

**PUBLIC ACCOUNTS COMMITTEE**  
(1968-69)



(FOURTH LOK SABHA)  
SIXTY-EIGHTH REPORT

[Action Taken by Government on the recommendations of the Public Accounts Committee contained in their 50th, 55th and 56th Reports (Third Lok Sabha) relating to Barter Deals sanctioned by the Iron & Steel Controller]



LOK SABHA SECRETARIAT  
NEW DELHI

*April, 1969/Chaitra, 1891 (Saka)*

*Price : Re. 0.95 P.*

## LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA SECRETARIAT PUBLICATIONS

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
<b>ANDHRA PRADESH</b>			12.	Charles Lambert & Company, 101, Mahatma Gandhi Road, Opposite Clock Tower, Fort, Bombay.	30
1.	Andhra University General Cooperative Stores Ltd., Waltair (Visakhapatnam)	8	8		
2.	G.R. Lakshmipathy Chetty and Sons, General Merchants and News Agents, Newpet, Chandragiri, Chittoor District.	94	13.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1.	60
			14.	Deccan Book Stall, Ferguson College Road, Poona-4.	65
<b>ASSAM</b>			15.	M/s. Usha Book Depot, 585/A, Chira Bazar, Khan House, Girgaum Road, Bombay-2 BR.	65
3.	Western Book Depot, Pan Bazar, Gauhati.	7			
<b>BIHAR</b>			<b>MYSORE</b>		
4.	Amar Kitab Ghar, Post Box 78, Diagonal Road, Jamshedpur.	37	16.	M/s. Peoples Book House Opp. Jaganmohan Palace, Mysore-1.	16
<b>GUJARAT</b>			<b>RAJASTHAN</b>		
5.	Vijay Stores, Station Road, Anand.	35	17.	Information Centre, Government of Rajasthan, Tripolia, Jaipur City.	38
6.	The New Order Book Company Ellis Bridge, Ahmedabad-6.	63	<b>UTTAR PRADESH</b>		
<b>HARYANA</b>			18.	Swastik Industrial Works, 59, Holi Street, Meerut City.	2
7.	M/s. Prabhu Book Service, Nai Subzimandi, Gurgaon, (Haryana).	14	19.	Law Book Company, Sardar Patel Marg, Allahabad-1.	48
<b>MADHYA PRADESH</b>			<b>WEST BENGAL</b>		
8.	Modern Book House, Shiv Vilas Palace, Indore City.	13	20.	Granthaloka, 5/1, Ambica Mookherjee Road, Belgharia, 24 Parganas.	10
<b>MAHARASHTRA</b>			21.	W. Newman & Company Ltd., 3, Old Court House Street, Calcutta.	44
9.	M/s. Sunderdas Gianchand, 601, Girgaum Road, Near Princess Street, Bombay-2.	6	22.	Firma K. L. Mukhopadhyay, 6/1A, Banchharam Akur Lane, Calcutta-12.	82
10.	The International Book House (Private) Limited, 9, Ash Lane, Mahatma Gandhi Road, Bombay-1.	22	23.	M/s. Mukherji Book House, 8B, Duff Lane, Calcutta-6.	
11.	The International Book Service, Deccan Gymkhana, Poona-4.	26			

CORRIGENDA TO THE SIXTY-EIGHTH REPORT OF PAC  
(1968-69) PRESENTED ON 30-4-1969.

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
(i)	-	18	S.Nos.	S.Nos. of
7\	1.24	5	to	of
12	4.151	5	Controller.	Controller."
13	1.33	9	,apses	lapses
16	1.46	6	cenral	control
18	1.56	7	Steel Limited,"	Steel Limited,
"	"	"	investigate	"investigate
"	"	8	responsibility.	responsibility."
20	1.64	2	taken certain	taken
"	"	"	from	from certain
36	1.4	4	(Annexure 'B') (Annexure 'B')*	
			and Add Footnote	
			"See pages 64-65"	
39	-	28	or	on
41	22	2	It is did	It did
69	1.56	12	Limited"	Limited
"	"	13	investigate	"investigate
"	"	15	responsibility.	responsibility."

---

## CONTENTS

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE . . . . .	(iii)
INTRODUCTION . . . . .	(v)
CHAPTER I.—Report . . . . .	1
CHAPTER II.—Recommendations/Observations that have been accepted by Government . . . . .	24
CHAPTER III.—Recommendations/Observations which the Committee do not desire to pursue in view of the replies of Government . . . . .	27
CHAPTER IV.—Recommendations/Observations replies to which have not been accepted by the Committee and which require reiteration . . . . .	48
CHAPTER V.—Recommendations/Observations in respect of which Government have furnished interim replies . . . . .	49
 APPENDICES	
I. Ministry of Steel, Mines and Metals (Department of Iron & Steel) O.M. No. SC(II)-14(6)66 dated 23rd December, 1968 . . . . .	53
II. Statement furnished by the Ministry of Steel and Heavy Engineering of the Correlating S. Nos. recommendations of the P.A.C. with Action Taken Note dated 19-7-1966 and Steel Inquiry Committee's Report . . . . .	55
III. Action Taken Note on the recommendations contained in Paragraphs 4.35, 4.38, 4.47—4.52 (Sr. Nos. 55, 56-63) of 50th Report (Third Lok Sabha) which are not categorised . . . . .	57
IV. Summary of Main Conclusions/Recommendations . . . . .	67

PUBLIC ACCOUNTS COMMITTEE

(1968-69)

CHAIRMAN

Shri M. R. Masani

MEMBERS

2. Shri Syed Ahmed Aga
3. Shri K. Anirudhan
4. Shri S. M. Banerjee
5. Shri C. K. Bhattacharyya
6. Shri K. G. Deshmukh
7. Shri V. Krishnamoorthi
8. Shri D. K. Kunte
9. Shri N. R. Laskar
10. Shri K. K. Nayar
11. Shrimati Sushila Rohatgi
12. Shri Narendra Kumar Salve
13. Shri Ram Awtar Sharma
14. Shrimati Tarkeshwari Sinha
15. Shri Tayappa Hari Sonavane
16. Shri A. P. Chatterjee
17. Shri K. Damodaran
18. Shri Shanti Kothari
19. Shri S. S. Mariswamy
20. Shri G. H. V. Momin\*
21. Shri N. R. M. Swamy
22. Shri Tarkeshwar Pandey

SECRETARIAT

Shri Avtar Singh Rikhy—*Joint Secretary.*

Shri K. Seshadri—*Under Secretary.*

---

\*Declared elected on 19th August, 1968 *vice* Shri M. M. Dharia who resigned from the Committee.

## INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Sixty-Eighth Report on the Action Taken by Government on the recommendations of the Public Accounts Committee contained in their 50th, 55th and 56th Reports (Third Lok Sabha) relating to Barter Deals sanctioned by the Iron & Steel Controller.

2. On 12th June, 1968, an 'Action Taken' Sub-Committee was appointed to scrutinise the replies received from Government in pursuance of the recommendations made by the Committee in their earlier Reports. The Sub-Committee was constituted with the following Members :—

1. Shri D. K. Kunte—*Convener*.
2. Shri C. K. Bhattacharyya.
3. Shri K. K. Nayar.
4. Shri Narendra Kumar Salve.
5. Shrimati Tarkeshwari Sinha.
6. Shri N. R. M. Swamy.

3. The draft Report was considered and adopted by the Sub-Committee at their sitting held on 10th April, 1969 and finally adopted by the Public Accounts Committee on 21st April, 1969.

4. For facility of reference the main conclusions/recommendations of the Committee have been printed in thick type in the body of the Report. A statement showing the summary of the main recommendations/observations of the Committee is appended to the Report (Appendix IV).

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

NEW DELHI;  
April 28, 1969  
Vaisakha 8, 1891(S)

M. R. MASANI,  
*Chairman,*  
*Public Accounts Committee.*

## CHAPTER I

### REPORT

This Report of the Committee deals with the action taken by Government on the recommendations/observations contained in Chapter IV of their 50th Report and in the 55th and 56th Reports (Third Lok Sabha) relating to Barter Deals sanctioned by the Iron and Steel Controller.

1.2. The 50th Report was presented to the House on 26th April, 1966;

1.3. On the 18th May, 1966, Shri C. Subramaniam, who was the Minister of Steel and Heavy Industries during the period the barter deals were sanctioned, made a statement in Lok Sabha while answering supplementaries on Starred Question No. 1669 relating to matter raised in paragraph 4.128 of the 50th Report. According to the Minister, certain material facts were not placed before the Public Accounts Committee, when they considered the matter. The Hon'ble Speaker then made the following observations :

".....The Minister has said that all these facts were not before the Public Accounts Committee. We will send it on to the Public Accounts Committee. If they feel that they have considered all these questions, they can say that....and if they want to look into that and modify their opinion they can do that also....." The Committee thereafter constituted a Sub-Committee which took the evidence of the Secretary, Ministry of Iron and Steel at a sitting held on 21st July, 1966. At a subsequent sitting held on 1st August, the main Committee themselves took the evidence of the Minister. The 55th Report on the Minister's statement and para 4.128 of the 50th Report was presented to the House on 5th August, 1966.

1.4. On 28th July, 1966, in reply to a question in the Lok Sabha, the Chairman, P.A.C. made a statement regarding the receipt and examination of the reply of Government to recommendations contained in Chapter IV of the 50th Report. On the 2nd August, 1966, the House adopted the following motion :

"That this House, in the light of the statement made by the Chairman of Public Accounts Committee on 28th July, 1966, in Lok Sabha, directs the Public Accounts Committee to consider Government's reply to paragraphs 4.39 to 4.52 of their 50th Report (Third Lok Sabha) in so far as they refer to the then Secretary of the Department of Iron and Steel and submit its Report to Lok Sabha within 21 days."

The Committee thereafter held a sitting on 18th August, 1966, when they examined the Secretary, Ministry of Iron and Steel and other officers. The 56th Report, based on this examination and other memoranda submitted to the Committee was presented to the House on 23rd August, 1966.

1.5. In paragraphs 4.167 and 4.168 of their 50th Report, the Committee recommended that the various lapses in the barter deals dealt with the Iron and Steel Controller should be investigated by a high-powered Committee. Their observations in this regard are reproduced below :

"4.167. In view of the lapses which have taken place in these deals, both in the offices of the Government as well as on the part

of the parties these cases require a thorough probe. In the case of the officers of the Government, the Sub-Committee also desire that responsibility should be fixed for the various lapses. The Sub-Committee, therefore, suggest that these cases should be investigated by a high-powered Committee which should consist of a person of the status of a High Court judge; an officer from the office of the Comptroller and Auditor General of India; an officer from the Central Board of Revenue well-versed in Customs Law, Import and Export (Control) Act, 1947 and Income-tax law. This high powered Committee should be suitably assisted by an agency expert in investigation of the cases."

- 4.168. "This high-powered Committee should investigate the various lapses which have been dealt with in this report in all the preceding paragraphs."

1.6. In paragraph 2.30 of the 56th Report, the Committee made the following further observations :

- 2.30. "The Committee have since been informed by Government that in terms of the recommendations contained in paragraph 4.167 of the 50th Report of PAC the Government has decided to appoint a Committee of Inquiry to look into all those matters contained in it. Government have also indicated that they were prepared to expand the scope of the inquiry in certain directions, if desired. In view of the fact that the Committee are recommending to the Government for a thorough and comprehensive enquiry in all aspects of the working of the Ministry of Iron and Steel with reference to the parties mentioned in the Report and also other parties to whom large licences/permits have been issued from 1951-52 onwards, they desire that all the additional points and documents, now furnished to the Committee, in connection with this motion in the House, may also be examined by the same Committee of Enquiry.

1.7. In pursuance of the recommendations of the Committee, Government appointed a Committee of Inquiry *vide* Resolution No. SC(II)-14(19)/66 dated 12th September, 1966 consisting of the following persons :

- (1) Shri A. K. Sarkar, former Chief Justice of India, Chairman.
- (2) Shri V. S. Hejmadi, former Chairman of the Union Public Service Commission.
- (3) Shri P. C. Padhi, former Chairman of the Central Board of Revenue and former Deputy Comptroller and Auditor General of India.

The following were the terms of reference of the Committee :

- "(a) Investigate into the transactions, relating to the Iron and Steel Ministry, referred to in the 50th Report of the P.A.C. and also the transactions concerning other parties to whom large licences/permits have been issued from 1951-52 onwards.
- (b) Enquire whether any irregularities or defaults were committed by any person in authority or any other person firm or company



connected with the said transactions and, if so, whether such irregularities or defaults have resulted in loss to the Government or any undue advantage to the party or parties concerned.

(c) Recommend in the light of their findings, what action, if any, departmental, civil or criminal, should be taken against any person; and

(d) Make a report or reports, interim or final, to Government."

1.8. The Committee of Inquiry submitted the Report to Government on 29th February, 1968. The decisions of Government on the various recommendations of the Committee of Inquiry were embodied in a Resolution No. SC(II)-14(3)/68 dated 10th May, 1968, a copy\* of which was laid on the Table of the House on 10th May, 1968, along with a copy of the Report.

1.9. In the Resolution, Government have *inter alia* stated :

"The Report was forwarded to the Central Vigilance Commission as required by the established procedure of Government for giving their views. The Central Vigilance Commission has agreed with all the recommendations of the Committee. The Government have, after full consideration of the Report including the note of dissent and the views of the Central Vigilance Commission, accepted in toto all the recommendations of the Committee.

The Chairman of the Committee, while forwarding the Report, has in para 6 of his letter dated the 29th February, 1968 expressed the views that the subject matter of the inquiry is not what is specially suited for being dealt with through a Committee and that considering the time and labour spent the results do not seem to be commensurate and, therefore, the Committee were sceptical of the value of continuing the investigation into the remaining cases. The Government, while accepting the view of the Committee have decided that the remaining cases should be investigated into and for that purpose a senior officer on special duty with necessary supporting staff be appointed.

Wherever the Committee has recommended departmental action against officials, special steps will be taken to give effect to these recommendations so that there is no delay. In regard to the general recommendations that the efficiency of the office of the Iron and Steel Control should be considerably improved, this is already the subject matter of the Report of the Khadilkar Study Team and separate action has been taken."

1.10. The Department of Iron and Steel were asked to furnish the action taken notes on the recommendations of the Public Accounts Committee contained in their 50th, 55th and 56th Reports, after taking into account the recommendations of the Committee of Inquiry and Government's decision thereon. Their attention was also particularly invited to certain specific cases dealt with in the 50th Report of the Public Accounts Committee and the Enquiry Committee's Report. The Department of Iron and Steel, under their office memorandum dated the 2nd December, 1968, have furnished action taken notes in respect of these specific cases.

---

\*Placed in Parliament Library.

1.11. As regards the action taken notes on the remaining recommendations of the Public Accounts Committee, the Department of Iron and Steel in their reply dated the 23rd December, 1968, (Appendix I) have stated :

“The Committee of Enquiry submitted their Report to the Government in February, 1968. The Government examined the report of the Enquiry Committee and after taking the views of the Central Vigilance Commission accepted *in toto* all the recommendations of the Enquiry Committee. The decisions of the Government of India on the various recommendations of the Enquiry Committee are contained in Resolution No. SC(II)-14(3)/68 dated the 10th May, 1968. This Resolution along with the Report of the Enquiry Committee was placed on the Floor of the House of Parliament. To follow up action on the recommendations of the Enquiry Committee, the Government appointed a Senior Officer on Special Duty with the necessary staff for the purpose. The action on the various recommendations and departmental action where it has been recommended is being taken.

In view of the above, this Department considers that the Sarkar Committee's report and the Government Resolution dated the 10th May, 1968 fully covered all the recommendations of the PAC in the 50th and 56th Reports.”

1.12. The Department of Iron and Steel have furnished an action taken note on paragraphs 1.22 and 1.23 of the 55th Report under their office Memorandum dated the 24th December, 1968.

1.13. The Ministry of Steel and Heavy Engineering have furnished under their reply dated 12/13-3-1969 a statement (Appendix II) correlating S. Nos. of recommendation of the PAC in the 50th, 55th and 56th Reports with paragraph numbers in the Ministry's note dated the 19th July, 1966 and the Report of the Enquiry Committee and giving their comments on the items not covered therein.

1.14. The action taken notes on the recommendations of the Public Accounts Committee furnished by the Department of Iron and Steel under their replies dated the 19th July, 1966, 2nd and 24th December, 1968 and 13th March, 1969 referred to above have been categorised under the following heads :

*Recommendations/observations that have been accepted by the Government :*

50th Report : S. Nos. 77, 78, 79 and 97.

55th Report : S. No. 5.

*Recommendations/observations which the Committee do not desire to pursue in view of the replies of Government :*

50th Report : S. Nos. 53, 54, 64, 65, 66, 76, 80, 89, 90, 91, 92—96.

56th Report : S. No. 1.

*Recommendations/observations in respect of which Government have furnished interim replies :*

50th Report : S. Nos. 69, 74, 85—88 and 98.

*Recommendations Not Categorised.*

S. Nos. 55, 56—63.

1.15. 'In view of the fact that in pursuance of a motion adopted by the Lok Sabha on 6-3-69 the question of privilege in connection with the evidence given before the Public Accounts Committee is under consideration of the Committee of Privileges, the reply of Department of Iron and Steel in respect of paragraphs 4.35, 4.38, 4.47—4.52 has not been categorised but is reproduced (in Appendix III.)

1.16. The Committee note that a question of privilege was raised in the Lok Sabha on 6th March, 1969 in regard to evidence tendered before the Committee on matters dealt with in paragraphs 4.34 and 4.35 of the 50th Report. The Honourable Minister for Steel and Heavy Engineering then made the following statement :—

"Sir, Shri N. N. Wanchoo, ICS, former Steel Secretary, appears to have committed certain errors in furnishing information to the Public Accounts Committee about certain matters of 1960, five or six years later. It has, however, to be pointed out that Shri Wanchoo took an early opportunity to bring the error to the notice of the PAC when the first action report on the recommendations of the PAC was sent to that Committee. During the investigation by the Committee of Enquiry on Steel Transactions headed by Shri A. K. Sarkar, Shri Wanchoo referred again to the errors and made no attempt to conceal them. The Sarkar Committee did not draw any adverse inference against Shri Wanchoo. One of the Members of the Committee, however, in his dissenting note expressed the view that Shri Wanchoo had been misled by Shri Mukherji but even that dissenting member did not make any observation against Shri Wanchoo.

I refer to these facts to give the House a rough idea of the circumstances of the case. Adverse observation having been made by a dissenting member of the Sarkar Committee against Shri Mukherji and the matter raised being one of the privilege, it is in the interest of all concerned that possible doubts about Shri Mukherji's conduct should be looked into by the Privileges Committee. The case of Shri Wanchoo does not contain even this element of doubt but since his case is closely interlinked with that of Shri Mukherji, Government would have no objection to the cases against both of them being referred to the Committee of Privileges."

1.17. The House then adopted the following motion :

"That the question of privilege against Shri N. N. Wanchoo, former Secretary, Department of Iron and Steel, and Shri S. C. Mukherjee, then Deputy Iron and Steel Controller, for allegedly giving false evidence before the Public Accounts Committee, be referred to the Committee of Privileges."

1.18. In view of the fact that a privilege motion is under consideration in regard to evidence given before the Committee on certain matters dealt with in their 50th Report, the Committee have not dealt with these matters in this Report.

1.19. The Committee note that Government have accepted the recommendations of the Committee of Inquiry in toto, and have appointed a Senior Officer on Special Duty for follow-up action on these recommendations. The Committee desire that action on the recommendations of the Committee of

Inquiry and departmental action, where it has been recommended, should be finalised without delay. The Committee would like to be informed of the final action taken in the matter.

