-80 in addition to other orders are obtained against severe competition from other exporters including Sri Lanka because of prices offered by TTCI being competitive and acceptable to the buyers, mainly Libya, who have so far been used to Sri Lanka teas.

When a fixed price contract is entered into involving delivery throughout the year, one has to hedge against not only non-availability of teas during certain months of the year but also against abnormal increase in prices. It may be recalled in this connection that in 1976-77, when TTCI obtained an order for 1000 tonnes from Libya, it had to incur a very substantial loss which has also come in for criticism because while on the one hand TTCI was bound to the contract and the fixed price, on the other hand tea prices rose abnormally towards the latter part of the year. It is to guard against repetitions of such an eventuality that TTCI follows the widely accepted commercial practice of booking inventories at the time of finalisation of the contract so that factors like price increase and/or non-availability of teas do not come in the way of execution of time bound fixed price contracts with penalty clause for delay of Rs. 1 lakh per day.

It was explained to the Committee that due to the seasonal nature of North Indian tea Crop, it is necessary for TTCI to stock up teas for supply during the month of April, May, June and July when the

prices remain very high due to the arrival of first and second flush teas. It is only from end July that prices of Orthodox tea, which is 80 per cent of our purchases, drop to a reasonable level. In the year 1977, TTCI was not able to execute any large order during April to July because of inadequate stocks of tea at the end of March, 1977. On the other hand, in early 1978, TTCI was able to secure orders worth about Rs. 500 lakhs for supply during the period April to July, 1978 and if TTCI did not have adequate stock, it would not have been able to achieve an export sales of over Rs. 18 crores in 1978-79. Similarly, in 1979, as a result of stock in hand, TTCI was able to successfully export about 500/700 tonnes valued at approximately Rs. 1.25 crores per month.

Inspite of having a very much larger order book in the current year, the purchases between June to October 1979 have been reduced to less than half of the purchase in the corresponding period of the previous year. Inspite of the clear knowledge that tea prices are bound to go up towards end of 1979, (It has in fact gone up by about Rs. 3/- per kg. since June/July '79), TTCI were reluctant to purchase teas when prices were within the ranges and were remunerative for fear of facing criticism again for maintaining high inventory levels of tea and packaging materials.

While TTCI has been able to bring down the inventory level as on date to about 30 per cent of the turnover, the failure to buy teas at the proper time and to build up inventories has resulted in a situation where TTCI has lost the advantage it had in 1978 due to larger stock holdings.

*[Ministry of Commerce & Civil Supplies (Deptt. of Commerce)
O.M. No. I-12014(1)/79-Plant-A dated 6th December, 1979.]*

Comments of the Committee

(Please see Paragraph 14 of Chapter I of the Report)

Recommendation (Serial No. 8, Paragraph 2.53)

It is strange that the Corporation had no system of internal audit until August, 1977. Further only recently firm of auditors were engaged to advise the Corporation on costing procedure. A sound costing procedure however does not seem to have been developed by the Corporation as yet. This deficiency should be looked into by the BPE and Ministry of Commerce for a quick remedy.

Reply of the Government

The recommendation of the Committee is noted for action.

*[Ministry of Commerce & Civil Supplies (Deptt. of Commerce)
O.M. No. I-12014(1)/79-Plant-A dated 6th December, 1979.]*

Comments of the Committee

(Please see Paragraph 17 of Chapter I of the Report)

Recommendation (Serial No. 9, Paragraph 2.54)

The Committee regret to note that although the Corporation was set up in December 1971, the first report on its activities was sent to the Ministry only in June 1975. The Committee were informed that a Financial Adviser and Chief Accounts Officer having joined the Corporation in August 1977, financial reviews would be submitted to the Government in future. Despite this assurance no such reviews have been submitted till March, 1979. Only monthly reports containing details of the activities of the Corporation during the month are being submitted. The Committee trust that financial reviews would be made available hereafter without fail.

Reply of the Government

Suitable format for submission of financial reviews to the Ministry has been evolved and such reviews are now being submitted to the Ministry. The review for period ending 30-9-1979 has already been submitted.

*[Ministry of Commerce & Civil Supplies (Deptt. of Commerce)
O.M. No. I-12014(1)/79-Plant-A dated 6th December, 1979.]*

Recommendation (Serial No. 11, Paragraph 2.56)

The Tea Trading Corporation has informed the Committee that it had approached the Govt. for increase in its equity base from Rs. 1.46 crores to Rs. 5.00 crores.

The Committee desire that on the basis of a critical review of the performance and the need of the Corporation Government should consider increasing the equity capital.

Reply of the Government

It is under the consideration of the Ministry to increase the equity base of the Corporation to meet the requirement of the Corporation for its expanding activities.

*[Ministry of Commerce & Civil Supplies (Deptt. of Commerce)
O.M. No. I-12014(1)/79-Plant-A dated 6th December, 1979.]*

Recommendation (Serial No. 15, Paragraph 4.44)

The Committee regret that though Andrew Yule & Co. Ltd., had become a Government controlled company since 1974 and had six tea companies in its group which owned as many as 14 plantations it did not sell any tea to the Corporation upto August, 1978. It was only at the insistence of this Committee that the Corporation has started making mere token purchases. This is where the Committee apprehends, there is much more than meets the eye. The Committee examined Andrew Yule & Co. Ltd., briefly and the Committee feel that methods of sales adopted by that company for its tea has many loopholes for corrupt practices. It is therefore, necessary that Andrew Yule's activities in the sphere of tea sales outside auction be thoroughly looked into and for the future private sales should be stopped. The Committee further stress the need for closer understanding between the Tea Trading Corporation of India, Andrew Yule & Co. Ltd., and Balmer Lawrie & Co. Ltd., in the matter of purchases.

Reply of the Government

The Corporation has had made several overtures to Balmer Lawrie and Andrew Yule in the way of tea purchases. Balmer Lawrie had been acting as a guiding agent in our purchases through Recognised Brokers as also as a Watch-Dog on the quality of tea and price. During 1977-78, Balmer Lawrie had been requested to quote for "On F.O.B. Basis" against the Libyan and Afghanistan orders secured by the Corporation. Andrew Yule had also been requested to supply teas against our limited tenders or whenever suitable teas were available within our buying range and standard. Andrew Yule has only one Orthodox producing Garden. TTCI's major buying has been Orthodox tea. Andrew Yule had offered TTCI Broken grades from one of their Gardens which were accepted whenever the price fell within our buying range. In 1977-78, there were no direct purchases from Andrew Yule, but TTCI supported Andrew Yule's tea in the Auctions.

M/s. Andrew Yule & Co. is under the administrative control of the Ministry of Industry (Deptt. of Industrial Development). The matter was also referred to that Ministry and they have replied as under:—

"Tea Companies under Andrew Yule did not supply any tea to TTCI upto August, 1978. The Tea companies, however, started making offers to TTCI from December, 1977. 2020 chests were offered in this month though none were purchased by TTCI. Against

590 chests offered in 1978 only 90 chests were purchased; similarly only 370 chests were purchased by TTCI during 1979 against 6444 chests offered by Andrew Yule group tea companies. It has been stated that perhaps TTCI require mainly low grade orthodox teas which account for only 5 per cent of the production of the Andrew Yule tea group companies.

We had asked Director (Finance), Andrew Yule & Co. Ltd., to submit a report on the arrangements for sale of tea by Andrew Yule group tea companies. This report, which has since been submitted, indicates that there seems to be some loopholes in the present agency arrangements. While no advance security deposit is obtained from the agents some of the agents have also defaulted on the terms of payment. Some recommendations have been made on the systems and procedures to cover any loopholes in the prevailing practices and to ensure that proper records are maintained so that sales transactions are entered into after careful consideration of the commercial interests of the concerned tea companies. These are being looked into and suitable action will be taken. However, the suggestion made by the Committee on Public Undertaking that the future private sales by the group companies should be stopped cannot be accepted. The group companies have been able to realise higher price on Calcutta Private Sales than by Calcutta auction. The system of sales has to be judged in light of the companies position in the trade, links built up over the years, relative prices and the promptness of payment. Adjustments of sales through different methods will, no doubt, be made on the basis of introduction of suitable systems and procedures so that commercial interest of the tea companies are fully protected.

