

**ESTIMATES COMMITTEE  
(1963-64)**

**FIFTY-SIXTH REPORT**

**(THIRD LOK SABHA)**

**Action taken by Government on the recommendations  
contained in the Eightieth Report of the Estimates  
Committee (Second Lok Sabha)**

**on**

**PUBLIC UNDERTAKINGS—FORMS AND ORGANISATION**



**LOK SABHA SECRETARIAT  
NEW DELHI**

***April, 1964/Vaisakha, 1886 (S)***

***Price : Re. 0.35 nP.***

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## **C O N T E N T S**

	<b>PAGE</b>
Composition of the Committee . . . . .	(iii)
Introduction . . . . .	(v)
I. Report . . . . .	1
II. Recommendations that have been accepted by Government . . . . .	3
III. Recommendations which the Committee do not desire to pursue in view of the Government's reply . . . . .	4
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee . . . . .	5
 <b>APPENDICES :</b>	
Appendix I	
Government of India Ministry of Commerce and Industry O. M. No. Pr. C. 16 (12)/62, dated the 4th May, 1963 . . . . .	7
Appendix II	
Analysis of the action taken by Government on the recommendations contained in the Eightieth Report of the Estimates Committee (Second Lok Sabha) . . . . .	10

## ESTIMATES COMMITTEE

1963-64

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29. **Shri Tekur Subramanyam**
30. **Shri N. M. Wadiwa.**

### SECRETARIAT

**Shri N. N. Mallya, Deputy Secretary.**

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\*Elected w.e.f. 16th August, 1963 vice Dr. K. L. Rao ceased to be a member of the committee on his appointment as a Minister.

## INTRODUCTION

1. **the** Chairman of the Estimates Committee having been authorised by the Committee, present this Fifty-Sixth Report of the Estimates Committee on the Action taken by Government on the recommendations contained in the Eightieth Report of the Estimates Committee (Second Lok Sabha) on the Public Undertakings—Forms and Organisation.

2. The Eightieth Report was presented to the Lok Sabha on the 6th April, 1960. Government furnished their replies indicating the action taken on the recommendations contained in this Report on the 26th September, 1962. The replies were examined by the Study Group 'E' of the Estimates Committee (1963-64) at their sittings held on the 14th April, 1964. The draft report was adopted by the Committee on the 21st April, 1964.

3. The report has been divided into the following four Chapters:

I—Report.

II—Recommendations that have been accepted by Government.

III—Recommendations which the Committee do not desire to pursue in view of the Government's reply.

IV—Recommendations in respect of which replies of Government have not been accepted by the Committee.

4. An analysis of the action taken by Government on the recommendations contained in the Eightieth Report of the Estimates Committee (Second Lok Sabha) is given in Appendix II. It would be observed therefrom that out of 5 recommendations made in the Report 20 per cent have been accepted by Government and 20 per cent of the recommendations the Committee do not desire to pursue in view of the Government's reply. Replies of Government in respect of 60 per cent of the recommendations have not been accepted by the Committee.

NEW DELHI;

*The 24th April, 1964.*  
*The 4th Vaisakha, 1886 (S)*

A. C. GUHA,  
Chairman,  
Estimates Committee.

## CHAPTER I

### REPORT

In paras 15-16 of their Eightieth Report (Second Lok Sabha) on Public Undertakings—Forms and Organisation, the Estimates Committee had emphasised the desirability of having a common Law to govern Statutory Corporations similar to the general laws of U.S.A. and Canada. In reply, Government have stated that it will not be easy to bring diverse statutory Corporations like D.V.C., L.I.C. etc. within the frame work of one Statute, but in framing these Statutes, the Common principles are as far as possible incorporated. In so far as those institutions which are not governed by separate Statutes, the general provisions of the Companies Act apply. In addition, there are special provisions in the Act which apply in common to all Government Companies. In this connection it is noted that the general laws of Canada, U.S.A. cover *inter alia* the following matters relating to the Government Corporations in those countries:

- (i) Form, content and manner of presentation of Budget.
- (ii) Maintenance of Bank Accounts.
- (iii) Loans.
- (iv) Reserves etc.

