

ESTIMATES COMMITTEE

First Report

1950-51

MINISTRY OF INDUSTRY AND SUPPLY

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PARLIAMENT SECRETARIAT,
NEW DELHI
DECEMBER 1950

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SECRETARIAT

Shri M. N. Kaul (Secretary)

Shri S. L. Shakhder (Officer on Special Duty)

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INTRODUCTION

I, THE Chairman of the Estimates Committee, having been authorised by the Committee to submit the report on their behalf, present this first report relating to the Ministry of Industry and supply to Parliament.

The Committee was elected on the 10th of April, 1950 and held a preliminary meeting on the 18th April, 1950 at which it framed its rules of procedure.

The Committee has so far held five sessions from July to November, 1950 and examined the estimates of the Ministries of Industry and Supply, Commerce and Works, Mines and Power. The procedure adopted by the Committee in examining the estimates was as follows.

Each of the above Ministries forwarded to the Committee memoranda and statements in respect of its estimates in accordance with the rules of procedure formulated for the purpose. The Committee also heard orally the representatives of the Ministries concerned. Questionnaires were prepared and sent to the Ministries in advance in order to apprise them of the possible points on which the Committee wanted further information. In the Committee itself, each subject was entrusted to a group of members for intensive study by them so that each member or group of members concentrated on those particular aspects of the working of the Ministry. On the basis of the oral evidence and after study of the written material the Committee formed certain conclusions. These conclusions and the facts on which they are based constitute our report, which the Committee presents herewith. As the report on each section was finalised by the Committee it was sent to the Ministry concerned, copies thereof being forwarded to the Honourable Prime Minister, Ministry of Finance and other Ministries concerned for necessary action. The members of the Committee also studied the working of the Ministries and their offices by paying personal visits to offices in Delhi and during inter-session periods to their subordinate offices at various places outside Delhi.

The Committee will in due course present to Parliament a statement showing the number of meetings held, the duration of each meeting, the number of members present, the subjects discussed at each meeting and the total cost incurred by the Committee. A brief record of the proceedings of each meeting has been kept separately and will be issued as Minutes of the Estimates Committee in a separate volume.

A statement showing the summary of the recommendations of the Committee and the economy likely to accrue as a result of the acceptance of our recommendations contained in this report is appended at the end.

The Committee wishes to express its thanks to the officers of the Ministries of Industry and Supply, Commerce, Works, Mines and Power, Communications, Defence, Rehabilitation, Railways and

Finance, Planning Commission and the Cabinet Secretariat for placing before it the material and information that it wanted in connection with the examination of the estimates of the various Ministries. The Committee also appreciates the pains that the representatives of the various Ministries took in explaining in detail the various aspects on which the Committee wanted further information for making its enquiry as complete as possible. The Committee particularly wishes to express its gratitude to Shri V. T. Krishnamachari, Member, Planning Commission for the information he gave to the Committee regarding the execution of various multi-purposes projects. The Committee has received co-operation and assistance from all concerned for which it is grateful.

We must also acknowledge the great assistance we received at every stage of our work in preparing the questionnaires, in gathering information from the Ministries and preparing our memoranda and report from the Secretary to Parliament, the Officer on Special Duty and their Staff.

We shall be failing in our duty if we do not express our deep sense of gratitude to the Honourable the Speaker who initiated this Committee. He is practically the father of this Committee and advised us from time to time and later on took great pains to read each one of our reports.

M. ANANTHASAYANAM AYYANGAR

NEW DELHI;

The 21st December, 1950.

FORM OF BUDGET ESTIMATES

THE Ministry of Industry and Supply is wholly concerned with the following Grants:

- 27. Ministry of Industry and Supply
- 53. Industries and Supplies
- 54. Salt

They are partially concerned with Grant No. 64—Miscellaneous Departments, 73—Miscellaneous, 81—Resettlement and Development, 108—Capital Outlay on Schemes of State Trading and 110—Interest-free and Interest-bearing Advances.

Allocation of Grants

2. The Office of the Controller of Patents and Designs is accounted for under Grant No. 64—Miscellaneous Departments and the Reparations Directorate at Calcutta is accounted for under Grant No. 73—Miscellaneous. The contribution to the Indian Standards Institution is accounted for under Grant No. 81—Resettlement and Development. The Civil Supplies Department and the organisation for the collection of information under the Census of Manufacturing Industries Act are accounted for under the Grants for Delhi and Ajmer. While the development schemes with which the Ministry is concerned are accounted for under the Grant for Capital Outlay on Industrial Development, the loan to the Steel Corporation of Bengal is accounted for under the Grant for Loans and Advances.

Incomplete budget picture

3. It will be seen from the foregoing description of the Grants with which the Ministry of Industry and Supply is concerned that the whole budget for which the Ministry is responsible is spread over a number of Grants and it is difficult for a lay man to get a complete picture of the total budget of the Ministry at a glance. One has in the first instance to collect information of all the Grants with which a particular Ministry is concerned and wade through a number of items in order to get the whole picture. This system of accounting and budgeting may have had its advantages in the past, but it appears so involved and cumbersome that a revision of the existing system is urgently called for.

Constitution of an ad hoc Committee

4. We feel that all the services and supplies for which a Ministry requires money should be accounted for under two or three demands for grants at the most and should not be spread over so large a number of them. We consider that for proper appreciation of the financial situation of a Ministry, the Grants should be few. The Grants should not only indicate the estimated expenditure but also show the estimated revenues that are expected to be earned by or on

The draft of this report was sent to Ministry and others concerned on 28 August, 1950.

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behalf of that Ministry during the year. They should also indicate the amounts spent over services and supplies rendered by a particular Ministry to other Ministries and departments of the Government. If all these various aspects are included, it will readily be possible for any one to know at a glance how a Ministry stands in regard to its entire revenue and expenditure. It is not possible for the Committee to lay down rough and ready methods for achieving this object. We, therefore, recommend that a Committee consisting of the Budget Officer of the Government of India, a representative of the Comptroller and Auditor General of India and a Member of the Estimates Committee may be constituted to examine the whole matter thoroughly and to report to the Estimates Committee on the improvements that can be made in the existing system.

Details of new schemes and reasons for variation in estimates to be shown

5. We would like to observe in this connection that among the budget papers circulated by certain States to their legislatures, e.g. Uttar Pradesh, West Bengal, Assam, Madhya Pradesh, etc. information in the form of a separate book is given showing the reasons for variations in the revised estimates of the current year under each sub-head of a Demand for Grant. Similarly a separate book is issued showing details of all new items of expenditure with details of receipts and expenditure under each such item, incurred during the year. We feel that it should not be difficult for Government to introduce the same procedure so far as Parliament is concerned. The reason for variation between the revised and the budget estimates are known to the Finance Ministry at the time of the preparation of the budget, and all that need be done is to consolidate this information and to circulate it to the Members of Parliament as a separate self-contained volume along with the budget papers. Similarly in regard to the new items of expenditure, various Ministries responsible for them prepare the prescribed memoranda for the use of the Ministry of Finance and the Standing Finance Committee. Therefore, all the information of use to Members of Parliament in connection with such items is already available with the Ministry of Finance. Such information can also be consolidated and distributed to the Members along with the budget papers in a convenient book form. We consider that these two items of reform should be introduced forthwith as the information will considerably help the members of Parliament in understanding the budget proposals in their various aspects.

Inclusion of a review of State projects in the budget papers

6. The budget papers should also include a detailed review of all the State projects, autonomous bodies and limited companies in which Government has some interest or to which loans have been granted by Government so that an opportunity is provided to Parliament to discuss these matters in the House. Such reviews should invariably include reasons for variations between the original and the revised estimates, and the volume of work handled or to be handled by each such project, body, etc. If in respect of any such project, etc. regular budget details are not available a token Demand

Form of Budget Estimates

should be placed before Parliament in order to invite its specific attention thereto.

Statement of reappropriations

7. A statement of reappropriations above a particular sum from one sub-head to another sub-head under a Demand for Grant should also be laid before Parliament each year at the time of the presentation of the budget. These reappropriation statements should show the amounts transferred from one sub-head to another sub-head with reasons for such transfers. As this information for all the Ministries is available with the Ministry of Finance, all that is necessary is to consolidate and circulate it to Members as a separate paper with the budget papers.

II

REVISED SET-UP OF THE SECRETARIAT OF THE MINISTRY OF INDUSTRY AND SUPPLY

At present in the main Secretariat of the Industry and Supply Ministry, there are one Secretary, two Joint Secretaries, five Deputy Secretaries and 12 Under/Assistant Secretaries. We feel that the functions assigned to the Ministry can be performed equally well, or rather more efficiently, if there is a division of work between the Secretary and the Joint Secretary and proper division of duties amongst other Officers. The Joint Secretary is comparatively a very senior official and should normally be appointed for an independent charge which may be lower than that of a Secretary but the system of placing a Joint Secretary under the supervision of a Secretary seems to us most uneconomical.

Officer staff: Allocation of work

We therefore think that the functions assigned to the Ministry of Industry and Supply should be divided between the Secretary and one of the Joint Secretaries, the second post of Joint Secretary which, we understand, is at present vacant being abolished. We tentatively consider that the Joint Secretary may look to the work relating to purchases, textiles, coal, iron and steel and the Secretary may be responsible for items like industries, planning, budget and establishment. The Secretary may be assisted by two Deputy Secretaries, five Assistant Secretaries and the Joint Secretary may be assisted by one Deputy Secretary and three Assistant Secretaries.

Scales of work

9. The question of scales of work of Ministerial Staff as well as Officers needs careful consideration. It is stated that the recognised formula is 1,250 receipts per Assistant per annum. Taking 260 days as working days in a year, the receipts per individual come to about five per day. That means that an Assistant is supposed to dispose of five letters, 50 per cent. of which normally are of routine nature such as acknowledgements, reminders, interim replies and so on. The scale is very liberal and it has to be seen whether each man has a complete day's work before him. It is suggested that the scale should be on the basis of at least five important receipts and ten ordinary receipts per Assistant which means on an average 15 receipts a day.

10. The scale of work for Superintendents and Officers also needs revision. It is not stated how the strength of Superintendents and Officers is at present arrived at. Probably the usual formula of one

The draft of this report was sent to the Ministry and others concerned on 28 August 1950. This final report incorporates factual changes pointed out by the Ministry and further observation of the Committee in the light of the comments offered by the Ministry.

Revised set-up of the Secretariat

Superintendent for six Assistants and one Assistant or Under Secretary for two Superintendents is followed. If this is so, there is again a likelihood of over-staffing because initially the Assistants are required to turn out less work and therefore a large number of Assistants is employed. The provision of Superintendent should be made on the basis of one Superintendent for ten Assistants and five clerks.

Decentralisation of work: Superintendents and Under Secretaries

11. Superintendents are usually Gazetted Officers and a large measure of responsibility for disposing of routine matters should be placed on them. They are highly paid officials, their pay ranging from Rs. 500 to Rs. 800 p.m. They should not merely be required to check up the work of their subordinate, but should take final responsibility in some matters so that congestion of routine work at Under and Deputy Secretary level is relieved. Similarly a large number of matters should be decentralised for disposal by Under Secretaries so that Deputy Secretaries may be left only with questions of policy.

Stenographers, Personal Assistants, and Class IV servants

12. The number of Stenographers, Personal Assistants and Class IV servants seems to us to be very large compared to the number of Officials and other staff of the Secretariat. There is scope for considerable reduction under these two heads also. At present there are 24 Stenographers as against 20 Officers, and 168 Class IV servants against 344 Officers and other staff. It is thought that a pool of smaller number of Stenographers should be formed for all junior Officers and at least 50 per cent. of the Class IV strength should be progressively reduced. In this connection, we have been informed that the Prime Minister has issued several directives to the Ministries to reduce Class IV servants to a sizeable strength and to devise ways and means whereby their methods of work could be improved, so that armies of peons and other Class IV servants that are at present in the employ of each Ministry are considerably reduced. It is our earnest hope that Government will give due attention to these directives of the Prime Minister and devise measures whereby expenditure on Class IV servants is kept to the absolute minimum.

Overlapping of Branches

13. A large number of Branches tend towards overlapping, duplication, giving conflicting opinions and other difficulties. If a smaller number of self-contained Branches is created, it is likely to lead to better co-ordination. Co-ordination will lead to unified policy behind any measure and better planning. This can be realised if there is a revision in the scales of work and also amalgamation of large number of identical duties in one Branch.

Saving in manpower due to decentralisation of responsibilities

14. Considerable reduction of manpower will be effected if revised scales of work are laid down and decentralisation of responsibility is

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enforced. It would also lead to greater efficiency and better organisation of work. If people have sufficient work to do, it will mean that they would apply their mind to the problems better, think precisely and have little time for gossip. Furthermore, handling of a large number of receipts by an individual would mean that a larger number of aspects of a particular subject are handled by him and not by different persons with the result that he would have a better hang of the problem, and there would be unified mind behind the various proposals and policies. Decentralisation of responsibility will enable Officers to develop their initiative and to take decisions. Centralisation on the contrary makes them timid, indecisive, let alone the cost in manpower and delay.

Travelling allowances

15. In the budget for 1950-51 of the Ministry of Industry and Supply Rs. 92,600 have been provided for T.A. of Officers and Staff. This comes to a monthly expenditure of Rs. 7,700. Assuming that each trip costs about Rs. 500 per individual it means that during a month 15 persons are on tour or alternatively 15 trips are performed by one individual in a month. This is in addition to the tours of the Minister, expenditure in regard to which is debited to the Grant under Cabinet. Such a huge expenditure on T.A. of Officers and Staff seems to be disproportionate to the responsibilities assigned to the Secretariat of the Ministry of Industry and Supply which is primarily concerned with the framing of policy. It is considered that there should be a reduction of at least 50 per cent. under this head. Tours of the Secretariat Officers and Staff should be reduced to the minimum. Perhaps a tour once a quarter by the Secretary or his Deputy would do. The Secretariat Officers are to lay down policy and not to get involved in too much detail. Tours should be left to the executive heads whose duty and responsibility it should be to ensure that the subordinate organisations outside headquarters are properly and adequately run according to the policies laid down by Government.

Other charges

16. Under the head "Other Charges", the main items of expenditure are as below:

Service postage and telegram charges	Rs. 50,000
Rent of telephones	Rs. 2,62,000
Sundry items	Rs. 40,000

The Charges under postage, telegrams and telephones will be considerably reduced if cheaper means of communication are employed. For example, use of telegrams and cables should be restricted to the minimum and in most cases the number of letters dispatched by registered post should also be kept to the minimum. Residential telephones for Officers other than senior key officers should be discontinued and trunk calls avoided as far as possible. So far as the office telephones are concerned, it is suggested that

Revised set-up of the Secretariat

the question of setting up of a Private Branch Exchange for the whole Ministry of Industry and Supply and its Attached Offices may be examined in consultation with the Ministry of Communications as it is considered that this would lead to great economy. In any case the existing level of expenditure is very heavy and this should be reduced by about 50 per cent, and the Ministry asked to manage within the reduced sum by enforcing all kinds of economy measures. We were told in this connection that there is a secra-phone service under the control of Ministry of Industry and Supply and about a lakh of rupees under the head "Telephones" is being spent over this. It was explained to us by the spokesman of the Industry and Supply Ministry that the Secretary of the Ministry was himself controlling the use of secra-phone service. While it is heartening to note that such strict measures have been taken in this matter, we urge that further reduction of expenditure on this service should be effected, and strict rules laid down for its use by other Ministries.

III

COMBINED SET-UP OF D.G., I & S., D.D.G. INSPECTION, D.G.D. AND DIRECTOR OF INDUSTRIAL STATISTICS

THERE are at present separate offices of the Director General, Industry and Supply, Director General of Disposals, and Director, Industrial Statistics, under the Ministry of Industry and Supply.

18. The Director General of Industry and Supply, under whom there is a Deputy Director General (Inspection) is responsible for purchase, inspection and testing of stores, planning and development of industries. The Director General of Disposals is responsible for the disposal of surplus stores of Government and the Director of Industrial Statistics for the collection on statutory basis of statistics relating to factories, which fall within the purview of Sections 2(j) and 5(i) of the Factory Act, 1934.

19. The Directorate-General of Industry and Supply comprises of the following Wings:

- (i) Inspection Wing
- (ii) Supplies Wing
- (iii) Development Wing
- (iv) Administration and Co-ordination Wing
- (v) Government Test House.

