

**PUBLIC ACCOUNTS COMMITTEE  
(1971-72)**

( FIFTH LOK SABHA )

**TWENTY-EIGHTH REPORT**

**[Audit Report (Civil), 1970 and Appropriation Accounts  
(Civil), 1968-69 relating to the Ministry of Foreign  
Trade and Ministry of Agriculture  
(Department of Agriculture)]**



**LOK SABHA SECRETARIAT  
NEW DELHI**

*August, 1971/Sravana 1893 (Saka)*

*Price : Rs. 1.75 Paise*

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12.8.1971.

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8-7-1970 (FN)

9-7-1970 (FN)

28-9-1970 (FN)

29-9-1970 (FN)

10-8-1971 (AN)

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\*Not printed. (One cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library).

**PUBLIC ACCOUNTS COMMITTEE**

(1971-72)

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Shri Era Sezhiyan

**MEMBERS**

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4. Shri C. C. Desai
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21. Shri Sheel Bhadra Yajee
22. Shri Jagdish Prasad Mathur.

**SECRETARIAT**

Shri Avtar Singh Rikhy—*Joint Secretary.*

Shri B. B. Tewari—*Deputy Secretary.*

Shri T. R. Krishnamachari—*Under Secretary.*

## INTRODUCTION

1. the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Twenty Eighth Report of the Public Accounts Committee (Fifth Lok Sabha) on Audit Report (Civil), 1970 relating to the Ministry of Foreign Trade and Department of Agriculture.

2. The Appropriation Accounts (Civil), 1968-69 and Audit Report (Civil), 1970 were laid on the Table of the House on the 14th April, 1970.

3. The Committee of 1970-71 examined paragraphs relating to the Ministry of Foreign Trade at their sittings held on the 28th and 29th September, 1970 and Department of Agriculture, at their sittings held on the 8th and 9th July, 1970. Consequent on the dissolution of the Lok Sabha on 27th December, 1970, the Public Accounts Committee (1970-71) ceased to exist with effect from that date. The Committee of 1971-72 considered and finalised the Report at their sitting held on the 10th August, 1971 based on the evidence taken and the further information furnished by the Ministry. The Minutes of the sittings form Part II\* of the Report.

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

5. The Committee place on record their appreciation of the commendable work done by the Chairman and the Members of the Public Accounts Committee (1970-71) in taking evidence and obtaining information for this Report which could not be finalised by them because of the sudden dissolution of the Fourth Lok Sabha.

6. The Committee place on record their appreciation of the assistance rendered to them in the examination of these paragraphs by the Comptroller and Auditor General of India.

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\*Not printed. (One cyclostyled copy laid on the table of the House and five copies placed in the Parliament Library).

(vi)

7. The Committee would like to express their thanks to the Officers of the Ministry of Foreign Trade and Department of Agriculture for the cooperation extended by them in giving information to the Committee.

NEW DELHI:  
August 11, 1971  

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Sravana 20, 1893 (Saka)

ERA SEZHIVAN,  
Chairman,  
Public Accounts Committee

(i)

## MINISTRY OF FOREIGN TRADE

### Sick Textile Mills

#### *Audit Paragraph*

Under the Industries (Development and Regulation) Act, 1951 the management of thirteen sick textile mills was vested during 1959-60 to 1968-69 in authorised controllers appointed by the Central Government. To these mills the Central Government had given loans directly and through the National Textile Corporation to the extent of Rs. 192.75 lakhs and guarantees to the extent of Rs. 241.75 lakhs. The State Governments and the Gujarat State Textile Corporation have advanced loans to the extent of Rs. 351.77 lakhs and guarantees amounting to Rs. 509.98 lakhs; of the 13 mills, 9 mills received this assistance from the State Governments only. In one case guarantee of Rs. 20 lakhs was given jointly by the State Government and a private firm which is the managing agent.

1.2. Appendix XIV to this Report shows the financial results of the mills prior to Government appointing the authorised controllers, further losses suffered/profits earned by them after they were taken over and financial assistance provided to them. Whereas the paid-up capital of the mills is Rs. 709.60 lakhs and their total loss before they were taken over by the authorised controllers were estimated at Rs. 860.95 lakhs, the losses incurred after taking over (the period stated in Appendix) add upto Rs. 760.98 lakhs; the cumulative losses having increased to Rs. 1621.93 lakhs. The bulk of loss is accounted for by India United Mills Limited, Bombay. Subsequent to the appointment of the authorised controller on 29th November, 1965 the mill had suffered a loss of Rs. 569.06 lakhs upto 31st December, 1968.