2. In India, the provisions in the Company's Act relating to the Government Companies are not comprehensive and do not cover such matters. *The Committee consider that it would be desirable if a uniform procedure is followed in these matters by all Public Undertakings. They therefore, suggest that the feasibility of suitably amplifying the relevant sections in the Companies Act relating to Government Companies and/or issuing a Government directive to all the Public Undertakings to provide for these matters may be considered by the Government.*

3. In para 17 of their Report, the Committee had recommended that in future before a Public Undertaking was set up in the form of a Government Company, a resolution seeking the approval of the Parliament for the formation of the Company might be moved. If for any reason, this procedure could not be followed the Committee had suggested the following steps:

- (a) The provision in the Demands for grants for investment in the Joint Stock Company might be indicated in Part I of the Estimates.
- (b) A notification may be issued by Government for the setting up of a Government Company and a draft of the same might be laid on the Table of the House before a Company is registered.

- (c) The Memorandum and Articles of Association of a Government Company as also any subsequent amendments thereto might be laid before the House.

4. Government have accepted the recommendation in principle and stated that they proposed to evolve a suitable system on the basis of the Second alternative suggested above. While issuing instructions in implementation of this recommendation (see Appendix I) Government had, *inter alia*, stated that it may not always be practicable to place on the Table of the House a draft of the notification announcing the setting up of a Government Company before it was registered. It was further stated that it was legally not necessary to issue such a notification. They have, however, agreed to lay on the Table of the House Articles and Memorandum of Association and any subsequent amendments thereto on the Table of the House. *The Committee feel that the instructions issued by the Government do not ensure full compliance with the recommendations of the Committee, in that these instructions do not make it obligatory on Government to issue a notification for setting up of a Government Company and laying of draft notification on the Table of the House before the same is registered. The Committee therefore, reiterate their earlier recommendation and hope that early action will be taken to fully implement the same.*

## CHAPTER II

### RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

#### *Recommendation (Serial No. 1)*

*The Committee have considered the matter of multiplicity of Public Undertakings and generally agree with the view that the pattern should be to utilise the existing organisations to take up new activities in the line instead of creation of new bodies for the purpose. This way of building up of public undertakings gains added justification in view of the limited availability of managerial and technical man power in the country. But this does not mean that where a line of activity has the character of being or becoming huge and monopolistic and is not of strategic significance more than one unit should not be set up for the purpose. Subject to such a consideration the Committee are of the opinion that before a new undertaking is set up the possibility of entrusting it to an existing undertaking in the same line should be considered.*

*They recommend that not only should this consideration be kept in view by the Government in future but the feasibility of reducing the existing number of public undertakings by amalgamating some of them may also be examined. (Paragraph 3).*

#### *Reply of the Government*

The Government have accepted the recommendation.

[Ministry of Commerce and Industry O.M. No. Pr.C-16(5)/60, dated the 26th September, 1962]

### CHAPTER III

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

##### *Recommendation (Serial No. 2)*

*The Committee consider that all wholly State-owned public undertakings should generally be in the form of Statutory Corporations, or, where necessitated by special reason, in the form of Departmental Undertakings and the Company form should be an exception to be resorted to only for organisations of a specified nature such as set out in para 6 of the Report. They recommend that an expert committee be appointed to examine the whole question and to advise the Government on the Principles which should determine the appropriate form of organisation for the various types of Undertakings. (Paragraph 7).*

##### *Reply of the Government*

The public sector units are mostly managed by Companies registered under the Companies Act and some are run as departmental undertakings. The Company form has the advantage that it allows the necessary flexibility and autonomy needed for the successful operation of Commercial enterprises. Parliamentary control over the Companies is exercised under the special provisions of the Companies Act (relating to the submission of the Annual Reports to Parliament, Audit by the C. & A.G.). The Joint Committee of Parliament on State undertakings that will shortly be appointed will also keep itself continuously informed of the working of public sector units through (a) examination of their reports and accounts (b) examination, in the context of the autonomy and efficiency of the undertakings whether their affairs are being managed in accordance with sound business principles and prudent commercial practices.

*[Ministry of Commerce and Industry O.M. No. Pr.C-16(5)/60, dated the 26th September, 1962]*

## CHAPTER IV

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

#### *Recommendation (Serial No. 3)*

*While it is most desirable to have all the Public Undertakings conform to a common pattern or patterns both from the point of view of efficient administration and of accountability to Parliament, the Committee feel that some individual variations are inevitable due to the special characteristics and functions of a particular undertaking. Such deviations should not, however, affect basically the overall pattern of organisation and responsibility. It is, therefore, desirable to lay down a frame-work of such an overall pattern. (Paragraph 15).*

#### *Reply of the Government*

A broad measure of uniformity will be achieved in the overall pattern of organisation and responsibility of public sector undertakings following Government's decision on recommendations of the V. K. K. Menon Committee and other reports on the running of public sector undertakings.