The Inspection Wing had on 1 March, 1950 a sanctioned strength of 147 Officers, 956 non-gazetted Staff and 369 Class IV servants and the total budget provision for the current year is Rs. 43,33,500. The total budget provision for the other Wings, the Government Test House and certain other heads controlled by the D.G.I. & S. is Rs. 1,16,06,300 and the total sanctioned strength on 1 March, 1950 was 166 Officers, 2,337 non-gazetted staff and 1,321 Class IV servants, as detailed below:

Head of Account	Budget provision for 1950-51	Sanctioned strength as on 1-3-1950		
		Gazetted Non-gazetted Class IV		
43 I. & S.		Rs.		
D.G., I. & S.	83,15,700	147	2094	752
Govt. Test House	6,05,200	11	111	88
Grant-in-aid to Cottage Industries	16,00,000	1	14	25
57-Miscellaneous	1,38,000	6	23	9
87-Capital Outlay	7,77,200	1	51	314
Defence	1,70,200	..	23	30
*Suspense	21	83
TOTAL	1,16,06,300	166	2337	1321

* There is no regular budget allotment for expenditure to be debited under the head 'Suspense'.

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Combined set-up of D.G., I. & S., etc.

We were later informed by the Ministry of Industry and Supply that the Cottage Industries Directorate has since been taken directly under their own control and that they had carried out the under-mentioned reductions in the strength of these Offices by the end of August, 1950:

Gazetted Non-gazetted Class IV

Inspection Wing	(a)	39	(a) Reduction of 5 posts under consideration. Three posts already lying vacant.
G., I. & S. (Other than Inspection).	14	199	27(b) (b) 30 posts since surrendered.
87—Capital Outlay			7
Defence			10
Suspense		2	27

The Director General of Disposal has got a staff of 149 Officers, 1363 non-gazetted Staff and 479 Class IV servants and the total estimated expenditure for this Directorate for the current year is Rs. 84,70,100. Similarly the Director of Industrial Statistics has a staff of 9 gazetted Officers, 71 non-gazetted Staff and 30 Class IV servants, with a budget provision of Rs. 3,06,300 for the year.

Winding up of Disposals wing

20. If our recommendations under the Section 'Disposals' are accepted, then there is no need to maintain a separate organisation for Disposals and, as we anticipate, this wing of the Industry and Supply Ministry will eventually be abolished. Therefore we do not see any need for maintaining all these separate establishments at this level from now onwards. There should be a gradual reduction of staff so that by the target date, viz., 1 March 1951, all the posts are abolished and Disposals wing ceases to function as such.

Office of the Director of Industrial Statistics

21. The Office of the Director of Industrial Statistics was created during the latter half of 1941 in pursuance of the Industrial Statistics Act which provides for the collection of returns in prescribed forms from the occupants of the factories. The States authorities are primarily responsible for the administration of the Act and collecting returns in the prescribed form from the owners of the factories. The Ministry of Industry and Supply issues only general direction to the statistical authorities on the administration of the Act. This is done with a view to co-ordinating the administration of the Act in the different States and to ensure that the census are conducted on a broadly similar lines all over the country. The first factory census was conducted in the year 1946. It seems to us that for mere collection of these returns it is not

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necessary to maintain a separate office with such a huge staff and big budget. We consider that this office should be reduced to the size of a small Directorate and placed under the Director General of Industry and Supply.

A single Director General

22. We think that there should be a single Director General for all the functions of purchase, development of industries, maintenance of statistics, inspection and testing of stores. The existence of separate offices leads to unnecessary duplication, more overhead charges and to some extent inefficiency. Each inter-related work should be done in the same office. We also think that the intermediary and supervisory posts should, as far as possible, be kept to the minimum. Responsibility for final disposal of day-to-day work should devolve upon the junior Officers directly concerned with such work and only the policy should be framed at the top.

Revised set-up illustrated diagrammatically

23. A diagram showing the proposed set-up of the D.G., I. & S. combining all the above functions in one organisation is given in the Annexure. The diagram provides for a Director General at the top, with four Directors to assist him for his four main functions, viz., the Director of Industries for the development of industries, the Director of Purchase for the procurement of supplies; the Director of Inspection and Testing for inspecting and testing stores and the Director of Administration and Co-ordination. In addition a Director of Disposals may be attached for the time being until the work of Disposals is completed by the end of February, 1951, as recommended by us, when this wing will automatically be abolished. The first three Directors, should each have two or three or even four Deputy Directors, if necessary, for assisting them in their duties. The division of work between these Deputy Directors should be on the basis of engineering industries or engineering stores, and non-engineering industries or non-engineering stores, the idea being that engineering stores or engineering industries should be grouped together under the charge of one Officer and the non-engineering stores or industries under another Officer. In addition, the Director of Industries may have an Additional Deputy director for compiling the industrial statistics. The Director of Administration and Co-ordination may have two wings, one responsible for administration and the other for the co-ordination of work between the various Directorates. In turn each Deputy Director may have under him two or three Assistant Directors to assist him in various items of work allotted to him. In some cases officers like Research Officers, Stores Officers, or Development Officers or Chemists may be appointed in place of Assistant Directors, if necessary.

24. The Director General may have Branch Offices at Bombay, Calcutta, Madras and Kanpur as at present. Each office should be in the charge of a Deputy Director and the organisation under him

Combined set-up of D.G., I. & S., etc.

should more or less be a replica of the Headquarters Office, with such modifications as may be necessary in the case of each individual office.

Possible effects of reorganization

25. If a reorganisation of the offices mentioned above is effected as suggested, there will be further considerable saving in the ranks of non-gazetted Staff and Class IV Staff. There will also correspondingly be a saving so far as allowances and contingent charges are concerned. If these Offices are amalgamated, we anticipate that the proposed combined organisation will not only be efficient and cheaper but capable of expansion at any moment if circumstances so require it. The nucleus of this organisation shall be so organised that it would be capable of expansion on right lines in an emergency.

An inflated Ministry

26. We should like to mention here that the present Ministry of Industry and Supply and its appendages are mostly war-time creations and since during the war its activities were at their highest the organisation naturally witnessed a huge expansion in all directions and we appreciate the difficulties of Government in bringing them down to proper proportions now. This was what President Roosevelt anticipated during war he insisted on creating separate war-time temporary organisations to deal with problems arising out of the war so that at the end of the war when those activities had ceased, they were automatically closed down. He believed firmly that once an organisation was expanded to meet war needs of the country, it, besides being incapable of meeting the urgent demands with alacrity and tempo that were required of it, became stabilised at a war level even in peace. We are not therefore surprised, that the present Ministry of Industry and Supply in spite of reduction is very much inflated, considering the volume of work that it has to handle now as compared to its war-time activities. We are sure that once an organisation is brought down to its proper dimensions and each one of the Officers at the top as well as in the middle levels realises his responsibility, the work would be carried out in the most economical and efficient manner. It is not only the industrial and agricultural worker who has to produce for the well-being of the country but it is also the Government servant who has to contribute his bit towards this common pool of prosperity and happiness. If he sets an example, it will afford a greater incentive to the worker than should otherwise be the case. We therefore earnestly hope that Government would give due weight to our proposals and see to it that all superfluous staff is eliminated and wasteful methods of work are done away with.

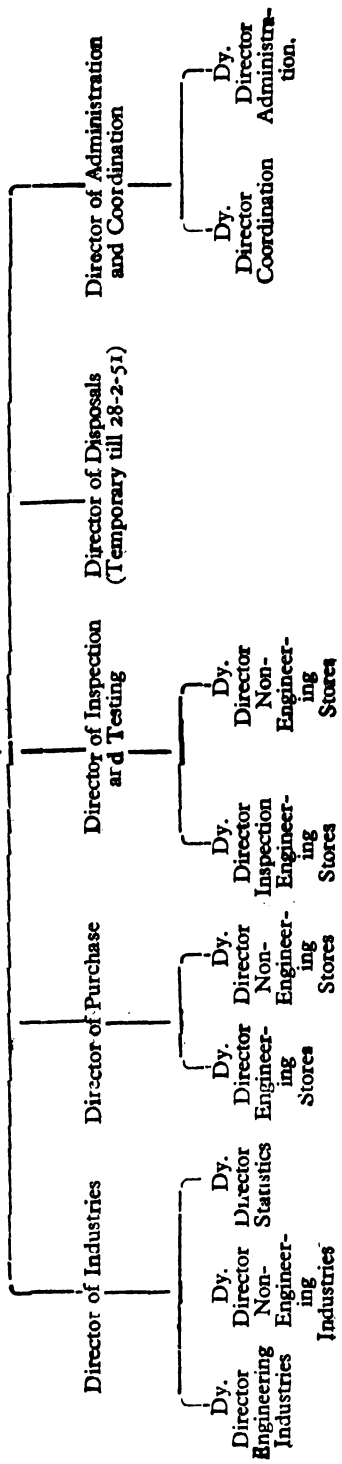
No intermediaries

27. One other matter which we would like to impress most is that as far as possible the intermediary and supervisory posts should be dispensed with. For example, the Director General should deal

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with the various Directorates, as explained in our scheme, directly and not through one or more Deputy-Directors General. To our mind he is an unnecessary intermediary who is likely to hinder the expeditious disposal of work rather than always impart something new. The Director should be a responsible person and he should be given the widest possible discretion in the day-to-day administration of his work, the Director General being left only to approve matters of policy. It is our intention that these Directors should be highly qualified and experienced persons and adequately paid so that they are equal to the responsibility that is being placed on them. We believe that by this method they will acquire more initiative to take decisions themselves in accordance with the policy settled either by the Ministry or by the Director-General of Industry and Supply. Government should invest Departmental junior Officers with full powers within specified limits to enable them to discharge their functions properly and then see to it that if there is dereliction of duty or any failure on the part of any Officer, he is brought to book in a suitable manner. We have no doubt in our mind that if these principles are followed, the administration will not only improve but make its influence felt all over the country:

ANNEXURE
Revised set up of the Directorate General of Industry and Supply
 Director General
 Industry and Supply



IV PURCHASES

ALL purchases of stores which are required by various Ministries of the Government of India, State Governments, quasi-public bodies, such as Municipalities, District Boards, Port Trusts, Universities, etc. are arranged by the Supply Wing of the D.G., I. & S. under the Ministry of Industry and Supply. The services of this organisation are also available to such of the foreign countries as may wish to effect purchases of stores from this country. So far as purchases in India are concerned the D.G., I. & S. has a Headquarters Office at Delhi and three regional offices at Bombay, Calcutta and Madras, through which such purchases are made. Purchases in the U.K. and other European countries and the U.S.A. respectively are made through the Offices of the Director General, India Stores Department, London and the India Supply Mission, Washington which has a Branch Office at New York. These two offices function under the Ministry of Industry and Supply through the High Commissioner for India in the U.K. and the Indian Embassy, U.S.A. respectively. The purchases made through the Ministry of Industry and Supply abroad do not cover specialised items of railway stores and armament purchases which are directly arranged by the Ministries of Railways and Defence themselves. The Ministry of Industry and Supply is also not responsible for the supply of food, stores, etc. as they are arranged by the Ministry of Food.

Purchase procedure

29. It was explained by the representatives of the Ministry of Industry and Supply that the procedure adopted by them in making purchases was that when indents were received by them, they were scrutinised to see whether and how far the stores demanded could be secured from the internal markets. As far as possible, stores and materials which are manufactured in India, are purchased here even though similar stores imported from foreign countries might be cheaper. As regards foreign purchases, they are either made through Indian importers or from the foreign firms direct or through the D.G., I.S.D., London or I.S.M., Washington, as the case may be.

Question of control of purchase organisation

30. We examined whether it would be advantageous and economical to transfer the control of the purchase organisation from the Ministry of Industry and Supply to the Ministry of Commerce and heard Officers who had experience of the Commerce and the Industry and Supply Ministries. We noted that this question had also been considered by Government in connection with proposals regarding

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Purchases

the re-organisation of the machinery of Government. After considering carefully all the aspects of the matter we have not come to any definite conclusion and we wish the question of transfer or otherwise of 'purchase' functions from the Ministry of Industry and Supply to the Ministry of Commerce to be kept open until the estimates of the Commerce Ministry have been examined by us.

Decentralisation of purchases

31. We also examined the question of decentralisation of purchases to the various Government Departments and the State Governments with a view to see whether that procedure would lead to economy, efficiency and expedition, but came to the conclusion that a central organisation was necessary for the efficient working of this side of Government activity. We however, feel that the present organisation under D.G., I. & S. is not suitable for the purpose. We accordingly recommend that a State Purchase Corporation should be set up early to deal with all Government purchases, whether Indian or foreign. Government, being the single largest purchasing authority in the country, should direct its policy in such a way as to stimulate business activity in the country, and we are confident that a State Purchase Corporation would go a long way in that direction. It is, however, visualised that the proposed State Purchase Corporation may take some time to be set up and until it comes into being, we suggest that so far as purchases in India are concerned the present organisation of the Ministry of Industry and Supply in a modified form, as recommended by us in paragraph 23 under the Revised set-up of the Office of the Director General of Industry and Supply, etc. may be continued.

Foreign purchases

32. We consider that our machinery of foreign purchases needs overhauling. When the State Purchase Corporation comes into being, then automatically all purchases whether inside or outside the country, would be entrusted to that body as recommended in para. 31 above. Meanwhile all foreign purchases, save in exceptional cases, should be made through local Indian agents of foreign manufacturers. Apart from the possibility of getting the stores at cheaper rates through local agents, other advantages obviously are that Government would have to enter into contracts with business firms in India and to deal with them on the spot here. The profits accruing out of these transactions would normally go to the Indian agents who can thereby contribute to a further expansion of business activity in this country. When more and more contracts are placed with Indian firms the process will automatically provide opportunities to them to get training in the handling of particular stores and thereby help in increasing trained Indian manpower in the industrial and commercial field. This will also obviate the necessity of frequently sending special Government Missions abroad and of maintaining permanent organisations for inspection, progressing and shipping of the stores from overseas countries.

Trade Commissioners to take up purchase functions

33. When it is necessary to resort to purchases outside the country direct from the foreign manufacturers or their agents abroad we consider that the services of Trade Commissioners or Commercial

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Officers should be utilised to the fullest extent. It was stated to us in this connection that Trade Commissioners were mainly concerned with finding markets for the sale of Indian goods in other countries, and it could neither be practicable nor desirable to combine purchase functions with their other duties. Purchase of stores, it was argued before us, required specialised knowledge of the various stores and should therefore be dealt with by a specialized organisation built mainly for that purpose. We do not agree with this point of view as in our opinion, there is not such a wide gulf between the sales and purchase functions. On the other hand we consider that the two functions are complementary and should as far as possible be handled by the same person. Since the Trade Commissioners and Commercial Officers abroad are our trade representatives and are familiar with the trends of the market in the countries in which they are functioning as well as in India, it is logical that they should be associated more and more with the purchases of the Government of India. This would not only lead to decentralisation of foreign purchases over a number of Officers, but will also afford a very wide market for Government purchases. It will also lead to better and efficient organisation for effecting purchases and economy in expenditure. We, therefore, consider that our Trade Commissioners and Commercial Officers abroad should gradually and progressively be entrusted with the work of foreign purchases whenever necessary in addition to their present duties. While Trade Commissioners should be under the administrative control of our Ambassadors, they should have a large measure of freedom in their day to day work in pursuance of the policy framed by the Government of India from time to time. It should, however, be noted in this connection that while Trade Commissioners might be under the administrative control of the Ambassadors concerned or under the overall control of the Ministry of Commerce, they should as far as possible, in their dealings with the Ministry of Industry and Supply in so far as their purchase functions are concerned, have direct access to that Ministry as this arrangement would undoubtedly lead to economy and expedition.

Creation of a special cadre for recruiting Trade Commissioners

34. We are informed that the Trade Commissioners and Commercial representatives were selected from persons who had qualified for Indian Foreign Service. We feel that since the functions of the Trade Commissioners are mostly technical and specialised in a particular activity of the Government, it is necessary that they should have the requisite training and calibre to carry out those functions. We, therefore, urge that the possibility of appointing persons with business experience as Trade Commissioners should be explored and a suitable cadre formed from which properly trained persons might be forthcoming for the better discharge of their duties and responsibilities.