1.3. Government have stated in February, 1970 that they have examined or are examining the cases of 11 mills for liquidation| reconstruction under Cotton Textile Companies (Management of Undertakings and Liquidation or Reconstruction) Act. The National Textile Corporation, who submitted their reports to Government have observed that these mills could be made viable only after fairly large scale modernisation. Such investments could be thought of only after the mills were brought under the operation of the above mentioned Act and either liquidated or reconstructed. It has been further stated that orders have been issued for liquidation of Sri



**Bharathi Mills Ltd., Pondichery and for reconstruction of Rai Saheb Rekchand Gopaldas Mehta, Spinning and Weaving Mills Limited Akola.**

[Paragraph No. 77, Audit Report (Civil), 1970].

1.4. The Ministry of Foreign Trade informed the Committee that as on 1-10-1970, there were 660 cotton textile mills (370 spinning and 290 composite) in the country and that no assessment as such had been made about the mills which could be considered sick but the number might be over hundred. Asked if, in addition to the thirteen mills mentioned in the Audit para, any further Sick Textile Mills had been taken over by the Controller, the Ministry intimated that ten more mills had been taken over after 1968-69.

1.5. They were the following:

- (1) Om Parasakthi Mills Ltd., Coimbatore.
- (2) Kishnaveni Textiles Ltd., Coimbatore.
- (3) Cambodia Mills Ltd., Coimbatore.
- (4) Sri Ranga Vilas Spinning and Weaving Mills Ltd. Coimbatore.
- (5) Ahmedabad New Textile Mills Co. Ltd., Ahmedabad.
- (6) Himabhai Manufacturing Co. Ltd., Ahmedabad.
- (7) Rajkot Spinning and Weaving Mills Ltd., Rajkot.
- (8) Mahalaxmi Mills Ltd., Bhavnagar.
- (9) New Victoria Mills Co. Ltd., Kanpur.
- (10) Digvijay Spinning and Weaving Co. Ltd., Bombay.

1.6. During evidence the Committee desired to know the basis for taking over the mills. The Additional Secretary, Ministry of Foreign Trade stated that it was done on the basis of reports of surveys carried out periodically by the Textile Commissioner and that the State Governments also reported on the state of affairs of the mills as and when they were showing signs of neglect and mismanagement. Asked about the specific reasons for the taking over, the witness stated: "... "It may be bad financial position or neglect of machinery, neglect of maintenance etc. In the case of reports which emanate from State Governments, mostly it is from the labour angle. They get complaints from the labour unions or the Commissioner of Labour makes a complaint. We check up from the Textile Commissioner about the correctness of the report and then take a decision to appoint a committee of investigation." He added

that "by and large the investigation is ordered on the results of the reports of the Textile Commissioner based on surveys."

1.7. The Committee enquired whether the financial and other viability aspects of a mill were verified before it was taken over. The witness stated that it was so and added that when it was felt that it deserved to be scrapped, no action was taken by the Government for taking it over. He further stated that in some cases Government felt that because the cost of modernisation was going to be so high it might not be possible to step in and appoint authorised controllers.

1.8. To a question, the witness replied: "In 12 cases, the appointment of Authorised Controller was made prior to the enactment of the Cotton Textile Companies (Management of Undertakings and Liquidation or Reconstruction) Act. There was no provision for either liquidation or reconstruction. The only possibility open was to run the mills for a period of five years, to be extended by another five years and so on for a maximum period of 15 years and then it had to be transferred back to the original owners."

1.9. Asked how the money invested by Government was realised, the witness said: "Previously no Government money was invested on equipment or machinery. We advanced money only for the working capital and it was realised and the interest also had been realised. In 1966 the Rajasthan High Court held that the Authorised Controller cannot draw money for modernisation and that to some extent acted against our proposals for investing some money for improving the condition of some mills." He went on to say: "We have a proposal to permit some funds to be spent on modernisation of mills and we have generally accepted this in principle for certain mills having export potential and a sum of Rs. 3 crores is recommended to the Finance Ministry as an advance to the National Textile Corporation."