*[Ministry of Commerce and Industry O.M. No. Pr. C-16(5)/60, dated the 26th September, 1962]*

#### *Comments of the Committee*

Please see paras 1-2 of Chapter I.

#### *Recommendation (Serial No. 4)*

*The Committee are of the opinion that it would be desirable to have a law similar to that of general laws of U.S.A. and Canada in India also to govern statutory corporations and Government Companies. The Committee are of the opinion that in order to secure uniformity in the structure, regulation etc., it would be most desirable that the Statutory corporations should also comply with the general law. (Paragraph 16).*

#### *Reply of the Government*

Each of the Statutory Corporations, properly so-called, in India has a separate enactment. It will not be easy to bring such diverse entities like the D.V.C., L.I.C., the Central Warehousing Corporation or the I.A.C., within the framework of one statute; but in framing these statutes, the common principles are as far as possible incorporated. In so far as those institutions which are not governed

by separate Statutes are concerned, the general provisions of the Indian Companies Act apply and in addition there are special provisions in the Act which apply in common to all Government Companies. Although this still leaves scope for individual Memorandum and articles of association it will be noticed that by and large they follow a general pattern as required under Section 9 of the Act.

[*Ministry of Commerce and Industry O.M. No. Pr. C-16(5)/60, dated the 26th September, 1962*]

*Comments of the Committee*

Please see paras 1-2 of Chapter I.

*Recommendation (Serial No. 5)*

*To ensure that the Parliament is fully acquainted with all the aspects of a projected company and to enable it to express its considered views, the Committee recommend that in future before a public Undertaking is set up in the form of a Government Company a resolution seeking the approval of the Parliament for the formation of the company may be moved. If for any reason this procedure cannot be followed the following steps may be taken:*

- (a) *The provision in a Demand for Grant for investment in a Joint Stock Company might be indicated in Part I of the Estimates.*
- (b) *A notification may be issued by Government for the setting up of a Government Company and a draft of the same might be laid on the Table of the House before a Company is registered.*
- (c) *The Memorandum and Articles of Association of a Government Company as also any subsequent amendments thereto might be laid before the House. (Paragraph 17).*

*Reply of the Government*

Government are in agreement with the basic idea underlying this recommendation and propose to evolve a suitable system on the basis of the second alternative.

[*Ministry of Commerce and Industry O.M. No. Pr. C-16(5)/60, dated the 26th September, 1962*]

*Comments of the Committee*

Please see paras 3-4 of Chapter I.

NEW DELHI;  
*The 24th April, 1964.*  


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*The 4th Vaisakha, 1886 (Saka).*

A. C. GUHA,  
*Chairman,*  
*Estimates Committee.*

## APPENDIX I

(See para 4 of Chapter I)

Pr. C. 16(12)/62

GOVERNMENT OF INDIA

MINISTRY OF COMMERCE AND INDUSTRY

New Delhi, dated the 4th May, 1963.

### OFFICE MEMORANDUM

**SUBJECT:**—*Government's reply to the recommendations/conclusions contained in the 80th Report (2nd Lok Sabha) of Estimates Committee (1959-60) on Public Undertakings—Forms and Organisations—Follow up action.*

The undersigned is directed to invite attention to S. No. (5) of the statement of Government's reply to the conclusions/recommendations contained in the 80th Report (2nd Lok Sabha) of Estimates Committee (1959-60) on Public Undertakings—Forms and Organisation, forwarded *vide* this Ministry's O.M. No. Pr. C. 16(5)/60, dated the 26th September, 1962. (copy with this Ministry's subsequent O.M. No. Pr. C. 16(5)/60, dated the 10th October, 1962, enclosed for ready reference).

2. The Estimates Committee had recommended two alternative courses with a view to ensuring that the Parliament was fully acquainted with all aspects of a projected company and to enable it to express its considered views. The Government in their reply agreed to evolve a suitable system on the basis of the second alternative.

3. In the second alternative course, the Estimates Committee had recommended that the following steps might be taken before a public undertaking was set up in the form of a Government Company.