Supply Missions abroad: I.S.D., London and I.S.M., Washington

35. During the course of the evidence tendered before us, the representatives of the Ministry of Industry and Supply admitted that the offices of D.G., I.S.D. London and I.S.M., Washington needed pruning to a great extent. The Committee drew their attention to

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certain delays in those offices which had come to the notice of some of the members. The Committee also pointed out to the Officers of the Ministry of Industry and Supply that no other country in the world excepting Pakistan, maintained purchasing organisations in foreign countries. It was, however, explained to us that so far as India was concerned, maintenance of such organisations had become necessary because of our requirements of plant, machinery and other industrial stores. Although there may be some justification for this point of view, we are unable to agree that these two organisations which cost the Exchequer 58 lakhs of rupees annually are really necessary when there are alternative methods of attaining the objective with greater efficiency and economy. We were informed that purchases made by the I.S.M., Washington during the year 1949-50 amounted to Rs. 12.52 crores only as against Rs. 71.88 crores of purchases made in 1948-49. In view of this reduced work and the general policy of restricting imports from dollar areas we feel that the I.S.M., Washington should be closed down immediately and whatever little purchases have to be made in that country should be entrusted to the Trade Commissioner there. As regards I.S.D., London, we consider, that until the State Purchase Corporation is established it may continue and as soon as the purchase functions of the Government of India have been transferred to the proposed Corporation, this office should also be closed down. Meanwhile immediate steps should be taken to effect considerable reduction in staff and other expenditure in this office. The system of diverting all the indents to London should also be revised. There should be an effort to effect purchases in other countries also and in view of our recommendations to associate Trade Commissioners in the task of foreign purchases it should be easier to find out the possible suppliers of our stores in other countries. We also feel that since we are already affording facilities to other governments in the matter of their purchases in India, it should not be difficult for them to render such assistance to us as we may require in connection with purchases in those countries and therefore the possibility of securing goods which cannot otherwise be had from the Indian Agents of the foreign manufacturers themselves through those governments should be explored. In view of these various measures recommended by us in connection with foreign purchases and also of the fact that purchases shall in future as far as possible be made from Indian Agents of foreign manufacturers it should be possible to reduce the office of the I.S.D. London to a great extent in the near future and ultimately to abolish it altogether.

Overlapping in the functions of Import and Export offices and Purchase organizations

36. It was brought to our notice that there was some kind of overlapping between the functions of import and export organisations under the Ministry of Commerce and that of the Industry and Supply and it was urged on us that in order to enable the Ministry of Industry and Supply to function properly, the import and export offices of the Ministry of Commerce should be transferred under the control of the Ministry of Industry and Supply. As we have not examined the estimates of the Ministry of Commerce yet, we are unable to give our opinion in this aspect of the matter. We, how-

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ever, think that greater co-ordination between the import and export organisations under the Ministry of Commerce and the purchase organisation under the Ministry of Industry and Supply should be evolved whereby duplication is avoided and also proper liaison between the two for the efficient discharge of their duties maintained.

Purchase of jeeps 'Anti Mistant' Ltd.

37. During the course of the examination of the Officers of the Minister of Defence in connection with the disposal of stores we were informed that in July 1948 a contract had been entered into with a firm called 'ANTI MISTANT' Ltd., London for the supply of 2,000 jeeps to the Defence Ministry plus certain quantities of spares. When the first consignment of jeeps arrived in India—about 155 in number—they were examined with a view to finding out whether they satisfied the conditions which they were expected to fulfil. Under the contract these jeeps were supposed to be reconditioned good as new. On examination it was found that quite a large number of them did not fulfil the specifications, and consequently the Ministry did not accept them. It was also found that the spares offered by the firm under the contract were also much below expectations. It was admitted that there was a certain amount of ambiguity in the contract but nevertheless, the Ministry considered that there had been a breach of contract on the part of the firm and the matter had been taken up with them. It was explained that the High Commissioner for India in the U.K. who had been here recently had assured the Ministry that he would put pressure on the firm. It appears to us a serious matter which calls for urgent action. It is suggested that an enquiry may be made as to how this contract was placed, whether the terms of the contract had been carefully vetted before it was entered into with the firm, whether the credentials of the firm had been properly investigated to the satisfaction of the Defence Secretary and the Financial Adviser, Defence Services who were stated to have agreed to the contract being entered into with the firm, and why action has been pending so long. This matter needs to be thoroughly investigated, as it involves a very huge sum and also the procedure for entering into contracts which, in our opinion, should not be left to be settled by individual officers who are not experts. The Committee feel that model contracts should be drawn up and whenever any variations are to be made, they must be made with the prior approval of the legal and other technical experts so that Government does not stand to lose through ambiguity in language or defective terms. We would also like to know how responsibilities are fixed by the Committee which investigates into the matter and what action is proposed to be taken against the persons concerned. In this connection we also invite attention to paragraph 77(V) of our report on the Sindri Fertilizer Factory wherein we have already stressed that the terms of contracts to be entered into with various parties for purchase of stores, etc. should be carefully studied in advance by experts with a view to advise on the desirability of omitting clauses which involve Government in uncertain financial commitments. We trust that Government would give their earnest consideration to this matter.

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At the end of the last war Britain and U.S.A. left behind in India a large accumulation of stores for disposal by the Government of India. To this were added from time to time surpluses of Indian stores declared by the Ministry of Defence. The bulk of U.K.'s surpluses were declared during the years 1946 and 1947 and the pace of declarations slowed down after the partition. The surplus of the Defence Services arising during the year 1950-51 are expected to be Rs. 16 to 20 crores. A nucleus Disposal Organisation was created in 1943, and it was in December, 1945 that it was developed into a full-fledged department under a separate Director General with a Headquarters Office at New Delhi and Branch Offices at Calcutta, Bombay, Madras and Kanpur. To this organisation was entrusted the work relating to disposal of British, American and Indian surplus stores.

U.K. stores and installations

39. The U.K. stores and installations, the estimated book value of which was stated to be Rs. 469·98 crores were taken over by India on the 1st April, 1947. It was agreed to make a deduction of £100 million (Rs. 133·3 crores) from our sterling balances with the U.K. in full and final payment of these stores. An analysis by broad categories of the book value of the stores taken over together with the amounts paid to U.K. in respect of each is given below.

	Book Value	Amount paid to H.M.G. (Crores of Rupees)
(1) Fixed assets (Depot buildings, barracks, hospitals, airfields, dockyards, etc.)	139·74	20·64
(2) Stores and equipment (including tanks, vehicles and aircraft) retained for the use of the Indian Army, Navy and Air Force	123·47	65·12
(3) Equipment and vehicles belonging to H.M.G., but with active military units and formations in India	8·96	4·73
(4) Surplus stores made up of Rs. 70·92 crores on account of stores declared surplus but remaining undisposed on 1-4-47 and Rs. 126·89 crores on account of stores and anticipated to be declared as surplus by the undivided Government of India after 1-4-47	197·81	37·7
TOTAL	469·98	128·20

In addition to the sum of Rs. 128·20 crores shown above, India paid a further amount of Rs. 5·13 crores as her share of expenditure incurred by the SEAC prior to 1-4-47, bringing in all the total amount paid to H.M.G. to Rs. 133·3 crores.

The draft of this report was sent to the Ministry and others concerned on 18 September 1950. This final report incorporates factual changes pointed out by the Ministry and further observation of the Committee in the light of the comments offered by the Ministry.

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Value of U.K. stores

40. The total value of the U.K. stores declared surplus by the Defence Ministry from the date when the effective control of these stores passed into their hands, viz. 1st April, 1947 to the 31st March, 1950 was stated to be Rs. 128·81 crores, as shown below:

(Crores of Rupees)

	Rs.
Book value of surplus stores as on 1-4-47	70·92
Book value of stores declared surplus during the period 1-4-47 to 31-3-50	62·30
TOTAL	133·22
<i>Less</i> Book value of outstanding surplus stores located in Pakistan as on 15-8-1947	4·41
Total book value of surplus stores located in India	128·81

We were also informed that in addition to the surplus stores located in Pakistan on 15th August, 1947 the stores declared as surplus by them after that date amounted to Rs. 16·70 crores.

Surplus Defence stores

41. Of the stores declared surplus by the Ministry of Defence and handed over to the Ministry of Industry and Supply for disposal, the book value of the stores disposed of up to the 31st March, 1950 and the sale value realised are shown below:

	Book value of stores disposed of (in crores)	Actual sale value realised (in crores)
	Rs.	Rs.
During 1947-48	44·25	20·4
During 1948-49	16·75	9·1
During 1949-50	33·48	10·1
TOTAL	94·48	39·6

Realisations

42. As stated in the preceding para, realisations from the disposal of U.K. and Indian stores up to the end of March, 1950 amounted to Rs. 39·6 crores. The total realisation, including that on account of the scrap and salvage, was however Rs. 47·2 crores, as shown below:

	(in crores)
Realisation from stores up to 31-3-50	39·6
Realisation from scrap and salvage during 1947-48	5·62
Realisation from scrap and salvage during 1948-49	1·16
Realisation from scrap and salvage during 1949-50	·82
TOTAL	47·20

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Tripartite sterling balances negotiations

43. We were informed that the bulk of the payment made to U.K. was in respect of stores and equipment and fixed assets such as Depot buildings, barracks, airfields, dockyards, etc. retained for the use of Defence Services. One of the terms of agreement of the tripartite sterling balances negotiations, we were told, was that India should make the initial payment to U.K. on behalf of both India and Pakistan and that Pakistan should reimburse India the value of H.M.G. stores and fixed assets located in Pakistan on the date of partition and the value of the stores and equipment sent to her from India after that date. In addition Pakistan was to remit to India her net realisations from the sale of surplus stores until the total sale proceeds in both the countries equalled the amount paid by India to U.K. for surplus stores, viz. Rs. 37·7 crores, after which stage the net sale proceeds were to be shared between the two countries in the ratio of the uncovered debt, viz. 17½ per cent. : 82½ per cent. Under this agreement we were told, Pakistan had to pay to India the following amounts:

- (1) Rs. 2·35 crores for H.M.G. fixed assets located in Pakistan.
- (2) Rs. 16·41 crores for H.M.G. stores and equipment retained in Pakistan on 15th August 1947 for the use of the Defence Services and further quantities of H.M.G. stores sent to her from India after the 15th August, 1947.
- (3) The net sale realisations of surplus stores of the estimated book value of Rs. 21·11 crores.

It was stated that of these Pakistan had so far paid only in respect of the first item (Rs. 2·35 crores). We suggest that steps should be taken for effecting recovery from Pakistan at a very early date of the amounts due in respect of the other two items also.

As regards the other surplus stores, we were informed as already referred to that stores of the book value of Rs. 128·81 crores had been declared surplus and handed over to the Ministry of Industry and Supply for disposal up to the 31st March, 1950. These stores came under the control of the Ministry of Defence on the 1st April, 1947. We are told that a considerable quantity of these stores has been disposed of and that the bulk of the remaining stores will be liquidated by the end of the current year. We strongly urge upon the Government to see that the balance of H.M.G.'s stores are disposed of in the best manner possible by the target date set up by the Department.

Lend-Lease stores

44. Under the Indo-U.S. Agreement India obtained Lend-Lease stores of the assessed value of Rs. 200 crores partly for her own use and partly in furtherance of H.M.G.'s war measures, in particular for operations by South East Asia Command for which India was the base. Large quantities of consumer goods required for civil purposes, we were told, were sold during the war to the general public by the late Industries and Civil Supplies Department and the net receipts from these sales during the years 1944-45, 1945-46 and

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1946-47 amounted to Rs. 25 crores. The book value of the stores sold to the general public, for which Rs. 25 crores are stated to have been realised, is not known. We have, however, been informed that besides the stores sold to the public and those consumed by the Armed Forces, the book value of stores left over with the Defence Ministry on 1st April, 1947 was estimated at Rs. 91.76 crores. From these stores of the book value of Rs. 17.08 were declared to the Directorate General Disposals during the period 1st April 1947 to 31st March 1950. The total book value and the sale value realised of the Lend-Lease stores sold up to 31st March 1950 was stated to be Rs. 7.24 crores and Rs. 3.12 crores, respectively. The realisations in respect of these stores, we were informed, are booked separately. No details are, however, available whether the balance of the Lend-Lease stores of the book value of Rs. 74.68 crores have been consumed by the Armed Forces or they are in the custody of the Defence Ministry.

U.S.A. surplus stores

45. The U.S.A. left behind in India surplus stores of the book value of Rs. 245.89 crores, as declared by their Supply Property Board. These stores were taken over by the Disposals Organisation of the Industry and Supply Ministry in May, 1946, i.e., about a year earlier than the British stores. An agreement was entered into with the U.S.A. under which India shared all proceeds obtained from the sale of U.S.A. surplus goods above \$ 50 million on an equal basis, until such time as the Government of India reported that the sale of American stores had ceased to be profitable or on the 30th June, 1948, whichever was earlier.

Agreement with the Tatas

46. The U.S.A. stores were broadly divided into the following two categories:

	Book value
(i) Aircraft, aircraft spares and signal stores	Rs. 78 crores.
(ii) General stores	Rs. 167 crores

For the disposal of stores under category (i) above, an agreement was reached with the Tatas for a period of three years with effect from the 29th March, 1946, under which they were paid a custody fee of $\frac{1}{2}$ per cent. of the total net realisations from the sale of these stores. The Tatas were also to be paid an additional agency fee as under:

- (a) A lump sum agency fee of Rs. 10 lakhs on all sales and disposals where the aggregate net realisations do not exceed Rs. 5 crores, plus.
- (b) an additional selling agency fee of 5 per cent. of the aggregate net realisations on all sales and disposals in excess of Rs. 5 crores.

The Agency Agreement with Tatas was revised and with effect from 29th March 1949 the agency fee was reduced from 5 per cent. to a

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flat rate of 2 per cent. and custody fee of $\frac{1}{2}$ per cent. was dropped altogether. Further they were reimbursed actual expenditure incurred on the custody, maintenance and disposal of these stores. The agreement has been further extended for a period of three months, i.e., up to the 29th September, 1950.

NOTE.—After we had finalised our report we were informed by the Ministry of Industry and Supply that the Agency Agreement with the Tatas was to be terminated on 30-11-1950.

Book value of American stores

47. We were told that the exact figures of book value of the American stores so far disposed of were not available. It was stated, however that on a rough estimate stores of the book value of Rs. 50 crores have been disposed of by the Tatas and those of the book value of Rs. 153 crores have been disposed of by the Disposals Department. The total realisations up to the end of June, 1950 are stated to be Rs. 8½ crores by Tatas and Rs. 29·35 crores by the Disposals Department, as detailed below:

	Tatas (In crores)	General (In crores)	Total (In crores)
1946-47	4·60	19·42	
1947-48	2·21	3·41	
1948-49	·35	3·60	
1949-50	1·07	2·46	
	8·23	28·89	37·12
From 1-4-50 to 30-6-50	·26	·46	
	8·49	29·35	37·84

Payment made to Tatas

48. While the figures of expenditure incurred on the maintenance and custody of American stores left with the Disposals Department have not been made available to us, the figures of payments made to Tatas in connection with agency and custody fee are as follows:

	Rs.
1946-47	67 lakhs
1947-48	64·3 lakhs
1948-49	54·5 lakhs
1949-50	50·1 lakhs
TOTAL	235·9 lakhs or 2·35 crores roundly

Disposal of American stores

49. The position about disposal of American stores in brief is that we have so far sold American stores of the book value of Rs. 203 crores and realised Rs. 37·85 crores only in the shape of sale proceeds. Against this we have to make a payment of Rs. 3·71 crores to the Government of U.S.A. and have already made payment of Rs. 2·35 crores to the Tatas for custody, maintenance and other charges of such stores as were disposed of through them. To this

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must be added expenditure (figures for which are not available) incurred by the Ministry of Industry and Supply on custody and maintenance of stores of the order of Rs. 167 crores which were under their care. Assuming that these charges would amount to about 20 per cent. of the sale value, which means Rs. 5·87 crores, our net realisation for goods worth Rs. 203 crores would therefore be about Rs. 26·0 crores only. This means that our sale proceeds have been 13 per cent. of the book value of the stores so far disposed of.

NOTE.—The sale proceeds of these stores work out to 19 per cent. of the estimated book value of the stores so far disposed of. We are told that this is the overall percentage of realisation obtained by the Foreign Liquidation Commission (USA) against their surpluses located in other parts of the world. It is also stated that low realisation in the case of these stores is due to non-standard types of goods, specialised items of high book value but having restricted market, huge quantities of stores with low absorption, remoteness of the location of articles coupled with transport difficulties, etc. While some margin may be allowed for the low sale proceeds due to the above factors, the fact remains that unnecessarily huge expenditure was incurred on maintenance and storage charges and the slow disposals resulted in the deterioration of stores due to long storage in defective conditions, all of which account for low net realisations.

Observations of the Disposals Utilization Committee

50. From the evidence tendered before the Estimates Committee by the representatives of the Ministry of Industry and Supply certain unsatisfactory features in regard to the disposal of stores seemed to us as meriting attention. A committee, called the Disposals Utilisation Committee, was set up by the Government of India on the 6th February 1948, consisting mainly of official members, with a few non-officials with experience of business. The Committee was asked to recommend the best use of these stores in technical departments of the Central and State Governments and in research laboratories; and secondly, to inspect the stores and to make recommendations regarding the reconditioning of partially damaged plant and the salvaging of undamaged parts of damaged plant.