It is accepted that there is a need for a closer understanding between the Tea Trading Corporation of India, Andrew Yule & Co. Limited and Balmer Lawrie & Co. Ltd., in the matter of tea sale and purchase. As a first step, there is under consideration a proposal to appoint a representative of the Ministry of Commerce on the Boards of the tea companies. The Ministry of Commerce has already recommended that their Joint Secretary dealing with tea industry should be on the Board of these companies. Besides, it would be useful if periodical meetings are held between representatives of TTCI, Andrew Yule and Co. Ltd. and Balmer Lawrie & Co. Ltd. under auspices of the Ministry of Commerce so as to improve cooperation and collaboration between the three companies."

This Ministry is in agreement with the comments in the last para above regarding the need for a closer understanding between

the TTCI, Andrew Yule & Co. Ltd. and Balmer Lawrie & Co. Ltd. in the matter of tea sale and purchase.

[Ministry of Commerce (Deptt. of Commerce) O.M.
No. I-12014(1)/79-Plant-(A) dated 26th November,
1980.]

Recommendation (Serial No. 16, Paragraph 4.45)

The Committee note that the Corporation was selling the tea produced at its owned garden, Pathini, mainly through auctions. Further the tea produced by the gardens managed by the Corporation viz., Pashoke, Looksan and Vah-Tukyar etc. is also being sold in auctions. The Committee are at a loss to understand why the tea produced at these gardens could not be purchased to the extent needed directly by the Corporation on the basis of first hand broker's valuation which is an accepted practice all over the world. In future first right of refusal must be given to the TTCI and samples should be flown to the Corporation as soon as invoices are ready or are about to be ready.

Reply of the Government

Pathini Tea Estate is an integral part of TTCI and, therefore, the question of TTCI having the right of first refusal for Pathini tea does not arise. Pathini teas are being sold at the auctions with a view to establish its mark in the export market as also to fetch a higher price according to the prevailing market conditions. The Corporation has plans to utilise Pathini teas for its own requirement when production facilities are established at Gauhati. Pathini teas are being used also for TTCI's export requirements depending on the economics of tea prices prevailing and the expenses incurred in transporting the teas from Cachar to Calcutta.

During the pendency of the cases in respect of takeover gardens, i.e. Pashok, Looksan and Vahtukvar, it is not possible to use the teas of these gardens for TTCI's requirements as recommended by the Committee because the teas of those gardens are required to be sold through the auctions as per directive of the Court.

[Ministry of Commerce & Civil Supplies (Deptt. of Commerce)
O.M. No. I-12014(1)/79-Plant-A dated 6th December 1979.]

Recommendation (Serial No. 18 Paragraph 5.46)

The Committee understand that Railway's annual requirement of tea is of the order of 90 tonnes. With the decentralisation of system

of procurement, each zonal Railway is free to buy tea by any mode of purchase or from any source. The Committee were distressed to learn that some of the Zonal Railways like Central Railways, Northern Railways. Southern Railways etc. who were buying tea from the Corporation earlier have stopped doing so because they were not satisfied about the quality of tea supplied and the timely delivery. The Committee suggest that the Ministry of Railways should set up a Cell to pool the requirements of tea and place a consolidated order on the Corporation on behalf of all the Zonal Railways, Railways can open two or three procurement centres for supply of tea by TTCI. Meanwhile, guidelines may be issued to all the Zonal Railways that they should meet their requirements of tea from the Corporation.

Reply of the Government

The matter was taken up by Ministry of Commerce with the Ministry of Railways, who in their reply No. 78-TG, III/638/2 dated 25-7-79 Appendix II informed that instructions have been issued to all Railways to draw their supplies from TTCI provided their rates are competitive and the quality and service are satisfactory.

[Ministry of Commerce & Civil Supplies (Deptt. of Commerce)
O.M. No. I-12614(1)/79-Plant-A dated 6th December 1979.]

Recommendation (Serial No. 19 Paragraph 5.47)

The Committee learn that the Hotel Corporation of India and the India Tourism Development Corporation's annual requirement of tea is 9 tonnes and 22 tonnes respectively. The Committee have been informed that as against this TTCI had during 1978-79 (upto February 1979) supplied only 0.3 tonne of tea to Hotel Corporation and 2.4 tonnes to ITDC. The TTCI has also started supplying tea bags to the Indian Air Lines. The Committee expect that each Ministry should ensure that public sector undertaking under their control patronise the TTCI and buy all the requirements from it.

Reply of the Government

T.T.C.I has been endeavouring to cater to the entire requirements of Tea of Defence and Government Institutions/Undertakings particularly since 1975-76. It is the sad experience of the Corporation that despite its capacity to meet the requirements, spontaneous patronage is not forthcoming in favour of T.T.C.I. though this Corporation is a Government of India Undertaking.

Most of the Government Institutions/Undertakings have the system of tender and source of supply and appear to be reluctant

to change the source of supply. It is not the fact that the T.T.C.I. did not approach such Institutions/Organisations for supply of tea. Every effort had been made to secure orders from the above in the past which is still continuing.

During 1978-79 the Corporation supplied 3.68 tonnes of tea to India Tourism Development Corporation valued at Rs. 1.38 lakhs.

It is expected that each Ministry will patronise TTCI and buy all the requirements of tea from the Corporation in future. The Ministry of Commerce has also made a reference to Department of Tourism in this regard.

[Ministry of Commerce & Civil Supplies (Deptt. of Commerce)
O.M. No. I-12014(1)/79-Plant-A dated 6th December 1979.]

Recommendation (Serial No. 20 Paragraph 5'48)

The Committee are disappointed to find that though the Tea Trading Corporation has been functioning for well over 8 years, its share in the internal market is still less than 1 per cent. The major share of internal market continues to be in the hands of two multinational tea packaging companies. The Corporation has not been able to acquire a foot hold in the internal market and is not even known to the consumers. In fact, it started marketing packet tea in the domestic market only from November, 1976 and loose tea from October, 1977. Recently it has developed a nucleus of internal distribution system with the help of National Consumers Cooperative Federation for marketing its packaged tea at reasonable price through the net work of cooperatives. A scheme is also stated to have been evolved to provide employment to Ex-servicemen to work as stockists of TTCI's teas for supply to the canteen stores Department. The Committee recommend that the Corporation should concentrate on buying, blending and packaging of tea and entrust its distribution to NAFED and NCCF. TTCI and NAFED should start a systematic campaign to popularise TTCI's brands of tea by using modern methods of publicity and sales promotion and to have an effective public distribution system. The Committee would even suggest that TTCI should bring out a brand of tea (say, off grade CTC) for common man which can be sold through cooperatives, fair price shops, etc.

Reply of the Government

The Corporation started its trading activities in right earnest only from 1975-76. The Memorandum and Articles of Association of the Corporation lay down that the main objective of the Corporation is

the export of value added package tea. Since the main emphasis is on export, internal marketing has been restricted to supply of tea to Defence Services, Government and other institutional sales only.

Tea is a consumer item used by all sections of society and therefore it is necessary to develop and popularise different grades of tea which would serve the needs of consumers at different levels. This would necessitate intensive large scale promotional measures and establishment of certain brands of tea which would be acceptable to the common man. This would naturally take some time and the period of three years, 1975-76 to 1977-78 for which TTCI has been business and that too mainly in the export business can not by any standards be considered sufficient period to make any dent in the internal market.