- (a) The provision in a Demand for Grant for investment in a Joint Stock Company might be indicated in Part I of the Estimates.
- (b) A notification may be issued by Government for the setting up of a Government Company and a draft of the same might be laid on the Table of the House before a Company is registered.
- (c) The Memorandum and Articles of Association of Government Company as also any subsequent amendments there-to might be laid before the House.

4. The Estimates Committee have in paragraph 46 (relevant extract enclosed) of their 125th Report (Second Lok Sabha) on the Neyveli Lignite Corporation recommended that while setting up a

public industrial undertaking its economics should be suitably worked out and placed before Parliament when funds are sought for the purpose

5. In regard to the step (a) referred to in paragraph 3 and the recommendation in paragraph 4 above it may be stated that the setting up of public undertaking is normally treated as a new service and funds therefor are obtained by specific provision in part II of the Budget Estimates, or by a specific demand in the Supplementary Grant. While it may not always be possible to place the details of the economics of the project before Parliament when funds are sought the Ministries concerned should, when funds are asked for public undertakings at the time of initial setting up, give to the extent possible, in the documents supporting the original budget provision or the supplementary demands as the case may be, the information required by the Estimates Committee.

6. As regards the step (b) referred to in paragraph 3, above, it may not always be practicable to place on the Table of the House a draft of the notification announcing the setting up of a Government Company before it is registered. Moreover, at present legally such a notification is not necessary to be issued. As regards the step (c) referred to in paragraph 3 above, Government accept the recommendation that copies of the Memorandum and Articles of Association of Government Company (and any subsequent amendments thereto) may be laid on the Table of the House.

7. Ministry of Defence etc., are requested to observe the procedure mentioned in paras 5 and 6 above.

Sd/- K. RAJA RAM,

*Under Secretary to the Govt. of India.*

1. Ministry of Defence, New Delhi.
2. Ministry of Mines and Fuel, New Delhi.
3. Ministry of S.R. & C.A., New Delhi.
4. Ministry of Irrigation and Power, New Delhi.
5. Ministry of Steel and Heavy Industries, Deptt. of Iron and Steel, New Delhi.
6. Ministry of Steel and Heavy Industries, Department of Heavy Industries, New Delhi.
7. Ministry of Transport and Communications, Department of Transport, New Delhi.
8. Ministry of Transport and Communications, Department of Communications and Civil Aviation, New Delhi.
9. Ministry of Works and Housing, Department of Works and Housing, New Delhi. .

10. Ministry of Works and Housing, Department of Rehabilitation, New Delhi.
11. Ministry of Food and Agriculture, Department of Agriculture, New Delhi.
12. Department of Atomic Energy, New Delhi.

*No. Pr. C. 16(12)/62*

1. Copy forwarded for information to Lok Sabha Secretariat, New Delhi in continuation of this Ministry's O.M. No. Pr. C. 16(5)/60, dated the 10th October, 1962.

2. Copy forwarded for information in continuation to this Ministry's endorsement No. Pr. C. 16(5)/60, dated the 10th October, 1962 to:—

- (i) Department of Parliamentary Affairs, New Delhi.
- (ii) Cabinet Secretariat, New Delhi.
- (iii) Ministry of Finance (P.C. Cell) Udyog Bhavan, New Delhi.
- (iv) Parliament Section in the Ministry of C. & I.

3. Copy in continuation to this Section's endorsement No. Pr. C. 16(5)/60, dated the 10th October, 1962 forwarded for information and guidance to:—

A & I/Ch. I/Ch. III/Salt/Projects/SSI(A)/St/NIDC and SSI(B) Sections in the Ministry of C. & I.

Sd/- K. RAJA RAM,  
*Under Secretary to the Govt. of India.*

## APPENDIX II

(Vide Introduction)

*Analysis of the action taken by Government on the recommendations contained in the 80th Report of the Estimates Committee (Second Lok Sabha).*

I. Total Number of Recommendations made		5
II. Recommendations that have been accepted by Government ( <i>vide</i> recommendation No. 1 referred to in Chapter II).		
Number	..	1
Percentage to total	..	20%
III. Recommendations which the Committee do not desire to pursue in view of Government's reply ( <i>vide</i> recommendation No. 2 referred to in Chapter iii):		
Number	..	1
Percentage to total	..	20%
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee ( <i>vide</i> recommendation Nos. 3, 4 and 5 referred to in Chapter IV):		
Number	..	3
Percentage to total	..	60%

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