It must be pointed out here that this Committee was appointed two years after disposals had been acquired by the Government of India. The Committee reported that these goods were held in about 500 depots, large and small situated in all parts of the country. A few observations from the Report of the committee would suffice to prove the gross negligence on the part of those responsible for the custody and maintenance of the stores.

The Committee observed as follows:

- (i) "In many depots valuable machine tools and other machinery are lying out in the open, exposed to the weather and there is no evidence of any maintenance work being done" (Page 4).
- (ii) "The condition of storage of these valuable materials is far from satisfactory and (we) are distressed to find that sensitive type of photographic material which ought to have been kept in a dark room preferably in an air-conditioned room has deteriorated to such an extent that it can no longer be used for photographic purposes" (Page 9).
- (iii) "The oil pipe lines and their fittings (in Assam) are lying in the open and getting rusty; and they are in danger of being swallowed up by the advancing jungle. Another monsoon will aggravate further the deterioration which is already serious" (Page 9).

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Reports by members of the Committee

51. The report of the Disposals Utilisation Committee was completed on the 19th May 1948. One would have expected speedy action to be taken on the main recommendations of the Committee; and also disciplinary measures taken against those responsible for such a state of affairs. It was, however, repeatedly brought to our notice that the Disposals Utilisation Committee was not an Expert Committee and no reliance should be placed on what they had stated in regard to the methods of utilisation of these stores. Nevertheless the spokesman of the Industry and Supply Ministry, who appeared before us, observed that due note had been taken of the criticism of the Disposals Utilization Committee. But the reports on the conditions of stores lying at present in some of the depots which some of the Members of the Estimates Committee recently visited do not support this claim. Copies of the detailed reports made by the members have been separately forwarded to the Ministries of Defence and Industry and Supply for investigation. It may, however, generally be observed that the points brought out in these reports relate to the poor storage of stores; auctioning at low rates; indifference of Government departments to utilize stores in the Disposals; inadequate liaison between the technical experts of the various Wings of Armed Forces; huge accumulation of Iron and Steel materials when these stores are badly needed in the market and so on. We were later informed by the Ministry of Industry and Supply that some of the facts and figures referred to in these reports (by Members who visited some Depots) were supplied by junior officers at the Depots who had not adequate knowledge. It is surprising how these junior officers who are not supposed to possess reliable knowledge were allowed or deputed to explain matters to the Members of the Committee who, it was known to the Ministries, had gone to these Depots to enquire into and study various matters.

Non-utilization of disposals stocks

52. In the summer of 1948, the Ministry of Finance sent a circular to all Ministries stressing the desirability of utilising the disposal stores whereby a certificate was essential from the Directorate General, Disposals that the stores required for any new scheme were not available before orders could be placed for their purchase from the market. The response to this direction was extremely poor. The representatives of the Ministry of Industry and Supply stated before us: "It is not our fault that the Government Departments did not take what we had. We circulated the availabilities repeatedly," and as an instance it was mentioned, "(we) begged the Controller of Printing and Stationery to come and have a look at those things (typewriters) and take whatever he wanted." When it was pointed out that the Government had purchased typewriters from the market in spite of stocks being available in the disposals, the reply was that the attention of the Department concerned was drawn not once, but *ad nauseum*. This is only a single instance of the alleged indifference of a department in regard to the proper utilisation of disposals. Without further evidence the Committee

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cannot fix the responsibility on any single Department. Nevertheless, the extremely poor response of the various Ministries to the Finance Ministry's circular of 1948, coupled with the evidence of the representatives of the Industry and Supply Ministry before us discloses a grave defect in the standards and mechanics of administration.

NOTE.—1. We understand that the Ministry of Industry and Supply, who handle the purchase requirements of Central Government, have prescribed a procedure under which all indents received by the D.G., I. & S. are 'screened' by the Directorate General, Disposals to see whether these demands can be met either in whole or in part from declared surpluses before making actual purchases from fresh production.

2. After we had finalised our report we were informed by the Controller of Printing and Stationary, that his Department had taken from the Disposals Directorate 1,127 typewriters. Of these only 71 typewriters were new which had been issued to the various Government Departments. Of the remaining 1,056 machines, 555 had been sent for repairs to the various typewriter firms in India. The remaining stock of 501 machines were stated to be badly damaged and it would cost Rs. 84,000 to get them repaired. In view of their bad condition it was being examined whether it would be economical to get them repaired or to dispose them of by public auction.

3. While it was stated before us that the Government Departments did not make full use of the stores available with the Disposals, we have now been informed that after the stores had been categorised and the several catalogues showing the items available circulated to the Government Departments, the response from the Priority Indentors was quite encouraging and that the stores of the book value of Rs. 37.5 crores have been acquired by them. We are unable to reconcile the two statements and leave it to Government to judge the correct position.

Blanket ban

53. An even worse feature than failure to utilise surplus goods themselves was the imposition of a ban on the sale of these goods by the Ministry of Rehabilitation. This ban was in force from October 1947 to July 1949. Though the Ministry of Rehabilitation imposed a kind of blanket ban on the sale of all goods during this period of 21 months, its own purchases were extremely meagre. In the course of evidence before the Committee, the representatives of the Industry and Supply Ministry were asked whether the existence of five crores worth of textiles, many items of which (such as blankets) would have been of great assistance to the refugees, was brought to the notice of the Relief and Rehabilitation Ministry. The reply was that a number of special officers of the Industry and Supply Ministry contacted the representatives of the Rehabilitation Ministry, but the response was not encouraging. The representatives of the Rehabilitation Ministry, who appeared before us, pleaded that the ban was imposed by an order of the Cabinet and therefore the Ministry of Rehabilitation was helpless in the matter. We consider this a most unsatisfactory state of affairs and regret the attitude of the Ministry of Rehabilitation in not referring the matter back to the Cabinet for a revision of their previous decision when such a step, as now admitted by them, was most desirable. We cannot reconcile the fact that for 21 months the Ministry of Rehabilitation allowed the ban to continue without realising the fact that enormous money was being spent on the maintenance of a huge Disposals Organisation, and huge losses were being incurred due to stores fast deteriorating

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on account of bad storage and weather conditions while their need by the country, especially the displaced persons, was so great. It is so distressing to find that the various parts of the machinery of Government work so indifferently as to cause waste of public funds.

NOTE.—After we had finalised our report the Ministry of Rehabilitation explained their position in regard to the imposition of the ban. They stated that during the year 1948 goods worth Rs. 15 crores were released by them after scrutiny of the lists of Disposals stores and that the only category of Disposals stores which were referred to them *en bloc* were those in the Textile and Leather Section. In 1948 the Disposals Directorate noted to the effect 'as we now have a general idea of the requirements of refugees, all the stores which are not likely to be used will be disposed of without reference to that (Rehabilitation) Ministry'. The Ministry of Rehabilitation often failed to secure the Disposals stores asked for which created the impression that the goods had not been preserved for them under a protective ban. The question of lifting of the ban was eventually referred to the Ministry of Rehabilitation on the 14th December, 1948 and they agreed to its withdrawal formally on the 3rd March 1949. It took the Ministry of Industry and Supply another four months to consider this matter and the ban was actually lifted in July 1949. We do not regard the explanation furnished by the Ministry of Rehabilitation as satisfactory. If that Ministry was under a *bona fide* belief that the ban was inoperative and that there was no real necessity therefore it should not have taken them such a long time (two and a half months) to formally agree to the withdrawal of the ban when its existence was brought to their notice. We cannot help expressing our dissatisfaction of the manner in which this matter was handled by the Ministries concerned, which caused the Government unnecessarily huge expenditure and loss on account of the deterioration of materials due to long storage.

In regard to its meagre purchases, it has been explained by the Ministry of Rehabilitation that it could take over stocks only according to the scale of relief sanctioned by Government and within its budget allotment for the purpose. We have been further informed that they took over all available blankets and tents from the disposals and had to go to other sources because these were inadequate.

Value of goods awaiting disposal

54. We have been informed that the Indian and British surpluses on 1st June 1950 on hand with the Disposal Department aggregate in book value to about 37·8 crores of rupees as shown below:

	Rs. Crores
(a) Clothing	*5·0
(b) Vehicles and spare parts	3·0
(c) Iron and Steel control items	7·0
(d) Non-ferrous metals	1·0
(e) Drugs, Medical stores and Veterinary items	5·0
(f) Cotton Textiles	2·0
(g) Misc. Engineering Stores	5·0
(h) Heavy Textile and Tentage items	1·0
(i) Misc. items	8·8

* (Two crores consist mainly of made-up garments).

In regard to U.S.A. disposals, the book value of goods with Tatas is approximately 29 crores made up as follows:

	Crores
Aircraft and spares	21
Signal stores	6
Miscellaneous stores	2

In respect of other general U.S.A. stores, outstandings stand at a book value of 14 crores, out of which signal stores are of the order

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of about 12 crores and medical and other stores of the value of 3 crores.

NOTE.—After we had written our report we have been informed that the book value of the outstanding available for disposals at the end of November 1950 is of the order of Rs. 14 crores.

Of the American stores the balance left is of the book value of Rs. 40.43 crores. The Signal stores of the book value of about Rs. 17 crores are under review by an Expert Committee appointed by the Ministry of Defence. The sale of Curtis Commando Aircraft and their spares is being considered by Government at a high level. It has been decided to transfer the Dakotas and Dakota spares to the Hindustan Aircraft Ltd.

Bulk of the iron and steel items, have been liquidated leaving tools and alloy steel pipes and fittings, etc. The entire availabilities of tool and alloy steel will be sold to Director General Ordnance Factories.

Dead-line date for disposal

55. We were informed that the disposal of British and Indian stores will be completed by the middle of February, 1951. As regards the U.S.A. disposals, arrangements were being made to dispose of them by March, 1951. It was, however, pointed out to us that the Defence Ministry were declaring their surpluses quarterly and this process would normally continue although the quantity and quality of such stores might decline steadily.

Recommendations

56. We have considered the whole matter carefully and in the light of our observations in the foregoing paragraphs and the evidence that was placed before us, our recommendations are as follows:

(a) On the questions of failure of the Ministries to utilise the disposal stores as much as possible and the failure of the Ministries of Industry and Supply and Defence to deal adequately with the storage of the disposal goods, we suggest that a searching enquiry should be made by a Committee and responsibility fixed for the negligence of the authorities concerned. It should also be investigated whether relief could not have been devised with much greater effectiveness, at a far less cost, to the displaced persons if proper liaison and co-ordination between the Ministries of Industry and Supply and Rehabilitation had been maintained during the period the blanket ban on the sale of the disposal goods was in operation. The Committee should also enquire whether there were good grounds for enforcing the blanket ban by the Ministry of Rehabilitation on the sale of these goods, for a period of 21 months, when they were not making adequate use of the stores themselves. We also suggest that appropriate action against the persons concerned who, after due enquiry are found to have contributed to the loss to the Exchequer in allowing stores to lie in the open without proper storage and also in selling stores at less rates than those prevalent in the open market, be taken.

(b) We are not satisfied with the arrangements made by Government for the disposal of their surplus stores. The existing machinery is too slow and inefficient and has cost Government losses to the tune of several crores. We suggest that after the surpluses on hand have been liquidated, the surpluses to be declared in future by the various Ministries of the Government of India should be handed

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over for disposal to the State Purchase Organisation which we have suggested for undertaking Government purchases. Until such a Corporation is established, all future surpluses should be disposed of through the Purchase Wing of the Ministry of Industry and Supply. This recommendation should not, however, lead to any extra staff or setting up of a special disposals organisation for this purpose. The Purchase Wing of the Ministry of Industry and Supply has already its Offices and Depots in various important centres and we consider that the same organisation should be able to perform this function also.

(c) In regard to the surplus stores at present with the Disposals Organisation, the main stores consist of Signals, Radars, etc. which cannot be disposed of in the open market as they are of high defence value. It is not advisable for security reasons either to sell them to the general public or even to break them up and sell them as scrap. We therefore recommend that these stores should be handed over immediately to the Defence Ministry and a committee of experts appointed by Government to look into the matter of their utilisation and distribution to the Ministries of Defence, Communications and Home Affairs (for their wireless organisation) as also to educational institutions and research laboratories.

(d) In regard to other items, a special reference is necessary about the iron and steel material. We understand that materials worth about Rs. 8 crores comprising of corrugated and plain iron sheets, galvanised and black pipes, etc., for which there is a ready market, are at present locked up unnecessarily with the Iron and Steel Controller. We were informed by the Director General of Disposals that in spite of repeated instructions to the Iron and Steel Controller regarding the release of these stores no action had so far been taken. We recommend that action should be taken immediately for the disposal of these stores.

As regards the motor vehicles now left with the Disposals Department we suggest that those which are serviceable should, as far as possible, be repaired so that they may fetch a good price in the market. Motor Transport Services, run under Government management and charitable institutions, etc. should be given priority and allowed to purchase them at concessional rates.

The medical stores should be distributed in order of priority to displaced persons, Defence Forces, State Hospitals and charitable institutions.

NOTE.—After we had written our report we were informed that the position of the iron and steel stores awaiting disposal on 15-9-1950 was as follows :

	Tons	Value (in lakhs)
		Rs.
M. S. items, other than pipes, tool and alloy steel	2,800	8·5
Pipes and fittings (18 lakh feet)	72·0
Tool and alloy Steel	1,500	22·5
TOTAL	4,300	103·0

We are further informed that as it was not possible to sell the balance of these items on controlled prices, action is being taken to dispose them of at special concessional prices.

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(e) The Tatas have at present aircraft and spares of the book value of Rs. 21 crores with them. Of these aircraft and spares and dakotas are of the order of Rs. 11 crores and Curtis Commandos of Rs. 10 crores. We were informed that only 42 of the dakotas could be made serviceable after being reconditioned and as regards Curtis Commandos, 18 could be reconditioned and the rest "cannibalised".

We were informed that in regard to Curtis Commandos it was the intention to sell them at a price at which they were being sold at U.S.A. Disposal Centre, i.e. at a price of about rupees 20 thousands, against a price of Rs. 8 lakhs for a new aircraft. We think this decision if already arrived at, needs immediate revision and we suggest that the sale of these aircraft should be at least 60 to 70 per cent. of the sale value of a new aircraft of the same quality. It was also brought to our notice that a proposal was under consideration whereby it was intended to sell these Curtis Commandos to a firm in U.S.A. and buy new Skymasters in their place. We think that in the context of the present international situation, it is absolutely necessary to retain what we have already got and if necessary to arrange for a separate purchase of any new aircraft that may be required. The sale of Curtis Commandos should not be linked up with the purchase of new aircraft of these or other types. We have been informed that a Curtis Commando can carry three times the freight an ordinary plane can and that it was actually used in transporting stores from India to China over the "Hump" and proved exceedingly useful in so far as the freight carriage was concerned. We are therefore of the opinion that these must be utilised either by Government or by private agencies locally. The Hindustan Aircraft Factory should be consulted immediately to find out how far these aircraft could be repaired or overhauled and put in order. If the Hindustan Aircraft is not in a position to advise, Government should consider the possibility of bringing an expert from the U.S.A. for report on their suitability. On the basis of these reports government should take such further action as might be necessary. Such of the aircraft as are reconditioned and found serviceable may either be transferred to the Ministry of Defence if required by them or sold at a public auction with a reserve price which should normally be the market value of a corresponding serviceable aircraft.

As regards the aircraft spares from American surpluses we suggest that they should be handed over immediately to the Hindustan Aircraft Factory and the arrangement with the Tatas terminated forthwith.

NOTE.—After we had finalised our report, we are informed that an expert has come from America to survey these aircraft and give the Government an estimate of their market value.

(f) We feel that the recommendations made above shall enable the Government to close down the Disposals Organisation by the end of the financial year 1950-51. In this connection we suggest that in order to accelerate the pace of disposals four Members of Parliament and a representative of the Ministry of Rehabilitation should be associated with the Disposal Board that is at present functioning

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for reviewing the progress of disposals. The Board should be presided over by the Minister for Industry and Supply instead of an official as at present and should meet every fortnight or every month to co-ordinate and review the position and to suggest ways and means whereby the disposals are liquidated to the best advantage of Government in the quickest manner possible.

(g) As the stores are disposed of, a review of the establishment position should be made by the Disposals Board with a view to releasing surplus staff, consequent on the decreasing activities of the Disposals Organisation. As a first step towards this direction, the Disposals Organisation should be merged with the Industry and Supply organisation. We have been told that action has already been taken by the Ministry of Industry and Supply to place both the Disposals and Industry and Supply organisations under a single Director General. We however, consider that this process of integration should take place at every level of both the wings.