1.20. In para 2.26 of their Report, the Inquiry Committee made the following observations about the scope of the investigations conducted by them :

“After about six months’ work, the Committee realised that in view of the mass of details which had to be collected, analysed, and reports prepared, the investigation in all the 2000 cases would probably take a very long time. Considering the urgency of a report in the light of the proceedings in the Parliament and the desire of the Government to have an early report it was felt that a report covering all the cases referred to in the 50th, 55th and 56th Reports of the Public Accounts Committee should be submitted to the Government in the first instance and as early as possible. It was also decided that in this report such of the other important cases which could be finalised at the same time would be included. It is on this basis that the present report is being submitted.”

1.21. Government appointed an Officer on Special Duty of the rank of Special Secretary to investigate the remaining cases relating to the issue of large licences/permits, which were covered by the terms of reference of the Sarkar Committee, but were not looked into by that Committee. The position regarding investigation of these cases has been explained as follows in Lok Sabha in reply to Unstarred Question No. 1710 given on 5th March, 1969 :

“The investigation work in respect of the remaining cases of large value licences is still continuing. So far examination has been completed in respect of 485 cases, out of which, in 59 cases irregularities have been noticed. These cases are being examined further to determine the seriousness of the irregularity and the action to be taken thereon. Broadly, the irregularities relate to the following types of cases :

- (i) Licensing on the basis of recommendation made by an inappropriate authority.
- (ii) Non observation of proper procedure in respect of licensing under loans on deferred terms.
- (iii) Improper fixation of prices for imported steel.
- (iv) Irregular changes of items for imports.
- (v) Failure to take bank guarantees in certain cases.

It is expected that the investigation of the remaining cases may be completed by the end of May, 1969. However, the cases where irregularities have been noticed have to be pursued and responsibility fixed for suitable departmental action, which naturally would take more time.”

1.22. The Committee are concerned that a number of irregularities have been detected as a result of the investigation conducted by the Officer on Special Duty who was appointed to look into cases which could not be investigated by the Committee of Inquiry. The Committee note that the investigation is still proceeding and is expected to be completed by May, 1969. The Committee desire that all out efforts should be made to complete the investigation

by end of May, 1969 and necessary action expeditiously initiated thereafter. The Committee would like to be apprised of the outcome of the investigation as also the follow up action taken thereon.

1.23. The Committee will now deal with some of the specific cases referred to in their 50th Report which were also investigated by the Committee of Inquiry.

*Deficiencies in the working of the Iron and Steel Controller's Organisation—  
Paragraphs 4.112 and 4.113 of 50th Report (S. Nos. 78-79)*

1.24. In paras 4.112 and 4.113 of their Fiftieth Report, the Committee made the following observations about the working of the Iron and Steel Controller's Organisation :

4.112 : "The Sub-Committee are alarmed to note that there is an appalling state of affairs so far as the issue to import licences and maintenance of records thereof by the office of the Iron and Steel Controller is concerned. These import licences were neither machine numbered nor were proper records maintained in the office of the Iron and Steel Controller. The registers maintained for this purpose did not bear attestation of the entries made by any officer. Further, no uniform procedure was followed by the Regional offices of the Iron and Steel Controller in allotting numbers to import licences, etc."

4.113 : "The Sub-Committee regard this state of affairs as very serious as this can lead to many complications. They desire that the procedure regarding maintenance of records of issue of import licences in the office of the Iron and Steel Controller and its branches should immediately be examined in consultation with Audit and suitable remedial measures taken."

1.25. In their reply dated the 2nd December, 1968, the Department of Iron and Steel have stated:

"The Audit Party visited the office of the Iron and Steel Controller during March, 1966 and examined the registers of import licences maintained in that office. Similarly, the Audit Party had also visited the Rational Offices and scrutinised the import licences registers maintained by them. The discrepancies pointed out by Audit Party were reconciled.

From the 1st April, 1965, all import licences are issued by the Iron and Steel Controller's Organisation on forms printed on Security paper from the Government of India Press, Nasik. The original and duplicate of the licence forms meant for exchange control purposes and customs clearance purposes are printed on security paper while triplicate and quadruplicate are printed on ordinary paper. The latter copies on ordinary paper are used as office copies in the relevant case file and in the statistical Branch of Steel Controller's Office.

There are two types of forms in use, one for established importers and one for actual users.

The import licence registers are now being maintained properly in accordance with the advice given by Audit. These licence registers are also now signed after the issue of each individual licence by the officer authorised to issue the import licence."

1.27. The Committee of Inquiry who had occasion to investigate the working of the Organisation came to the following conclusion :

- (a) There is no procedure or instructions for the guidance of subordinates and lack of supervision.

(Paras 6.8, 6.25 and 15.4 of the Report)

- (b) The Iron and Steel Controller during the period when most of the cases referred to in the Report were dealt with, does not seem to have acted as would be expected of a responsible officer heading the organisation, for which appropriate action has to be taken.

(Para 6.33 of the Report)

- (c) No instructions had been issued for the guidance of licensing officers, as pointed out by the Khadilkar Study Team, leaving the way open for harassment or arbitrariness

(Para 6.31 of the Report).

1.28. Some of the more important observations made by the Committee of Inquiry in this regard are reproduced below :—

"6.31 : *General observation on the working of the Iron and Steel Control Office :*

The Committee have quite often observed that there was lack of supervision in the office of the Iron and Steel Controller and that there were no standing orders or instructions in regard to the implementation of the policies issued from time to time. The Government had earlier appointed a Study Team under the Chairmanship of Shri R. K. Khadilkar to go into the working of the Iron and Steel Control Organisation. We should draw particular attention to what that Study Team had said in para 5.8, Chapter V of their Report (Part II) which deals with steel import control and licensing. They have stated :

'5.8.           ×                           ×                           ×

- (2) The form in which the Controller announces his import policy is rather sketchy and not as helpfully elaborate as Red Book policy. As a result applicants are left very much in doubt as to which items are actually licensable and which not. A considerable amount of discretion is consequently left to be exercised by the licensing officers or the Iron and Steel Control Organisation. The Controller issues no instructions for the guidance of licensing officers in this matter, with the result that the latter who are relatively junior men and mostly non-technical, have to take important decisions

about licensability of particular items on their own. This is an unsatisfactory state of affairs and carries the possibility of harrassment to some parties and undue favour to others.

- (3) The Chief Controller of Imports and Exports makes *ad hoc* announcements of policy from time to time which are in addition to the annual Red Book. These are invariably adopted by the Iron and Steel Controller also, but present practice requires him to re-issue these in the form of this own announcements. We have found that there is a considerable time-lag between the announcement of the Chief Controller of Imports and exports and its re-issue by the Iron and Steel Controller for the Iron and Steel Sector. This agains leads to delay in licences for iron and steel items and consequent hardship to industrial units needing both steel and non-steel items."

"6.32 : We would also draw attention to what the Study team had stated in para 9. 17, Chapter IX, dealing with the re-organisation of Iron and Steel Control :—

"9.17. A study of the existing position revealed the following :—

- (i) No attempt had so far been made to classify the various types of records and to fix a maximum period for their retention.
- (ii) No attempt was made to weed out inactive records and to close, stitch and index the files as a regular item of work. As a result, both active and inactive records where jumbled up all over the place. The situation created all the more confusion because most of the sections are located in a big hall and there is no recognised boundary of individual sections.
- (iii) The records pertaining to individual sections were not even kept together. In fact even members of the staff of the same section were in many cases, sitting at different parts of the hall with their records some time near them and some time at a great distance.
- (iv) There had been several reorganisation of sections from time to time and consequent transfer of records from one section to another. In this process, many records were lying at different places which could not be indentified as belonging to any particular section
- (v) The Record Room was a very small one (about 1000 sq. ft.). In this small room there were about 53,000 recorded files, out of which only about 1000 files were requisitioned by the

operative Sections during the last three years. It clearly showed that many of these recorded files were not required and must be fit for destruction. Moreover no effort had been made to destroy the unwanted files to make room for storage of fresh records."

"6.33 : From our experience during the course of our investigation, we would wholly endorse the two statements of the Study Team referred to above. Beyond saying this the Committee does not consider it necessary to go further into the matter, as it is expected that the Government would be taking appropriate action on the recommendations of the Study Team. There is, however, one aspect of the functioning of the Steel Controller's Organisation about which the Committee feel responsible to give its views and that is that Shri A. S. Bam, the Iron and Steel Controller, during the period when most of the cases referred to in this Report were dealt with, does not seem to have acted as would be expected of a responsible officer heading the organisation. The impression that he has given us is that all policy decisions were taken by the Ministry and the implementations was done by his subordinates. Following from this impression he did not seem to be responsible for any mistakes which occurred during the course of the implementation. No manner of supervision seems to have been exercised by him for otherwise the mistakes which were committed at the level of Deputy Assistant Iron and Steel Controller, namely, the licensing officer, would have come to his notice. It is agreed that as head of the organisation it was not possible for him to look into every decision taken by a subordinate, but a system should have been evolved whereby mistakes such as those referred to above could be avoided or would come to his notice. It is on account of this reason that subordinate officers tried to take shelter on the ground that no procedure or drill was prescribed for them to follow. That the Office had been in existence from the year 1940 and that what was being done in the past continued to be done can be no argument. It is for each incumbent in the post of the head of the organisation who should from time to time issue instructions for the proper implementation of Government's decisions. The Government might, therefore, consider the appropriate action that may be taken against the then head of the Steel Control Organisation."

1.29. The Committee note from Government's resolution setting forth the action taken on the findings of the Committee of Inquiry that "departmental action will be taken" in all cases where the Committee of Inquiry found laxity of supervision. As regards measures to improve the working of the Organisation of Iron and Steel Controller, Government's resolution indicates the following position :

"In regard to the general recommendations that the efficiency of the Office of the Iron and Steel Controller should be considerably improved, this is already the subject-matter of the Report of the Khadilkar Study Team and separate action has been taken."



1.30. The Committee note that Government have taken action to improve the working of the Iron and Steel Controller's Organisation, pursuant to the recommendations made by the Khadilkar Study Team. They hope that as a result the procedure for issue of licences and maintenance of records connected therewith will be systematised and that supervision over the working of the Organisation will be toned up.

The Committee note that the Committee of Inquiry have expressed the view that "the Iron and Steel Controller, during the period when most of the cases referred to in this Report were dealt with, does not seem to have acted as would be expected of a responsible officer heading the organisation." The Committee have no doubt that Government will take stringent departmental action, without delay, against the then Iron and Steel Controller and other officers whom the inquiry Committee held to be guilty of lapses.

*Import of M.S. Sheets by M/s. Amin Chand Payare Lal, M/s. Apeejay Pvt. Ltd. without valid import licences-Paragraphs 4.148 to 4.151 of 50th Report (S. Nos. 85 to 88)*

1.31 In paras 4.148 to 4.151, the Committee had referred to two cases of import of M.S. Sheets by M/s. Amin Chand Payare Lal and M/s. Apeejay Pvt. Ltd. without valid import licences. The Iron and Steel Controller issued clearance permits to both these parties on an undertaking given by the parties to re-export the entire consignments. Referring to the case of M/s. Apeejay Pvt. Ltd., the Committee made the following observations:

"4.148—In this case, M/s. Apeejay (P) Ltd. imported materials worth Rs. 9 lakhs without any import licence. When this unauthorised material was caught by the customs, the party was able to get released by getting a custom clearance permit from the Iron and Steel Controller. What is most objectionable in this case is that the Iron and Steel Controller disregarded the views of the Government Solicitor and Assistant Director of Shipping and issued the custom clearance permit in favour of the party. But for this CCP, the goods would have been confiscated by the customs and action could be taken against the party under the Import & Export (Control) Act, 1947. Another disquieting feature of this case is that even when the party undertook to re-export the material imported unauthorisedly, they made a false declaration regarding the weight of the material etc. and the officers of the Iron & Steel Controller Organisation gave a false certificate certifying accuracy of the quantity declared.

"4.149.—The Sub-Committee feel that there were several lapses in this case which are as follows:—

- (1) The application of the firm dated 12th October, 1961 was vague and incomplete as they left column No. 4 regarding No. and date of the import licence against which shipment was made blank.
- (2) The C.C.P. was issued by the Iron & Steel Controller in spite of the objections raised by the Assistant Director of Shipping and the Government Solicitor.
- (3) Re-export itself was a concession to the parties as otherwise the goods should have been confiscated.

- (4) The Office of the Iron & Steel Controller did not carry out Weekly inspection of the goods in the godowns of the firms, as contemplated in their own instructions on CCP.
- (5) There was a false declaration at the time of re-export by the party and there was also a false certificate of the inspector of the Office of the Iron & Steel Controller.
- (6) No enquiry regarding payments in foreign exchange as well as other matters connected with this case have been carried out. Apparently there was a connivance of the Office of the Iron & Steel Controller in the whole transaction.

4.150. The Sub-Committee regret to note that the action of the Office of the Iron & Steel Controller in this case left much to be desired.

4.151. Since these parties have their own shipping line, the Sub-Committee feel that this should have cautioned the Office of the Iron & Steel Controller about the possibility of manipulation in manifest and bills of lading. But they regret to note that no notice of this seems to have been taken by the Iron & Steel Controller.

1.32. In their reply dated the 19th July, 1966, the Department of Iron and Steel stated:

"Since the entire papers in connection with these cases are at present with the Central Vigilance Commission, it has not been possible to examine the Committee's observations properly. Further action will be taken in the light of the receipt of the recommendations of the Central Vigilance Commission."

With regard to the justification for allowing clearance of goods, the Committee of Inquiry came to the conclusion that, "in respect of the orders of re-export of the goods which M/s. Amin Chand Payare Lal and M/s. Apeejay Pvt. Ltd. had imported without valid licences and in respect of which the Steel Controller issued the customs clearance permits on condition of re-export, it would not be justifiable to find fault with the action of the Steel Controller."

The finding of the Committee of Inquiry in regard to both these cases were briefly as follows:

In both the cases, the Iron and Steel Controller issued customs clearance permits, on condition that goods should be re-exported. So far as the case of Amin Chand Payare Lal is concerned, Government set aside the order of the Steel Controller and permitted import, apparently on the ground that, earlier imports had been made by the firm in their own vessels, no extra foreign exchange was involved on freight and that to that extent there was unutilised balance in the licences, which could accommodate the import of the sheets. "The Foreign Exchange Control Regulations require that freight spent on imports should always be taken as expenditure in foreign exchange and should, therefore, be debited in the import licence. In this view, it would be difficult to say that the contention, that foreign exchange can be said to have been saved where the shipment had been made in Indian

flag ships is justified". The Committee have referred the matter to the Enforcement Directorate through Reserve Bank to ascertain to what extent the freight paid on earlier shipments by the firm have been debited to the import licence.

(Para 9.13 of the Report)

However, so far as the Iron and Steel Controller is concerned, there was no improper or dishonest motive in issuing customs clearance permits; in view of Government's order setting aside this decision "it is unnecessary to go into the question of propriety of the order".

(Para 9.14 of the Report)

So far as the case of M/s. Apeejay was concerned, the Committee of Inquiry made no enquiries on Government's request, as they were told, that the matter, after investigation by Special Police Establishment, was under reference to the Vigilance Commission. "We need not be further concerned with the case of Messrs Apeejay (Private) Limited, because, on an allegation that they had been substituting the goods which they had undertaken to get re-exported, the matter had been handed over to the Special Police Establishment (now the Central Bureau of Investigation). We gather that on receipt of SPE's report the Ministry of Steel referred the matter to the Central Vigilance Commission and that the recommendations of this Commission are pending decision of Government."

Government, who were asked to intimate the action taken in the light of the findings, have in a reply dated the 2nd December, 1968 stated, "action against officials held responsible in these matters is being examined/ finalised in consultation with the Central Vigilance Commission."

1.33. The Committee note that there were "allegations" that M/s. Apeejay & Co. who were permitted to clear certain unauthorised imports of M.S. cold rolled sheets on condition that they were re-exported, "had been substituting the goods which they had undertaken to export". These allegations were got investigated by Government through the Special Police Establishment. The Committee would like to know what action has been taken in the light of the findings of this enquiry. The Committee would also like Government expeditiously to finalise disciplinary action against the officials who have been held responsible for, apses of duty.

1.34. Similar imports made by M/s. Aminchand Pyarelal were regularised by Government on the ground that there was an unutilised balance in certain import licences issued to the firm on account of their having effected shipments in their own vessels. The Committee of Inquiry which went into this case pointed out that "the Foreign Exchange Control Regulations require that freight spent on imports should always be taken as expenditure in foreign exchange and should therefore be debited in the import licence. In this view, it would be difficult to say that the contention that foreign exchange can be said to have been saved where the shipment had been made in Indian flag ships is justified." The Committee observe that the Reserve Bank of India referred this case to the Enforcement Directorate of Ministry of Finance for further investigation. The Committee would like to be apprised of the outcome of the investigations and the action taken on the findings.

*Specific cases of lapses on the part of the Officers and staff of Iron and Steel Controller's Organisation.*

1.35. The Committee of Enquiry pointed out certain specific cases of lapses on the part of the officers and staff of Iron and Steel Controller's Organisation. These are mentioned below.

*(i) Value of Imports and Exports not matched—paragraph 6.8 and 6.9 of Enquiry Committee's Report*

1.36. In four cases, two relating to Messrs Amin Chand Payare Lal and two others relating to Messrs J. S. Cohen & Co. and Messrs Apeejay (Private) Ltd., the value of the Import licence issued exceeded the total value of the Import licence issued exceeded the total value of foreign exchange to be earned by exports. In one case the excess was due to miscalculation at the stage of issuing letter order and in the three other cases it was due to the application of incorrect conversion ratio between dollar and rupee at the time of issuing import licence. The Deputy Iron and Steel Controller and the Assistant concerned were responsible for the lapses.

1.37. In their reply dated 2nd December, 1968, the Department of Iron and Steel have stated:

"The lapses pointed out in the above paragraphs of the Committee of Enquiry (Steel Transactions) occurred either because the values on import and export indicated in the letter order formally approving the barter deal, were worked out incorrectly or because the wrong conversion factor of Rs. 4.80 per dollar instead of Rs. 4.76 was adopted. In accordance with the recommendations of the Sarkar Committee's Report accepted by Government, necessary departmental action is being taken against the officials concerned."

*(iii) Issue of Customs Clearance Permits at rates per unit of imports higher than specified in the import licence—Paragraphs 6.18-6.19 of the Enquiry Committee's Report.*

1.38. A representative check of customs clearance permits disclosed that in 21 cases the rates per unit authorised exceeded the rate specified in the import licences. Although this was noticed by the Dy. Asstt. Iron and Steel Controller and the dealing Assistant, they "acted mechanically" and never asked the parties to give the reasons for the higher import price.

1.39. In their reply dated the 2nd December, 1968, the Department of Iron and Steel have stated :

"In accordance with the recommendations of the Enquiry Committee (Steel Transactions) accepted by Government, necessary departmental actions is being taken against the officials concerned except one who had already retired."

*(iii) Issue of CCPs in contravention of orders of Deputy Iron and Steel Controller paragraphs 6.20-6.21 of Enquiry Committee's Report*

1.40. The Deputy Iron and Steel Controller had passed orders that no CCP should be given to M/s. Ramkrishan Kulwant Rai in respect of a particular barter, as there was no export contract, but the dealing Assistants and

Deputy Asstt. Iron and Steel Controller failed to observe the orders. The Inquiry Committee felt that although the officers did not carry out the instructions of the Deputy Iron and Steel Controller no damage or loss was caused by the issue of CCPs.

1.41. In their reply dated the 2nd December, 1968, the Department of Iron and Steel have stated:

"Though no damage or loss was caused by issue of CCPs in these cases, the fact remains that the instructions of the Deputy Iron and Steel Controller dated 26-10-1960 were not followed by the Junior Officers and Staff. Necessary departmental action is being taken for this against the officials concerned."

(iv) *Bank guarantees reduced without verifying foreign exchange on exports-paragraphs 6.24-6.25 of the Enquiry Committee's Report.*

1.42. In the case of M/s. J. S. Cohen and Co., the bank guarantee furnished by the firm was allowed to be reduced in value on the basis of bank statement of earnings furnished by the party which did not relate to that case. The Deputy Iron and Steel Controller, Asstt. Controller and the dealing Assistants were responsible for the lapse.