*[Ministry of Commerce & Civil Supplies (Deptt. of Commerce)
O.M. No. I-12014(1)/79-Plant-A dated 6th December 1979.]*

Recommendation (Serial No. 24 Paragraph 6.36)

The Committee notice that an officer suspended from service and censured while working in the Income Tax Department was appointed in the Corporation as FA&CAO. The disciplinary action taken against him is now stated to be before the Calcutta High Court. The Commerce Secretary in his evidence stated: "Normally when an officer is under some cloud, we do not select him for outside assignment. I will go into it". The Committee would await the outcome.

REPLY of the Government

Since 1974, TTCI had been trying to recruit a F.A.&C.A.O. in the grade of 1500—2000/. None of the candidates, who appeared for interview in response to advertisement on all India basis, was found suitable by the Selection Committee of the TTCI Board of Directors. The TTCI Board subsequently upgraded the post to Rs. 2000—2500/- and the post was advertised again. At the suggestion of Shri T. S. Broca, Chairman of Tea Board and Director of TTCI, the Commissioner of Income Tax was approached for nominating some candidates from Income Tax for appointment as F.A. and C.A.O. in TTCI. Communication was also received from Public Enterprises Selection Board recommending persons from their panel. Shri K. K. Mazumdar was one of the persons recommended to TTCI. Out of the candidates, Shri K. K. Mazumdar was selected by a duly constituted Selection Committee consisting of:—

1. Shri T. S. Broca, Chairman, Tea Board.
2. Shri B. S. Thacker, Financial Director, S.T.C.

3. Shri K. P. Bhargava, Partner of Price Waterhouse and Past Chartered Accountants.

4. Shri P. K. Dasgupta, Chairman & Director, TTCI

Before offering employment, a reference was made to Commissioner of Income Tax, West Bengal regarding Shri Mazumdar's performance and character and the Commissioner's report dated 2-5-77 was circulated to the Board of Directors of TTCI. Since the Commissioner of Income Tax had reported very positively about Shri Mazumdar, he was offered employment.

The above would indicate that in so far as official records are concerned Shri Mazumdar was under no cloud whatsoever when his case was recommended or when appointment was offered to him.

As regards the point about Shri Mazumdar being suspended from service and censured while working in the Income Tax Deptt., and some matter about disciplinary action pending in the Calcutta High Court, a self-contained note is attached along with its enclosures (Appendix III). From this it would be seen that no charges regarding doubtful integrity has been proved against him, and the censure order was also issued for merely technical omissions on his part, and even this censure order he has contested in the Calcutta High Court. There is therefore nothing on record for which Shri Mazumdar's appointment as F.A. & C.A.O. of TTCI should be reconsidered.

[Ministry of Commerce & Civil Supplies (Deptt. of Commerce)
O.M. No. I-12014(1)/79-Plant-A dated 6th December 1979.]

Recommendation (Serial No. 25, Paragraphs 6.37 and 6.38)

The TTCI propose to take departmental action against an officer as directed by the Central Vigilance Commission for alleged misrepresentation of his past experience while seeking employment in the Corporation.

The Committee recommend that candidates for employment should be screened properly and their antecedents verified from the concerned organisations to ensure that men of proven integrity and ability are selected.

Reply of the Government

The Chief Tea Buyer of TTCI Shri M. K. Some was put under suspension with effect from 19-10-78 as directed by Central Vigilance Commission, New Delhi, pending disciplinary proceedings.

The charges of securing employment in TTCI on false pretences by exaggerating his experience in Tea Buying/Testing/Export Marketing in India and abroad have since been enquired into by a duly constituted Enquiry Officer who found that the charges are true. The Vigilance Commission has since recommended imposition of major penalty of dismissal from service of Shri M. K. Some, which is under process.

Only after verification of the antecedents duly certified by a Gazetted Officer, the employees of the Corporation are being confirmed as per Government Rules.

*[Ministry of Commerce & Civil Supplies (Deptt. of Commerce)
O.M. No. I-12014 (1)/79-Plant-A dated the 6th December, 1979.]*

Recommendation (Serial No. 26, Paragraph 6.39)

The Committee regret to note that out of 38 executives recruited by the TTCI in category A and B posts, there are only 3 who have some background in tea. As far as top positions are concerned, none is occupied by tea tasters. The Chairman-cum-Managing Director pleaded during evidence that in a tea packaging concern like the TTCI, the Chief of the Tea Department must have knowledge of marketing of tea in package form, otherwise he will fail. The Committee are not impressed by this plea. They, on the other hand, feel that a Tea Taster would be in a better position to purchase the right type of tea than a person who only knows how to market it. The Secretary, Ministry of Commerce revealed during evidence that Government have decided to merge the Tea Division of Balmer Lawrie & Co. Ltd., with the Tea Trading Corporation w.e.f. 1 April, 1979. The Committee recommend that with the proposed merger it should be ensured that one of the two top posts in the Tea Trading Corporation of India is manned by a competent Tea Taster and the other one by a sales executive with overseas and internal tea marketing experience.

Reply of the Government

The Chief Tea Buyer of the Corporation was in the scale of Rs. 1800—2250 (Revised) who had claimed 19 years' of Tea Tasting/Buying/Export Marketing experience in India and abroad. Most of the Class I Officers recruited for marketing job had either experience in tea or had consumer marketing experience. Out of 11 Class I Officers recruited in the Marketing Division since 1975-76 all had tea experience and/or consumer marketing experience

It is proposed that the Tea Buying Division will be manned by an experienced Tea Executive with considerable years of experience in Tea Tasting/Buying and the Chief Marketing Manager will be an experienced Executive in Internal and International Marketing, particularly of branded/packageged Food Products.

1 [Ministry of Commerce & Civil Supplies (Deptt. of Commerce)
O.M. No. I-12014(1)/79-Plant-A dated the 6th December, 1979.]

CHAPTER III

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

Recommendation (Serial No. 13, Paragraphs 4.41 and 4.42)

The Committee find that as much as 11 per cent of the total purchases were made outside auctions by the TTCI during 1977-78 against 2 per cent in 1976-77. A Limited Tender System was introduced in July, 1978, under which quotations were invited from 6 first-hand brokers. Under this system the Corporation purchased a total of 1.22 million Kgs. of tea valued at Rs. 135.17 lakhs from July to December 1978 on the plea of tight time schedules for export. Strangely, it has also been argued that if all the tea had been purchased from auctions, the price levels would have risen.

The Committee see no reason why a Government undertaking should resort to direct purchases from private parties when it is really avoidable granting a will. The Committee are not impressed with the argument that purchase of tea entirely from auctions could have resulted in rise of prices. The Committee, accordingly, recommend that normally all the purchases of tea should be made by the TTCI from auctions or from Government owned or managed tea estates. Occasions for purchase of tea under the limited tender system should, if at all, be rare. The Committee constituted by the Corporation for buying tea should be headed by a person who has long and adequate knowledge of tea and is a Tea Taster. The Committee are surprised to learn that in the absence of head of Trading Division who was supposed to preside over the meetings, the FA & CAO of the Corporation with no tea background had hitherto been attending the meetings of Tea Buying Committee.

Reply of the Government

The Corporation had been buying all its requirements of tea through the established auction and recognised brokers and had not purchased any tea on ex-factory or private basis. The Corporation purchased a total quantity of 3991 Tonnes tea in 1976-77 and 7840 Tonnes of Tea in 1977-78. With time-bound delivery schedule and penalty for delay in shipment in certain cases, it had to purchase teas through reputed and recognised Brokers to ensure production

and profitability. Tea being a seasonal product and there being no provision to increase the prices once accepted during the validity of the export contract, the Corporation had to resort to tea purchase outside the auctions but through Recognised Brokers and/or limited tenders/or Government owned or managed Tea Gardens. The tea Purchase Committee Meetings are presided over by the Chairman and in his absence by the next senior most officer, FA&CAO and the decisions on purchase of tea are taken by the Tea Buyer/Tea Taster of the Corporation. The FA&CAO only advises on the availability of Finance for prompt payment against purchases of tea.