(h) We were surprised to note that the report of the Disposals Utilisation Committee constituted by the Ministry of Industry and Supply itself, with official and non-official members, and which was printed and published and supplied to all concerned, even to the Members of the Estimates Committee, should have been treated lightly by the Ministry of Industry and Supply. It is regretted that Government should have taken no action on some of the recommendations contained in the report on the plea that they did not constitute an authoritative opinion by any experts. We urge that in future committees should not be appointed at random and their reports disregarded. Whenever a committee is appointed, it should be properly constituted and its terms of reference properly specified and it should be seen that it is an authoritative body to deal with the matter entrusted to it. Government should ensure that the recommendations of such a committee are properly considered by the Ministry or Ministries concerned and not rejected on the plea that it was not an expert body. It is a waste of public funds to appoint committees, to print and publish their reports and in the end say that the report is neither authoritative nor expert in character. We consider it a serious matter and suggest that measures be taken to prevent a recurrence of this character.

VI

GERMAN REPARATIONS.

In accordance with the Parts Agreement of 1946, machines and plants declared surplus to the peace-time industrial potential of Germany are distributed by the Inter Allied Reparations Agency among its member nations. These machines and plants are termed "German Reparations" and are calculated to compensate the Allied nations for losses suffered by them during World War II. India is one of the recipients of reparation goods and the Indian *Charge d' Affaires* in Belgium represents this country on the Inter Allied Reparations Agency.

58. India's share of reparations comprising of machinery is inspected by three Officers, who are technical advisers to India's Representative so far as reparations are concerned and are also responsible for supervising their packing and despatch from Germany.

Establishment

59. The reparation goods on arrival in India are looked after by a Directorate of the D.G., I & S. located at Calcutta. The establishment consists of 6 gazetted Officers, 33 non-gazetted Staff and 62 (excluding 9 Class IV servants) other Staff in Alifnagar depot. The estimate for 1950-51 is Rs. 1,38,000. This includes Rs. 32,000 on account of the deputation of certain officers of the D.G., I. & S. to Germany for the inspection of the reparation plants. The D.G., I. & S. is also responsible for the disposal of the reparation machinery. The rate of disposal, we were told, is about 300 machines per month.

Extent and value of reparation goods

60. The undivided India's share of industrial and other capital equipment, merchant ships and inland water transport was fixed at 2.9 per cent. On partition India's share was reduced to 2.39 per cent. The reparations were obtained on residual value calculated on the 1938 value, depreciated at rates varying between 3 and 14 per cent. per annum according to the type of the machines, which comes to Rs. 1,90,00,000. Some of these have been allotted to Pakistan.

61. During the course of examination we were informed by the representatives of the Ministry of Industry and Supply that:

- (i) Allocation by the Inter Allied Reparations Agency up to 15 June, 1950 was 15,027 items;

The draft of this report was sent to the Ministry and others concerned on 28 August, 1950. This final report incorporates factual changes pointed out by the Ministry and further observation of the Committee in the light of the comments offered by the Ministry.

German Reparations

- (ii) actual receipts up to 15 June, 1950 were 9,277 items;
- (iii) actual releases up to 15 June, 1950 were 4,462 items;
- (iv) releases are made according to an order of priority; the Government Departments are charged at the rate of 175 per cent. of the residual value and the items released to non-government bodies are charged for at the rate of 350 per cent. of their residual value; educational and research institutions of all-India importance are allocated machinery at a concessional rate of 175 per cent;
- (v) the entire stock is expected to be disposed of within ten months, and
- (vi) though the goods were received on varying dates since 1948, no deterioration has set in.

We were further informed that the materials which have been obtained by way of reparations are composed generally of brand new things which were used during the war and which were left in good condition after the war.

Utilization of machine tools

62. The reparation goods contained *inter alia* a set of machine tools, which could be utilised for an aircraft factory. In this connection the Disposals Utilization Committee (1948) had stated in its Report:

“Machinery from Dornier Werke No. 1 and 2, Lubeck, Germany, which were engaged in the manufacture of aircraft, has now arrived in this country under the reparation scheme. A complete aircraft factory can be built up from the equipment of these two plants. This machinery and equipment should not, therefore, be broken up but should be used for the establishment of an aircraft manufacturing unit in this country”.

We were told by the spokesman of the I. & S. Ministry that this recommendation was not given effect to. Out of the 479 machines received from these two factories, 312 were re-allocated to Pakistan. We were further informed that the machines received from the two Works put together could not manufacture aircraft but only a few aircraft components, hence they were distributed to the Railways and Ordnance Factories, etc.

We are unable to understand why the recommendation of the Disposals Utilization Committee could not be accepted before frittering away this useful machinery.

63. From the evidence tendered before us, we gathered that a factory for reconditioning aircraft was going to be established shortly near-about Calcutta. We are impelled to remark about the utter lack of planning in this case and that there is absolutely no justification for the undue haste with which the machine tools, which could profitably have been utilised in this factory, had been released to the Railways and other services.

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Committee to investigate the losses

64. It has also come to our notice that 600 machine tools received from German reparations which, on the basis of present market price, cost about Rs. 1 crore and which were originally reserved for the Machine Tool Factory proposed to be set up at Bangalore, had deteriorated in storage and were released to avoid further deterioration, to Defence, Railways, Posts and Telegraphs and other Government Departments.

65. While the position stated above was admitted by the Ministry of Industry and Supply in a written statement in reply to a questionnaire from the Committee, they later came forward with an explanation that the machine tools in question were released to Defence, Railways, Posts and Telegraphs and other Government Departments not because they had deteriorated in storage, but because the Consulting Engineers (Oerlikons, Switzerland) had advised Government that these machine tools were not suited for the proposed Machine Tool Factory. This appears to us to be an after-thought only. This has caused the Exchequer a huge loss and we suggest that the Committee we have proposed for investigating the losses incurred on account of unsuitable storage arrangements for disposal stores should also look into this case.

Utilization of disposals and reparation stocks

66. We suggest that before further orders are placed for the Machine Tool Factory or the Aircraft Reconditioning Factory steps should be taken to ensure that no machinery of possible use in these factories is available from the reparations or the disposals.

Appointment of an Expert Committee

67. We also recommend that an Expert Committee be appointed to determine the quality and usefulness of the machinery received from reparations and all future releases should be made in accordance with the recommendations of such a Committee.

68. For the work at present handled in reparations office, we are of the opinion that the present Staff is in excess of the actual requirements. From the figures given in para. 61 it will be observed that 4,462 items out of a total of 9,277 items received upto 15 June, 1950 have already been allocated. With fifty per cent. of stocks in hand already disposed of, we think it should be possible to effect fifty per cent. reduction in the establishment. The balance of the staff should be merged in one of the regional offices recommended in our revised set-up of the Office of the D.G., I. & S. *vide* para. 24.

VII

SINDRI FERTILIZER FACTORY

IT was brought to our notice that the original estimate of capital investment for Sindri Fertilizer Factory was Rs. 10·79 crores.

The estimate was drawn up in 1944 on the prices then current. Subsequently an additional sum of Rs. 2 crores was added to that estimate on account of extra works to secure water supply and electric power. Thus the original figure of Rs. 10·79 crores was raised to Rs. 12·79 crores. In subsequent years, however, this latter figure was revised to 15 crores, then to 18 crores and ultimately it is said that the project would cost about Rs. 23 crores. The reasons for increase have been given as:

- (i) Increase in the cost of land due to delay in its acquisition;
- (ii) increase in the world cost of plant and machinery;
- (iii) increase in the controlled cost of steel in India; and
- (iv) payment of fees and other expenses to engineers and constructors and establishment for a longer period than originally envisaged.

No proper estimate

70. When we examined the matter further we found that the revised figure of Rs. 23 crores was still not final. During the course of the evidence that was tendered before us, we were told that the original estimate of Rs. 10·79 crores was only a 8-line estimate prepared by the Expert Technical Mission and no details of the various items of this estimate had ever been prepared and even when the original or revised figures had successively proved wrong at the end of the years 1945-46, 1946-47, 1947-48, 1948-49 and 1949-50 no attempt had been made to assess the cost of the various items and to frame a fair and complete estimate which could be relied upon. The Ministry apparently allowed the project to proceed without any estimates and without determining the financial commitments that it was leading them to. The following statements made by the Officers on behalf of the Ministries of Industry and Supply and Finance before us deserve careful attention.

- (i) "The Mission produced an estimate on one-third of a printed paper. They said—plant and machinery so much, building 55 lakhs. There were 8 lines and that is all the estimate the Government of India ever prepared between 1944 and 1948."
- (ii) "It was not an estimate at all. It was a rough guess."
- (iii) "There was no estimate at all."

The draft of this report was sent to the Ministry and others concerned on 28 August, 1950. This final report incorporates factual changes pointed out by the Ministry and further observation of the Committee in the light of the comments offered by the Ministry.

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- (iv) "Neither the Government nor Parliament at any time approved the estimate at all."
- (v) "This is a contract with two firms and a number of sub-agencies and nobody knows the whole picture."
- (vi) "Sindri work is something extraordinary over which nobody had any control."

It seems to us a highly unsatisfactory state of affairs that a project, which costs the Exchequer crores of rupees and is expected to be a very big one, should have been proceeded without any estimates. There is no evidence that the Ministry of Finance did at any time make an effort to have the costs of various elements in the project carefully calculated and to have the matter put on a firmer basis.

Too many spending authorities

71. It was also brought to our notice that there were about 12 Spending Authorities and 8 Accounting Officers who were responsible for spending and keeping accounts concerning this project. The Chemical Construction Corporation of America were to supervise the building of the factory and the production. Messrs. Power Gas Corporation of the United Kingdom were responsible for the erection of the factory under the supervision of American Consultants. The Central Public Works Department was responsible for the preparation of the site, construction of roads and installation of a township with connected amenities. The Bihar Public Health Engineering Department was responsible for the execution of all works necessary for water supply. The East Indian Railway authorities were responsible for linking the factory with the railway system. At no time was an effort made to co-ordinate the activities of these spending authorities with a view to get an overall picture of the progress of the project in spite of the fact that the Ministry of Industry and Supply employed a large supervisory staff to look after the construction and progress of the project. For each one of these spending authorities there was a separate accounting and auditing staff and no attempt was made to co-ordinate their activities either. When questioned about it, it was stated before us that after each one of these spending agencies had incurred the expenditure and the accounting and auditing authorities had debited it to the Sindri Account, only at that stage the Ministry of Finance came in. We ask "Is this the way in which a Government project should have been allowed to progress?"

"Cost plus" basis

72. Another important factor which, in our opinion has contributed to waste of expenditure is the making of contracts with the contractors on a "cost plus" basis. This system of contract has, in our opinion, cost about 100 per cent. more to the Exchequer. It is obvious that in an agreement of this character any delay is likely to react adversely on the buyer, since in the rising market prices, the cost will increase and will naturally be in favour of the seller who would not lose by delaying the fulfilment of the contract. A point to be noted in this connection is that the original estimate was prepared in 1944-45 and the contracts with the two principal companies

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namely the American Chemical Construction Corporation, U.S.A. and the Power Gas Corporation Ltd., of U.K. were entered into in February, 1946 and June, 1947 respectively. It is evident that when these two agreements were executed, the original estimate which, according to the contention of the Ministry had to be changed due to the rise in the world cost of plant and machinery, should have been revised in order to see what the project would cost at the prices ruling at that time.

Delay in the acquisition of land

73. The decision to set up the factory was taken in 1944, but it was not until May, 1947 that Government obtained possession of the site. This delay in the acquisition of land cost the Exchequer an increase of about 400 per cent. in the cost of land, 80 per cent. in the cost of plant and machinery, 40 per cent. in the cost of steel, 100 per cent. in the cost of fabrication, etc. We should like the Government to enquire into the cause of this delay and to determine the factors which were responsible for the higher cost of land and steel, when Government could use necessary powers to acquire the land in time and to buy steel at controlled rates. We wish to emphasise that delay in the acquisition of land, in consequence, delayed the construction of the factory, resulted in the employment of engineers, constructors and establishment for a longer period than originally estimated and in huge extra expenditure in the shape of increased cost of plant and machinery. If there had been proper planning about the whole project from the very beginning, the lands acquired in good time and the contracts entered into with the various companies when all action preliminary thereto had been completed, all this extra expenditure could have easily been avoided.

Responsibility of the C.P.W.D.

74. When asked about the delay in the construction work at Sindri we were told that the delay was entirely due to the slowness with which the C.P.W.D. moved. It was also brought to our notice that in spite of protests and representations at the ministerial level, nothing was done to expedite. It was urged upon us that in future, in any constructions of this kind, the C.P.W.D. should not be entrusted with construction work and possibly some other arrangements should be made which could quicken the pace of work. We feel that pending further investigation of this matter at a later stage when the estimates of the Ministry of Works, Mines and Power are examined by us, such an unhappy state of affairs should not go unnoticed by Government and urgent steps should be taken by them to reorganise the whole machinery of the C.P.W.D., with a view to making its service quicker, more efficient and cheaper.

NOTE:—After our report was written we were informed by the Works, Mines and Power Ministry that although some delay occurred in the construction of Works entrusted to that Department, it was mostly due to circumstances over which they had no control. Firstly, the scheme itself was commenced by the Ministry of Industry and Supply before a proper civil engineering appreciation of the project could be undertaken, with the result that the works could not be planned coherently and executed in accordance with a properly co-ordinated time-schedule. Secondly there was considerable delay in acquiring the site of the factory and making it available to the Central Public Works Department for commencing building

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operations. Thirdly, there was inordinate delay in supplying the detailed drawing which resulted in frequent changes in the specifications for works. There was also delay in obtaining necessary priorities for railway wagons for the movement of materials required for this work.

Employment of extra supervisory staff

75. We were astonished to find that lakhs of rupees had to be spent in India and the U.K. for seeing that the work was being progressed. Apart from saying that it was found necessary to employ this staff for supervising the work of other governmental agencies concerned with the construction and other work, no convincing and cogent arguments were produced in support of this action by the Ministry of Industry and Supply. We think that this was a bit lavish and could have been avoided if the work of looking to the progress of purchases in the U.K. had been entrusted to either the High Commissioner's Office or to the India Stores Department, which the Ministry of Industry and Supply are maintaining at a very huge cost. As regards supervising the work at Sindri, which was being carried out under the control of several governmental bodies, such as C.P.W.D., Bihar Public Health Engineering Department and the East Indian Railway, it seemed to us quite unnecessary on the part of the Ministry of Industry and Supply to employ further staff to supervise the work of those governmental agencies. The conclusion to which we are irresistibly led is that either the governmental agencies were not doing their work efficiently and expeditiously or that the Ministry of Industry and Supply was overzealous in superimposing further supervisory staff and thus incurring further unnecessary expenditure.

Observations of the Economy Committee

76. We should also like to point out here that the Economy Committee in their report on the Ministry of Industry and Supply which was presented to Government on the 26th March, 1949 made the following observations in regard to the Sindri Fertilizer Project:

"In a project of this magnitude it is of the utmost importance that construction should be speeded up as quickly as possible so that the factory can go into production at an early date. At present the average monthly expenditure on establishment and other overheads is nearly Rs. 7 lakhs. The postponement of production in the factory by even a short period, therefore involves wasteful expenditure. The factory should have, according to the original schedule commenced production by the middle of 1948, but it is now not expected to go into production till the first quarter of 1950. One factor, for this delay is said to be the time taken by the Central Public Works Department in levelling the land and completing the foundations and protracted negotiations in respect of certain Contracts for structural steel works. . . . It is obvious that as already observed, the normal Governmental machinery is unsuitable to manage commercial enterprises of these dimensions and if Government are to run such enterprises successfully they should be entrusted at an early date to public corporations."

The Economy Committee *inter alia* made the following recommendations:

- (i) "Immediate steps should be taken to establish a public corporation to complete the erection of the Sindri Fertilizer Factory as early as possible and put into production. In the meanwhile Government should take all necessary test to speed up construction work."

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- (ii) "The factory must maintain accounts on a commercial basis and all expenditure prior to and on erection must be carefully compiled and debited to the Factory. The factory is even now disbursing large amounts to contracts and labour. The accounts organisation seems to us quite inadequate and needs strengthening.