1.43. In their reply dated 2-12-1968, the Department of Iron and Steel have stated:

"The Government have already accepted the recommendations of Sarkar Committee's Report. Necessary departmental action is being taken against the officials found responsible for the omissions. No action is, however, being taken against Shri Doraswami because he had already retired."

(v) *Issue of Customs Clearance Permits in excess of value of import licence-paragraphs 6.12-6.17.*

1.44. This happened in three cases involving M/s. Cohen, M/s. Amin Chand Pyarelal and M/s. Apeejay. In the case of M/s. Cohen, though the CCP exceeded the value of the import licence, there was no substantive irregularity, as the firm were entitled to cover insurance charges through CCP (which they did not do) and these charges more than made up for the excess. In the other two cases, the excess was due to default on the part of the Dy. Asstt. Iron and Steel Controller and the dealing Assistants in not checking up the correct position of previous drawals against the import licences. The question had also been raised by the Inquiry Committee with the Reserve Bank, whether the invoices furnished by the firms, on the basis of which CCPs were issued were genuine and if genuine, how the parties obtained foreign exchange in excess of that authorised in the import licence. The matter was stated to be under investigation.

1.45. In their reply dated 2-12-1968, the Department of Iron and Steel have stated:

"It has been pointed out that in three cases the values of the CCPs issued exceeded the value of the import licence.

In the case of M/s. J. S. Cohen & Co., the discrepancy is explained by the fact that the import licence did not include insurance charges and the excess value of the CCPs was well within the amount of insurance charges.

In the other two cases of M/s. Apeejay Private Ltd. and M/s. Amin Chand Pyarelal, the values of the CCPs issued exceeded the value of the import licence by Rs. 67,405 and Rs. 4,28,746 respectively. It has been stated that these mistakes occurred due to wrong posting of the value of CCPs and wrong calculation of the unutilised balance by the concerned officials. As recommended by the Sarkar Committee and accepted by Government, necessary departmental action has been initiated against all the officials concerned except one Shri Pathak who had already retired.

A reference has also been made to the Reserve Bank of India to investigate whether the said firms had committed any violation of the exchange control regulations in respect of these transactions. The case is stated to be under investigation by Central Bureau of Investigation."

1.46. The Committee are unhappy over the various lapses in the issue of import licences and customs clearance permits brought to light as a result of the investigations of the Committee of Inquiry. They note that one of these cases relating to issue of customs clearance permits to M/s. Amin Chand Pyarelal is being investigated by the Central Bureau of Investigation to ascertain whether there was any violation of exchange control regulations. The Committee would like to be apprised of the findings and the action taken thereon.

1.47. The Committee would also like Government expeditiously to finalise action against the officials found responsible for lapses connected with the incorrect issue of import licence/custom clearance permits.

(vi) *Complaints against irregular supply of Steels by M/s. Ram Krishan Kulwant Rai and M/s. Surendra Overseas-Paragraphs 11.1-11.8 of the Inquiry Committee's Report.*

1.48. There were complaints from the Assistant Iron and Steel Controller, Madras in 1957 against diversion of imported subsidised steel and its sale to unauthorised parties by M/s. Ram Krishan Kulwant Rai and irregular claims made by the firm for reimbursement of charges incurred by them for removal of the imported materials at the port. There were also complaints that M/s. Surendra Overseas had failed to effect supplies to a number of allottees. Cancellation of stockholdership and debarment from participation in tenders was recommended by the Asstt. Iron and Steel Controller. The Iron and Steel Controller, after an inspection, which disclosed irregularities in the maintenance of records by the firm, administered warning to the party. The relevant records in this case had been weeded out and "the Committee is unable to say if the irregularities pointed out... are substantiated or not."

1.49. In their reply dated the 2nd December, 1968, the Department of Iron and Steel have stated:

"For want of the relevant file and the information, the Committee of Enquiry (Steel Transactions) could not come to any conclusion in these cases. These are being further looked into".

1.50. The Committee note that due to non-availability of the relevant records, the Committee of Inquiry were unable to investigate certain complaints

regarding irregularities in the distribution of steel by M/s. Ram Krishan Kulwant Rai and M/s. Surendra Overseas. The Committee desire that the relevant records should be traced and the cases thoroughly probed into very early. The Committee would like to be informed of the final outcome.

*Disputes between HSL and the parties about fulfilment of export obligation in barter deals- paragraph 4.73 of 50th Report (S. No. 69).*

1.51. According to the instructions dated 2nd February, 1960 issued by the Ministry of Iron and Steel, a pre-import licence could be issued by the Iron and Steel Controller in connection with a barter deal on the exporter producing either an irrevocable letter of credit assigned in his favour for full value of the entire export quantity or on furnishing bank guarantee equivalent to 15% of in value of the import licence. It was stipulated that "the guarantee will be releasable on actual export of in full quantity contracted for". Two Representations from M/s. Amin Chand payarelal on 19-7-1960 and 9-9-1960 requesting for reduction in the amount of the bank guarantee on the plea that they had since exported a portion of the materials to be exported against the barter deals and thereby earned foreign exchange, were acceded to by the Iron and Steel Controller.

1.52. The Public Accounts Committee made the following observations in paragraph 4.73 of their 50th Report:

"It is astonishing that a particular firm's requests for release of bank guarantee amounts were immediately acceded to by the Office of the Iron and Steel Controller in direct contravention of the Ministry's instructions dated 2nd February, 1960.

It is all the more disturbing to note that in the first case which was received by the Iron and Steel Controller on 19th July, 1960 and agreed to by him on 27th July, 1960, he did not inform the Ministry at all. The second case from the same party was received by Iron & Steel Controller on 27th September, 1960. He agreed to the same on 9th September, 1960 and then only informed the Ministry. The Sub-Committee regret to note that the Iron & Steel Controller did not pay proper attention to the instructions of the Ministry. The Ministry too, when they were informed, did not take the trouble of going into the matter properly but simply acquiesced in the action of the steel Controller. The sub Committee feel that the action of Ministry was hasty. It was not a hardship as to call for a change in the policy originally enunciated by the Ministry in consultation with the Ministry of Finance. Public money was at stake in these transactions and bank guarantees should have been released on export of full quantity contracted for as originally envisaged. The manner in which both the Steel Controller and the Ministry acted in this matter indicates that they did not safeguard the public interest adequately."

1.53. The Committee of Inquiry have made the following observations in paragraph 4.11 of their Report:

"The Committee would, like to point out that this release of bank guarantee in dribblets would not be correct for the reason that a bank guarantee is given for the fulfilment of the condition that the entire quantity contracted for export would be exported. Any part-exports

made by the party would, therefore, not qualify for a proportional reduction in the value of bank guarantee. Hence, both the Steel Controller and the Ministry of Iron and Steel might be said to have made a substantial departure from the instructions laid down earlier. No reasons have been recorded for such departure. At this stage it could not be said whether this irregularity resulted in any loss, because the parties are contending that they were unable to export as the Hindustan Steel Limited did not deliver the contracted quality of goods, a contention which is best decided by a Judicial Tribunal and is in fact pending decision in four cases in a court of law. If the contention succeeds, then the bank guarantees might not be enforceable at all."

1.54. As regards the disputes between Hindustan Steel Limited and the parties, in their reply dated the 2nd December, 1968, the Department of Iron and Steel have stated:

"The disputes between Hindustan Steel Limited and the parties about fulfilment of export obligations are still pending in the Court or before the arbitrators".

1.55. The Committee note in this connection from the documents made available to the Committee of Inquiry that Hindustan Steel set up a Committee to "investigate fully the circumstances leading to the supply of sub-standard materials under the contract (28 and 29 with Aminchand Payarclal group) and fix responsibility."

(Appendix LXVII-Vol. II Report of Committee of Inquiry)

1.56. The Committee note that some of the parties who undertook export obligations under the barter deals contended that the fulfilment of their export obligation was vitiated by the failure of Hindustan Steel to supply semis for export in time. As the matter is sub-judice, the Committee reserve their comments. The Committee would like to be apprised of the final outcome of these cases as well as the findings of the departmental Committee set up by Hindustan Steel Limited," to investigate fully the circumstances leading to the supply of substandard materials under the contract and fix responsibility.

*Failure to Enforce of Bank Guarantees—Paratraphs 4.73, 4.80, 4.82, 4.83 (S. Nos. 69, 71, 72, 73) of 50th Report.*

1.57. In paras 4.73, 4.80, 4.82 and 4.83 of their 50th Report, the Committee referred to various failures in the matter of taking/releasing bank guarantees from parties for fulfilment of export performance. The Committee referred to the irregular procedure followed in release of bank guarantee in driblets and the failure in certain cases to get the bank guarantees renewed after they had expired. In para 4.83, the Committee made the following observations:

"The Sub-Committee are constrained to observe that the whole scheme of taking bank guarantees in these barter deals was a complete failure and was primarily due to the failure of the office of the Iron and Steel Controller. They desire that the different lapses in this case may be investigated with a view to fixing responsibility."



1.58. The Committee of Inquiry which investigated the administration of the scheme of the bank guarantees *inter alia* made the following observations in paras 4.11 and 6.23 of their Report:

*Release of the bank guarantees in driblets.*

"There is also another aspect to this question. In those cases where a 15% bank guarantee for the full value of the import is furnished and an import licence is obtained, the parties, on exporting some quantity and earning foreign exchange, requested for reduction in the value of the bank guarantee to that extent. This amounted to a request for release of bank guarantee in driblets. Shri S. C. Mukherjee, in the case of Messrs. Amin Chand Payarelal agreed in File No. CP/AP 35/60, to such a request. On a second occasion, when a similar request was made, he again agreed to it, but this time wrote to the Ministry in his letter No. C/AP(35)/60 dated 9th September 1960 and asked for confirmation. Shri C. A. Nair *vide* his letter No. SC (B)-23 (5)/60 dated 21st November, 1960 confirmed this action which amounted to saying that the Ministry agreed to this procedure. The Committee would, however, like to point out that this release of bank guarantee in driblets would not be correct for the reasons that a bank guarantee is given for the fulfilment of the condition that the entire quantity contracted for export would be exported. Any part-exports made by the party would, therefore, not qualify for a proportional reduction in the value of bank guarantee. Hence, both the Steel Controller and the Ministry of Iron and Steel might be said to have made a substantial departure from the instructions laid down earlier. No reasons have been recorded for such departure. At this stage it could not be said whether this irregularity resulted in any loss, because the parties are contending that they were unable to export as the Hindustan Steel Limited did not deliver the contracted quality of goods, a contention which is best decided by a Judicial Tribunal and is in fact pending decision in four cases in a Court of Law. If the contention succeeds, then the bank guarantees might not be enforceable at all."

"We have in Chapter IV, para 20, discussed the legal implications of the Bank Guarantees that were taken at the time of the issue of the pre-import licences in the semis barter scheme. There we have said that merely because a Bank Guarantee has expired it need not be considered that no action can be taken to enforce the Bank Guarantee and that so long as the breach of the conditions of the bank guarantee occurred during the period of the validity of the Bank Guarantee, action can be taken to enforce the Bank Guarantee even after its expiry. Hence the failure on the part of the officers mentioned above cannot be considered as having caused a loss to Government. However, the point is that if these officers have done their duty, then the question of enforcing the Bank Guarantee would have arisen. The question would then have been examined and they would have probably come to the conclusion, as we have, namely, that although the Bank Guarantee has expired, so long as the breach had occurred within the period of validity, the Bank Guarantee was enforceable and necessary action would have been taken by Government. Therefore, the Committee feel that these officers did not discharge their responsibility of keeping a watch on the expiry of the Bank Guarantee in not asking for the renewals or replacements in time and lastly for not examining the question why the Bank Guarantee should not be enforced."

1.59. In their resolution indicating the action pursuant to these observations, Government have stated that "departmental action will be taken."

**1.60. The Committee would like departmental action against officials held responsible in connection with the release/non-renewal of bank guarantees to be expeditiously finalised.**

*Case referred to in earlier Audit Reports—Para 4.160 (S. No. 91) of 50th Report.*

1.61. In para 4.160 of their 50th Report, the Committee had referred to certain cases affecting some of the parties involved in barter deals which had been brought to notice in earlier Audit Reports. In this connection the Committee made the following observations:

“The Sub-Committee are constrained to observe that Government had not taken a serious view of these objections ; had they taken proper and timely action on the recommendations made by the Public Accounts Committee in their earlier reports, the loss to Government could have perhaps been avoided by stoppage of dealings with this group of firms.”

1.62. The Committee of Inquiry investigated these cases and their findings are in Chapter XV of their Report. Two cases of recovery were mentioned by them as pending settlement.

- (i) Recovery of a sum of Rs. 64.86 lakhs from M/s. Aminchand Payarelal group, M/s. Herman and Mohatta and M/s. J.S. Cohen & Co. in respect of handling contracts mentioned in para 106 of Audit Report (Civil), 1966.
- (ii) Recovery of a sum of Rs. 73,765 from M/s. Bombay Steel Co. mentioned in para 107 of Audit Report (Civil), 1966 for which legal action was being taken.

1.63. In a reply dated 2nd December, 1968, the Ministry have stated:

“So far as M/s. Herman & Mohatta are concerned, an arbitration agreement is being finalised for appointing the sole arbitrator for referring to him all claims and counter claims pertaining to this firm.

In so far as M/s. Amin Chand Payarelal are concerned, wherever the contract agreement provided for arbitration or wherever the party has agreed separately for arbitration, such cases have been referred to arbitrators. In other cases, necessary action for filing suits is being taken.

In case of M/s. J. S. Cohen & Co. also wherever the agreements provided for arbitration or where the party has separately agreed for arbitration, such cases have been referred to arbitrators and in the remaining cases, action to file suits is being taken”.

**1.64. The Committee note that legal action/arbitration proceedings are proposed to be taken certain for recovery of a sum of Rs. 65 lakhs due from parties. Considering that these cases were reported by Audit as early as 1966, it is surprising that action should have delayed so long. The Committee would like arbitration/legal proceedings to be expeditiously initiated and to be informed of their outcome.**

*Action against parties—Para 4.169 of 50th Report (S. No. 98).*

1.65. In para 4.169 of their 50th Report, the Committee made the following recommendations in regard to the action to be taken against parties who defaulted on their export obligations in barter deals :

"The Sub-Committee also desire that pending the fulfilment of export obligations attached to these import licences, or the completion of the above investigation (whichever is earlier), the Government should suspend all further dealings with the defaulting firms, as was envisaged in the Ministry's policy letter dated the 2nd February, 1960."

1-66. In their reply dated 16th February, 1968, the Ministry of Commerce indicated to the Committee the following position in regard to the action taken against the parties concerned :

"Iron and Steel Controller placed the names of the following six firms under 'Banning List' for the purpose of governmental purchases, etc., under the "standardised code", because of their failure to fulfil certain export obligations against import licence obtained by them in pursuance of the barter deals entered into by them and approved by the Government :—

1. Amin Chand Payarelal
2. Surrendra (Overseas) Pvt., Ltd.
3. Apeejay Private Ltd.,
4. Ram Krishan Kulwant Rai
5. J. S. Cohen & Co.
6. Khemchand Rajkumar

All these parties were informed of the Ban after serving them show-cause notices. The first five parties aggrieved by the decision, filed writ petitions in the Calcutta High Court., who issued interim injunctions restraining the Union of India, Iron & Steel Controller, etc., from taking any action to the banning orders. The sixth firm (M/s. Khemchand Rajkumar) did not resort to Court proceedings but instead surrendered certain other licences and entitlements in lieu of their shortfall in exports. The Ministry of Iron & Steel approached the Ministry of Commerce on 17th June, 1966 for considering the question of taking action against these defaulting parties under the Imports & Exports (Control) Act. The C.C.I. & E. placed all these parties under abeyance List for purposes of Licencing. Thereafter the Calcutta High Court was moved to modify their orders to enable the Union of India in the Ministry of Commerce and C.C.I. & E. to deal with the cases of the five firms in pursuance of the mandatory powers under the Imports & Exports (Control) Act. The Calcutta High Court, delivered judgement to the effect that whereas the C.C.I. & E. cannot be precluded from taking any action under the powers vested in him, the Iron & Steel Controller should review their decisions of placing the parties under 'Banning List' or that they should come forward to place adequate reasons before the Court to maintain their stand. The Iron & Steel Controller has sought another hearing to plead their case before the Court. The position as it stands today is that the Chief Controller of Imports & Exports is also precluded from taking any action against the parties under the Imports & Exports (Control) Act.

The cases are at present being heard in the Calcutta High Court and its final judgement is awaited."

1.67. In a further reply dated 9-8-1968, the Ministry of Commerce stated :

"The Calcutta High Court has already delivered their judgement setting aside the banning orders issued by the Iron and Steel Controller, Calcutta, and allowing the Union of India and the Office of the C.C.I. & E. to proceed against M/s. Aminchand Payarelal Group of firms under the Statutory provision of the Import and Export (Control) Act, 1947. In view of this judgement, the Iron and Steel Controller, Calcutta, has been requested to initiate penal action by issuing show cause notices to the firm involved under Clause 8 of the Imports (Control) Order 1955 with a view to debarring them from obtaining import licences etc. for a specific period."

1.68. The Committee of Inquiry which investigated at length the conduct of one of the firms, M/s. Ramkrishan Kulwantrai, who defaulted on an export contract, made the following observations in para 7.11 of their Report :

"It remains to consider the part that was played by Ramkrishan Kulwantrai. From the facts mentioned earlier, Ramkrishan Kulwantrai's barter proposal for 25,000 tons was approved on 5th May, 1960. They submitted applications for pre-import licences, and the decision to grant pre-import licences was taken on 7th June, 1960; and on the same date they were granted the licences. Until 29th October, 1960, there was no correspondence which would go to show that Ramkrishan Kulwantrai had taken any interest to fulfil their part of the obligations to export under the letter order. Ramkrishan Kulwantrai were, therefore, asked the circumstances under which they submitted import applications and obtained 5 pre-import licences totalling Rs. 1,00,79,696 without entering into corresponding purchase contract with Hindustan Steel Limited for export. They replied that neither Hindustan Steel Limited nor the Iron and Steel Controller made known to them or directed them that a purchase contract would have to be finalised before they could be allowed pre-import licences. Ramkrishan Kulwantrai were one of the leading concerns in the iron and steel trade. They had put through several barter proposals both under the S.T.C. and under the Iron and Steel Controller. Hence it cannot be stated that Ramkrishan Kulwantrai did not know that they had to enter into export commitments before they obtained pre-import licences. Even under the semi barter scheme they had contracted with Hindustan Steel Limited for the purchase of 5,000 tons of slabs and to export—vide Contract No. 14. and had obtained pre-import licences on 15th June, 1960. Hence, there can be no question of Ramkrishan Kulwantrai not knowing the terms and conditions of the barter scheme. It should, therefore, be construed that Ramkrishan Kulwantrai did take advantage of the oversight of the Iron and Steel Control Office and avoided the responsibility to export. To this extent, adverse notice has to be taken of the action of Ramkrishan Kulwantrai."

1.69. The Committee observe that action was taken by Government to put the Aminchand Payarelal Group of firms on the banning list but that this was set aside by the Calcutta High Court in April 1968. The High Court, however, allowed Government to proceed against the firms under the statutory provisions of the Imports and Export (Control) Act, 1947 and Government

have accordingly initiated necessary action in December, 1968. The Committee would like to be apprised of the further progress made in the matter.

1.70. The Committee would like to be apprised of the action taken by Government pursuant to the observations made by the Committee of Inquiry in para 7.11 of their Report.

## CHAPTER II

### RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

#### Recommendation

As admitted by the Secretary of the Ministry barter deals have led to all kinds of abuses. In view of this it requires a serious consideration on the part of the Government whether such deals should be allowed and if so under what circumstances and through what agency. In the opinion of the Committee such deals should normally be handled directly by the S.T.C./M.M.T.C. They would recommend that after careful examination Government should enunciate a clear policy in the matter.