If the Corporation has to survive and compete in the World market, it has to purchase tea at an economic price and within the stipulated period as required by foreign buyers. There is nothing wrong or unethical in the procedure of purchase adopted by the Corporation with the approval of the Board of Directors. In fact, less than 11 per cent was bought through limited tenders.

The details of tea purchased by the Corporation outside the auctions but through recognised brokers and/or through limited tenders were already furnished to the Committee. In all cases of tea purchases by the Corporation outside the auctions, the prices were lower than the prevailing auction tea prices.

The other Government Companies, e.g., Balmer Lawrie, quite often buy tea privately to meet export commitments while Andrew Yule also sell their garden teas privately through agents. It is noteworthy that 40 per cent of North Indian teas are sold outside the auctions. At present TICI is operating mainly in the North Indian auctions. Therefore, Corporation's competitiveness can become limited to 60 per cent of available teas if auction purchase of tea is to be the only method of tea purchase.

The position regarding Andrew Yule is that they have got only one garden which produces Orthodox teas which is our main requirement. As such, Andrew Yule can only supply a very limited quantity of TICI's requirements.

It is the opinion of TICI that to increase the volume of business, they will have to utilise all the recognised channels of tea buying including ex-factory sales which accounts for nearly 40 per cent of the entire Indian tea disposed off in India.

[Ministry of Commerce & Civil Supplies (Deptt. of Commerce)
O.M. No. I-12014 (1)/79-Plant-A dated the 6th December, 1979.]

Recommendation (Serial No. 14, Paragraph 4.43)

The Committee are surprised to find that though in its Annual Report for 1976-77, it was stated that one of the objectives of the Corporation was "to create stable foreign markets for Indian teas in its finished value—added form—packet tea, tea bags, instant tea etc. and reduce the country's dependence on multi-national companies", yet the Corporation itself had to depend on the multi-nationals viz., Liptons and Brook Bond for getting timely supply of tea during 1977-78. The Corporation got into their clutches which again shows lack of proper planning. This should not happen in future.

Reply of the Government

TTCI handled about 7,814 Tonnes of Tea during 1977-78. During 1977-78 about 4.01 Tonnes of CTC Broken were taken from LIPTON to complete an export order for POLAND on a barter basis as also 1.24 Tonnes for Highgrown Nilgris from Brooke Bond for its Maya Range as the teas were not readily available at the market. Out of the total quantity of 7,814 Tonnes handled by the Corporation during 1977-78 purchase of 5.25 tonnes of tea at reasonable price to execute urgent orders and due to non-availability of same at Auctions, should not be construed as dependence on multinationals.

*[Ministry of Commerce & Civil Supplies (Deptt. of Commerce)
O.M. No. I-12014(1)/79-Plant-A, dated the 5th December, 1979].*

Recommendation (Serial No. 21, Paragraph 6.33)

The Committee deplore the delay on the part of the Government in appointing a full time Chief Executive for the Tea Trading Corporation of India. Though the Corporation was set up on 21st December, 1971, the first Board of Directors was constituted by Government only on 3 February, 1972 with four part-time directors. A full time Managing Director (Shri Deepak Nag) was appointed later w.e.f. 4 October, 1972. His services were, however, terminated w.e.f. 30 October 1973 because of unsatisfactory performance of the Corporation. A search for a suitable successor was made by Government again and Shri P. K. Dasgupta, Executive Director of the National Tobacco Co. was appointed as the full time Managing Director of the TTCI w.e.f. 13 August, 1975. During the intervening period Shri T. S. Broca, Chairman, Tea Board functioned as its part time Managing Director. An idea of how absence of a full time Chief Executive could retard the progress of a new enterprise in its formative years, can be had from the fact that Tea Trading Corporation of India did

not transact any business whatsoever for a number of years, Government have also admitted this position. This is a sad commentary reflecting on the Ministry which betrays a lack of will to make the Corporation a success.

Reply of Government

After the incorporation of the Tea Trading Corporation of India on 21st December, 1971, Government made vigorous efforts to select a suitable full-time Chief Executive for the Corporation. Shri D. K. Nag, who was an employee of M/s. Brooke Bond India Limited, was appointed as Managing Director from 4th October, 1972. However, as the progress of the Corporation was not satisfactory, under his leadership, his services were terminated w.e.f. 30th October, 1973. Government continued its efforts to select a successor for Shri Nag which however, took some time due to the non-availability of suitable persons for a newly established public sector corporation in the Tea Trade and Government's anxiety to ensure that the Chief Executive selected was suitable for the job. Shri P. K. Dasgupta was appointed as Managing Director from 13th August, 1975. It is submitted that the delay in selection of a successor for Shri Nag was not due to any lack of will or effort on the part of the Government but due to the problems in locating a suitably qualified and experienced person.

*[Ministry of Commerce & Civil Supplies Department of Commerce
O.M. No. I-12014(1)/79-Plant (A) Dated 4 June, 1980].*

Recommendation (Serial No. 22, Paragraph 6.34)

The Committee take a serious view of the fact that though the Corporation was set up in December, 1971 its recruitment rules were not framed until 1976. These rules were stated to have been cleared by the Board of Directors in early 1977 and thereafter sent to the Ministry of Commerce. Surprisingly enough, the Corporation, meanwhile, went ahead with its recruitment and increased its total staff strength from 40 in 1974-75 to 123 in 1976-77. Thus, by the time recruitment rules were finalised, the recruitment was almost over. The Committee cannot help pointing out that bulk of recruitment having been made before finalisation of recruitment rules, as has been done by the TTCI, the very purpose of framing such rules has been defeated. They therefore, desire that responsibility for the delay in framing of recruitment rules should fixed.

Reply of the Government

Even though the Corporation was set up in December, 1971, a regular full time chief executive came to be appointed only in

August, 1975. The person who was appointed chief executive earlier in October, 1972 was found to be unsuitable and was removed from service in October, 1973. The new full time chief executive who joined in August, 1975 took action to frame recruitment rules which were initially approved by the Board of Directors of TTCI in their meeting held in June, 1976. The finalisation of these rules took certain time mainly due to consultation with the Bureau of Public Enterprises. In the mean time, it was necessary to recruit certain minimum complement of officers and staff in the organisation to start its operations. This recruitment was made on the basis of accepted norms of impartial selection by Selection Committee outside experts. In any new organisation it always become necessary to recruit certain officers and staff to commence the organisation in anticipation of formation of the recruitment rules. TTCI is a new and growing organisation and further recruitment officers and staff would be made with the expansion of the activities of the Corporation. It is, therefore, not correct to say that the bulk of the recruitment has been completed before finalisation of the recruitment rules.

(Ministry of Commerce & Civil Supplies (Deptt of Commerce)
O.M. No. I-12014(1)/79-Plant-A, Dated the 6th December, 1979]

CHAPTER IV

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

Recommendation (Serial No. 2, Paragraph 2.45)

The Committee are at a loss to understand why the profit on Pathini Tea Estate are not being shown distinctly in the profit and loss accounts of the Corporation without being mixed up with the Trading account. They are not satisfied with the details of the turnover of the estate alone being shown in the Annual Report of the Corporation. They therefore, recommend that the accounts of Trading Activities and Garden accounts should be shown separately forthwith even though it might not be necessary under the companies Act to do so. This is necessary in order that the operational results of the Corporation depict the true state of affairs.

Reply of the Government

One of the objects of TTCI is managing Tea Estates and the Corporation has presently one Tea Garden owned by it i.e. Pathini Tea Estate in Cachar. The working result of this Tea Garden is integrated with other activities of the Corporation and consolidated annual accounts are presented as per requirements of Companies Act, 1956. Moreover, it is an accepted principle that a Company's profit and loss account position should be presented in a consolidated manner irrespective of the fact that a Company may have more than one division/activity. If the Company has to show the profit and loss account of each division/activity, the annual accounts will be voluminous and unwieldy and might not be in conformity with the rules laid down in the Companies Act, 1956.