It is clear from the observations and recommendations of the Economy Committee that accounts of the Factory were in a desperate state at the time the Committee were examining this matter. As stated earlier, no attempt was made by the Ministry to assess the full financial implications of the project even after Economy Committee's finding and prepare an authoritative estimate and a statement of expenditure. It is also clear that the target date fixed for the factory going into production in the first quarter of 1950 was also not kept. We are told that the production of the first instalment of usable ammonium sulphate is expected by the end of December, 1950, one-third production by May, 1951 and full production by November, 1951. After studying all the material and evidence before us, we come to one and only one conclusion, *viz.* there was no proper planning at any time about this factory. Nobody made it his responsibility to enquire into the progress of the project although several such opportunities had presented themselves at various stages which we have mentioned in the foregoing paragraphs.

Setting up of a fact-finding committee

77. Having examined the various aspects of the Sindri Fertilizer Factory in the light of the foregoing remarks we have come to the conclusion that there should be a thorough investigation into the causes of the waste and delays with a view to fixing responsibility and deriving lessons from these experiences so that they can, in future, be made use of with regard to any other projects that Government may contemplate undertaking hereafter. A Committee should immediately be constituted by Government to go into the whole matter of planning and cost of Sindri Factory, with a view to seeing what factors and which individuals or authorities have been responsible for various delays, extra expenditure and laxity in supervision and control of finances and to suggest remedies for future.

Recommendations

Subject to the findings of this Committee we make the following recommendations in regard to such other projects as may be under progress at present or as may be taken in hand in future.

(i) There should be a single authority in charge of a State project which should co-ordinate, control and watch progress of all activities including land purchase, construction, purchase of plant and machinery, production, distribution and other allied matters.

(ii) A separate central organisation working under the overall control of the authority mentioned in sub-para. 1 above should be responsible for framing accurate estimates as far as possible and for keeping accurate accounts of the expenditure incurred and to be incurred from time to time.

(iii) State projects should be run on commercial lines, *i.e.*, there should be proper balance-sheets, profit and loss accounts, depreci-

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ation accounts and reserve fund accounts. Care should always be taken to see that due provision is made for adequate control by Parliament to enquire into their working and other allied matters.

(iv) In the light of the observations made in para. 74 above the question whether the construction work of such projects should be entrusted to the C.P.W.D. or to some other agency needs careful consideration.

(v) The terms of contracts to be entered into with various parties should be carefully studied in advance by experts, with a view to advise on the desirability of retaining or omitting clauses which involve Government in uncertain financial commitments. Agreements containing 'cost plus' clauses should be discouraged. Government should retain such final powers for giving sub-contracts and fixing up rates, as they may deem necessary from time to time, in order that the work proceeds according to the programme, planning and estimates of Government.

(vi) The Ministry of Finance should observe stricter financial control over the projects and should insist on definite and reliable estimates of cost. They should satisfy themselves at all stages why a revision of the original estimates is necessary, and whether the reasons adduced in support of revision do not lead to wasteful and unnecessary expenditure. They should also ensure that their sanction is obtained by the administrative department before any expenditure is incurred and *ex-post-facto* sanctions are accorded in very exceptional circumstances, after they have fully satisfied themselves that it was not possible for the spending Department to obtain prior sanction of the Ministry of Finance.

(vii) Immediately after deciding to start a project, Government should ensure that preliminary and consequent steps, e.g. the acquisition of lands, placing orders for the purchase of plant, machinery, etc. are taken in time and in proper sequence so that the original estimates do not become out of date.

(viii) The employment of extra supervisory staff to watch the progress of the work of other Governmental agencies should be discouraged. The duties for watching the progress of orders placed with private firms, etc. outside India should invariably be entrusted to Indian Embassies, Legations, etc. in those countries. No extra staff should be employed for such purposes.

(ix) Complete details of the estimated cost of any project, which Government undertakes should be placed before Parliament when submitting a demand for its approval, and whenever these estimates are revised, full reasons therefor should be given to enable Parliament to judge for itself why a revision has become necessary.

(x) In addition to placing proposals referred to in sub-para. (ix) above before Parliament, details of all such revised estimates should invariably be placed before the Estimates Committee for a detailed scrutiny on behalf of Parliament. The Ministry concerned should bring such proposals before the Estimates Committee in time for it to examine them in detail and to report to Parliament.

VIII

MACHINE TOOL FACTORY*

WE were informed that Government intended to set up in the near future a Machine Tool Factory in Bangalore Messrs. Oerlikons Machine Tool Works, Switzerland, have been asked to assist in the setting up of this factory.

The Scheme

Originally the Scheme was estimated to cost Rs. 30 crores—Rs. 16 crores for the factory, etc. and Rs. 14 crores for the residential settlements. The representatives of the Ministry of Industry and Supply informed us that as this appeared to them a grandiose scheme, they had further discussions with the representatives of the Swiss Company and had agreed on a revised scheme about a month ago, the estimated cost of which was about Rs. 9·47 crores spread over as follows:

	RS.
1950-51	2·4 crores
1951-52	3·6 crores
1952-53	3·04 crores
1953-54	0·43 crores

Out of this 9·47 crores, the factory and its appendages would cost about 8·05 crores and the residential settlements about 1·42 crores. It was stated to us that in arriving at these estimates it was taken into consideration that Bangalore being a very big and important city, where most of the factory people could be accommodated, a separate sum of 1·42 crores was considered to be sufficient. It was also stated to us that the estimated cost of production per annum from this factory, when completed, would be Rs. 4 crores; that is, the total production would actually be to the tune of Rs. 4 crores per annum and the net sale value will be Rs. 4·6 crores at the most favourable estimate thus leaving a margin of 0·60 crores as profit every year.†

Site

79. We were also informed that a site of about 1,500 acres had been ear-marked out of which 700 acres were only required under the revised lay out of the Scheme. The selection of Bangalore for

*The draft of this report was sent to the Ministry and others concerned on 28 August, 1950. This final report incorporates factual changes pointed out by the Ministry and further observation of the Committee in the light of the comments offered by the Ministry.

†After our report was finalised and sent to the Ministry we were informed that the estimate of Rs. 9·47 crores was based on the Rupee and the Swiss France being at par. At the present exchange ratio, however, the estimate in Indian Rupee will be Rs. 10·47 crores.

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this factory was also made on the ground of climatic conditions and extra arrangements for air-conditioning of factory for storage of tools to be produced by the factory, which would be of a delicate nature, would not be necessary. The main factory would be located at Jalahalli and Foundry and Forge at Bhadravati, which is 90 miles from Jalahalli. The selection of Bhadravati for Foundry and Forge was made on the ground that pig iron and cast iron would be coming straightway from Iron and Steel Works nearby.

No scope for reduction in estimates

80. It was explained by the representative of the Ministry of Industry and Supply that the revised scheme was prepared in consultation with the Ministry of Finance and there was no scope for further reduction. It was estimated that the profits from the sale value of the manufactured articles were going to be reasonably good and knowledgeable people had testified to these estimates.

Agreement with Messrs. Oerlikons Machine Tool Works

81. Messrs. Oerlikons Machine Tool Works, Switzerland, it was stated, would invest 10 per cent. of the total share capital and would, in return, be given 5 per cent. dividend and royalty at the following rates:

	Per cent
First five years	4
Second five years	3½
Third five years	3
Fourth five years	2

This, we were informed, was in the nature of interest on the capital invested by Messrs. Oerlikons Machine Tool Works, who had also agreed to release an equivalent amount of dollars to the extent of their share of the capital, for purposes of purchase of factory plant and machinery from America.

Non-interference with private or other enterprises

82. When asked whether there would be any overlapping or difference between the proposed factory and a similar factory to be started by the Defence Ministry we were informed that the factory to be started by the Defence Ministry would be a toy as compared with the one started by the Ministry of Industry and Supply, as the former was going to produce only a few types of machine tools. The representatives of the Ministry of Industry and Supply, who were also asked whether the proposed factory would react adversely on private enterprise in this industry, stated that at present India was importing machine tools worth eight crores of rupees or so and the private enterprise was not producing enough to meet the entire demands of the country. Therefore the State factory would not in any way interfere with the existing private industry.

83. The Committee were also informed that the capacity of the various Ordnance factories had also been examined and it had been found that they could hardly produce anything of the kind that was expected to be produced in the proposed machine tool factory.

Machine Tool Factory

No miscalculation

84. The representatives of the Ministry of Industry and Supply assured the Committee that the plan had gone through every stage of scrutiny of all experts as well as the Finance Ministry and there was no likelihood of anything going wrong anywhere. The factory would be completed within the stipulated time within the estimates proposed and the production would start on the due date in quantities estimated.

Need for a Machine Tool Factory

85. We agree that production of machine tools is important for rapid industrialisation of the country and also for strategic needs of our Armed Forces. We therefore agree that it is necessary to run this factory as a State project. We would however urge that the factory should be run as an economical and self-contained unit and all efforts towards that end should be made by the Ministry of Industry and Supply.

86. We would also like to observe that the experiences gained as a result of the Sindri Fertilizer Project and the recommendations made by us in that connection should be carefully borne in mind in planning the layout, construction, accounting, auditing, etc. with regard to this factory. The construction should commence according to the plans and estimates and in view of the importance of and the need for such a factory, it should be completed earlier than the target date fixed for the purpose.

Question of establishing separate factory for Defence purposes

87. It was reported to us that the proposed factory under the control of the Ministry of Industry and Supply was going to be a sufficiently big project, capable of producing various types of machine tools at a fast rate and with high standards of precision. If that be so, we feel that the question whether it is necessary to start a separate small factory for Defence purposes needs further examination.

VIZAGAPATAM SHIP-BUILDING YARD

THE Committee were informed that in view of the current financial position, Government had decided not to take over the Vizagapatam Ship-building Yard from Scindias at present and to reconsider the matter after a year. Meanwhile, in order to avoid Vizagapatam Yard from closing down, orders for building three ships on Government account had been placed with Scindias on a fixed price contract, with escapes for variation in steel, timber and machinery. The estimated cost per ship was Rs. 64·5 lakhs or Rs. 193·5 lakhs for the three ships and they were likely to be sold at Rs. 40 lakhs each or Rs. 120 lakhs for all the three ships; the difference of Rs. 73·5 lakhs was to be treated as subsidy to Scindias.

Idea of taking over the Vizag Yard abandoned

We noted that in order to make the Vizagapatam Ship-building Yard an economic unit, it was necessary to extend the yard from its present capacity of three berths to eight berths. As the full scheme would have involved expenditure to the extent of 8 to 10 crores of rupees and as Scindias were not able to raise funds to that extent, they approached the Government with a proposal that the latter might take over their undertaking at Vizagapatam with all commitments and costs, which the Company had actually incurred for the purpose. The Government appointed a French Firm of Naval Engineers to advise in assessing the value of the Yard and in regard to the establishment of new ship-yards in the country. The firm of experts recommended an overall reduction of 25 per cent. on the cost of ship-yard which came to Rs. 1½ crores. As Scindias would not agree to the reduction of the cost incurred by them on the building of the ship-yard, Government was faced with the proposition of either closing down the ship-yard or keeping it going by paying the subsidy. Government eventually decided on the latter course and decided to place an order for three ships over which Government would lose about Rs. 73·5 lakhs. It was brought to our notice that Government had made an offer to the Scindias that they should join with Government in forming a new corporation, in which their capital would be regarded as contribution to the joint corporation. Scindias did not agree to this either. Government thereafter having considered the position that there being not sufficient demand for eight ships a year which this Yard, when developed fully would produce, abandoned the idea of taking over the Yard for the time being.

Ship-building—a key industry

89. The Vizagapatam Yard being the only one in India which can build ocean-going ships, we are of the opinion that Government

The draft of this report was sent to the Ministry and others concerned on 28 August 1950.

Vizagapatam Ship-building Yard

should re-consider this matter very carefully with a view to taking it over under their management. Our main reason for the suggestion is that ship-building industry is a key industry both for defence and commercial needs of the country and mere financial considerations should not be decisive in accepting or rejecting the proposal at this time. It was brought to our notice that if the Yard was developed on 8-berth basis, it could be an economic and self-contained unit and at the same time produce ships at a cost which would compare favourably with the world prices of ships. In our opinion the fact that at the present moment there is not sufficient demand in India itself for more ships should not conclude the matter. The vital consideration in this matter should be the future and growing needs of the country.

Case may be re-examined

90. The Government have at present accepted to pay a subsidy of about Rs. 73.5 lakhs to keep the Vizagapatam Yard going. The same problem will face the Government again after the present contract is over and if the Government do not take it over then, they will have again to incur expenditure in the shape of further subsidy to keep the Yard going. We therefore feel that this matter should be re-examined in the background whether the money that is being spent on subsidy could not usefully be spent towards the development of the Yard, so that in the course of next three or four years it might become a full-fledged ship-yard with a capacity to produce ships at competitive rates. We also feel in this connection that if other smaller countries in the world are building ships and keeping their ship-yards going, India, a young State whose needs in the direction of trade and commerce are bound to increase manifold, should be in a better position to develop and make use of its ship-building yards.

Recommendations

91. Having considered the matter in the light of the consideration urged in the fore-going paragraphs we make the following recommendations:

(i) Government should take over the Vizagapatam Ship-yard. The project should be given a high priority in our development schemes.

(ii) Government should enter into a partnership with the Scindias. If there is difficulty in putting through this proposal with the consent of Scindias, Government should bring before Parliament necessary legislation to give effect to it.

X
SALT

THE salt organisation consists of the Salt Controller's Office at Delhi and four regional offices at Sambhar, Bombay, Madras and Calcutta. The Budget estimates for 1950-51 under the head "Salt" is Rs. 1,31,13,000 the details of which are as follows:

A. Administration at Headquarters and Regions: Rs. 7,68,700.

B. Manufacture and sale of salt from Government factories: Rs. 69,44,800.

C. Supervision of production giving technical assistance, etc. to private factories: Rs. 24,22,800.

D. Royalties and compensation: Rs. 27,54,700.

E. Salt mines at Mandi: Rs. 2,07,000.

F. Charges in England: Rs. 15,000.

Total: Rs. 1,31,13,000

Staff

93. The staff in the salt organisation is as follows:

(i) Administration at Headquarters and Regions:	
Officers	15
Executive, Subordinates, Clerks and Class IV staff	232
(ii) Manufacture and sale of salt from Government Factories (including Engineering and Medical Sections):	
Officers	16
Non-gazetted Staff	238
Class IV	512
(iii) Salt mines at Mandi:	
officer	1
Non-gazetted Staff	41
(iv) Supervision of production, giving technical assistance, etc. to private factories:	
Officers	15
Non-gazetted Staff	284
Class IV	1,369

The draft of this report was sent to the Ministry and others concerned on 28 August 1950. This final report incorporates factual changes pointed out by the Ministry and further observation of the Committee in the light of the comments offered by the Ministry.

Functions

94. The functions at present assigned to the salt organisation are given below:

- (a) Controlling the production of salt at Government-owned salt works, at Sambhar, Pachbhadra, Didwana and Kharaghoda, etc.
- (b) Issuing licences to private manufacturers of salt factories, most of which are in Madras and Bombay.
- (c) Giving technical advice and assistance to the manufacturers for general improvement of the quality of private salt factories.
- (d) Regulating production and co-ordinating the supply of salt to different areas, in consultation with the State Governments and Salt Manufacturers' Associations.
- (e) Collecting the Salt cess (As. 3-6 per maund for Government factories and As. 2 per maund for private enterprises) as an administration charge of the Department.

Decontrol

95. During the course of discussion with the Officers of the Ministry of Industry and Supply, the Committee were informed that during the year 1950 India hoped to produce 707 lakh maunds of salt as against the estimated demand of 680 lakh maunds. It was brought to our notice that the small surplus of about 30 lakh maunds would be used for the purpose of exports to Japan. This being the position, we were told that the Ministry were considering the question of removal of control over the manufacture of salt. When asked about the economy in expenditure that would accrue as a result of decontrol, the Ministry of Industry and Supply were of the view that it might be possible to effect an overall economy of about Rs. 10 lakhs. We, however, consider that a greater measure of economy is possible.

Making Government factories self-supporting

96. It was admitted before us by the representatives of the Ministry of Industry and Supply that a few Government factories were running at a loss and evidently it is being made up by the sale proceeds from other factories or from the cess collections. It may be pointed out in this connection that about Rs. 71,87,900 are collected from factories in the nature of cess charges, out of which private factories pay Rs. 34,36,300, whereas expenditure to the extent of Rs. 24,22,800 only is being incurred by Government on their behalf in the shape of maintaining establishment, watch and ward etc. as shown at item C of para. 92 above. It is obvious that the balance is used for purposes of meeting hidden losses on Government factories. We consider it quite unsatisfactory that Government should allow the Government factories to run at a loss and should not have made

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an effort to make them self-supporting. It is high time that Government should stop State-owned or State-controlled factories or projects from being run on losses and meeting such losses from Government revenues and from sources other than the direct income of the factories or projects themselves. We feel strongly that when private factories can produce good salt at a considerable margin of profit there is no reason why Government factories, which are supposed to be run on more efficient lines and to provide a model for private enterprise, should work at a loss. Immediate steps should have been taken by Government to reorganise them with a view to making them at least self-supporting, if not profit-bearing.