[Sr. No. 77 of the 50th Report of P.A.C. (Third Lok Sabha)]

#### Action Taken

No barter deal involving import of steel is allowed since 1966 unless it is handled by S.T.C./M.M.T.C.

[Ministry of Heavy Engineering]

#### Recommendations

4·112. The Sub-Committee are alarmed to note that there is an appalling state of affairs so far as the issue of import licences and maintenance of records thereof by the office of the Iron and Steel Controller is concerned. These import licences were neither machine numbered; nor were proper records maintained in the office of the Iron and Steel Controller. The registers maintained for this purpose did not bear attestation of the entries made by any officer. Further, no uniform procedure was followed by the Regional Offices of the Iron and Steel Controller in allotting numbers to import licences, etc.

4·113. The Sub-Committee regard this state of affairs as very serious as this can lead to many complications. They desire that the procedure regarding maintenance of records of issue of import licences in the office of the Iron and Steel Controller and its branches should immediately be examined in consultation with Audit and suitable remedial measures taken.

[Sr. No. 78 & 79 of the 50th Report (Third Lok Sabha)]

(Para No. of Report 4·112 and 4·113)

#### Action Taken

The audit Party visited the office of the Iron and Steel Controller during March, 1966 and examined the registers of import licences maintained in

that office. Similarly, the Audit Party had also visited the Regional Offices and scrutinised the import licences registers maintained by them. The discrepancies pointed out by Audit party were reconciled.

From 1st April, 1965 all import licences are issued by the Iron & Steel Controller's Organisation on forms printed on Security paper from the Government of India Press, Nasik. The original and duplicate of the licence forms meant for exchange control purposes and customs clearance purposes are printed on security paper while triplicate and quadruplicate are printed on ordinary paper. The letter copies on ordinary paper are used as office copies in the relevant case file and in the statistical Branch of Steel Controller's Office.

There are two types of forms in use, one for established importers and one for actual users.

The import licence registers are now being maintained properly in accordance with the advice given by Audit. These licence registers are also now signed after the issue of each individual licence by the officer authorised to issue the import licence.

[Ministry of Steel, Mines and Metals O. M. No. S.C. (II)-14(6)/66, dated 2-12-1968].

#### **Recommendation**

30. In view of the lapses which have taken place in these deals, both in the offices of the Government as well as on the part of the parties, these cases require a thorough probe. In the case of the officers of the Government, the Committee also desire that responsibility should be fixed for the various lapses. The Committee therefore, suggest that these cases should be investigated by a high powered Committee which should consist of a person of the status of a High Court judge; an officer from the office the Comptroller & Auditor General of India; an officer from the Central Board of Revenue well-versed in Customs Law, Import and Export (Control) Act 1947 and Income-tax Law. This high powered committee should be suitably assisted by an agency expert in investigation of the cases.

This high-powered Committee should investigate the various lapses which have been dealt with in this report in all the preceding paragraphs.

[Sr. No. 97 of the 50th Report of P.A.C. (Third Lok Sabha)]

#### **Action Taken**

31. So far as the enquiry proposed by the Sub-Committee is concerned the Government accept the finding that there are a certain number of matters referred to in Chapter IV of the Committee's Report which require further investigations. (In fact Government have not been satisfied for some time with the procedures followed in the Steel Control Organisation and recently appointed a Committee, headed by Shri Khadilkar, M. P. to enquire into these procedures. They have also referred one or two cases relating to his Organisation to the Vigilance Commission—*vide* paragraph 19 *ante*.) Which are the matters which thus require investigation in the Government's view will be apparent from the comments made in this memorandum. Specifically they are the items enumerated in sub-para 2 of paragraph 4.165 of

the Committee's Report. Since, however, it is very desirable that the investigation which is proposed should be completed early, the Government feel that the appointment of a Committee of the type described in paragraph 4.167 of the Committee's Report may not be the best way of achieving the objectives which the Sub-Committee clearly desired. In selecting the personnel for the enquiry, Government will take care to ensure that the persons selected are such as will inspire confidence and will at the same time secure early completion of the investigation. In view of this decision of Government to appoint a Committee to investigate some of the matters referred to in Chapter IV of the Committee's Report, it has not been felt necessary to comment in detail on each paragraph of the observations made by the Sub-Committee, but comments have been made only on certain selected paragraphs where it has been felt, mainly on the basis of further facts which have been adduced, that the entire position had not been clearly presented before the Sub-Committee earlier.

[Ministry of Iron and Steel O. M. No. S. C. (11)-14(6)/66, dated 18-7-1966].

#### Recommendation

The Committee enquired as to why some of the 21 firms mentioned in the list of associated firms of M/s. Amin Chand Pyarelal furnished to the P.A.C. (1965-66) and included in Appendix XXXIX of their 50th Report, as also the one referred to in the Iron and Steel Controller's letter dated the 23rd December, 1957, had not been included in the suspension order issued on 31st July 1963. The Secretary promised to check up why other firms were not included in the order.

The Committee would like to be informed about this in due course. [Paras 1.22 & 1.23 of 55th Report (3rd Lok Sabha)].

[Sr. No. 5]

#### Action Taken

It has been ascertained from the Iron and Steel Controller, Calcutta, that at the time of issue of the suspension orders in July, 1963, there was no systematic procedure for ascertaining thoroughly the names of all the allied concerns of the firms proposed to be black listed or with whom it was proposed to suspend business dealings. For furnishing information for the 50th Report of the Public Accounts Committee, the Iron & Steel Controller had, however, ascertained from M/s. Aminchand Pyarelal, the particulars of their allied concerns. Regarding the omission, of the firm named in Iron and Steel Controller's letter dated the 23rd December, 1957, it may be stated that as M/s. Ram Krishan Kulwantrai have no common Director with M/s. Aminchand Pyarelal, the former could not be treated as an allied concern of the latter.

The Iron and Steel Controller has been advised to follow a systematic procedure in future for gathering information regarding names of all the allied concerned of the firms proposed to be black listed from the concerned firm or through independent sources.

[Ministry of Steel, Mines and Metals (Deptt. of Iron and Steel) O.M. No. PARL(9)-22/66, dated 24th December, 1968].

NEW DELHI,

The 24th December, 1968.



### CHAPTER - III

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

##### Recommendation

The Committee are unable to appreciate the manner in which the selection of parties was made by the Iron & Steel Controller in 1960 for these barter deals. At that time none of the parties had any mature experience of export of steel. Most of the parties selected were such against whom Government were obliged to take action at one time or the other. The Committee are not convinced with the argument given by the witness that there was no direct involvement of the Government funds in exports connected with these deals. The Committee feel that the Government involvement in these barter deals was no less than in a straight transaction of import of steel, especially when these deals were entered into after the decision to grant pre-import licences was taken. Another disquieting feature of this case is that neither any tenders were issued nor any public notice was given before these deals were concluded by the Iron & Steel Controller. Even the procedure described in the Ministry letter dated 14th January 1960 was to be indicated to "a few select firms". The Committee feel that the system of tenders which was already in vogue in the case of imports of steel, should have also been followed in these barter deals. Non-invitation of tenders thus deprived Government of the benefit of competitive terms and conditions.

[Paragraph 4·14—Sr. No. 53 of the 50th Report of P.A.C. (Third Lok Sabha)].

##### Action Taken

2. Sub-Committee have expressed "Disquiet that no tenders were invited, that the procedure prescribed by the Ministry was that "a few select firms" might be invited to make offers and the Sub-Committee, therefore, feels that the benefit of competitive terms and conditions was lost. As was pointed out to the Sub-Committee during the evidence given before the Committee, it was common knowledge in the latter half of 1959 that semi-finished steel was available with Hindustan Steel for sale and export. Because of this a number of parties approached sometimes Hindustan Steel, sometimes the Iron & Steel Controller, and sometimes the then Department of Iron & Steel, with proposals for export of semi-finished steel and import of finished steel. Just to show how commonly the facts were known to the trade, the following offers from the parties are available on File No. SC(B)-12/92/59 on the Iron & Steel Ministry :

- (i) An offer dated the 4th August, 1959 from M/s. Apeejay Private Ltd., addressed to the Steel Controller for export of Hindustan Steel's ingots in exchange for pipes from European Mills.
- (ii) An offer dated 13th August, 1959 from M/s. Mahindra & Mahindra Ltd., addressed to the Hindustan Steel Ltd., for export

of steel slabs from Rourkella on barter basis, copy furnished to the Deputy Secretary, Ministry of Steel, Mines & Fuel.

- (iii) An offer dated 26th August, 1959 from M/s. Dodsai Private Ltd., on behalf of their principal M/s. Mannesmann, regarding export of semi-finished steel by Hindustan Steel. The offer was addressed to the Secretary, Ministry of Steel, Mines & Fuel.
- (iv) An offer dated 11th June, 1959 from M/s. K. M. Kalliappa Pillai & Co. Ltd., addressed to the Secretary, Ministry of Steel, Mines and Fuel, undertaking to export steel to Ceylon with a proposal to be appointed sole agents for the disposal of Indian steel to Ceylon.
- (v) An offer dated 15th October 1959 from M/s. Amin Chand Payare Lal, addressed to the Deputy Secretary to the Government of India, Ministry of Steel, Mines & Fuel offering to export ingots and slabs from Hindustan Steel against import of pipes.
- (vi) An offer dated 17th August, 1959 from M/s. C. Itoh & Co., Ltd., addressed to Hindustan Steel Ltd. offering to purchase steel ingots or slabs against export of steel tubes from Japan.
- (vii) An offer dated 13th August, 1959 from M/s. Khandelwal Brothers Private Ltd., addressed to the Iron & Steel Controller offering to export steel ingots from India in exchange for imports.
- (viii) An offer dated 5th November, 1959 from M/s. Vijay Trading Company to Hindustan Steel offering to sell ingots and slabs against import of finished steel material.
- (ix) An offer dated the 9th November, 1959 from M/s. V. D. Swami & Co. addressed to Hindustan Steel, offering to sell ingots and imports finished steel in exchange.
- (x) An offer dated the 4th November, 1959 from M/s. Campaign Genovese D' Esportazioni Ltd., addressed to Hindustan Steel Ltd., offering to export semi-finished steel against import finished steel.
- (xi) An offer dated 30th October, 1959 from M/s. Ram Krishan Kulwantrai to Hindustan Steel Ltd. offering to export semi-finished steel in exchange for import of finished steel.
- (xii) An offer dated 11th November, 1959 from M/s. Hope Prudhomme & Co. Ltd., to Hindustan Steel offering export of Steel ingots against import of finished steel.
- (xiii) An offer dated 18th November, 1959 from M/s. Japan Iron & Steel Exporters Association to Hindustan Steel Ltd. offering to export ingots and slabs from Rourkela against imports of Japanese finished steel products.

As to why the Steel Ministry desired that the proposals may be explained to "a few select firms", the reason is obvious. The amount of steel for which barter transactions were to be approved was very large. It was 250,000 tonnes. Exports of steel cannot be conveniently carried out in a large number of small transactions covering a few tonnes each. Therefore, there was need for parties with resources who could handle substantial

tonnages. The whole stress of the Steel Ministry's letter of the 14th January 1960 in which there is reference to "a few select firms" was that the offers should be handled in a business like manner.

3. In para 4.16 of their Report, the Committee have criticised the Iron & Steel Controller for finalising deals for a total export quantity of over 3.74 lakhs tonnes of semis during the period January to May 1960, without prior consultation with Hindustan Steel or reference to the Ministry. This criticism is based on an apparent misunderstanding of what actually happened. The "finalised deals" for quantities aggregating 3.74 lakh tonnes were deals for which the Iron & Steel Controller had issued "approvals" in his standard form, which has been reproduced in Appendix XXIV of the Report.

This form states as follows :

"Your proposal for export of.....and import of steel in exchange thereof is approved by this Office, *subject to the following terms and conditions :-*

- (a) You will be permitted to export.....the specifications, price and delivery of which is to be mutually agreed upon by you with.....
- (b) Against the total foreign exchange earning amounting to..... you will have to import prime quality steel of the following categories and sizes at C.I.F. Indian Port price per tonne as indicated below :

.....  
 .....  
 ....."

It is clear that these approvals were subject to the party having a proper export arrangement with the Hindustan Steel Ltd. who were to fix the export price. It is also not quite correct to say that there was no prior consultation with Hindustan Steel, since it is obvious from the Iron & Steel Controller's letter of February 26, 1960 (Appendix XXVI of the Report) that the entire question of licence of export deals by Hindustan Steel and Steel Controller was gone into in great detail in a meeting held on February 23, 1960 with their representatives of the Hindustan Steel at Calcutta and their different Plants. No doubt, the then Secretary of the Department of Iron & Steel in his letter of February 24, 1960 (reproduced at Appendix XXV of the Report) expressed some surprise at some of the deals which had been finalised and asked that the matter should be discussed with Hindustan Steel. He also sent a message to Hindustan Steel on the same day. It is significant, however, that the Steel Controller's discussions took place even before the issue of the Secretary's letter, *i.e.* they took place on February 23, 1960, whereas the Steel Ministry's letter was issued on February 24, 1960. The object of issuing conditional approvals for a larger quantity than 2.5 lakh tonnes was apparently to secure that at least the targets which had been set by the Ministry were attached. That this preliminary over-approval in the initial stages was justified is established by the fact that

eventually against the target of 250,000 tonnes, transactions covering only 133,000 tonnes of semis were put through.

5. In view of the above facts, patently there was no question of the Government's decision regarding barter deals not having the concurrence of Hindustan Steel or has been forced on Hindustan Steel, without giving their views the consideration and the Sub-Committee's views on this point are obviously based on erroneous premises due to the evidence of a witness from Hindustan Steel Ltd. who apparently confused the relevant dates.

[Ministry of Iron and Steel O.M. No. S.C.(II)-14(6)/66, dated 18th July, 1966].

### Recommendation

It is surprising that the whole scheme of these barter deals was conceived and approved by Government without the concurrence of the H.S.L. Even after doubts arose on 24th February 1960 in the mind of the then Secretary of the Ministry regarding the delivery of the exportable items, the office of the Iron & Steel Controller went on concluding the deals without prior consultation with Hindustan Steel Ltd. As the issue of pre-import licences was involved in these deals, it was necessary to ensure that the exportable material was available in time and that further it would be exported. The Committee are constrained to observe that adequate forethought was not bestowed by Government before approving the scheme of these barter deals and that view of Hindustan Steel Ltd. were not given the due consideration, they deserved.

[Paragraph 4.23 Sr. No. 54 of the 50th Report of PAC (Third Lok Sabha)].

4. In paras 4.20 to 4.22, the Sub-Committee have proceeded on the view that the barter deals were conceived and approved by Government without the concurrence of Hindustan Steel and that the views of the Hindustan Steel were not given the due consideration they deserved. This conclusion has obviously been drawn on the basis of the evidence given by the Chief Sales Manager of Hindustan Steel in connection with the Committee's examination of the Rourkela Steel Plant and also his evidence given later. The representative of the Steel Ministry had pointed out to the Sub-Committee during evidence that there was no warrant for the statement that Hindustan Steel had brought to the notice of Government their anxiety of concern about these barter deals or that they were in any way opposed to these deals. The papers on this subject have been further examined and it is abundantly clear that at no material time did Hindustan Steel represent to Government that they were in any way opposed to the barter deals. It is possible that the witness from Hindustan Steel confused certain dates while giving his evidence, which would account for his evidence. The facts in support of what has been stated above are as follows:

- (a) on 22nd/24th August, 1959, Dy. Secretary, Department of Iron & Steel wrote to the Officer on Special Duty, Hindustan Steel as follows:

'We have received one or two offers for export of steel ingots produced by the plants in the public sector, in lieu of imports

of certain essential categories of steel items required in the country. In view of the fact that there is a time lag between the commissioning of the open hearth furnaces and the commissioning of the blooming, mills, slabbing mills, finishing mills, in both the plants, we feel that there is likely to be exportable surpluses even after accounting for processing of part of it at Tatas. I shall be grateful if you could kindly let me have immediately a statement showing anticipated monthly exportable surpluses month by month for a period of twelve months in the first instance."

—D. O. No. SC(B)—12/92/59 dt. 22nd/24th August, 1959.

The fact that barter proposals were being received was mentioned in this letter and details of production month by month were asked for to enable the Ministry to take a decision.

- (b) The Officer concerned in Hindustan Steel replied to this letter as follows :

"Kindly refer to your D. O. No. SC(B)—12/92/59 dated the 22nd/24th August, 1959. I am still awaiting information from Bhilai and I shall write to you soon.

In the mean-time, I enclose copies of letters from Mahindra & Mahindra Ltd., C. Itch & Co. Ltd., and M/s Amin Chand Payare Lal for your information.

I have informed all of them to contact the Iron & Steel Controller and the Department of Iron & Steel. I have also given them the necessary information regarding the size of our ingots and slabs. I had also mentioned to you some time ago that I had discussed this matter with Shri Ramachandran of Mahindra & Mahindra Ltd., separately. I trust that all these firms have contacted the Iron & Steel Controller and the Department.

In this connection kindly refer to Secretary's D. O. No. Sect/O & S/59-146 dated the 31st August, 1959. As mentioned by the Chairman in the last paragraph of his D. O. of August 28, 1959, a meeting was held at Rourkela by the Resident Director on the 26th of September to discuss this problem along with the representatives of Durgapur and Bhilai and we are awaiting the recommendations of the Resident Director on the basis of these discussions. We will write to you on the subject shortly.]"

—D. O. No. S-3(1)/59-Vol. II dt. 7th October, 1959.

It may be noted that in this reply he did not raise any objections to barter deals either explicitly or implicitly. On the contrary, he forwarded several letters received from a number of parties in which barter deals were suggested. Even apart from that, throughout this period Hindustan Steel continued to forward letters relating to barter deals with the Steel Ministry or with the Iron & Steel Controller. They did so since barter deals which involved fixation of import prices were approvable only by the Steel Controller or the Ministry.

- (c) This is further proved by the letter from the same Officer from Hindustan Steel to the Steel Ministry of the 13th/16th November, 1959, reproduced below:

"I am directed to forward herewith for your information and necessary action through the Iron & Steel Controller, copies in duplicate of the following offers for the export of steel ingots/slabs against import of finished steel, received from:

- (1) Messrs. Compagnia Genevese D' Esportzione Ltd., New Delhi.
- (2) Messrs. Vijay Trading Company, Bombay.
- (3) Messrs. Ram Krishan Kulwant Rai, Delhi.

Since the import of finished steel materials against the export of ingots/slabs on barter basis would involve the settlement of the price of steel imported as an essential part of the transaction, this matter would have to be dealt with by the Iron & Steel Controller. We would, therefore, inform you that Hindustan Steel is not taking any further action in cases where barter deals are proposed. All such cases will be referred to you for further necessary action through the Iron & Steel Controller.

We have just received two offers for the purchase of ingots/slabs on a Straight Cash basis also which are being processed with the parties concerned. If and when these actually materialise, you will be addressed again."

[Letter No. S-3(1)/69-Vol. II, dated 13/16th November, 1959]

A perusal of this letter will show clearly that Hindustan Steel at that time had not the slightest objection to barter deals.

- (d) It was only on the 16th August, 1960 i.e. much after the deals which are now being discussed had been settled, that the Chief Commercial & Transport Manager of Hindustan Steel wrote to the Director (Finance), Hindustan Steel Ltd., Ranchi, in his letter No. SE 6/187/ 64-65 on the subject of sale on cash basis or on barter basis. In this letter the Chief Commercial & Transport Manager stated as follows:

"For quite some time now, this matter has been causing serious concern in view of its short and long term effects on our export ambitions. I have tried to examine the issues as objectively as I could and based on the following considerations, I am wondering whether we should abandon barter completely and concentrate on cash sales only or in view of the higher prices offered go in for barter deals."

Thereafter, he examined the pros and cons of cash deals and barter deals and at the end stated as follows:

"As you are aware, we are, in any case, fully booked for our exportable surpluses over the entire period of 1960 and possibly the first quarter of 1961 and considering that there are only few months left for the close of the year, this case is being referred to you to decide on principle whether we should continue sales on cash basis or embark on barter deals."