The presentation of consolidated Annual Accounts is an accepted practice in India. For example, though India Tourism Development Corporation has Hotel Division, Transport Division and other Divisions, their financial result is shown in a consolidated manner and not division/activity-wise. Requirement of Companies Act is that the detailed information should be furnished in notes and schedules. TTCI has furnished detailed information in the notes and schedules so as not to clutter up the main account; these notes and schedules form an integral part of the accounts and are to be read in conjunction therewith.

Moreover, since the ownership of the Pathini Tea Estate is vested in TTCI, the assets and liabilities of the Estate form part and parcel of TTCI as a whole and have to be added to the Trading Division assets and liabilities and shown in a consolidated form. The Board of Directors of TTCI have been of the view that since Pathini Tea Estate is a part and parcel of TTCI, and the Garden Division merely a branch of the total operations, the profit and loss of the two divisions should be judged in its totality for purposes of bonus declarations.

It is in consideration of the above factors and the advice of the CAG that the accounts of the Trading Division and of Pathini Tea Estate were merged in the final Accounts with the notes and schedules clearly indicating the profit and loss position of the two units.

Therefore, it is proposed that the practice of integration of the two accounts should be continued.

Ministry of Commerce & Civil Supplies (Department of Commerce) O.M. No. I-11014(1)/79-Plant (A) Dated 4 June, 1980

Comments of the Committee

(Please see Paragraph 5 of Chapter I of the Report)

Recommendation (Serial No. 5, Paragraph 2.50)

The Committee find that payments made to private parties by the Corporation for publicity and advertisement has gone up from Rs. 2270 in 1974-75 to Rs. 51,143 in 1976-77. The Committee desire that as assured during evidence, the Corporation should entrust such jobs to or through the Directorate of Advertising and Visual Publicity.

Reply of Government

However it is felt that TTCI being an autonomous trading organisation like all other public sector undertakings, should be allowed to handle its publicity and advertisement work on its own instead of routing it necessarily through the DAVP.

*[Ministry of Commerce & Civil Supplies (Deptt. of Commerce)
O.M. No. I-12014(1)/79-Plant-A Dated the 6th December, 1979]*

Comments of the Committee

(Please see Paragraph 11 of Chapter I of the Report)

Recommendation (Serial No. 10, Paragraph 2.55)

The Committee strongly feel that there is an urgent need for strict financial control by Government over the activities of the Corporation in view of the fact that though the turnover has been increasing the profitability of the Corporation has been declining over the years in spite of massive export subsidy. They, therefore, recommend that there should be a monitoring cell consisting of efficient cost accountants and qualified Economists in the Ministry of Commerce for cost analysis and watching constantly the performance not only of Tea Trading Corporation of India but also of all the Trading concerns.

..Reply of Government

The position about export subsidy has been explained in reply to paras 2.43 to 2.44. It is reiterated that the export subsidy given to TTCI is the same as that given to other exporters of packet teas as per Government Policy.

The Ministry is exercising strict financial control over the activities of the Corporation. In fact, the Joint Secretary and Director (Finance) of the Ministry of Commerce are Directors of TTCI. In addition, Additional Economic Adviser in the Ministry of Commerce is also now appointed as Director of the Corporation. Financial reviews are also being made by the Ministry on a regular basis.

*[Ministry of Commerce & Civil Supplies (Deptt. of Commerce)
O.M. No. I-12014(1)/79-Plant-A Dated the 6th December, 1979].*

Comments of the Committee

(Please see Paragraph 17 of Chapter I of the Report).

Recommendation (Serial No. 12, Paragraphs 3.7 to 3.9)

The Committee note that the management of Pathini Tea Estate (Assam) was entrusted to the Tea Trading Corporation of India from the middle of November, 1975. On 1 July, 1976, the ownership of this Estate was transferred to it. In October, 1976, Government handed over to the Corporation the management of three sick tea gardens viz. Vah Tukvar and Pashok Tea Estates in Darjeeling and Looksan Tea Estate in Jalpaiguri. Recently, since December, 1978 the Corporation has been entrusted with management of Chargola Tea Estate in Assam.

Defending the Government's decision to entrust management of Tea estates to the Corporation, the Commerce Secretary, stated that it was thought to be the appropriate organisation to handle this work and that there was no intention at all to dilute the present system in developing export of value added tea., and

The Committee were assured that Government's decision had not put great strain on the Corporation. Whatever the volume of work involved what the Committee were unable to understand was why the Corporation which had yet to establish itself in the tea trade was saddled with the additional responsibility to manage sick Tea Gardens and thereby fritter away its energies. The Committee apprehend that the result would be to leave the field free for multinational tea companies to flourish in the trade. The Committee accordingly recommend that management of tea estates may be either transferred to the State Governments concerned or to a separate Corporation created for it so that the Tea Trading Corporation is left free to concentrate on its main activities. In case the management is transferred to State Governments such financial assistance as they may require may be rendered by the Government of India.

Reply of Government

The advantages of having own Tea Gardens to back up its export were explained to the Committee in detail during the evidence of the Corporation. Tea being a seasonal product, it may not be possible to ensure the availability of the required type of tea at optimum prices at all times. Managing of tea gardens is an asset from the export point of view and the Corporation can use profitably the produce of their own gardens for export. It is always a plus point for TTCI when foreign buyers come to know that TTCI manages Tea gardens. Moreover, the tea garden management had not put any strain on the management of TTCI. The Corporation has been able to develop a small tea garden division from within and has been able to manage not only its own garden but also the sick tea gardens taken over by the Government and entrusted to it for management. Under TTCI's management, the performance did improve and in respect of the sick tea gardens they generated profits in the very 1st year of their operation.

*[Ministry of Commerce & Civil Supplies (Deptt. of Commerce)
O.M. No. I-12014(1)/79-Plant-A Dated the 6th December, 1979].*

Comments of the Committee

(Please see Paragraph 20 of Chapter I of the Report).

Recommendation (Serial No. 17 Paragraph 5.45)

The Committee find that the total requirement of tea for free issue to Defence personnel is in the range of 3,000 to 3,200 tonnes. Entire quantity is purchased on the basis of tender system. Of this, TTCI's share has been 40 to 45 per cent. The purchase of tea for free issue is made by the Army Purchase Organisation which

is under the administrative control of the Ministry of Agriculture and Irrigation. The requirement of tea for Canteen, stores Department is about 550 tonnes but no portion of it is being bought from the Corporation. The Committee were glad to learn from a representative of Ministry of Defence that they had no complaint on account of quality and timely supply of tea. The Committee would require that Army Purchase Organisation should first place their order for the entire quantity of tea needed for free issue to Defence Personnel with the Corporation and only if it is not in a position to supply as confirmed in writing, that tenders, should be invited from private parties. When tea is bought from a public sector undertaking, Army Purchase Organisation or the Defence Department having strangely enough no Tea Taster of their own can be reasonably sure that tea is of a desired quality. The Committee feel that the Corporation should also be able to meet the requirements of the canteen stores.

Reply of the Government

Despite the fact that the Corporation has been supplying major portion of the Defence requirements of Tea since 1975, the entire Defence Contract for 1979-80 was awarded to private parties for supply from Cochin (unlike previous years) at prices varying from Rs. 10.70 to Rs. 11.76 per Kg. (Tea cost alone would work out to Rs. 9.10 per kg.). TTCI had offered to accept upto 50 per cent of the orders placed on Calcutta and Gauhati at the lowest price negotiated but it was not acceded to, despite the fact that the representative of Ministry of Defence admitted before the Committee during the evidence that they had no complaint against TTCI on account of quality and timely supply of tea. The Corporation is in a position to meet the entire requirement of tea of the Defence Department as also the Canteen Stores Department. These Organisations are continuing the system of tender and no preference is being given to T.T.C.I. as yet.