Need for augmenting supply of salt

97. After control over manufacture of salt is removed it is necessary that private enterprise should be left free and unfettered to produce as much salt as they can. The present requirements of India have been estimated at the rate of 14 lb. per head. It is hardly necessary to say that in other countries consumption of salt is at the rate of as much as 40 lb. per individual. Then there is the question of provision of adequate salt for animals, industries and scientific purposes. Since India's needs are bound to increase tremendously in the near future, it is very necessary that adequate steps should be taken from now onwards for the supply of this essential article in sufficient quantities not only for internal consumption but for exports to foreign countries. The immediate way to help step up production in this direction is by inducing as many private agencies or individuals as possible to take up manufacture of salt. The existing system of granting licenses to manufacturers, who use more than 10 acres of land for this purpose should be revised and whosoever wishes to manufacture salt should be allowed to do so without any kind of restriction. We should not forget that in the struggle for freedom the Father of the Nation laid great stress on the freedom to manufacture salt and it is our duty and that of the Government to help in this direction as much as possible.

Nominee system

98. We consider that there should be free movement of salt in all parts of the country and any one who wishes to sell his produce in any part should be allowed to do so. But Government must ensure that so long as there is shortage of wagons adequate arrangements are made by them to regulate the movement of salt to non-producing areas in sufficient quantities. We however, consider that the existing 'nominee' system of distribution of salt in States and Districts should be abolished. In order to avoid scarcity of salt in non-producing areas Government should also ensure that no monopolies are established by a salt dealer or a group of salt dealers and that a ceiling price is fixed. Adequate steps should be taken by Government to punish black-marketers who violate any of the regulations prescribed by the Government in this behalf.

Salt

Royalties and compensation

99. We have been informed that the question of the discontinuance of payments of royalties and compensation by the Government of India with effect from the 1st April, 1950 is at present under consideration in connection with the financial integration of the various States with the rest of India. We consider that a decision in this matter should be arrived at an early date.

Conclusions

100. Having examined the whole matter carefully in the light of the evidence placed before us, we have come to following conclusions:

(i) The State factories should continue to be under the control of the Government as at present. Efforts should, however, be made to run them on a commercial basis.

(ii) A small committee should be appointed immediately to go into the working of uneconomic Government factories and to suggest ways and means whereby they can be made to yield profits.

(iii) The research laboratories either attached to Government salt factories or run independently at various stations should continue as at present. The results of the researches conducted at such institutions should be made available to all salt manufacturers to encourage the production of salt by private agencies on similar lines.

(iv) Regional offices which are intended for supervising the production, etc. of private factories should be closed down. Similarly the watch and ward staff employed for private factories should also be dispensed with. Private works should be left to make their own arrangements for the protection of their factories.

(v) The existing system of granting licenses to manufacturers who use more than 10 acres of land should be done away with and all manufacture of salt should be allowed without any restrictions whatsoever.

(vi) The 'nominee' system of distribution of salt in States and Districts should be abolished.

(vii) The movement of salt from producing areas to consuming areas should be regulated by Government where necessary. We are, however, of the view that as the wagon position improves, the control on the movement of salt should be relaxed.

(viii) In the light of the foregoing recommendations we consider that the Salt Controller's Office at New Delhi should be reorganised as a small Directorate of Salt under the overall control of the Director General of Industry and Supply. The functions of the new Salt Directorate should be generally to supervise the research laboratories and the production and quality of salt. Its function should also be to co-ordinate the supply of salt to different areas in consultation with State Governments and Salt Manufacturers' Associations. The committee which we suggest for going into the working of the uneconomic Government factories should also examine the strength of

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the staff required for the new Directorate. Subject to the findings of this committee we consider that a staff of three Officers and about 30 or 35 non-gazetted staff may be quite adequate. We feel that the proposed Directorate and the Research Institutes not attached to Government factories should not in any case cost more than Rs. 2,00,000 a year.

Mandi Salt Mines

101. The expenditure on Mandi Salt Mines should, in our opinion, be met from the proceeds of the salt that will be produced from these Mines.

Expansion of salt works

102. We also feel that in order to step up production of standard quality of salt at cheaper and competitive price Government may expand the existing Government factories and may also explore the possibilities of setting up new Government Works on a commercial basis.

Expenditure on miscellaneous works

103. Consequent on the decontrol of salt we think that the expenditure on maintenance and repairs of buildings, roads, railways and other miscellaneous works which are necessary for the benefit of private salt factories should be borne by these factories themselves.

Probable savings

104. If our recommendations in the foregoing paragraphs are accepted we anticipate:

(a) A saving of Rs. 53,84,500 at present spent over the supervision of production of salt in and giving of technical assistance to the private companies; payment of royalties and compensations and the staff employed on salt mines in Mandi *vide* details shown at items C, D and E of paragraph 92 above;

(b) that expenditure on the running of Government salt works shown under items B and C of paragraph 92 above would be covered by the sale proceeds of salt manufactured by such factories; and

(c) a further saving of about Rs. 5,83,700 under items A and F of paragraph 92 above as a result of our recommendations made in sub-*paras.* (iv) and (viii) of para. 98 above.

The net effect of the proposals would therefore be that Government will have to incur yearly a recurring expenditure of about Rs. 2,00,000 only on the running of the Salt Directorate and such of the Research Institutes as are not attached to Government factories and the remaining budget provision will partly not be necessary and partly met by the sale proceeds of the products of the Government Salt Works. As soon as the Government factories taken as a whole work on profit, this expenditure of Rs. 2 lakhs on the Directorate and Research Institutes will cease to be real cost to the Government.

XI

ENFORCEMENT DIRECTORATE

THIS Directorate was created in December, 1948, with a very small staff consisting of practically one or two Officers. It became a full-fledged Directorate towards the end of 1949. The full office has thus been in existence for less than a year. The Directorate was set up for the enforcement of the Cotton Textile Control Order. It has its Headquarters Office at New Delhi, and regional offices at Bombay, Calcutta, Delhi, Madras, Coimbatore, Ahmedabad and Kanpur. It is stated that the functions of this Directorate are also checking of inter-State smuggling, investigation of production malpractices by Textile Mills, Registered Iron and Steel Producers, investigation of largescale black-marketing by Mills, Wholesalers, Registered Producers, Registered Stockholders, etc., catching black-marketeers by means of test purchase traps, checking of misuse of iron and steel by quota holders, etc. Only important cases are taken up by the Directorate, the smaller cases being left to the local police for investigation.

A superfluous Directorate

106. It is stated that during the three months of 1950, the Directorate started 305 cases, out of which 139 were sent up for prosecution. Of these cases 26 have since been disposed of by the courts resulting in the conviction of 25 and acquittal of one. During this period the amount of fines realized was Rs. 4,320 and goods confiscated to Government were of the value of Rs. 1,532. The total Budget of this Directorate in round figures is Rs. 6.90 lakhs and the staff employed is 1 Director, 4 Deputy Directors, 5 Assistant Directors, 1 Deputy Assistant Director, 1 Law Officer, 53 Enforcement Officers, 49 Ministerial Staff, 9 Enforcement Head Constables, 40 Enforcement Constables, and 45 Class IV Staff. Judging from the work done during the first three months of 1950 which roughly means three cases a day and the fines realised we think that the Directorate is superfluous without practically anything to its credit. Viewing from the public complaints of black-marketing, etc. it is difficult to reconcile that the Directorate is working efficiently. It is practically a waste of public funds to spend about Rs. 7 lakhs over an organisation whose service is completely unsatisfactory. We feel that this Directorate should be closed down immediately and the work entrusted to the Police authorities or to the Intelligence Bureau of the Ministry of Home Affairs. We do not see any need for such a big organisation.

The draft of this report was sent to the Ministry and others concerned on 28 August 1950. This final report incorporates factual changes pointed out by the Ministry and further observation of the Committee in the light of the comments offered by the Ministry.

XII GENERAL

IN the course of our examination of the Ministry of Industry and Supply, we noticed that the distribution of subjects among the various Ministries was in some cases illogical.

Defective distribution of subjects

While the Ministry of Agriculture was dealing with Sugar and the Ministry of Commerce with Tea, the Ministry of Industry and Supply was dealing with Coffee. In our opinion the distribution of these three allied subjects should not have been spread over three Ministries, and should more appropriately have been centralised in one Ministry only. Similarly we find that while the import and export organisation under the Ministry of Commerce was concerned with all exports and imports, the Ministry of Industry and Supply was dealing with the imports of certain plants and machinery goods. This also, we consider, is not logical for the efficient working of the administration. There should be centralisation of the like items under one Ministry and distribution of work should be made on some rational basis among the various Ministries and Departments within a Ministry. We hope Government would take urgent steps to avoid all this overlapping and centralise, as far as possible, allied subjects under one Ministry or one Department within a Ministry. When we asked for the clarification of the position from the representatives of the Ministry of Industry and Supply, we were told that they themselves did not know on what basis this distribution of subjects had been made.

Salaries

108. We have also looked into the question of the salaries of Officers and staff. We feel that the guarantee given by Government in allowing pre-1931 Government servants the same terms and conditions as were sanctioned for them when they entered Government service should be considered as applying to their substantive posts only. We do not think there is any justification for continuing pre-1931 rates of pay for all the posts to which an Officer may be promoted subsequent to the revision of pay scales of such posts. Government is bound not to disturb the conditions of a particular post or service in which an Officer is initially employed but is not logically bound to guarantee all pre-1931 benefits in his subsequent career. We fail to see why a person's pay should remain protected even on his promotion to higher posts. We recommend that steps should be taken urgently to revise the existing practice of continuing protection of salaries and all officers and staff should on promotion to posts higher than their substantive posts be allowed the prescribed scales of pay and allowance of the new posts, irrespective of the fact whether they are post-1931 or pre-1931 employees. This

The draft of this report was sent to the Ministry and others concerned on 18 September, 1950. This final report incorporates factual changes pointed out by the Ministry and further observation of the Committee in the light of the comments offered by the Ministry.

General

distinction besides creating heart burning among the officers and staff, leads to unnecessary waste of Government money. In this connection it is observed that during the war years the sudden growth of the Central Secretariat to an abnormal size created an artificial situation which not only interfered with the usual processes of recruitment but resulted also in rapid promotions of officers and staff without regard to proper economy and efficiency. This abnormality increased further during the post-partition period due to large number of officers and staff opting for Pakistan as also due to premature retirements of British Officers. We suggest that Government should consider whether in the case of promotions which take place before the period ordinarily stipulated for such promotions, the pay of an officer in his higher appointment should in appropriate cases and where equitable be restricted to a certain percentage, say 125 per cent. of the pay of his previous post till such time as Government may consider it necessary.

Travelling allowances

109. Under the rules as they stand at present an officer is entitled to one and a quarter air fare when travelling by air on official duty. We are not convinced that the additional quarter fare is really justified since the Air Companies provide teas, lunches, dinners etc. during the air travel within the air fare and the Officer is not put to any additional expense in the course of the travel. We therefore consider that the travelling allowance of officials travelling by air should be restricted to the actual air fare plus appropriate road mileage from the aerodrome to the place of halt, if Government transport is not provided. This in our opinion should be quite adequate and should lead to a considerable saving of expenditure in the travelling allowances. We also recommend that air travel should be sanctioned in very exceptional cases where the exigency of service so requires it and the mode of air travel is found cheaper than any other mode of travelling. In no case should, however, an official be permitted to charter a plane.

Telephone charges

110. We have also considered the question of telephone and trunk call charges. We consider that persons at whose residences telephones at Government expense are installed should bear 50 per cent. of the charges on such telephones, as it is thought that they are partly used for transacting private business by the official concerned. We also understand that such a practice is in force in Madras. As regards the charges on trunk calls although the present rule is that Government should bear the charges on such calls as are made in respect of Government business, there is, to our knowledge, no suitable procedure whereby it is ensured that the rule is in fact observed by all concerned. We consider that all calls which are not made strictly in connection with official business should be paid by the individual concerned. In order to put the matter on a sound basis we also feel that each person, making a trunk call should maintain a register wherein he should note down the date and time of the

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trunk call, purport of the talk and the name of the person who was called. This register should be inspected at regular intervals by a senior officer designated for this purpose to see that the trunk calls made on official business only were paid for by the Government.

Appointment of technical persons to administrative posts

111. It has been noted that in many cases Scientists, Technicians, Research Scholars and Educationists, etc. are drafted to administrative appointments on one pretext or the other. Till recently a Scientist was employed as a Director General under the Ministry of Industry and supply. This post could easily have been filled up by an Officer of the Administrative Service. In our opinion Scientists, Technicians, Research Scholars and the like should be employed on their technical duties only and not appointed to administrative posts. This leads to waste of trained technical men, who are at present in great scarcity in our country. We, therefore, urge upon Government to bear this point in mind when making appointments in future.

Absorption of retrenched personnel

112. We should also like to make certain observations in regard to the disposal of personnel, who are retrenched from the various Ministries and Departments of the Government of India. Government should make use of their trained personnel, who are retrenched on account of reduction of establishment, in their various schemes and projects. It is a matter of regret that for want of proper co-ordination and planning, trained manpower is thrown out of employment from one Ministry or a Department of the same Ministry while simultaneous recruitment goes on in another Ministry or another Department of the same Ministry. For instance, there was recently a largescale recruitment in the office of the Director of Civil Supplies, Delhi, for whose budget the Ministry of Industry and Supply is responsible. If there had been proper co-ordination, there should have been no recruitment of persons from the open market in that office, but persons who had been retrenched from the Ministry of Industry and Supply itself and had sufficient experience of the working of the Industries and Supplies Organisation, should have been diverted to that office, where they would have proved an asset. On the contrary recruitment was resorted to from the open market with the result that new men are to be trained for some time while the trained men have to be out of work for no fault of theirs. In this connection we should like to observe that the Ministry of Industry and Supply is responsible for many projects, such as Sindri Fertilizer Factory, Machine Tool Factory etc. and it is visualised that a number of these retrenched personnel can be employed in those projects if there is proper planning. Similarly the staff which would be thrown out of work from the salt organisation could be made use of in the manufacture of salt if Government granted them land and other facilities for the purpose.*

*After our report was finalised and sent to the Ministry we were informed that the Director of Civil Supplies did not make any direct recruitment. All the persons appointed by him were nominated by the Employment Exchange who have strict instructions to give very high priority to the cases of retrenched employees of Central Government Offices.

General

We are not satisfied that the machinery of absorbing retrenched personnel through the Employment Exchanges is adequate as the Employment Exchanges are responsible for finding jobs for non-retrenched personnel also. The system is open to abuse as the Department or Ministry which is responsible for selection of candidates for appointment in their offices are at liberty to recruit either from among retrenched candidates or fresh ones. A proper method would be to lay down an inflexible rule that all vacancies occurring in any Government or semi-Government organization should be filled up in all cases from candidates who are retrenched Government servants and strong reasons to the satisfaction of Government given in case it is decided to take a candidate from the open market in preference to a retrenched Government servant.

Recommendations applicable to other Ministries

113. The recommendations made by us in this report, although specifically made in respect of the Ministry of Industry and Supply, apply in certain respects to other Ministries also. We suggest that the Ministry of Finance should take necessary action in applying such of the recommendations as are of universal application to other Ministries also.

APPENDIX

Statement showing the summary of recommendations of the Estimates Committee relating to the estimates of the Ministry of Industry and Supply and the anticipated savings if the recommendations are accepted.