On receipt of this letter, Hindustan Steel informed their Chief Commercial & Transport Manager on the 12th November, 1960—vide their

reference No. S/3(38)/60—that the matter had been considered and in the circumstances explained by the Chief Commercial & Transport Manager:—

“We agree that we may try the system of export sales for iron and steel material on cash basis only *hereafter*. From time to time, however, we might have to enter into specific barter deals either on the basis of decisions arrived at by Government as in the recent case of procurement of rails for the Railway Board against barter exports of billets by us, or for the procurement of materials for the exclusive use of HSL themselves such as strips against billets or ingots, etc. Such cases would not, be affected by the above decision. We would like to review the position again after seeing the reactions of the customers during the next three or four months.”

Obviously, there was no policy decision by Hindustan Steel Ltd., till November 12, 1960 that barter sales should not be carried out. So far as can be seen even the November 12, 1960 decision was not communicated to Government. In any case, this view of November 12, 1960 cannot be taken to mean that at the material time *viz.* early 1960, Hindustan Steel were in any sense opposed to barter transactions and had communicated any misgivings on this score to Government.

#### Recommendation

7. The Committee regret to note that the Iron and Steel Controller did not examine in each case whether delay in exports was anticipated as he was required to do in accordance with the Ministry's letter dated 2nd February, 1959 and he merely proceeded on general assumption that it will take so much time for Hindustan Steel Ltd. to complete these supplies. The Committee are of the view that the Iron & Steel Controller failed to comply with the clear instructions of the Ministry in this case.

It is pertinent to mention that the entire barter scheme was evolved to export surplus series and, therefore, more importance should have been given to the main objective of the scheme. Even if the completion of the exports was likely to take time, the import licence could have been issued to the extent to which the foreign exchange was actually earned by the exporters and as and when it was so earned.

[S. Nos. 64 and 65 (Paragraphs 4.55 and 4.56) of the 50th Report of PAC (Third Lok Sabha)]

#### Action Taken

8. As regards the criticism of the Committee that the Steel Controller did not examine in each case whether delay in exports was anticipated or not, the facts are that in the detailed meeting with the Hindustan Steel representatives as well as representatives of the Plants which the Steel Controller held on the 23rd February, 1960 with a view to assessing what were the prospects of slabs, ingots supply, the various items were gone into. The minutes of this meeting which was presided over by the Steel Controller stated as follows:

“Opening the meeting, the Chairman (I & SC) said that Hindustan Steel Ltd., Calcutta, have issued a large number of offers for the export of pig iron, billets, blooms, slabs and ingots, on barter basis. The deals involving exports of blooms, slabs and ingots for which there is no appreci-

able indigenous demand, have already been approved by the Steel Controller and the parties have been told about the categories and prices of steel to be imported.....”

The object of the meeting was to have a clear idea about the availability of exportable surpluses of pig iron, billets, blooms, and slabs and ingots, and their likely delivery schedules so that the pending deals could be finalised. At this meeting it became apparent that, for the most part, the supplies of slabs and ingots as well as blooms were likely to be made available by Hindustan Steel for export through barter only in periods III and IV of 1960, i.e. in the second half of 1960. The Steel Controller, therefore, was fully aware of the delivery schedule of exportable surplus steel and his action in permitting pre-imports, therefore, even if reasons were not recorded separately in each case, cannot be said to have been against the spirit of the first paragraph of the Ministry's instructions contained in their letter No. SC(C)5(5)/60 of the 2nd February, 1960, Appendix XXIII of the Report.

### **Recommendation**

#### **9. Terms of the Guarantee—Inadequate consideration by the Ministry**

4.61. The Sub-Committee feel that while referring this case to Ministry of Finance in January, 1960, the Department of Iron & Steel should have mentioned that previously they were getting bank guarantee equivalent to 20 per cent of the value of the import licence in similar cases. They regret to note that this was not done, nor was a specific proposal made to the Ministry of Finance regarding reduction of amount of bank guarantee from 20 per cent to 15 per cent. This, the Sub-Committee, feel was an omission on the part of Department of Iron & Steel, more so, because almost at the same time opinion was held that even 20 per cent bank guarantee was not an adequate safeguard and the letter of credit must be insisted upon. It also appears that the Iron and Steel Controller wanted that a higher amount of bank guarantee may be prescribed as it was not possible to get letters of credit and for that he asked the permission of the Finance Ministry. They are unable to appreciate why thinking about the quantum of bank guarantee changed in the Ministry of Iron & Steel within so short a period, especially when the nature of deals, the parties and the Officers concerned were the same. This is yet another instance of inadequate consideration of the whole matter of these deals.

[Sr. No. 66 of the 50th Report (Third Lok Sabha)]

### **Action Taken**

While there is some force in the suggestion that the percentage of the bank guarantee need not have been reduced, the Government feel that it would not be fair to conclude that there was any deliberate desire to tone down the conditions to favour any particular firm. It is also worth observing that all cases of failure to export that have taken place have been in regard to the failure to export semi-finished steel alone, where difficulties were encountered by Hindustan Steel in making the supplies available within the stipulated period and where disputes also arose regarding the quality of the supplies required. In view of the pending arbitration proceedings between Hindustan Steel Ltd. and the parties, Government would not like to make further observations on this subject and feel that the Public Accounts Committee will appreciate Government's reasons for not doing so.



### Recommendation

#### 10. Action Taken against Parties

The Sub-Committee note that one of the main conditions stipulated in the Ministry's letter dated 2nd February, 1960 was that the Iron & Steel Controller will have no further dealings with the exporter in case of failure to export. In all these cases the parties failed to export either the full quantity contracted for or at all. The Sub-Committee regret to observe that even this simple stipulations of the contract regarding stopping of dealings, was not carried out. For the various reasons no action has been taken so far by the Iron & Steel Controller or the Ministry against these parties. In view of the fact that the Government were obliged to black-list them or suspend the business on a number of occasions, the Sub-Committee feel that the Iron & Steel Controller should have been extra careful while entering into those barter deals involving huge amounts. Even when the failure of the parties to fulfil their export obligations took place in 1960, the Iron & Steel Controller issued show cause notices to them only in April, 1964 of which "the drafting is very poor" was admitted by the Secretary. The Sub-Committee feel that there was unduly long delay in initiating action against these parties. And there is no justification at all for this 'very poor drafting.'

[Sr. No. 76 (Paragraph 4.102) of the 50th Report of PAC (Third Lok Sabha)]

#### Action Taken

The history of the action taken after the failure or delays by the parties to export semi-finished steel came to notice is as follows :

11. By the end of October, 1960 it was becoming clear that adequate exports were not taking place to earn the foreign exchange spent on the quantities of steel pre-imported. Therefore, instructions were issued to the Steel Controller by the Department of Iron & Steel on the 22nd October, 1960 (*vide* D. O. No. SC(B)-23 (12)/60) that no further pre-imports should be allowed and that in regard to imports that had already taken place, the Steel Controller should ensure that the parties did not try to get out of their export commitments on the plea that there had been delay on the part of the Hindustan Steel to supply the steel for export. He was instructed to use his influence to see that the export commitments entered into really materialised. He was also instructed to ask Hindustan Steel to give priority in despatches against export commitments.

12. The position was reviewed again in July and August, 1961 and the Steel Controller was asked to furnish a full and up-to-date statement of the barter transactions position. In his reply of the 21st August, 1961—*vide* his D.O. No. CP/152/Pol/1048—the Steel Controller reported as follows :

"Previously this Office was allowing pre-import both under ferrous scrap barter and Hindustan Steel barter, either against 15% bank guarantee or against irrevocable letters of credit opened in favour of barterers for the exportable goods. As the Hindustan Steel failed to honour their export commitments with the barterers, a difficult situation arose in that the value of imports made on pre-imports basis exceeded the value of exports made. Under direction of the Ministry, pre-import has been totally stopped in regard to Hindustan Steel barter with effect from 22-10-60 and the gap between the foreign exchange earned is gradually

narrowing down. There is no apprehension that this gap would not ultimately be bridged over. In certain cases export licences have since expired, these would certainly be revalidated in time."

The statement enclosed with this letter showed a gap of approximately Rs. 2.4 crores.

13. On the 5th October, 1961, in their D. O. No. SC(B) 22(36)/61, the Ministry again asked the Steel Controller to "initiate steps to ensure that the foreign exchange is earned in all cases where imports have already taken place", and a report showing the progress made was asked for. Such a report was sent by the Iron & Steel Controller in his D. O. No. CP/152/Pol/1136 of 1st/2nd November, 1961.

"You will find that the failure of foreign exchange earning is only with regard to Hindustan Steel products. Here also the position is difficult only with regard to billets. As regards ingots and slabs, the latest position is that only about 10,000 tonnes are to be produced and supplied by Hindustan Steel and the balance of about 40,000 tonnes are already lying at the ports, awaiting shipment. With regard to billets, however, we have still to export about 20,000 tonnes. We have already issued instructions to Hindustan Steel to export billets at the rate of 6,000 tonnes per month giving preference to exports against barter deals. Within the next 4/5 months, therefore, all these exports are expected to be completed. I had a discussion recently with Dr. Klinar about export of balance quantity of slabs and ingots and he has confirmed that it would be possible for him to complete these exports by the end of December 1961."

After examining the report, it was felt that much of the shortfall was due to supplies not being made available by Hindustan Steel in time and the Steel Controller was, therefore, further exhorted on the 29th of December, 1961 to review the position carefully and take suitable action.

14. When on receipt of a further report in March 1962, it appeared that the position had not materially improved, a letter was issued to the Steel Controller on 17th April, 1962 (Annexure 'A') and his reply was received on the 28th April, 1962 (Annexure 'B'). The Ministry's letter stated as follows:

"You will see from the above figures that progress of exports is painfully slow and at this rate it will be years before the outstandings are liquidated. I would like to know what exactly are the difficulties standing in the way. So far as I can see at the moment, there should be no great difficulty in either billets or slabs or ingots being found from Hindustan Steel. Therefore, it looks as if there is a reluctance on the part of the exporters to take up the supply, possibly on the grounds of price. If this surmise is correct, what solution do you have in mind which can get over the difficulty?"

In his reply, the Steel Controller stated that the following two reasons had affected the progress of exports:

- (i) In some cases, particularly in the case of billets, materials were not supplied by HSL in time. The importers, therefore, failed to honour their commitments with foreign purchasers and their contracts with these foreign purchasers had to be cancelled. When

HSL came to a position to supply the materials, world market prices had fallen and the exporters found it impossible to export the materials at the original prices at which they had entered into original contracts with HSL. The exporters requested HSL for prices of billets to be reduced, but HSL did not agree to this proposal.

- (ii) In certain cases, particularly those relating to slabs and ingots, materials supplied by HSL were sub-standard. I understand that in regard to certain exports made to the Steel Company of Wales, the exporters were in difficulty as the materials supplied were such that they could not be rolled into sheets. I further understand that on an inspection of slabs lying in the ports for export, HSL have found that the materials are of such a quality that they should not be exported. So, even if there were any possibility of exporting these slabs, there should be no question of such export after this discovery, as such an export would cause a great harm to the Indian Steel industry."

After analysing the reasons for the failure of exports, the remedy proposed by the Steel Controller was that exports should be allowed by these parties of certain other categories of steel which were being normally allowed at that time under certain price concessions to the exporters. These suggestions were examined and instructions were ultimately issued to the Steel Controller in September 1962 that he must persuade the parties who had made pre-imports to export permissible categories of steel at the concessional prices for steel which had been agreed to under certain export schemes.

15. Unfortunately, after October 1962 there seems to have been a failure on the part of the Steel Control to send monthly returns to the Ministry showing the progress of exports against pre-imports. The failure escaped notice for some time in the Ministry, but in July 1963 the Ministry wrote to the Steel Controller pointing out that information was not being furnished regularly to enable the Ministry to watch the further progress of exports, in accordance with the direction given in September, 1962. The Steel Controller replied on the 19th July, 1963 in his letter No. CP/Progress/96/60/III/666 that as the Hindustan Steel Ltd., had, for some time now, not been sending their monthly reports showing the progress of exports of semis against the pre-import deals, he could not send his statement regularly, and that he was taking up the matter with Hindustan Steel and would send the statement regularly later. He also stated in this letter that he had been pressing the different bartering firms to arrange export of finished steel, so that their pre-import accounts might be squared up. But the response had been rather poor and till then only Rs. 3,10,000 worth of finished steel had been exported which had been adjusted against the pre-import account. The case was also discussed with the Controller when he visited Delhi in August 1963 and he explained the efforts that he had been making to step up exports to meet the deficit.

16. After watching the situation for a little more time, when it was clear that little improvement was to be expected, instructions were issued to the Steel Controller on the 20th February, 1964 that a "show-cause" notice might be issued to the defaulting firms and a report submitted to the Ministry with the Steel Controller's recommendations. Monthly progress reports were also asked for. The "show-cause" notices seem to have been issued by the Steel Controller to five firms in April, 1964. He reported in

May, 1964 that of these firms three, viz. M/s Amin Chand Payare Lal, Surrendra Overseas Ltd., and Khemchand Rajkumar had requested for one month's time to reply to the notices. M/s. Ram Krishan Kulwant Rai had represented that since their contract for export of semis with Hindustan Steel was under reference to arbitration, no action might be taken by the Iron & Steel Controller till the arbitration proceedings were over. M/s. J. S. Cohen & Company stated in their reply that due to the imposition of restriction on export of billets, billets could not be exported under the barter deal and that the foreign exchange earned on billets and slabs exported through their agency on cash basis against some other contract with Hindustan Steel should be adjusted against their pre-import barter deals. The Steel Controller stated that this explanation was under scrutiny and the Ministry would be kept informed when replies from other firms were also received.

Later, in June 1964, the Controller reported that in response to the "show-cause" notice, M/s Amin Chand Payare Lal, Surrendra Overseas Ltd., and Ram Krishan Kulwant Rai had represented that since their contracts for exports of semis with Hindustan Steel were under reference to arbitration, no action should be taken till the arbitration proceedings were over. As the explanation to the "show-cause" notice submitted by M/s. J. S. Cohen & Company was not found convincing by the Iron & Steel Controller, they were given another opportunity to submit a concrete proposal for export of finished steel by the 29th June, 1964. It was also reported that M/s Khemchand Rajkumar had submitted a proposal for export of finished steel materials to earn the necessary foreign exchange already spent on pre-import. The proposal was under scrutiny.

17. The case was discussed with the Ministry of Finance also in January 1965 when it was felt that we should know clearly what had been the share of responsibility of Hindustan Steel in the matter before taking administrative action against the firms and the Steel Controller was asked to go into this aspect of the case carefully. From the reports received from the Iron & Steel Controller, it became clear that it was not easy to disentangle the responsibility of Hindustan Steel and the bartering firms—in other words how much of the failure to export was due to any lapses or reluctance on the part of the firms and how much due to the failure of Hindustan Steel to supply the semi-finished steel of the correct quality by the contracted dates. In view of these reports, it was decided to refer the matter to the Central Vigilance Commission in March 1965 about black-listing the firms, since by that time orders had been received in the Ministry that the Central Vigilance Commission should be consulted before black-listing was ordered. The Central Vigilance Commission sent their views in February 1966 to the effect that in their opinion there was no warrant for black-listing the firm, whose case was referred to them as a kind of test case. Subsequently, orders banning transactions with all the five firms for three years were issued by the Ministry to the Controller on the 27th of April, 1966 and by the Controller on the 7th May, 1966. The Ministry's orders were issued shortly before the receipt of the Public Accounts Committee's Report in the Ministry.

18. It has been felt necessary to set out the above chronology in some detail so as to establish that throughout the Ministry had been very much exercised about the delay in the exports. It is true that the Ministry's letter of 2nd February, 1960 stated that:

- (a) the bank guarantee would be forfeited in case of failure to earn the foreign exchange by export, *whatever be the reason therefor*;

- (b) it should also be made clear to the exporters that in case of failure to export, the Iron & Steel Controller would have no further dealings with them.

Nevertheless, having regard to the actual form of bank guarantee obtained, (which has been discussed earlier), it was very material to enquire whether Hindustan Steel had made the goods available to the parties in time. And even though it had been stated in the letter of 2nd February, 1960 that on the failure of the barterer to export, the Iron & Steel Controller would have no further dealings with him, it did seem very pertinent to enquire what, in fact, had led to the failure and who was responsible. Even if absolute authority to ban business existed, by virtue of the letter of 2nd February, 1960, it seemed only equitable that in exercising the power the facts relating to the failure should be gone into to some extent. That the Steel Ministry's view was sound is clearly established by the fact that when the question was referred to an independent body such as the Central Vigilance Commission, that body also advised that on the facts there was no case for black listing the firm. This and no other reason led to the delay in taking action under the penal clauses; even though all the transactions continued to be kept under review continuously, during the last three or four years, as the chronology set out in this section abundantly proves.

As regards the poor drafting of the "show cause" notices, it is clear that despite it, the parties concerned fully understood what they were being asked to explain and in any case the "poor drafting" did not in any material way prejudice any action that could be taken.

#### Recommendation

The Committee are not entirely satisfied with the present system of pricing and distribution of imported steel. So far as pricing is concerned, the Iron and Steel Controller mainly relied on Metal Bulletin prices. This was objected to by Audit but the Department still felt that the Metal Bulletin was a reliable guide. In some categories however, like stainless steel, even this guide viz. Metal Bulletin prices was not available. The basis adopted in fixing stainless steel prices was unsatisfactory inasmuch as competitive quotations were obtained through interested parties and not through independent sources. The Committee, therefore, feel that during the period of so many years of its existence, the office of the Iron and Steel Controller should have evolved more reliable and rational method regarding pricing of the material involved in barter deals. As regards the distribution of the imported steel, the Committee were given to understand that after about 120 days of the import of materials, the importers are permitted to sell it to the quota holders. The Committee feel that some check should be exercised by the office of the Iron and Steel Controller on such releases of steel to the quota holders by the importers so as to avoid any possibility of the sale to unauthorised persons.

[Sr. No. 80 (Paragraph 4-120) of the 50th Report of P.A.C. [Third Lok Sabha].

#### Action Taken

There is no price and distribution control on iron & steel. However, the policy permits imports of steel by actual users/registered exports only.

[D.O. Letter No. SC(11)-14(6)/66, dated 13-3-1969].

### Recommendation

20. The party M/s. Khemchand Rajkumar did not complete its export obligation. Against expected exports of Rs. 23·93 lakhs, they made actual exports of Rs. 7·33 lakhs only. They did not pay any heed to orders of the office of the Iron & Steel Controller in this regard. On the other hand they had shown impolite behaviour in correspondence with the Iron & Steel Controller. In spite of this, the firm was given not only 2 industrial licences for setting up tin plate plants in 1963 and 1964, but also imported raw material was released even before the plant went in production without asking them to fulfil their past obligation regarding exports of semis. To say the least this was all very strange.

[Sr. No. 89 (Paragraph 4·175) of the 50th Report of P.A.C. (Third Lok Sabha)].

### Action Taken

The first licence to the party was given in 1954 in the circumstances which have been fully explained in Appendix XLIII of the Report. The Committee enquired in what circumstances licence was not necessary under the Industries (Development & Regulation) Act, 1951. It was explained that this was because the unit would employ less than 50 persons. The licence issued also provided as follows :

“Although the installation may not now come under the purview of the Industries (Development & Regulation) Act, 1951 as amended and in force, as intimated by you, you will no doubt comply with the provisions of the said Act if and when the factory comes within the scope of that Act.”

21. As regards the grant of licences in 1963 and 1964, it is noted that the Committee's objection is apparently not that there was anything intrinsically wrong in the issue of these licences, but the Committee felt that the licences should not have been issued *to this party* by virtue of the following facts :

- (a) They had made exports of only Rs. 7·33 lakhs against their pre-imports of Rs. 20·46 lakhs.
- (b) They did not observe the Steel Controller's instructions regarding export and wrote impolite letters to him.
- (c) Therefore, if an industrial licence were given to this party, it should have been only after it had fulfilled its export obligations.