The matter was taken up by the Ministry of Commerce with the Department of Food. But that Department in their letter No. J-23013/11/79-PUR-IV dated 27th June, 1979 Appendix IV stated that as per the revised purchase preference policy of the Govt. contained in the instructions issued by the Bureau of Public Enterprises does not allow them any freedom to resort to purchases only from T.T.C.I.

[Ministry of Commerce & Civil Supplies (Deptt. of Commerce)
O.M. No. 1-12014(1)/79-Plant-A Dated the 6th December, 1979].

Further reply of Government (Ministry of Defence)

The matter was referred to the Ministry of Agriculture and Irrigation (Department of Food) who indicated that Army Purchase Organisation operates on the budget grant by Ministry of Defence for procuring food stuffs for Defence and is, therefore, under obligation to make purchases on 'least cost basis'. Thus usual tender procedures have to be followed and orders placed with the parties whose quotations are lowest. The purchase policy for public enterprises clearly envisages that no purchase and price preference should be given to the Public Sector enterprises in the matter of purchases made by the Government department. Further they have stated that recently, Ministry of Commerce had raised the issue with Army Purchase Organisation that the entire contract for tea should be given to Tea Trading Corporation of India *inter-alia* equating them with Food Corporation of India from whom wheat and rice are purchased for Defence. Food Corporation of India have been supplying rice and wheat to the Defence Services at the pool issue price which is cheaper than the commercial price. No departmental charges or prefixed percentage of profits is given to them as they are performing the services on the basis of "actuals". None of the circumstances apply in the case of Tea Trading Corporation of India as it has been functioning as a trading concern. In the circumstances they have stated that unless the existing purchase policy and tendering system is relaxed in case of Tea Trading Corporation of India, it would not be possible for them to procure the requirement of tea from the Corporation.

2. To examine the desirability or otherwise for employment of a tea taster to test the quality of tea: In this connection it is mentioned that since the present procedure of purchase of tea for Armed Forces had been in vogue for a very long time, no necessity for employment of a tea taster had been felt. Moreover, Armed Forces carry out only blending operations of the grades of tea after the same have been already certified by the tea tasters and chemical analysis carried out as per laid down ASC specifications. Hence, no need is felt for the employment of a tea taster.

3. The tea of Tea Trading Corporation of India should also be purchased for canteen stores: The question was referred to Canteen Stores Department, Bombay, who have reported that only seven thousand packets (100 gms and 250 gms) both of Tea Supar Brew Natraj and Golden Darjeeling were procured ex-Tea Trading Corporation of India during the period 1st April, 1979 to 30th June, 1980. Though no stock was held unsold with CSD Depots as on

30th June, 1980. no demands have been received by CSD Depots from units after March, 1980 for the brands marketed by Tea Trading Corporation of India. The reasons for non-receipt of demand is obviously that consumers prefer to buy the recognised brands of tea like 'Lipton' and 'Brooke Bond' or equivalent qualities in preference to the tea of Tea Trading Corporation. The Consumer preference indicates that the tea marketed by Tea Trading Corporation is not very popular and is purchased by consumers dependent on CSD only when other brands of tea are not readily available.

4. In view of the above, Ministry of Defence recommends that present procurement policy of tea should be allowed to continue.

[Ministry of Defence, O.M. No. 4(4)/78/D(Q.S.) dated 7th February, 1981]

Comments of the Committee

(Please see Paragraph 23 of Chapter I of the Report).

Recommendation (Serial No. 23 Paragraph 6.35)

As there have been allegations of show of favouritism the recruitments already made by the Corporation should be reviewed by a Board of men unconnected with the T.T.C.I. to see whether all the appointments have been regular. The Committee received an impression that the employer-employee relations in the Corporation are not what these ought to be. These should be improved to inspire confidence among all section of the employees.

Reply of the Government

An overall review of the Corporation's administration shows that all recruitment since 1975-76 has been made on the basis of accepted norms of impartial selection. All class one posts were filled in after advertisements in leading newspapers and selection was made by duly constituted selection committees which included outside experts from other public/private sector undertakings.

Prior to 1975-76, however, there was only one case of recruitment of a senior executive which has subsequently run into difficulties. This relates to the appointment of Shri M. K. Shome, as Chief, tea buying department, in 1972-73. It was subsequently found that Shri Shome had made false statements about his experience in India and abroad in the field of tea tasting, tea buying and export marketing.

His services have since been terminated by the Corporation. The Appellate Authority has also turned down the appeal of Shri Shome against the penalty of "Removal" from the service of the Corporation.

In view of the above, it is considered that the appointments already made in the TTCI need not be reviewed at this late stage.

[Ministry of Commerce (Deptt. of Commerce) O.M. No. I-12014(1)/79-Plant-A Dated the 26th November, 1980].

Comments of the Committee

Please see Paragraph 26 of Chapter I of the report.

CHAPTER V

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

— NIL —

NEW DELHI;
February 28, 1981
Phalguna 9, 1902 (Saka)

BANSI LAL,
Chairman,
Committee on Public Undertakings.

APPENDIX I

[Vide reply to Recommendation at Serial No. 3(1)]
Details of trading expenses during 1976-77

	Rs. in lacs
Trading Expenses	14.00
Overseas Freight	39.22
Entry Tax	0.07
Inland Freight	1.29
Port Trust Charges	1.50
Street Removal Charges	6.72
Tea Packing Expenses	17.95
Customs Duty	0.03
Commission & Selling Exp.	0.54
Clearing & Handling Charges	0.53
Excise Duty	0.36
Export Document Expenses	0.09
Insurance	1.16
Claim Paid	0.01
Trade Discount	1.10
Brokerage	0.15
Inspection & Testing Charges	0.53
Export Promotion Exp.	0.96
Publicity & Selling Exp.	0.60
Commission Paid.	0.56
West Bengal Sales Tax	0.45
Central Sales Tax	5.01
Kerala Sales Tax	0.06
Gauhati Sales Tax	0.01
	91.00

APPENDIX II

(Vide reply to recommendation at S. No. 18)

Copy of D.O. No. 78-TGIII/638-2 dated 25-7-79 from the Ministry of Railways (Railway Board) addressed to Shri T. Balakrishnan, Joint Secretary, Ministry of Commerce, & C.S. (Deptt. of Commerce), New Delhi.

SUBJECT:—*Procurement of tea from Tea Trading Corporation of India for use in Departmental catering units of Indian Railways.*

Kindly refer to your D.O. letter No. C-12016(6)/73-Plant-A dated 2-6-79 on the above subject. The recommendations of the 44th report of the Committee on Public Undertakings 1978-79 (Lok Sabha) regarding setting up of a Cell to pool the requirement of tea and place consolidated order on the Tea Trading Corporation for all the Indian Railways and to open two or three procurement centres for this purpose, has been examined by this Ministry but it is neither possible to set up the Central Cell nor open two or three procurement centres as suggested by the Committee. While giving evidence before the Committee, this Ministry made it clear that matters like purchase of tea and food ingredients and raw materials for use in departmental catering establishments on the Railways are completely decentralised and every Zonal Railway procures its own requirement of tea depending on the local needs, availability, the competitive rates, the service, etc. There is no machinery at the level of the Railway Ministry or for Coordinating the requirement of more than one Zonal Railway which can procure tea from Tea Trading Corporation and supply to the Railways.

2. Departmental Catering establishments on Indian Railways are run on 'No profit no loss' basis and some times even losses are incurred. Since this service is rendered to the passengers as a social obligation, the expenditures have to be kept at the lowest level so that food may be supplied to the passengers at reasonable rates. If a Central Cell and two or three procurement centres are opened it would mean setting up of new organisations requiring a large number of personnel, storage, godown etc. which would result in heavy increase in expenditure which is not desirable. Furthermore at present in most of the cases, the suppliers supply tea directly to the

various stations where it is used. If tea is procured by a Central Cell or by two or three procurement centres, then the question of storage, transportation, etc. will arise which will need further organisation and further expenditure and there will be problems of quality of tea, leakage, etc. As such this Ministry is not in position to agree to the proposal of setting up of a Central Cell and two or three procurement centres.