Serial No.	Reference to para. No. of the Report	Summary of recommendations	Anticipated Savings (in thousand rupees)
(1)	(2)	(3)	(4)
1	4	A committee consisting of the Budget Officer of the Government of India, a representative of the Comptroller and Auditor General and a member of the Estimates Committee may be constituted to examine and to report to the Estimates Committee the improvements that can be made in the existing system of presentation of budget estimates to Parliament.	
2	5	The reasons for variations between the revised and the budget estimates and information in regard to the new items of expenditure should be consolidated in a separate self-contained book form for circulation to Members of Parliament to help them in understanding the budget proposals in their various aspects.	..
3	6	The budget papers should also include a detailed review of all the State projects, autonomous bodies and limited companies in which Government has some interest or to which loans have been granted by Government. Such reviews should include reasons for variation between the original and the revised estimates and the volume of work handled or to be handled by each project, body, etc. In the absence of budget details in respect of any such project a token demand should be placed before Parliament.	..
4	7	A statement of re-appropriations above a particular sum from one sub-head to another sub-head under a Demand for Grant should be laid before Parliament each year at the time of the presentation of the budget.	..
5	8	(i) One post of Joint Secretary (lying vacant) should be abolished and the work in the Ministry should be divided into two compact divisions between the Secretary and the Joint Secretary. (Minus 1 Joint Secretary).	36
		(ii) Two posts of Deputy Secretary and four posts of Under Secretary should be reduced by a proper division of work. (Minus 2 Deputy and 4 Under Secretaries).	1,05

(1)	(2)	(3)	(4)
6	9	The scale of work of Assistants should be on the basis of 15 receipts (5 important and 10 ordinary) per day. (Minus 90 Assistants).	2,60
7	10	There should be one Superintendent for 10 Assistants and 5 Clerks. (Minus 15 Superintendents) (Minus 90 Clerks).	1,42 1,54
8	11	Decentralisation of responsibility should be enforced and Superintendents should be authorised to take final responsibility in some matters.	..
9	12	(i) The number of Personal Assistants and Stenographers should be reduced and a pool of Stenographers formed for junior officers. (Minus 6 Stenographers). (ii) The number of Class IV servants should be reduced progressively by 50 per cent. (Minus 84 Class IV servants).	22 76
10	15	Tours of the Secretariat Officers and staff should be curtailed and expenditure on T. A. reduced by 50 per cent.	46
11	16	(i) Service Postage and Telegram charges should be reduced by employing cheaper means of communications. (Reduction 25 per cent) (ii) Residential telephones should be allowed only to senior key Officers and for office telephones private exchange should be set up for the Industry and Supply Ministry and its attached offices. Expenditure should be reduced by 50 per cent.	12 1,30
12	21	The Office of the Director of Industrial Statistics should be reduced to the size of a small Directorate and placed under the Director-General, Industry and Supply. (Reduction 50 per cent).	1,53
13	22	There should be a single Director-General for all the functions of purchase, development of industries, maintenance of statistics, inspection and testing of stores, and the posts of Deputy Directors General and some of the Directors should be reduced.	..
14	23	The revised set up of the Directorate General should have 4 Directors : 1 for Supplies Wing. 1 for Inspection Wing. 1 for Development Wing. 1 for Administration and Co-ordination Wing.	1,90

(1)	(2)	(3)	(4)
		with Deputy and Assistant Directors under them. In addition, a Director of Disposals may be attached temporarily up to the end of February, 1951 by which date the Disposals Wing is expected to be closed down.	
		(Minus 3 Deputy Directors General).	
		(Minus 3 Directors).	
		(Minus 5 Deputy Directors).	
	24	The Regional Offices at Bombay, Calcutta, Madras and Kanpur should be under the charge of Deputy Directors.	39
		(Minus 2 Directors).	
16	25	A comparative reduction of gazetted and non-gazetted staff should be effected on the basis of the proposed revised set up. (Reduction 25 per cent under Pay, Allowances and other Charges).	17,00
17	31,32	A State Purchase Corporation should be set up early to deal with all Government purchases, whether Indian or foreign. Pending the setting up of this Corporation, purchases in India should continue to be made through the existing organisation of the Ministry of Industry and Supply but the foreign purchases should, save in exceptional cases, be made through local Indian agents of foreign manufacturers.	..
18	33	India's Trade Commissioners and Commercial Officers abroad should gradually and progressively be entrusted with the work of foreign purchases. They should, as far as possible, in their dealings with the Ministry of Industry and Supply, in so far as their purchase functions are concerned, have a direct access to that Ministry.	..
19	34	The possibility of appointing persons with business experience as Trade Commissioners should be explored and suitable cadre formed for the recruitment of such personnel.	
20	35	(i) In view of the restrictions on Imports from Dollar Areas, the India Supply Mission, Washington should be closed down immediately and whatever little purchases have to be made in that country should be entrusted to the Trade Commissioner there. (ii) The Office of the Director-General, India Store Department, London may continue until the State Purchase Corporation is established, but steps should be taken meanwhile to effect considerable reduction in staff and other expenditure in this Office. (Reduction 25 per cent.). (iii) The system of diverting all the indents to London should be revised. Efforts should be made to effect purchases in other countries also with the assistance of our Trade Commissioners there.	22,10 9,00 ..

(1)

(2)

(3)

(4)

- 21 37 An enquiry should be made regarding the need for placing an order of 2,000 Jeeps with a British firm named "ANTIMISTANT, LTD.", whether the terms of the contract had been carefully vetted before it was entered into with the firm; whether the credentials of the firm had been properly investigated to the satisfaction of the Defence Secretary and the Financial Adviser, Defence; and why action against the firm for breach of terms of the contract has been pending so long; how responsibilities will be fixed by the committee proposed to enquire into the matter and what action is proposed to be taken against the persons concerned. ..
- 22 37 Model contracts should be drawn up and whenever any variations are to be made, they must be made with the prior approval of the legal and other technical experts. ..
- 23 56 (a) (i) A searching enquiry should be made and responsibility fixed for the negligence of the authorities concerned in the Ministries of Industry and Supply and Defence regarding inadequate storage arrangements and also for selling disposal stores at lower rates than those prevalent in the open market.
- (ii) It should be investigated whether there were good grounds for enforcing the blanket ban by the Ministry of Rehabilitation on the sale of these goods for a period of 21 months when they were not making adequate use of the stores themselves ; and also whether relief could not have been devised with much greater effectiveness, at a far less cost to the displaced persons, if proper liaison and coordination between the Ministries of Industry and Supply and Rehabilitation had been maintained during the period of the ban ? ..
- (b) After the surpluses on hand have been liquidated, the surpluses to be declared in future by the remaining Ministries of the Government of India should be handed over for disposal to the proposed State Purchase Organisation and until such a Corporation is established, all future surpluses should be disposed of through the Purchase Wing of the Industry and Supply Ministry without employing any extra staff. 84,70
- (Minus Total gross provision of Disposals Directorate).
- (c) The surplus stores consisting of Signals, Radars, etc. should be handed over immediately to the Defence Ministry and a Committee of experts appointed by Government to look into the matter of their utilization and distribution to the Ministries of Defence, Communications and Home Affairs (for their wireless organisation) as also to the educational institutions and research laboratories.

- (d) (i) Action should be taken immediately for the disposal of iron and steel material worth about Rs. 8 crores which is at present locked up unnecessarily with the Iron and Steel Controller. ..
- (ii) Serviceable Motor Vehicles should, as far as possible, be got repaired before sale. Motor Transport Services run under Government management and charitable institutions, etc. should be given priority and allowed to purchase them at concessional rates. ..
- (iii) Medical stores should be distributed in order of priority to displaced persons, Defence Forces, State Hospitals and Charitable Institutions. ..
- (e) (i) The sale of "Curtis Commandos" should not be linked up with the purchase of new aircraft of these or other types. These aircraft must be utilised either by Government or by private agencies locally. The Hindustan Aircraft Factory should be consulted immediately to find out how far these aircraft could be repaired or overhauled and put in order. If the Hindustan Aircraft Factory are not in a position to advise, the possibility of bringing an expert from the U.S.A. to report on their suitability should be considered. ..
- (ii) Such of the aircraft as are reconditioned and found serviceable may either be transferred to the Ministry of Defence if required by them or sold at a public auction with a return price which should normally be the market value of a corresponding service aircraft. ..
- (iii) The aircraft spared from American surpluses should be handed over immediately to the Hindustan Aircraft Factory and the arrangement with the Tatas terminated forthwith. ..
- (f) In order to accelerate the pace of disposals, four Members of Parliament and a representative of the Ministry of Rehabilitation should be associated with the Disposals Board that is at present functioning for reviewing the progress of disposals. The Board should be presided over by the Minister of Industry and Supply instead of an Official as at present and should meet every fortnight or every month to review the position.
- (g) Consequent on the decreasing activities of the Disposals Organisation the establishment position should be reviewed by the Disposals Board. As a first step the Disposals Organisation should be merged with the Industry and Supply Wing of the Ministry.
- (h) Whenever a Committee is appointed to report on a certain matter, it should be properly constituted and its terms of reference properly specified. Government should ensure that the recommendations of such a Committee are properly considered by the Ministry or Ministries concerned and not rejected on the plea that it was not an expert body.

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| 24 | 65 | The Committee proposed to be appointed to investigate into the losses caused to Government on account of unsuitable storage arrangements for surplus stores, should also look into the question why the 600 machine tools worth one crore of rupees, originally reserved for the Machine Tool Factory, were allowed to deteriorate and later released to various Government Departments. | .. |
| 25 | 66 | Before placing further orders for the Machine Tool Factory or the Aircraft Reconditioning Factory it should be ensured that no machinery of possible use in these factories is available from the Reparations or the Disposals. | |
| 26 | 67 | An Expert Committee be appointed to determine the quality and usefulness of the machinery received from reparations and all future releases should be made in accordance with the recommendations of this Committee. | .. |
| 27 | 68 | With 50 per cent of reparations stocks in hand already disposed of, it is thought that it should be possible to effect 50 per cent reduction in the establishment. The balance of the staff should be merged in one of the regional offices recommended in the revised set-up of the Office of Director-General, Industry and Supply. | 09 |
| 28 | 73 | An enquiry should be made into the causes of the delay in taking possession of the site for the Sindri Fertiliser Factory and also to determine the factors which were responsible for the higher cost of land and steel, when Government could use necessary powers to acquire the land in time and to buy steel at controlled rates. | .. |
| 29 | 74 | Pending investigation into the alleged slowness of the C.P.W.D., Government should take note of the unhappy state of affairs and take steps to reorganise the C.P.W.D. in order to make its service quicker, more efficient and cheaper. | .. |
| 30 | 77 | A Committee should immediately be constituted by Government to go into the whole matter of planning and cost of Sindri Fertiliser Factory with a view to fixing responsibility for delays, extra expenditure and laxity in supervision and control of finances and to suggest remedies for future. | |
| | | Subject to the findings of this Committee, following recommendations are made in regard to such other projects under progress or that may be undertaken in future : | .. |
| | | (i) There should be a single authority in overall charge of a State project for control, coordination, etc. | .. |
| | | (ii) A separate central organisation working under the control of the authority mentioned in sub-para (i) above should frame estimates and keep accounts of the progressive expenditure. | .. |

- (iii) State project should be run on commercial lines. Necessary provision should be made for adequate control by Parliament to enquire into the working and other allied matters. ..
- (iv) It should be considered whether the construction work of such projects be entrusted to C.P.D.W. or to some other agency.
- (v) The terms of contracts to be entered into with various parties should be carefully studied in advance by experts and 'cost-plus' contracts should be discouraged. Government should retain powers for giving sub-contracts and fixing up rates.
- (vi) Ministry of Finance should observe stricter financial control over the projects and should insist on definite and reliable estimates of cost.
- Ex-past-facto* sanctions may be accorded in very exceptional circumstances.
- (vii) Immediately after deciding to start a project Government should ensure that required steps are taken in proper sequence to obviate the original estimates becoming out of date.
- (viii) Employment of extra supervisory staff to watch the work of other Governmental agencies should be discouraged. Watching the progress of orders placed with private firms, etc. outside India should be entrusted to Indian Embassies, etc. in those countries. ...
- (ix) Complete details of the original estimated cost of a State project should be placed before Parliament when submitting a Demand for Grant. Revised estimates with full reasons therefor should be placed before Parliament if original estimates require revision later. Details of all revised estimates should invariably be placed before the Estimates Committee for detailed scrutiny before their submission to Parliament. ..
- 31 85 The Machine Tool Factory should be run as an economic and self-contained unit. ..
- 32 86 The experience gained as a result of the Sindri Fertiliser Factory and the recommendations made in that connection should be carefully borne in mind while planning the lay-out, construction, accounting, auditing, etc., and the construction of the Machine Tool Factory should be completed before the target fixed for the purpose. ..
- 33 87 As the Machine Tool Factory under the Ministry of Industry and Supply is going to be a sufficiently big project, the question as to whether it is necessary to start a separate small factory for Defence purposes needs further examination.
- 34 89 The question of abandoning the idea of taking over the Vizagapatam Shipyard for the time being should be reconsidered by Government and the mere financial

considerations should not be the guiding factor in this respect. The vital consideration in this matter should be the future and growing needs of the country.

35	90	The question of granting subsidy to keep the yard going should be re-examined in the background whether the money spent on subsidy could not be utilised towards the development of the Yard into a full-fledged one capable of producing ships at competitive rates.	..
36	91	(i) Government should take over the Vizagapatam Shipyard. The project should be given a high priority in development schemes of Government. (ii) Government should enter into a partnership with the Scindias. If there is difficulty in putting through this proposal with the consent of Scindias, Government should bring before Parliament necessary legislation to give effect to it.
37	96	Immediate steps should be taken by Government to re-organise their salt factories with a view to making them at least self-supporting if not profit-bearing.	
38	99	A decision in regard to the question of discontinuing the payment of royalties and compensation to States should be arrived at as early as possible.	27,55
39	100	(i) The State Factories should continue to be under Government control as at present and be made to run on a commercial basis. (ii) A small committee should be appointed immediately to go into the working of uneconomic Government factories and to suggest ways and means to make them profit-yielding. (iii) The research laboratories should continue as at present and results of the researches conducted at such institutions should be made available to all salt manufacturers. (iv) Regional Offices intended for supervising the production, etc. of private factories should be closed down. The Watch and Ward Staff employed for private factories should also be dispensed with. Private work should be left to make their own arrangements for the protection of their factories. (v) The existing system of granting licences to manufacturers who use more than 10 acres of land should be abolished and all manufacturers of salt should be allowed without any restrictions whatsoever. (vi) The 'nominee' system of distribution of Salt in States and Districts should be abolished. (vii) The control on the movement of salt from producing areas to consuming areas should be relaxed as the wagon position improves. 26,29

- (viii) Salt Controller's Office at New Delhi should be re-organised as a small Directorate of Salt under the control of the Director-General, Industry and Supply. The Committee suggested for going into the working of the uneconomic Government factories [vide item (ii) above] should also examine the strength of the staff required for the new Directorate. Subject to the findings of this Committee, the new Directorate may be staffed with 3 Officers and about 30 or 35 non-Gazetted staff at a cost not exceeding Rs. 2 lakhs. 5,84
- 40 101 The expenditure on Mandi Salt Mines should be met from the proceeds of the Salt that will be produced from these Mines.
- 41 102 Government may expand the existing factories and also explore possibilities of setting up new works on a commercial basis in order to step up production of salt at cheaper rates.
- 42 103 Consequent on decontrol of salt, expenditure on the maintenance and repairs of buildings, roads, etc. should be borne by these factories themselves.
- 43 106 The Enforcement Directorate should be closed down immediately and its work entrusted to the Police authorities or to the Intelligence Bureau of the Ministry of Home Affairs. The results achieved by this Directorate are not commensurate with the large amount of Rs. 7 lakhs spent over such a big organisation. 6,90
- 44 107 Urgent steps should be taken by Government to centralise allied subjects under one Ministry. Distribution of work should be made on some rational basis among the various Ministries and Departments within Ministry and overlapping should be avoided.
- 45 108 (i) Steps should be taken to revise the existing practice of continuing protection of salaries and all Officers and staff should on promotion to posts higher than their substantive posts be allowed the prescribed scales of pay and allowances of the new post, irrespective of the fact whether they are post-1931 or pre-1931 employees.
- (ii) Government should consider whether in the case of promotions which take place before the period ordinarily stipulated for such promotions, the pay of an officer in his higher appointment should in appropriate cases and where equitable be restricted to a certain percentage of 125 per cent of the pay of his previous post. . .
- 46 109 (i) The travelling allowance of officials travelling by air should be restricted to the actual air fare plus appropriate road mileage from the aerodrome to the place of halt, if Government transport is not provided. . .
- (ii) Air travel should be sanctioned in very exceptional cases where the exigency of service so requires it and the mode of air travel is found cheaper than any other mode of travelling. In no case should, however, an official be permitted to charter a plane.

(1)	(2)	(3)	(4)
47	110	(i) Persons at whose residences telephones have been installed at Government expense should bear 50 per cent of the charges of such telephones.	..
		(ii) A register of trunk calls should be maintained wherein date and time, purport of the trunk call and the name of the person called, should be noted. This register should be inspected at regular intervals by a senior officer designated for this purpose.	..
48	111	Scientists, Technicians, Research Scholars and the like should be employed on their technical duties only and not appointed to administrative posts.	..
49	112	Government should devise proper machinery whereby re-absorption of retrenched personnel is effectively ensured.	..
Total . Rs. <u>2,13,72,000</u>			