As against this, the following points are to be noted :

- (a) This was the only firm, apart from the Tinplate Company of India, who had any experience of tinning black plate so as to make tinplate and had been doing so since 1959-60.
- (b) The first proposal for expansion of capacity from 10,000 tons, to 20,000 tons did not involve any substantial addition of new capital or machinery.
- (c) The electrolytic plant for which permission was allowed was the first of its kind in India (apart from the one which was being plan-

ned to be set up at Rourkela) and would save heavily on the consumption of tin and since tin is a wholly imported metal, result in considerable saving of foreign exchange. There was no other application from any other party for the setting up of an electrolytic tinning line. The foreign exchange cost of the electrolytic tinning line was extremely favourable, the plant being a second hand one and by the time the licence was given for the electrolytic plant it was clear that the Tinplate Company's expansion was very seriously delayed. (The Tinplate Company of India has still not taken up its expansion scheme.)

On merits, therefore, there can be hardly anything against the grant of these two licences; but the point is whether these two licences should have been allowed to this particular firm.

22. It is true that this particular firm did not fulfil its export commitments against the pre-imports in its entirety. It did so only to the extent of 35 per cent. But the Sub-Committee appears to have failed to notice the significance of the fact that in regard to Hindustan Steel's dispute with the six firms which are referred to at page 70 of the Sub-Committee's Report, Hindustan Steel themselves decided not to take any action against the firms of M/s. Khemchand Rajkumar and M/s. J. S. Cohen & Company. Attention of the Committee is drawn to the statement of the Chief Sales Manager of Hindustan Steel on this point in his evidence before the Committee, reproduced in paragraph 4.87 of the Sub-Committee's Report, where the Chief Sales Manager, explaining why Hindustan Steel did not proceed against the firm of M/s. Khemchand Rajkumar and M/s. J. S. Cohen & Company, stated as follows :

"There was no failure on the part of the parties to take delivery of whatever we have made and the rest we could not supply. We were advised that we may not proceed against these parties and there will be no point in entering into litigation."

When asked why they did not manufacture the goods contacted for, he stated that in the case of Khemchand Rajkumar "the last supply was made on 28th February, 1961 which the party accepted and we wanted to deem it as extension of the contract (which had already expired on 30th November, 1960) but they (party) did not agree." This evidence clearly shows so far as this particular firm was concerned, Hindustan Steel themselves seem to have felt that they had a weak case against it. In other words, they appear to have felt that they had themselves failed to supply the goods for export to the firm in accordance with the contract made with the firm. It also clear from the correspondence reproduced at pages 274 to 284 of the Report that it was due to the fall in the world prices of steel that the firm did not agree to extending their original contract with Hindustan Steel, after the expiry of the first delivery date unless Hindustan Steel were unwilling to do. This evidence would appear to substantiate that in all the circumstances of the dealing of this firm with Hindustan Steel, it could not be said that the major portion of the blame rested with the firm.

23. As regards the nature of the correspondence between the party and the Iron & Steel Controller, first of all it should be observed that the correspondence reproduced at pages 274-284 of the Sub-Committee's Report was not available to the Ministry at the time when these licences were issued, since the relevant files were Steel Control files, copies of which were seen in

the Ministry only in December 1965; and, secondly, essentially in this correspondence the party is reiterating its claim that its failure to export was due to the failure of Hindustan Steel to supply them the goods in time and the reluctance of Hindustan Steel to reduce the prices later. Nor does a reading of the exchange of correspondence show that the correspondence was in any sense rude or impertinent. It is also questionable how far Government would be justified in refusing to issue an industrial licence in a case where it is on merits otherwise fully justified to a firm, which is neither black listed nor "banned".

24. Another criticism of the Sub-Committee is that the firm was allowed to have imported raw materials released even before its plant went into production without asking them to fulfil their past obligations regarding export of semis. The Sub-Committee's criticism is based on the assumption that industrial raw materials can or should be denied to a firm which is black listed or dealings with which have been banned. Even if this view were correct (according to prevailing Government instructions, this is not so), so far as this particular firm is concerned, the list at pages 90-91 of the Sub-Committee's Report will show that it has not either been black-listed nor business suspended with it at any time. But even in regard to the black-listed firms, the policy of the Government of India hitherto has been, according to the Standardised Code, that supply of controlled raw materials like iron and steel *will not be denied* to a black listed firm. The electrolytic tinplate unit which was allowed to be set up, had a capacity of 60,000 tons. A unit of this type uses nearly 5,000 tons of black plate a month as its raw material. Obviously, for continuous working of such a unit, the industry should have about two to three months' supply in advance. The total amount of tin mill black plate which was released in favour of this firm before it went into production was 6,776 tonnes during the period May to October, 1965. This was on the basis that the unit would go into production in March, 1965. Surely, it cannot be argued that release of 6,776 tons of raw material for a unit which has a capacity of 60,000 tons a year, between three to six months after the unit was reported to be ready for production, is in any sense an excessive concession or a transaction with which the slightest fault can be found. In all the circumstances of the case, Government feel that there was no special feature which would attract any criticism in the licensing done in this case.

#### Recommendation

The Committee fail to understand how these special favours have continued to be shown by the office of Iron & Steel Controller to these groups of firms for so long.

[Sr. No. 90 (Paragraph 4.159 of the 50th Report of P.Ac. (Third Lok Sabha)]

#### Action Taken

No Specific action is called for.

However, it may be stated that the SIC (ST) has not found any discrimination/favouritism shown to any particular firm/group of firms.

[D.O. letter No. SC(11) 14(6)/66 dated 13-4-69]



### Recommendation

25. The Committee are constrained to observe that Government had not taken a serious view of these objections; had they taken proper and timely action on the recommendations made by the Public Accounts Committee in their earlier reports, the loss to Government could have perhaps been avoided by stoppage of dealings with this group of firms.

[Sr. No. 91, (Para 4.160) of 30th report of PAC (Third Lok Sabha)]

### Action Taken

In this para the Sub-Committee has referred to certain comments in relation to the firm of M/s. Amin Chand Payarelal or other associated firms in earlier Audit Reports. It should be pointed out that Government's replies to all these earlier Audit paragraphs, except one, have been communicated to the Public Accounts Committee quite some time ago, after proper examination into each one of these cases, as follows:

*S. No. 1 of Appendix XLIV—(para 130—134 of 34th Report—1960-61)*

Government's comments were communicated in Office Memorandum No. PARL (10)-4/61 dated the 7th December, 1962. No further comments of the Public Accounts Committee on these comments were received by Government.

*S. No. 2 of Appendix XLIV—(Para 155 of 42nd Report—1961-62)*

Government's reply was communicated in Office Memorandum No. PARL (10)-5/62 dated March 26, 1963. No further observations were received by the Government on their reply from the Public Accounts Committee.

*S. No. 3 of Appendix XLIV—(Paras 156—158 of 42nd Report—1961-62)*

Certain papers on the basis of which Government could have fixed responsibility in this case were not traceable. After protracted search they have been very recently found and final reply on this paragraph will be sent shortly.

*S. No. 4 of Appendix XLIV—(Para 164 of 42nd Report-1961—62)*

The observations of the Committee were noted and this reply was sent to the Committee on 26th March, 1963.

*S. No. 5 of Appendix XLIV—(Para 89 of 8th Report—1962-63)*

The reply of Government to this paragraph was sent in this Ministry's Office Memorandum No. PARL (10)-8/63 of the 16th/20th March, 1965. Subsequently it has been decided that these cases be referred to arbitration.

*S. No. 6 of Appendix XLIV—(Para 90 of 8th Report—1962-63)*

The Ministry's explanation was sent to the Public Accounts Committee in Office Memorandum No. PARL (10)-8/63 of the 21st June, 1965.

*S. No. 7 of Appendix XLIV—(Para 91 of 8th Report—1962-63)*

The reply was sent in Iron & Steel Ministry's Office Memorandum No. PARL (10)-8/63 of the 11th June, 1964.

*S. No. 8 of Appendix XLIV—(Para 92 of 8th Report—1962-63)*

A reply was sent in the Ministry's Office Memorandum No. PARL (10)-8/63 of the 22nd August, 1964 and it was also explained that further

Investigation was not possible or necessary since one of the Officers concerned was dead and the other had retired from Government service long ago.

*S. No. 9 of Appendix XLIV—(Para 93 of 8th Report—1962-63)*

The Ministry's reply was sent in Office Memorandum No. PARL (10)-8/63 dated the 11th June, 1964.

*S. No. 10 of Appendix XLIV :*

This refers to a paragraph in the 54th Report which has been received only in the month of May 1966 and is under examination.

The action taken on the previous irregularities pointed out has been fully explained in the Office Memoranda referred to above, on which, it should be noted, no further observations were received from the Public Accounts Committee.

26. Government have been taking action on the various earlier recommendations of the Committee in relation to this firm. As regards their dealings with the Iron & Steel Equalisation Fund, the difficulty in taking action has been that while there have been claims by the Government on the firm, there have been counter-claims by the firm on the Government, of a larger amount. In view of this, it was decided first to set up a High Powered Committee with a representative of Audit to go into the various cases, but since Audit expressed some difficulty in being associated with this Committee ultimately it has been decided that the cases be referred to arbitration. There, has thus been no dilatoriness in pursuing the recommendations.

#### Recommendations

The Committee have already discussed in detail the various lapses which took place at different stages in respect of these barter deals. The main idea behind these barter deals was to export semi-finished steel like billets, ingots and slabs etc., and to earn foreign exchange with a view to import finished steel. Very soon the Government deviated from this idea and they started allowing pre-imports. The various conditions prescribed by the Ministry of Finance for permitting pre-imports were diluted, may not be deliberately, by the Department of Iron and Steel. Whereas the Ministry of Finance had clearly stated that there should be a firm export contract, the office of the Iron & Steel Controller understood the same, from the instructions communicated by the Department of Iron and Steel, as merely a sales contract with H.S.L. Even this condition regarding verification of contract with the H.S.L. was not kept in view by the office of the Iron & Steel Controller in a number of cases and they had to cancel such barter deals later. In one case (M/s. Ram Krishan Culwant Rai) even an import licence worth over Rs. one crore was issued to that party without such verification. To say the least, the Iron & Steel Controller did not follow the instructions issued by the Department of Iron & Steel in their letter dated 2nd February, 1960. All this resulted in the failure of the parties to earn foreign exchange worth Rs. 236.60 lakhs.

Another main condition laid down by the Department of Iron & Steel was to get the irrevocable guarantee to the extent of 15 per cent of the value of import licence. Due to various reasons which the Committee have already discussed in details, the Iron & Steel Controller got only limited and conditional guarantees. Even these limited and conditional guarantees

were not pursued properly so far as their enforcement was concerned; with the result that they expired and the Government could not forfeit them for failure of the parties to fulfil their export obligations. This resulted in a loss of over Rs. 51 lakhs to the Exchequer. The Committee view this loss with great concern.

Another disquieting feature of the whole case is that even though the Government was obliged to black-list or suspend business with the parties quite a number of times in the past, the Iron and Steel Controller was not vigilant enough while entering into these deals with them. On the other hand even special favours were shown to these parties by issuing C.C.Ps. when they imported certain materials without any import licence or by reduction of the amount of their bank-guarantees in anticipation of the sanction of the Department of Iron & Steel. Further even when the failures of the parties took place in 1960, show-cause notices were issued to them in April, 1964 only. The parties have not yet been penalised departmentally or otherwise for their failures. There were thus a number of failures on the part of the Ministry/the office of the Iron & Steel Controller.

There were many defaults on the part of the parties also in these deals. They failed to fulfil their export obligations attached to these imports. Apart from this some of them were responsible for bringing materials into the country without any import licence and also in furnishing false information in manifest and the bills of lading. Many officers of the office of the Iron & Steel Controller (Senior/Junior) are involved in irregular deals with these parties. Further many officers of the Controller's office have after retirement/retranchment/resignation/dismissal found employment in one or other private firms (including those in this group) dealing with import/export of Steel.

There is also a claim of over Rs. 61 lakhs of H.S.L. against four of these parties. In connection with the dealings of these parties with the H.S.L., the Committee on Public Undertakings of the Parliament have already recommended a thorough enquiry at the highest level in para 139 of their 11th Report.

Briefly there were the following serious lapses in this case:

- (1) Issuing of instructions prescribing the conditions for pre-import licences in ambiguous terms by the Deptt. of Iron & Steel.
- (2) Failure of the Office of the Iron & Steel Controller in:
  - (a) verification of the existence of firm export contracts;
  - (b) taking limited and conditional bank-guarantees in place of absolute bank-guarantees;
  - (c) not watching the bank-guarantees properly and their renewal in time;
  - (d) not enforcing the bank-guarantees;
  - (e) issue of C.C.Ps. in cases where the parties imported materials without any valid import licence;
  - (f) failure on the part of the office to investigate how un-authorised imports were financed by these parties;

- (g) giving of a false certificate on the bills of lading of M/s. Apeejay (P) Ltd. by an officer of the office of the Iron & Steel Controller;
- (h) delay in taking action against the parties due to failure in fulfilling their contractual obligations;

Apart from the above, there were other serious lapses on the part of the Iron & Steel Controller organisation, which have been discussed in detail in the preceding paragraphs.

The dealings of the parties have also not been found above board. They imported materials in some cases without import licence. They did not fulfil their export obligations even though they were given pre-import licences against which they made full imports. The failings of the parties become all the more serious in view of the facts that they have been given import licences worth about Rs. 17 crores involving cases of licences above 5 lakhs alone during the years 1959-66.

[Sr. Nos. 92—96 (Paragraph 4.161—4.165) of 50th Report of the PAC. (Third Lok Sabha)]

27. Paragraphs 4.161 to 4.169 set out the conclusion of the Sub-Committee on the various cases. The points made in these paragraphs have been covered in detail in the earlier portion of this note and it is not, therefore, necessary here separately to go into each of the items mentioned in paragraphs 4.161 to 4.169.

28. In the concluding sub-paragraph of para 4.164 of the Sub-Committee's Report, it is stated as follows.

"There is also a claim of over Rs. 61 lakhs of H.S.L against four of those parties. In connection with the dealings of these parties with the H.S.L., the Committee on Public Undertakings of the Parliament have already recommended a thorough enquiry at the highest level in para 139 of their 11th Report."

29. The Steel Ministry have already sent a reply to the Public Undertakings Committee *vide* Office Memorandum No. PARL (6)-12/65 of 30th March, 1966, which is reproduced below:

"The Committee's observations have been noted. As regards the suggestion of the Committee that a thorough enquiry should be held in this matter of pre-imports at the highest level, it may be stated that the various claims and counter-claims of the parties and Hindustan Steel Ltd. on the reasons which led to the failure to export are at present the subject matter of arbitration and other legal proceedings. Any purposeful enquiry will really have to decide the question of apportioning blame for the default between the exporters and Hindustan Steel which would be difficult in view of the pending litigation. The Controller of Iron & Steel, however, was requested to make a preliminary confidential assessment on the basis of such records as were available to him as to the respective responsibilities of Hindustan Steel and the exporters. It was felt that a proper decision on the Committee's recommendation could be taken by Government only after the Controller's report was available. (The Controller's report was received on the 11th March and is under examination)."

The above answer was also given to the Central Vigilance Commission in November, 1965 when the Commission inquired as to what action was proposed to be taken on para 139 of the Report.

A test case regarding the administrative action possible against one of the exporters was also referred to the Central Vigilance Commission for advice on the 27th March, 1965. According to the instructions available to the Ministry of Iron & Steel, the Central Vigilance Commission were required to be consulted where any black-listing proposals relating to the firm were being considered—*vide* Central Vigilance Commission Memorandum No. 9/1/64-D.P. of the 13th April, 1964. The Central Vigilance Commission, however, advised in May 1965 that the black-listing of a firm need be referred to them only if Departmental action against a Government servant was also under consideration in connection with the proposal of black-listing. Since, however, we had made the reference to them on the 27th March, 1965 we did not withdraw the reference and they intimated to us in September 1965 that in their opinion no black-listing order could be made against the firm. They confirmed this advice again in February 1966. Now that both the Controller's report and the Central Vigilance Commission's advice is available, Government will take a very early decision on the recommendations of the Public Undertakings Committee regarding a high-level enquiry."

In their further reply dated the 13th March, 1969 the Ministry of Steel and Heavy Engineering have stated:

"These are the conclusions on the basis of observations made earlier for which action has already been indicated through action-taken notes to Public Accounts Committee and as explained earlier."

[D.O. No. SC (II)-14(6)/66 dated 13-3-1969 from the Ministry of Steel and Heavy Engineering.]

### Recommendations

The Committee also note that Shri S. Bhoothalingam has further stated in his letter that the Government have put the matter in the proper perspective and that he had nothing further to say on the contents of para 32 of the Government's reply to Public Accounts Committee.

[Sr. No. 1 of 56th Report of P.A.C. (Third Lok Sabha)]

### Action Taken

Does not seem to require any specific action.

[D.O. Letter No. SC(II)-14(6)/66 dt. 13-3-69 from Ministry of Steel and Heavy Engineering]

**CHAPTER IV**

**RECOMMENDATIONS/OBSERVATIONS REPLIES TO WHICH  
HAVE NOT BEEN ACCEPTED BY THE COMMITTEE  
AND WHICH REQUIRE REITERATION.**

**Please See Chapter I.**

## CHAPTER V

### RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

#### Recommendations

4.73. It is astonishing that a particular firm's requests for release of bank guarantee amounts were immediately acceded to by the Office of the Iron and Steel Controller in direct contravention of the Ministry's instructions dated 2nd February, 1960. It is all the more disturbing to note that in the first case which was received by the Iron and Steel Controller on 19th July, 1960 and agreed to by him on 27th July, 1960, he did not inform the Ministry at all. The second case from the same party was received by Iron and Steel Controller on 7th September, 1960. He agreed to the same on 9th September, 1960 and then only informed the Ministry. The Sub-Committee regret to note that the Iron and Steel Controller did not pay proper attention to the instructions of the Ministry. The Ministry too, when they were informed, did not take the trouble of going into the matter properly but simply acquiesced in the action of the Steel Controller. The Sub-Committee feel that the action of Ministry was hasty. It was not a hardship as to call for a change in the policy originally enunciated by the Ministry in consultation with the Ministry of Finance. Public money was at stake in these exports of full quantity contracted for as originally envisaged. The manner in which both the Steel Controller and the Ministry acted in this matter indicates that they did not safeguard the public interest adequately.

[Sr. No. 69 (Paragraph 4.73) of 50th Report of P.A.C. (Third Lok Sabha)]

#### Action taken

The disputes between HSL and the parties about fulfilment of export obligations are still pending in the Court or before the arbitrators.

#### Recommendations

As these cases between H.S.L. and the parties are *sub-judice*, the Committee do not wish to comment on them at this stage.

[Sr. No. 74 (Paragraph 4.189) of the 50th Report (Third Lok Sabha)]

#### Action Taken

The cases continue to be *sub-judice*.

[D.O. Letter No. SC(II)-14(6)/66 dt. 13-3-69 from Ministry of Steel and Heavy Engineering.]

#### Recommendations

4.148. In this case, M/s. Appeejay (P) Ltd. imported materials worth Rs. 9 lakhs without any import licence. When this unauthorised material

was caught by the customs, the party was able to get it released by getting a custom clearance permit from the Iron and Steel Controller. What is most objectionable in this case is that the Iron and Steel Controller disregarded the views of the Government Solicitor and Assistant Director of Shipping and issued the custom clearance permit in favour of the party. But for this CCP the goods would have been confiscated by the customs and action could be taken against the party under the Import and Export (Control) Act, 1947. Another disquieting feature of this case is that even when the party undertook to re-export the material imported unauthorisedly, they made a false declaration regarding the weight of the material etc. and an officer of the Iron and Steel Controller Organisation gave a false certificate certifying accuracy of the quantity declared.