3. In this connection it may be mentioned that instructions have been issued to all the Railways to draw their supplies of tea from Tea Trading Corporation provided their rates are competitive and the quality and service are satisfactory. Railways have been further advised that if the performance of Tea Trading Corporation of India is to their satisfaction and other things being equal, Tea Trading Corporation of India should be given preference for purchase of tea over other sources. We have also advised the Railways that the representatives of Tea Trading Corporation of India will be contacting them and every effort should be made to procure all requirement of tea from Tea Trading Corporation. The Ministry would, therefore, suggest that Tea Trading Corporation of India authorities may be advised to contact the Zonal Railways and tie up arrangements for supply of tea so that maximum quantities of tea is procured by Zonal Railways from Tea Trading Corporation of India.

APPENDIX III

(Vide reply to recommendation at S. No. 24)

NOTE ON SELECTION OF F.A. & C.A.O.

Ever since late 1974 attempts were being made to recruit a F.A. & C.A.O. for the Corporation in the grade of Rs. 1500—2000. Although press insertions were given in leading national news papers and interviews were held, it was found by the members of the Selection Committee and the Board of Directors that none of the candidates were satisfactory.

The Board, therefore, upgraded the post to a salary scale of Rs. 2000—2500 and fresh advertisements were issued. At the suggestion of Shri T. S. Broca, Chairman, Tea Board and a member of TTCI Board of Directors, the Commissioner of Income Tax, West Bengal was approached for nominating some officers who would be considered for appointment. Four names were forwarded by Commissioner of Income Tax, West Bengal.

Communication was received from Public Enterprises Selection Board recommending persons from their panels. One of the nomination received was that of Shri K. K. Mazumdar, Asst. Commissioner of Income Tax.

Shri Mazumdar was interviewed along with nominees of Commissioner of Income Tax and candidates who had applied in response to our advertisement.

The final selection Board comprises of:—

1. Shri T. S. Broca, Chairman, Tea Board.
2. Shri B. S. Thacker, Financial Director, STC.
3. Shri K. P. Bhargava, Partner of Price Waterhouse & PwC Chartered Accountants.
4. Shri P. K. Dasgupta, Chairman & Mg. Director, TTCI.

In the opinion of the Selection Committee, Shri K. K. Mazumdar was decidedly the most suitable candidate.

Before offering him employment, however, a reference was made to Commissioner of Income Tax, West Bengal, XII, Shri Mazumdar's performance and character.

The Commissioner's report dated 2-5-1977 was circulated to the Board and copy to Shri Nagarajan, Desk Officer, Finance Section at the Ministry (copy enclosed *vide* Annexure "A").

Since the report was satisfactory, Shri Mazumdar was offered employment as FA & CAO and he joined services on 1-8-1977 on deputation for an initial period of 3 years.

A note on his service matters as prepared by Shri K. K. Mazumdar and submitted to COPU is enclosed *vide* Annexure "B".

TRUE COPY

CONFIDENTIAL

D.O. No. 2/AAC XII/77-78

Telephone 232371

Telegram: COMINTAX

D. S. SARMA

COMMISSIONER OF INCOME TAX
WEST BENGAL-XII
P-7, Chowringhee Square
Calcutta—1.

Dated the 2nd May, 1977.

Dear Shri Dasgupta,

**Re: Shri Kalyan Kumar Mazumdar, Appellate
Assistant Commissioner of Income Tax
Range A-XII, Calcutta.**

Ref: Your D.O. Letter dated 28th April, 1977.

Kindly refer to your Demi Official letter cited above. Shri K. K. Mazumdar has been working as Appellate Assistant Commissioner of Income Tax Range A-XII Calcutta under me during the Financial year 1976-77. He is a senior officer of the Department and has had a long and varied experience. He has been rated as a smart, intelligent and able officer with amiable manners and sweet temper.

There were no complaints of any type against him. In fact his relations with the members of the Public, subordinates, colleagues and superiors have been very good. Regarding his character and integrity nothing adverse has come to my knowledge during the period he has been under me and nothing adverse has been reported by the Reporting Officers during the past several years.

With kind regards,

Yours sincerely,
Sd/-
(D. S. SARMA)

Shri P. K. Dasgupta,
Chairman and Managing Director,
Tea Trading Corporation of India Ltd.,
225E-Acharya Jagadish Chandra Bose Road,
Calcutta—20.

NOTE PREPARED BY SHRI K. K. MAZUMDAR, FINANCIAL
ADVISER AND CHIEF ACCOUNTS OFFICER, TEA TRADING
CORPORATION OF INDIA LIMITED

I was appointed to Class I Income Tax Service (Indian Revenue Service) in February 1954 on the basis of U.P.S.C. Combined Competitive Examinations.

While posted in Calcutta in November 1962, I was suspended in contemplation of a disciplinary proceedings. After numerous requests, a charge sheet was served on me some two years later in October 1964 containing six charges, four of which related to allegations of lack of integrity and official misconduct and two related to technical violations of the Conduct Rules.

After due inquiry into the charges over a further period of two and a half years the order of suspension was revoked in February 1967 but neither was the report of enquiry given to me nor were any orders on the disciplinary proceedings passed.

A year later, in February 1968, I was informed that a penalty of censure was imposed on me on the basis of finding that I had violated the technical provisions of the Conduct Rules in as much as I was believed to have:—

- (1) left Head Quarters on two holidays (in a period of eight years of service) without obtaining prior permission in writing;
- (2) failed to intimate purchase of another motor car although it was accepted by the authorities that the car had been purchased with Government advance and mortgaged to the President of India.

All the charges pertaining to integrity and official misconduct had been found on enquiry to be tendentious and entirely without substance.

Even at the time of communicating the order of penalty for that matter till date, the report of the Enquiry Officer was not forwarded to me although such is a statutory requirement.

Being aggrieved by the finding of guilt and the order of penalty I filed two petitions before the Calcutta High Court under Article 226 of the Constitution [being CR No. 562 (W) and 5574 (W) of 1969] praying for quashing of the orders on the grounds amongst others, that:

- (1) my suspension was obtained by fraud by the then Commissioner of Income Tax W.B. Shri F. H. Vallibhoy who harassed and persecuted me on personal malafide and extraneous consideration;
- (2) the purported finding of guilt was inconsistent with the evidence on record and the testimony of the prosecution witnesses produced at the Enquiry.

I had sworn an affidavit in the Court supported by documentary evidence to the effect:—

- (1) that Vallibhoy's animosity against me was the direct result of certain actions taken by me in the discharge of my official functions as I.T.O. Jalpaiguri between August 1960 and July 1962 [when Shri P. J. Ranadive and not Shri F. H. Vallibhoy was CIT (W.B.),] against Nawab Musharraf Hossain and his group's tax evasion activities even though by action had received the unqualified support of Commissioner Shri P. J. Ranadive who reported to the Board on 18-8-1961 that he had "approved of the actions taken by Mr. Mazumdar in these cases and I feel that this is a proper way of handling these cases."
- (2) As a result of such animosity Shri Vallibhoy made certain allegations against me before the Board, the C.B.I. and the Enquiry Officer (allegations subsequently held to be untrue) and in abuse of his official position engineered to obtain false evidence against me.
- (3) That Vallibhoy as a member of the Central Board of Direct Taxes in 1968 and in that capacity a member of the Departmental Promotion Committee, stood in the way of my promotion as Asst. Commissioner of Income Tax.