4.149. The Sub-Committee feel that there were several lapses in this case which are as follows :—

- (1) The application of the firm dated 12th October, 1961 was vague and incomplete as they left column No. 4 regarding No. and date of the import licence against which shipment was made blank.
- (2) The C.C.P. was issued by the Iron and Steel Controller in spite of the objections raised by the Assistant Director of Shipping and the Government Solicitor.
- (3) Re-export itself was a concession to the party as otherwise the goods should have been confiscated.
- (4) The Office of the Iron and Steel Controller did not carry out weekly inspection of the goods in the godowns of the firms, as contemplated in their own instructions on C.C.P.
- (5) There was a false declaration at the time of re-export by the party and there was also a false certificate of the inspector of the Office of the Iron and Steel Controller.
- (6) No enquiry regarding payments in foreign exchange as well as other matters connected with this case have been carried out. Apparently there was a connivance of the Office of the Iron & Steel Controller in the whole transaction.

4.150. The Sub-Committee regret to note that the action of the Office of the Iron and Steel Controller in this case left much to be desired.

4.151. Since these parties have their own shipping line, the Sub-Committee feel that this should have cautioned the Office of the Iron & Steel Controller about the possibility of manipulation in manifest and bills of lading. But they regret to note that no notice of this seems to have been taken by the Iron & Steel Controller.

[Sr. No. 85-88 (Para Nos. of the Report 4.148, 4.149, 4.150 and 4.151) of 50th Report of PAC (Third Lok Sabha)].

#### Action taken

Since the entire papers in connection with these cases are at present with the Central Vigilance Commission, it has not been possible to examine the Committee's observations properly. Further action will be taken in



the light of the receipt of the recommendations of the Central Vigilance Commission.

Action against officials held responsible in these matters is being examined/finalised in consultation with Central Vigilance Commission.

#### Recommendation

The Committee also desire that pending the fulfilment of export obligations attached to these import licences, or the completion of the above investigation (whichever is earlier), the Government should suspend all further dealings with the defaulting firms, as was envisaged in the Ministry's policy letter dated the 2nd February, 1960.

[S. No. 98, Para 4.16 of Appx. XLV to the 50th Report (Third Lok Sabha)]

#### Action taken

This Ministry had accorded recognition as an Export House to M/s. Aminchand Pyarelal & Sons Ltd. & M/s. Rajkumar (India) Ltd. Following the observations of the PAC in their 50th Report, this recognition has been withdrawn.

The question of taking action under the Imports and Exports Trade Control Act against the six firms mentioned in the PAC Report for non-fulfilment of the export conditions incorporated in their import licences, has also been taken up. It has been decided that show cause notices should be issued to these firms after informing the Calcutta High Court of the proposal to issue show cause memos; the reference to Calcutta High Court is, because the High Court has granted injunctions to these firms in certain Writs filed by them against the action of the Iron and Steel Controller putting them in the banned list.

*Ministry of Commerce O.M. 7(12)-B & A/66 (dt. 12/4/67).*

**FURTHER NOTE NO.** Sr. No. 98.

[Para 4.16 of the Appendix XLV to the 50th Report—(Third Lok Sabha)].

Iron and Steel Controller placed the names of the following six firms under 'Banning List' for the purpose of governmental purchases, etc., under the "standardised code", because of their failure to fulfil certain export obligations against import licence obtained by them in pursuance of the barter deals entered into by them and approved by the Government :—

1. Amin Chand Payarelal
2. Surrendra (Overseas) Pvt. Ltd.,
3. Apeejay Private Ltd.
4. Ram Krishan Kulwant Rai
5. J. S. Cohen & Co.
6. Khemchand Rajkumar.

All these parties were informed of the 'Ban' after serving them show-cause notices. The first five parties, aggrieved by the decision, filled writ

petitions in the Calcutta High Court, who issued interim injunctions restraining the Union of India, Iron & Steel Controller, etc., from taking any action to the banning orders. The sixth firm (M/s. Khemchand Rajkumar) did not resort to Court proceedings but instead surrendered certain other licences and entitlements in lieu of their shortfall in exports. The Ministry of Iron and Steel approached the Ministry of Commerce on 17th June, 1966 for considering the question of taking action against these defaulting parties under the Imports and Exports (Control) Act. The CCI & E placed all these parties under abeyance List for purposes of licencing (confidential instructions were issued to all licencing authorities asking them to keep their applications pending till further orders). Thereafter the Calcutta High Court was moved to modify their orders to enable the Union of India in the Ministry of Commerce and CCI & S to deal with the cases of the five firms in pursuance of the mandatory powers under the Imports and Exports (Control) Act. The Calcutta High Court, delivered judgement to the effect that whereas the CCI & E cannot be precluded from taking any action under the powers vested in him, the Iron and Steel Controller should review their decisions of placing the parties under 'Banning List' or that they should come forward to place adequate reasons before the Court to maintain their stand. The Iron and Steel Controller has sought another hearing to plead their case before the Court. The position as it stands today is that the Chief Controller of Imports and Exports is also precluded from taking any action against the parties under the Imports and Exports (Control) Act.

The cases are at present being heard in the Calcutta High Court and its final judgement is awaited.

[Ministry of Commerce D.O. letter No. 22(10)/66-PAC dt. 16-2-68.]

**(Further Information)**

"The Calcutta High Court has already delivered their judgement setting aside the banning orders issued by the Iron and Steel Controller, Calcutta, and allowing the Union of India and the Office of the CCI & E to proceed against M/s. Aminchand Payarelal Group of firms under the Statutory provision of the Import & Export (Control) Act, 1947. In view of this judgement, the Iron & Steel Controller, Calcutta, has been requested to initiate penal action by issuing show cause notice to the firm involved under Clause 8 of the Imports (Control) Order 1955 with a view to debarring them from obtaining import licences etc. for a specific period."

[Ministry of Commerce D. O. letter No. 22 (10)/66—EAC dated 9th August, 1968]

M. R. MASANI,

*Chairman,*

*Public Accounts Committee.*

NEW DELHI;

April 28, 1969.

Vaisakha 8, 1891(S).

## APPENDIX I

(Ref. para 1.11)

SC(II)-14(6)/66

### DEPARTMENT OF IRON AND STEEL

Min. of Steel, Mines and Metals

23rd December, 1968

#### OFFICE MEMORANDUM

SUB. : *Action taken by Government on the recommendations on Public Accounts Committee contained in their 50th, 55th and 56th Reports (Third Lok Sabha) relating to Steel Transactions.*

With reference to the Lok Sabha Secretariat Office Memorandum No. 2/1/28/PAC dated the 9th December, 1968 on the above subject, the position is explained as under.

2. On receipt of the recommendations of Public Accounts Committee contained in Chapter IV of the 50th Report, the comments of this Department were communicated to the Lok Sabha Secretariat with this Department's Confidential letter of even number dated the 19th July, 1966. These comments were referred to Audit for vetting and a copy of the comments of the Comptroller and Auditor General of India was subsequently sent with this Department's letter of even number dated the 21st July, 1966.

3. Further notes were also sent to the Lok Sabha Secretariat under this Department's Office memorandum of even number dated the 13th August, 1966 and Iron and Steel Controller's letter No. CP/RKK/32 dated the 13th August, 1966.

4. In paragraphs 4.167 and 4.168 of the 5th Report and paragraph 2.30 of the 56th Report, the PAC had recommended that in view of the lapses which have taken place in these deals, both in the offices of the Government as well as on the part of the Parties, these cases required thorough probe. The Committee had accordingly recommended that the cases should be investigated by a High Powered Committee consisting of a person of the status of a High Court Judge, an Officer from the office of the Comptroller and Auditor General of India and an officer from the Central Board of Revenue, well conversant in Customs, Import and Export Control Act, 1947, and income tax law. This Committee was to investigate the various lapses which have been dealt with in the 50th and 56th Report. The Government of India *vide* their Resolution No. SC(II)-14(19)/66 dated the 12th September, 1966 appointed the Committee of Enquiry as recommended by the P.A.C.

5. The Committee of Enquiry submitted their Report to the Government in February, 1968. The Government examined the report of the Enquiry Committee and after taking the views of the Central Vigilance Commission accepted *in toto* all the recommendations of the Enquiry Committee. The decisions of the Government of India on the various recommen-

dations of the Enquiry Committee are contained in Resolution No. SC(II)-14(3)/68 dated the 10th May 1968. This Resolution along with the Report of the Enquiry Committee was placed on the Floor of the House of Parliament. To follow up action on the recommendations of the Enquiry Committee, the Government appointed a Senior Officer on Special Duty, with the necessary staff for the purpose. The action on the various recommendations and departmental action where it has been recommended is being taken.

6. In view of the above, this Department considers that the Sarkar Committee's Report and the Government Resolution dated 10th May, 1968 fully cover all the recommendations of the PAC in the 50th and 56th Reports. The action taken note on the 55th Report of the Lok Sabha, is, however, being separately sent.

*Sd/- (P. SABANAYAGAM),  
Joint Secretary to the Government of India.*

To

The Lok Sabha Secretariat,  
NEW DELHI.

## APPENDIX II

(Ref. Para 1·13)

*Enclosure to Ministry of Steel & Heavy Engineering's D.O. No. SC(II)-14(6)/66  
dated 13-3-1969 addressed to Shri K. Seshadri, Under Secretary, Lok Sabha  
Secretariat, New Delhi.*

Report No.	S. No. of the recommendation/conclusion	Para No.	Reference in Ministry's action taken note sent on 19-7-66	Reference to para Nos. of Report of Committee of Inquiry (ST)	Remarks
(1)	(2)	(3)	(4)	(5)	(6)
50th Report	53	4·14		3·33—3·57	
	54	4·23	Para 4	3·11—3·12	
	55	4·35	Para 32	4·15—4·17	
	56—63	4·36—38 4·47—52	Para 32	6·20—6·21 7·1—7·15	
	64—65	4·55—4·56	Paras 7 & 8	4·9	
	66	4·61	Para 9	4·10	
	67-68	4·66—4·67		4·18—4·20	
	70	4·76		8·2—8·3	
	71	4·80		6·22—6·23	
	72-73	4·81—4·83		6·24—6·25	
	74	4·89			The cases continue to be sub-judice.
	75	4·95		4·21	
	76	4·102	Para 10-18	10·2—10·16	
	77	4·105			No barter deal involving import of steel is allowed since 1966 unless it is handled by STC/MMTC.
	80	4·120			There is no price and distribution control on iron and Steel. However, the policy, permits imports of steel by actual users/registered exporters only.
	81	4·128		10·2—10·16	
	82—84	4·136—4·138		9·1—9·15	
	89	4·157	Paras 20-24	12·1	
	90	4·159			No specific action is called for. However, it may be stated that

(1)	(2)	(3)	(4)	(5)	(6)
					the SIC(ST) has not found any discrimination/favouritism shown to any particular firm/group of firms.
	91	4.160	Paras 25-26		
	92-96	4.161-4.165			
					There are the conclusions on the basis of observations made earlier for which action has already been indicated through action taken notes to PAC and as explained above.
	97-98	4.169-4.169			
55th Report	1-4	1.10, 1.28,	Para 31		
	6-16	1.14, 1.31,			
		1.17, 1.35,			
		1.21,			
		1.37-36,			
		2.7,			
		2.9-10,			
		2.12, 2.14,			
Report	1	1.10	—	—	Does not seem to require specific action.
	2	2.5	Para 32	7.13	
	3-11	2.11-2.18	32	7.9-7.15	

### APPENDIX III

(Ref. page.)

#### Recommendations

The Committee regret to observe that the whole case regarding grant of pre-import licences makes a very unhappy reading. The idea of granting pre-import licences was initiated first of all by merchants in May, 1959 in the case of exports of ferrous scrap and a similar reference came to the Deptt. of Iron & Steel in September, 1959. The Deptt. of Iron & Steel allowed pre-imports in that case in May, 1959 after consulting the Ministry of Finance. Even at that time the Ministry of Finance had clearly stated that they definitely preferred exports preceding imports and any urgent demand could be met from the ceiling already allocated to the Iron & Steel Controller. Despite that, permission for pre-import was given in that case.

Later on, in January, 1960 when these barter deals were being finalised with these parties, the Department of Iron and Steel made it a general issue and referred the matter to the ministry of Finance who laid down that they agreed to the issue of pre-import licences provided there was a firm export contract and suitable letters of credit/bank guarantees (15 per cent of the import licences) were furnished. The Committee regret to observe that these views of Ministry of Finance were not communicated in clear and unambiguous terms by the Department of Iron and Steel with the result that the Iron and Steel Controller understood firm export contract as a mere sales contract with Hindustan Steel Ltd. rather than firm contract with the foreign buyer. Even the Secretary, Ministry of Iron and Steel admitted in evidence that "the Ministry of Iron and Steel do not seem to have translated the instructions of the Economic Affairs Deptt. in clear and unambiguous terms." The Committee feel that by not issuing the instructions regarding pre-import licences in clear and unambiguous terms, the Ministry of Iron & Steel watered down the instructions of the Finance Ministry, even though it might not have been deliberate, as stated by the Secretary. The Committee cannot but deprecate in strongest words this failure on the part of the Iron & Steel Ministry.

[Sr. No. 55 of 50th Report (Third Lok Sabha)]

The Committee also fail to appreciate how the office of the Iron & Steel Controller could give this meaning to the export contract. He regarded the export contract as domestic contract rather than a contract with a foreign buyer.

[Sr. No. 56 of the 50th Report (Third Lok Sabha)]

The Committee were given to understand that before the Controller issued his letter on 29th January, 1960 sanctioning some of these deals stipulating *inter alia* issuing of import licences, it was likely that some telephonic intimation in this matter was given to the Iron and Steel Controller before the final letter dated 2nd February, 1960 was issued. No record of this telephonic intimation was available either at the despatching or receiving

end. The Committee fail to understand as to why a record of such an important communication was not kept at either end.

[*Sr. No. 57 of the 50th Report (Third Lok Sabha)*]

The Committee also feel that as a result of granting of pre-import licences, the main purpose of earning foreign exchange by export of semis with a view to import finished steel was deviated. After the parties were given pre-import licences, they failed to carry out a major portion of their export obligation resulting in a loss of foreign exchange earning of Rs. 235.60 lakhs. The Committee, therefore, cannot help observing that the decision to allow pre-import was not based on sound premises and left much to be desired.

[*Sr. No. 58 of the 50th Report of PAC (Third Lok Sabha)*]

One of the main conditions for allowing pre-import licences was that there should be a firm export contract, by which the Ministry of Finance meant a contract with the foreign buyer, but which was wrongly interpreted by the Iron & Steel Controller as a mere sales contract with the Hindustan Steel Ltd. This was a condition precedent before granting any import licence. The Iron & Steel Controller issued import licences worth over Rs. 1 crore in favour of M/s. Ram Krishan Kulwant Rai in June, 1960 without verifying that there was a valid contract between the party and the Hindustan Steel Ltd. This was completely in contravention of the instructions of the Ministry of Iron & Steel and the Committee feel that this was a very serious lapse. It is not easy for the Committee to believe that import licence worth more than a crore of rupees should be issued at a time to a single party by 'mistake'. The Committee cannot understand nor can it approve of the system under which import licences worth more than a crore of rupees could be issued to a party inadvertently by 'mistake'. The Committee take a very serious view of this 'mistake' or inadvertence.

[*Sr. No. 59 of the 50th Report (Third Lok Sabha)*]

It is also very surprising to note that there is no regular system in the Iron & Steel Controller's office to detect such mistakes and they came to know about it only in November, 1960, when Hindustan Steel Ltd. pointed that out after five months of the issue of import licences and by which time the party had made bulk of imports.

[*Sr. No. 60 of the 50th Report (Third Lok Sabha)*]

What is still more disquieting is the fact that in spite of the frank admission by the defaulting officers of the seriousness of the lapse, no enquiry seems to have been held by the Steel Controller into the matter. There appears to have been no feeling in the Steel Controller's office that something serious had happened. On the other hand persistent efforts were made to cover up the whole thing and the Hindustan Steel Ltd. was made to enter into a contract with the party by seeking the intervention of the then Secretary of the Ministry.

[*Sr. No. 61 of the 50th Report (Third Lok Sabha)*]

The Committee also note that it was only after an informal discussion at Dum Dum Airport on 13th November, 1960 when the three officers, mentioned above, met there that the letter was written by the Iron & Steel Controller to the Chairman, Hindustan Steel Ltd. and copies endorsed to the then Secretary of the Ministry. The Committee feel that information



regarding this lapse having taken place, was brought to the notice of the Ministry of Iron & Steel in a round about manner rather than in a straight-forward report that something serious had happened and then Iron & Steel Controller was taking steps to rectify the same.

[Sr. No. 62 of the 50th Report (Third Lok Sabha)]

Though the then Secretary of the Ministry came to know about this mistake, he simply acquiesced in it and had not a single word to say about it and even not did keep a record of the discussion he had with the officers at Dum Dum Airport. On the other hand he could not restrain himself from commenting against an observation of the Chairman, Hindustan Steel Ltd. who wanted to be straight-forward and firm. Such an attitude of the then Secretary of the Ministry could not be free from public criticism. The Committee feel that there was a positive failure on the part of the Department of Iron & Steel to enquire into the lapse.

The net result of this costly mistake has been that the party, even though it entered into an agreement with Hindustan Steel Ltd. in January, 1961, failed to export any quantity of steel and the country suffered a loss of foreign exchange earnings of about Rs. 1 crore in this case. The Committee feel that this is a serious lapse which needs enquiring into, for fixing responsibility.

[Sr. No. 63 of the 50th Report (Third Lok Sabha)]

#### **Action Taken**

6. In paragraph 4.34 to 4.54, the Sub-Committee has made certain observations on the transaction relating to the issue of an import licence to the firm, Messrs Ram Krishan Kulwant Rai, and has specially commented upon certain actions of the then Secretary of the Ministry of Iron & Steel. The Government have gone carefully into this question and their comments on these points are given at the end of this Report in paragraph 32.

32. (i) The Sub-Committee has examined, in paragraph 4.34 of its Report, whether the instructions to the Iron & Steel Controller on the working of the pre-imports scheme were clear and unambiguous and has indicated that the instructions of the Department of Economic Affairs were apparently not translated in clear and unambiguous terms. It has also held that as a result of this the Iron & Steel Controller understood "firm export contract" to mean a mere sales contract with Hindustan Steel Limited rather than a firm contract with a foreign buyer.

The intention of the Finance Ministry in this case while implicit was, however, not explicitly stated in the noting at the relevant time, in that the Finance Ministry's note dated January 27, 1960 (page 246 of the Report) used only the expression "there would always be a *firm contract for export* which would be.....". The phrase "firm contract for export" has been reproduced in exactly the same language in the last sentence of the Ministry of Iron & Steel instructions to the Iron & Steel Controller (pages 232 and 234 of the Report). It cannot be said, therefore, that there was any "watering down" of the instructions. It has been found on further examination of the relevant documents that even the ambiguity that may still remain in the use of such a phrase was specifically cleared up within a period of about six weeks. On March 10, 1960, the Iron & Steel Controller wrote to the Ministry of Iron & Steel enquiring what exactly was the meaning

of the expression "where firm contract for export exists" and enquired in particular whether this meant a firm contract with the supplier of the exportable material or whether a firm contract for export with a foreign buyer was intended with only a letter of credit lacking. A reply was sent to this letter from the Ministry of Iron & Steel on 17 March, 1960, as follows :

"Please refer to your letter No. C/3/59 dated the 10th March, 1960. I have consulted the Economic Affairs Department. Government's intention is that at the time you allow import on a bank guarantee you should have satisfactory evidence that the exporter in India has a definite commitment from a foreign party to purchase the tonnage proposed to be exported. We would leave the form of evidence to you."

*Ministry of Iron & Steel revised File No. SC(B)-23(5)/60 (Original File No. SC(C)-5(5)/60).*

It is clear, therefore, that whatever ambiguity there might have been in the original instructions was cleared up specifically by the Ministry of Iron & Steel on this reference.