The cases are still pending because the Union of India did not deem fit to file an affidavit in Opposition to the two writ petitions for more than eight years since 1969 till the end of 1977. I understand this was brought about by Vallibhoy's inability to meet the charges of malafide levelled against him in the two petitions.

In March 1972, I was promoted as Asst. Commissioner although in the meanwhile as a result of Shri Vallibhoy's machinations, I had been superseded by some 300 officials.

In 1975 I applied for empanelment in the Bureau of Public Enterprises in the grade Rs. 2000—2500 and I was so duly empanelled on the recommendations of C.B.D.T.

On the 16th January, 1976, I received a letter No. C-3:64:33 from Coal India Ltd. stating that my name had been forwarded to them by the B.P.E. and enquiring whether I would be interested in joining Coal India Ltd. or any of its constituent units.

A copy of the letter is attached *vide* Annexure-I. In January 1977 my name was forwarded to TTCI for consideration for the post of F.A. and C.A.O. in the grade Rs. 2000—2500. A copy of the said letter is attached *vide* Annexure-II. I was interviewed along with others sponsored by B.P.E. and other Government departments and institutions as also candidates applying in response to press insertions.

In the meanwhile, *vide* E-412-CI-2E-23/75-76 (Sub) dated 13-4-77. I was informed by the Commissioner of Income tax, West Bengal that the Central Board of Direct Taxes had intimated that I was being considered for appointment as Director (Finance) of one of the Coal India subsidiaries in the scale of Rs. 2500—3000. A copy of the letter is attached *vide* Annexure-III

On selection by TTCI Ltd. I chose to join TTCI even in a lower grade of Rs. 2000—2500 as I preferred an assured posting Calcutta for 3 years due to personal and family reasons.

Sd/-
(K. K.MAZUMDAR)

(TRUE COPY)

ANNEXURE I

COAL INDIA LIMITED

Ref. No. C-3:6A:33

Date 16th Jan., 1976.

Confidential

R. C. Sekhar

Chief Controller of Accounts and Finance.

Dear Shri Mazumdar,

We understand that you have advised the Bureau of Public Enterprises that you would be interested in joining a Public Sector Enterprise in a senior position. We are now in the process of selecting some of the senior personnel which include the position of Directors in our Subsidiary Companies. I shall be grateful if you advise me if you would be interested in joining Coal India Limited or any of its constituent units. The salary grades available for senior personnel of the Company are: Rs. 2500—3000/-. Rs. 2250—2750/-. Rs. 2000—2500/- and Rs. 1850—2450/-. These senior positions would be available at any of the following places:

Calcutta/Dhanbad/Ranchi/Assansol/Nagpur.

The perquisites attached to these positions are detailed at Annexure A to D.

In case you would be interested, kindly let us know your minimum salary expectation. Kindly also forward a brief description of your academic and service record. You would no doubt keep your present employer informed of this. We will, of course, keep the correspondence strictly confidential.

Yours sincerely,

Sd/-

(R. C. SEKHAR)

Encl: As above

Shri K. K. Mazumdar, I.R.S.,
Appellate Asst. Commissioner of Income Tax,
Range AY,
10, Middleton Row, Calcutta-16.

(COPY)

ANNEXURE II

D.O. No. 10(2)/77-BPE (PESB)
BUREAU OF PUBLIC ENTERPRISES,
MAYUR BHAVAN, 7TH FLOOR,
CONNAUGHT CIRCUS
NEW DELHI, the 21-1-1977

**SECRETARY
PUBLIC ENTERPRISES SELECTION BOARD**

Tel: 261624

Dear Shri Dasgupta,

I am herewith enclosing the brief bio-data of Shri K. K. Mazumdar, whom you may consider for the post of Financial Adviser and Chief Accounts Officer in your Corporation.

With regards and best wishes,

Yours sincerely,

Sd/-

(D. K. CHAKRAVORTHY)

Shri P. K. Dasgupta,
Managing Director,
Tea Trading Corporation of India,
225F, Acharya Jagdish Chandra Bose Road,
Calcutta-700020.

Encl: As above.

TRUE COPY

ANNEXURE III

**OFFICE OF THE COMMISSIONER OF INCOME TAX, WEST
BENGAL P-7 Chowringhee Square, Calcutta-700069.**

No. E/412/CT
2E/23/75-76 (Sub)

Dated the 13th April 1977.

To

Shri K. K. Mazumdar,
A. A. C. Calcutta.

The Central Board of Direct Taxes, New Delhi have intimated that you are being considered for appointment as Director (Finance) in either of four subsidiaries in Coal India Limited, viz. Eastern Coal Fields Ltd., Santoria, Bharat Coking Coal, Dhanbad, Central Coal Fields, Ranchi and Western Coal Fields Ltd., Nagpur by the Bureau of Public Enterprises, Public Enterprises Selection Board. The post is in scale of Rs. 2500—3000. Please intimate whether you are willing to accept the offer.

Sd/- N. Mishra
(N. MISHRA)
Income-tax Officer,
Headquarter, W.B.I.
for COMMISSIONER

APPENDIX IV

(Vide reply to recommendation at S. No. 17)

COPY OF D.O. LETTER NO. J-23013/11/79-PUR-IV DATED THE 27 JUNE, 1979 FROM SHRI K. PRASAD, JOINT SECRETARY, (DEPARTMENT OF FOOD) MINISTRY OF AGRICULTURE AND IRRIGATION TO SHRI T. BALAKRISHNAN, JOINT SECRETARY, MINISTRY OF COMMERCE AND CIVIL SUPPLIES.

Dear Shri Balakrishnan,

Please refer to your D.O. Letter No. C-12016(6)/73-Plant (A) dated the 2nd June, 1979 regarding purchase of tea for free issues to the Defence Personnel as well as to meet the requirements of Canteen Stores Department from the Tea Trading Corporation of India Limited.

2. Tea for the Canteen Stores Department in the Defence Ministry is purchased directly by that Ministry and this question may, therefore, be taken up with them.

3. As regards procurement of tea for free issues to the Defence Personnel, you are already aware of the special considerations shown to the TTCI and the purchases made from them so far. The reasons for which the Deptt. of Food could not place orders with the TTCI without consideration to the costs and tendering procedures had already been explained to the Ministry of Commerce, earlier. If anything the revised purchase preference policy of the Govt. as contained in the Ministry of Finance (BPE) O.M. No. BPE/GL-023/78/MM dated the 13th July, 1978 does not allow us any freedom to resort to purchases only from the TTCI. In fact, the purchase preference allowed earlier when prices remained the same had also been withdrawn with this letter.

4. In view of these developments, we are obliged to follow the existing policy of Govt. in regard to general tender procedures and contracts can be concluded only with the party or parties whose quotations and terms are favourable to Govt. While pursuing processing of the tender for purchase of 2780 tonnes of tea for the

Defence Services during 1979-80 we had given all opportunity to the TTCI and even conducted negotiations at their instance, however, the TTCI could not get any order at all as the rates were comparatively high. Unless the Ministry of Commerce are able to secure relaxation in the existing Govt. instructions on purchase policy and tendering system, you will realise that we will not be in a position to purchase from the TTCI only.

APPENDIX V

(Vide Para 3 of Introduction)

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

I. Total number of recommendations made	26
II. Recommendations that have been accepted by the Government (<i>Vide</i> recommendations at S. Nos. 1, 3, 4, 6, 7, 8, 9, 11, 15, 16, 18, 19, 20, 24, 25 and 26)	16
Percentage to total	61.5
III. Recommendations which the Committee do not desire to pursue in view of Government's reply (<i>Vide</i> recommendations at S. Nos. 13, 14, 21 and 22)	4
Percentage to total	15.4
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee (<i>vide</i> recommendations at S. Nos. 2, 5, 10, 12, 17 and 23.)	6
Percentage to total	23.1
V. Recommendations in respect of which final replies of Government are still awaited	Nil.
Percentage to total	Nil.