(ii) Paragraph 4.51 relates to the issue of the import licence to the firm of M/s. Ram Krishan Kulwant Rai by the Iron & Steel Controller in contravention of these definite instructions that such import licences should not be issued without first verifying that there is a firm export contract as mentioned above. This mistake was admittedly made by the concerned officials in the Iron & Steel Controller's Organisation. However, the Sub-Committee has observed that when this mistake came to the notice of the Ministry of Iron & Steel, the then Secretary "simply acquiesced in it and had not a single word to say about it."

As a preliminary point, Government would like to draw attention to the fact that the need to balance imports to the maximum extent possible with exports under this pre-import scheme was not overlooked by the then Secretary. Well before the transactions that are referred to in this particular aspect of the Sub-Committee's Report, he drew the attention of the Iron & Steel Controller to the need for a realistic working of the scheme in his letter of February 24, 1960, which is reproduced at pages 238 and 239 of the Report. This particular firm, M/s. Ram Krishan Kulwant Rai, is one of those particularly referred to in that letter.

The import licence in this case was issued on 5th May, 1960 and the mistake came to light in November 1960. In paragraph 4.50 the Sub-Committee has noted that information regarding this lapse was brought to notice in a roundabout manner and has referred to the informal discussion at Dum-Dum airport on 13th November. In paragraph 4.51 the Sub-Committee has also adverted on the fact that the then Secretary did not even keep a record of the discussions he had with the Officers at Dum-Dum airport. While it is undoubtedly true that the then Secretary (who was passing through the airport after inspecting a steel plant) did not himself record the discussions Government would like to bring to the notice of the Public Accounts Committee that the Iron & Steel Controller communicated, in writing, the gist of the discussions the very next day to the Chairman, Hindustan Steel, with a copy to the Secretary, Ministry of Iron and Steel. Thus, within a matter of 2 or 3 days, the substance of the discussions at the airport did in fact come on record both in the Ministry of Iron & Steel and with Hindustan Steel. It is not necessary when such discussions take place that the senior-

most Officer present should himself record the discussion, provided that at any other level a suitable record was brought on file without any delay and there was no failure of the official machinery as a result of the then Secretary himself not recording the discussions.

When the mistake came to light, the then Secretary tried his best to rectify the mistake by corrective action. In the ultimate analysis the mistake was in not ensuring exports commensurate with the authorised imports. It was for this reason that the Secretary considered, and in the opinion of the Government rightly, that the larger interests of the country demanded that first priority should be given to try and fulfil the export commitment made against this deal, so that the necessary foreign exchange is earned. Such action at that stage could only be by calling upon the firm to discharge its export obligation and by providing it to the extent possible the necessary quantum of steel for this purpose from Hindustan Steel Ltd. It was such action that the then Secretary directed should be taken as shown in paras (iii) and (iv) below.

As far as disciplinary action is concerned against persons responsible for the mistake in the Iron & Steel Controller's Office, Government feel that, in the absence of any specific question or consultation thereon by the Iron & Steel Controller, the then Secretary would have had no reason not to believe or expect that the matter would be pursued in the normal manner by the Officers concerned.

(iii) In paragraph 4.51 the Sub-Committee has remarked that the then Secretary could not "restrain himself from commenting against an observation of the Chairman, Hindustan Steel Ltd., who wanted to be straightforward and firm". The comment that "it is the rejection of this proposal by HSL which will invite criticism" was made by the then Secretary not in the course of any letter to Hindustan Steel or to the Iron & Steel Controller, but on a copy of the Chairman, Hindustan Steel's letter received by the then Secretary from the Iron & Steel Controller; this copy with this remark was then apparently filed in the Ministry's file. This comment has to be really interpreted in the light of what has been said above, namely the corrective action to be taken to see that exports do take place against the import that had been permitted. In other words, this comment was to the effect—now that the import licence had been issued (by mistake) to the firm of M/s Ram Krishan Kulwant Rai, every effort should be made to see that exportable steel is supplied to this firm, so that the firm should have no excuse for not fulfilling its export obligation and earn the necessary foreign exchange for the country.

(iv) Paragraph 4.51 of the Sub-Committee's Report also implies that the Secretary was wrong in differing from the Chairman, Hindustan Steel Ltd., "who wanted to be straightforward and firm". A reading of the letter of Chairman, Hindustan Steel Ltd. dated 26th November, 1960 (page 249 of the Report) when taken in its proper context, shows that the point at issue was different. In this letter, the Chairman points out that offering material for export to this party, M/s Ram Krishan Kulwant Rai, at this stage could result in considerable criticism. But it is obvious that this remark was made not with reference to the conduct or past antecedents of this particular party, but on account of the fact that the Chairman envisaged at that time that Hindustan Steel would be able to sell on a cash basis some of these steel products, and it was from the point of view of this commercial possibility that the Chairman felt there

would be criticism if it was offered now to this particular party as part of a barter deal. In fact, the Chairman himself prior to writing this letter had made a note in his Office file and referred the question to his staff as follows: -

*"D.O. No. C/RKR(32)/60 dated 14th November, 1960 from Iron and Steel Controller.*

**SUB:—Sale of Slabs and Ingots by Hindustan Steel against barter deals.**

Secretary Mr. Bhoothlingam mentioned this case specifically to me and I have discussed it with him and the Iron & Steel Controller—Mr. Bam-at Caccutta day before yesterday. This is one way of reducing the quantities of slabs and ingots which are cluttering up the Plant at Rourkela and I feel that unless we have something specific against the proposal we may accept Secretary's suggestion and agree to the sale of slabs and ingots to Messrs Ram Krishan Kulwant Rai.

On the general question, may I also have your advice as to whether we should offer these for sale on barter basis to Iron & Steel Controller? The matter is now urgent in view of congestion at Rourkela.

Sd/.

J. M. Shrinagesh

15-11-60

*Mr. Deb*

*[File No. S-3(1)/60 Vol. -Steel Export (General) of Hindustan Steel Limited]*

It was evidently following this consultation with his staff the Chairman had mentioned in his letter that materials lying in stock at the Plant may be sold by them on a cash basis. This point was specially controverted by the Iron & Steel Controller in his reply dated January 13, 1961 (pages 250 and 251 of the Report). In that letter the Controller had pointed out:-

- (a) the sales on cash and barter basis realised by HSL were only \$ 62 and \$ 53 f.o.b. per ton as against a price of \$84 f.o.b. per ton which this particular firm prepared to accept;
- (b) there was little demand in the country, and doubtful export demand, for untested plates which the Chairman HSL had mentioned; and
- (c) hence, taking particular note of the fact that steel prices world-over were on a downward trend, the allotment of steel to this firm was justifiable.

The Chairman, Hindustan Steel Ltd., apparently agreed with this argument advanced by the Iron & Steel Controller, since there is no evidence that he wrote back to the Iron & Steel Controller or the Government questioning their validity. On the other hand it appears from HSL's letter No. SE/1110 dated 16th January, 1961 (referred to at page 286 of the Committee's Report) that within a couple of days or so after the receipt of the Iron & Steel Controller's letter, H.S.L. did in fact agree to make supplies available to the party for export.

The Government are satisfied in the circumstances that the then Secretary, in making such efforts as he did to promote the possibility of exports in this case, was acting only on a justifiable desire to avoid loss of foreign exchange and the fact that he did not feel called on to give any directions as to any disciplinary action may not correctly be construed as acquiescence in the mistake committed in the Office of the Iron & Steel Controller.

3. Government trust that the Public Accounts Committee will accept the Government's views as set out in this Memorandum.

Sd/-

(18-7-66)

(N. P. Mathur),  
*Joint Secretary to the Government of India.*

**ANNEXURE 'A'**

(Vide paragraph 14)

*Copy of letter No. SC(B)-22(36)/61, dated 17th April, 1962 from Shri N. N. Wanchoo, Secretary, Department of Iron and Steel, Ministry of Steel and Heavy Industries, New Delhi, to Shri A. N. Banerji, Iron and Steel Controller, Calcutta.*

My dear Banerji,

Please refer to the statement sent to us under L. K. Bose's letter No. CP/152/Pol/332 of the 30th March, 1962, regarding the progress of earning of foreign exchange on exports against imports of steel on pre-import basis under barter. The figures furnished in this statement show that there has been negligible progress since October, 1961. The statement sent with Mukerjee's letter of the 1/4th December, 1961, showed that, as on the 31st October, 1961, the position was that against 5.34 crores of export, actual exports were 2.43 crores whereas imports amounted to 5.21 crores. The next return showing the position as on the 31st December, 1961 gives the position as follows:

Export commitments	Rs. 5.13 crores
Actual exports	Rs. 2.50 crores
Value of imports	Rs. 5.02 crores

The latest statement in Bose's letter of the 30th March, 1962, referred to above, shows the position as on 28-2-62. According to this, against contracted exports of Rs. 5.13 crores, the value of exports is only Rs. 2.54 crores against the value of Rs. 5.07 crores of imports, so that there is still a balance of Rs. 2.52 crores to be made good.

2. You will see from the above figures that progress of exports is painfully slow and at this rate it will be years before the outstandings are liquidated. I would like to know what exactly are the difficulties standing in the way. So far as I can see, at the moment there should be no great difficulty in either billets or slabs or ingots being found from Hindustan Steel. Therefore, it looks as if there is a reluctance on the part of the exporters to take up the supply, possible on the grounds of price. If this surmise is correct, what solution do you have in mind which can get over the difficulty? I would be glad if you please let me have an urgent reply to this letter.

**ANNEXURE 'B'**

(Vide paragraph 14)

*Copy of D.O. No. CP/152/POL/II/62/454, dated 26th April, 1962 from Shri A. N. Banerji, Iron and Steel Controller, Calcutta, to Shri N. N. Wanchoo, Secretary Department of Iron and Steel, Ministry of Steel and Heavy Industries, New Delhi.*

My dear Wanchoo,

Please refer to your D.O. letter No. SC(B)-22(36)/ 61, dated 17th April, 1962 about the progress of earning of foreign exchange against barter deals.

There are various reasons because of which exports are not making sufficient progress. Price factor is certainly one of them but it does not appear to be the whole answer to the problem.

You would have noticed from the statement enclosed along with our Office Memorandum No. CP/152/Pol/332, dated 30th March, 1962, that most of the items due to be exported are billets, slabs and ingots. HSL were to have supplied these items. The following are the two reasons which are affecting the progress of export of these items:

(i) In some cases, particularly in the case of billets, materials were not supplied by HSL in time. The importers, therefore, failed to honour their commitments with foreign purchasers and their contracts with these foreign purchasers had to be cancelled. When HSL came to a position to supply the materials, world market prices had fallen and the exporters found it impossible to export the materials at the original prices at which they had entered into original contracts with HSL. The exporters requested HSL for prices of billets to be reduced, but HSL did not agree to this proposal.

(ii) In certain cases, particularly those relating to slabs and ingots, materials supplied by HSL were sub-standard. I understand that in regard to certain exports made to the Steel Company of Wales, the exporters were in difficulty as the materials supplied were such that they could not be rolled into sheets. I further understand that on an inspection of slabs lying in the ports for export. HSL have found that the materials are of such a quality that they should not be exported. So even if there were any possibility of exporting these slabs, there should be no question of such export after this discovery, as such an export would cause a great harm to the Indian Steel industry.

The position, therefore, boils down to this: We have a commitment to earn foreign exchange to the tune of 2.54 crores, but it is not possible for us to export the conventional steel items like billets, slabs, ingots, etc., which may be held in stock with HSL either because of the sub-standard quality of the materials or because of the prices being asked for by HSL *vis-a-vis* the present day world market prices.

Since it is necessary for us to earn foreign exchange, at least in such cases where an import has already taken place, we shall have to think in terms of some other methods. The only solution that strikes me is that we should try to export finished steel items like structural bars, rods and even

billets of higher sizes, which we can spare on the basis of our internal production and consumption and which may find some market outside. One great difficulty would be the question of price. We cannot possibly expect the foreign purchasers to pay anything more than the world market prices for these items. Such world market prices would have to be on CIF basis when the exports take place to European countries; if the exports take place to Middle Eastern or Far Eastern countries, it will have to be on CIF basis less ocean freight from European ports to the countries concerned. If we have to earn the foreign exchange for which imports have already taken place, we shall have to issue clear instructions to HSL to offer certain quantities of rolled steel products to the exporters concerned on the basis of prices mentioned above. At present, for export purposes, the producers are not required to pay any surcharge to the Equalisation Fund; the producers also get remission of excise. Even then, in certain cases, the producers may not find it possible to offer the materials at the prices given above; in such cases it may even be necessary for us to subsidise the prices in order to earn the foreign exchange.

Some exporters may also be able to export rounds rolled by their own own rolling mills if billets are supplied to them at producers retention prices. As the range or sections now produced by HSL is rather limited, it may be possible to give billets to these exporters at such prices for being rolled into sections for which they can secure the export orders. This will, of course, not be possible under the existing system under which only the producers are entitled to surcharge, not exporters; but I do not anticipate any difficulty in suitably modifying the system.

I shall be obliged if you let me have your decision on the above proposal at an early date so that suitable instructions can be issued to exporters as well as the H.S.L. Our primary objective should be to ensure that the gap in the foreign exchange earning is wiped out and even if it means a little subsidy from the Equalisation Fund, we should not hesitate.



#### APPENDIX IV

##### *Summary of main Conclusions/Recommendations*

Sr. No.	Para No. of Report	Ministry/Deptt. concerned	Conclusions/Recommendations
1	1-18	Ministry of Steel and Heavy Engineering.	In view of the fact that a privilege motion is under consideration in regard to evidence given before the Committee on certain matters dealt with in their 50th Report, the Committee have not dealt with these matters in this Report.
2	1-19	Do.	<p>The Committee note that Government have accepted the recommendations of the Committee of Inquiry <i>in toto</i>, and have appointed a Senior Officer on Special Duty for follow-up action on these recommendations. The Committee desire that action on the recommendations of the Committee of Inquiry and departmental action, where it has been recommended, should be finalised without delay.</p> <p>The Committee would like to be informed of the final action taken in the matter.</p>
3	1-22	Do.	The Committee are concerned that a number of irregularities have been detected as a result of the investigation conducted by the Officer on Special Duty who was appointed to look into cases which could not be investigated by the Committee of Inquiry. The Committee note that the investigation is still proceeding and is expected to be completed by May, 1969. The Committee desire that all out efforts should be made to complete the investigation by end of May, 1969 and necessary action expeditiously initiated thereafter. The Committee would like to be apprised of the outcome of the investigation as also the follow-up action taken thereon.
4	1-30	Do.	<p>The Committee note that Government have taken action to improve the working of the Iron and Steel Controller's Organisation, pursuant to the recommendations made by the Khadilkar Study Team. They hope that as a result the procedure for issue of licences and maintenance of records connected therewith will be systematised and that supervision over the working of the Organisation will be toned up.</p> <p>The Committee note that the Committee of Inquiry have expressed the view that "the Iron and Steel Controller, during the period when most of the cases referred to in this Report were dealt with, does not seem to have acted as would be expected</p>

1	2	3	4
			of a responsible officer heading the organisation." The Committee have no doubt that Government will take stringent departmental action, without delay, against the then Iron and Steel Controller and other officers whom the Inquiry Committee have held to be guilty of lapses.
5	1-33	Ministry of Steel and Heavy Engineering.	The Committee note that there were "allegations" that M/s. Apeejay & Co. who were permitted to clear certain unauthorised imports of M. S. Cold rolled sheets on condition that they were re-exported, "had been substituting the goods which they had undertaken to export." These allegations were got investigated by Government through the Special Police Establishment. The Committee would like to know what action has been taken in the light of the findings of this enquiry. The Committee would also like Government expeditiously to finalise disciplinary action against the officials who have been held responsible for lapses of duty.
6	1-34	Do.	Similar imports made by M/s. Aminchand Pyarelal were regularised by Government on the ground that there was an unutilised balance in certain import licences issued to the firm on account of their having effected shipments in their own vessels. The Committee of Inquiry which went into this case pointed out that "the Foreign Exchange Control Regulations require that freight spent on imports should always be taken as expenditure in foreign exchange and should therefore be debited in the import licence. In this view, it would be difficult to say that the contention that foreign exchange can be said to have been saved where the shipment had been made in Indian flag ships is justified." The Committee observe that the Reserve Bank of India referred this case to the Enforcement Directorate of Ministry of Finance for further investigation. The Committee would like to be apprised of the outcome of the investigations and the action taken on the findings.
7	1-46	Do.	The Committee are unhappy over the various lapses in the issue of import licences and customs clearance permits brought to light as a result of the investigations of the Committee of Inquiry. They note that one of these cases relating to issue of customs clearance permits to M/s. Amin Chand Pyarelal is being investigated by the Central Bureau of Investigation to ascertain whether there was any violation of exchange control regulations. The Committee would like to be apprised of the findings and the action taken thereon.
8	1-47	Do.	The Committee would also like Government expeditiously to finalise action

1	2	3	4
			against the officials found responsible for the lapses connected with the incorrect issue of import licence/custom clearance permits.
9	1-50	Ministry of Steel and Heavy Engineering.	The Committee note that due to non-availability of the relevant records, the Committee of Inquiry were unable to investigate certain complaints regarding irregularities in the distribution of steel by M/s. Ram Krishan Kulwant Rai and M/s. Surendra Overseas. The Committee desire that the relevant records should be traced and the cases thoroughly probed into very early. The Committee would like to be informed of the final outcome.
10	1-56	Do.	The Committee note that some of the parties who undertook export obligations under the barter deals contended that the fulfilment of their export obligation was vitiated by the failure of Hindustan Steel to supply semis for export in time. As the matter is <i>sub-judice</i> , the Committee reserve their comments. The Committee would like to be apprised of the final outcome of these cases as well as the findings of the departmental Committee set up by Hindustan Steel Limited", to investigate fully the circumstances leading to the supply of substandard materials under the contract and fix responsibility.
11	1-60	Do.	The Committee would like departmental action against officials held responsible in connection with the release/non-renewal of bank guarantees to be expeditiously finalised.
12	1-64	Do.	The Committee note that legal action/arbitration proceedings are proposed to be taken for recovery of a sum of Rs. 65 lakhs due from certain parties. Considering that these cases were reported by Audit as early as 1966, it is surprising that action should have been delayed so long. The Committee would like arbitration/legal proceedings to be expeditiously initiated and to be informed of their outcome.
13	1-69	Do.	The Committee observe that action was taken by Government to put the Aminchand Payarelal Group of firms on the banning list but that this was set aside by the Calcutta High Court in April, 1968. The High Court, however, allowed Government to proceed against the firms under the statutory provisions of the Import and Export (Control) Act, 1947 and Government have accordingly initiated necessary action in December, 1968. The Committee would like to be apprised of the further progress made in the matter. The Committee would like to be apprised of the action taken by Government pursuant to the observations made by the Committee of Inquiry in para 7.11 of their Report.

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
<b>DELHI</b>			33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.	68
24.	Jain Book Agency, Connaught Place, New Delhi.	11	34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
25.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	3	35.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
26.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9	36.	Hind Book House, 82, Janpath, New Delhi.	95
27.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11	37.	Bookwell, 4, Sant Narakari Colony, Kingsway Camp, Delhi-9.	96
28.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15	<b>MANIPUR</b>		
29.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20	38.	Shri N. Chaoba Singh, News Agent, Ramlal Paul, High School Annexe, Imphal.	77
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23	<b>AGENTS IN FOREIGN COUNTRIES</b>		
31.	Bahree Brothers, 188 Lajpatral Market, Delhi-6.	27	39.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.—2.	59
32.	Jayana Book Depot, Chaparwala Kuan, Karol Bagh, New Delhi.	66			

---

---

© 1969 BY LOK SABHA SECRETARIAT

PUBLISHED UNDER RULE 382 OF THE RULES OF PROCEDURE AND CONDUCT  
OF BUSINESS IN LOK SABHA (FIFTH EDITION) AND PRINTED BY THE  
MANAGER, GOVERNMENT OF INDIA PRESS, FARIDABAD.

---

---