1.10. Asked to furnish the names of the mills which were closed and also those which were on the verge of closure at the time of take over, the Ministry intimated that out of the 23 mills taken over by Government the following four were on the verge of closure and the remaining 19 were closed at the time of take over:

- (1) Pratap Spinning, Weaving & Manufacturing Co. Ltd., Amalner.
- (2) India United Mills, Ltd., Bombay.
- (3) Hira Mills Ltd., Ujjain.
- (4) Digvijay Spinning & Weaving Mills Ltd., Bombay.

1.11. Referring to the appointments of Authorised Controller, the Committee asked how they were made. The witness stated: "The Central Government appoints them....we get the recommendation of the State Government....the qualifications as such have been prescribed. Lately we had requested the State Governments to form State Textile Corporations....so that they might be in a position to undertake the management of some of these textile mills which are becoming more and more sick in many States....in the last three or four cases, we have appointed only the State Textile Corporations as the Authorised Controllers." He added further: "...In suggesting the names of officers for appointment as Authorised Controllers we try to find an officer who has had an experience of running a textile mill or who has, in any case, experience of managing some public sector commercial undertaking."

1.12. Asked to indicate the qualifications and experience in Textile Industry of each of the Authorised Controllers of the twenty-three mills which had been taken over as also the composition of the Advisory Boards and the availability or otherwise of the assistance of financial experts, the Ministry, in a note furnished a statement which is reproduced in Appendix I...It is seen that while thirteen mills are managed by the respective State Textile Corporations, the remaining ten are under authorised controllers appointed for individual mills. In a number of cases assistance of financial expert is not available to the authorised controllers and the question of constitution of Advisory Board is under consideration.

1.13. As regards the functions of the controller, the witness said that he was expected to improve the efficiency of the management, improve the financial working and also rectify the damages done by the previous management, to put the mill a fairly workable condition. The Committee enquired of the powers vested in the controllers. The witness explained: "The Controller exercises his powers under Section 18, Chapter III of the Industries (Development and Regulation) Act. Practically, he enjoys all the powers of the Board of Directors except that there are certain limitations to the exercise of those powers, but we have appointed in some cases an advisory committee to advise him with regard to the exercise of those powers."

1.14. Drawing attention of the witness to the financial results of working of the sick textile mills after the appointment of the authorised controller, the Committee enquired whether the condition of any of the mills had improved. The Managing Director, National Textile Corporation deposed: "...in a few cases there is a definite

sign of improvement. For example, if you take the Model Mills, Nagpur in the year 1965, the net loss was Rs. 20.21 lakhs. It was brought down to Rs. 18 lakhs in the next year and in 1967-68 it was further brought down to Rs. 12 lakhs. In the year 1968-69 there was a profit of Rs. 1 lakh. There was a steady improvement in the reduction of losses and from 1968-69 onwards they are making a profit."

"As regards the R.S.R.G. Mohta Spinning Mills, Akola, from the time of its take over, i.e. from 1965 onwards, the losses came down from Rs. 5.64 lakhs in 1965-66 to Rs. 2.26 lakhs in 1966-67. It was only Rs. 0.52 lakh in 1967-68. It started making profits from 1968-69 onwards. In 1968-69, the profit was Rs. 6.48 lakhs which was increased to Rs. 9.32 lakhs in 1969-70. . . . Then, in the case of the Muir Mills, Kanpur also the working results show a decrease in the losses to the extent of about Rs. 6 lakhs. The provisional figure for 1970 is Rs. 7 lakhs."

1.15. The Committee also desired to have the date of take over, cumulative losses at the time of taking over and after taking over, and details of financial assistance extended in respect of each of the 23 mills. The Ministry furnished the following statement in this regard:

S. No.	Name of Mills Paid up capital (in lakhs of Rs.)	Date when taken over	Cumulative losses at the time of take over (in lakhs of Rs.) as on	Losses incurred after taking over	Financial assistance extended to Mills (in lakhs of Rs.)	
					Loans	Guarantees
1	2	3	4	5	6	7
1	India United Mills . . . . .	29-11-1965	161.46	767.08	(a) 175 (CG)	333.50
	250.00		30-11-65	31-12-69	(b) 193.50 (SG)	(CG+SG)
2	Muir Mills Ltd., Kanpur . . . . .	22-12-1965	60.99	38.94	..	80.00
	60.00		31-12-65	31-12-68		(CG+SG)
3	Shri Bharathi Mills, Pondicherry . . . . .	5-5-1966	40.59	64.05	5.00 (NTC)	35 (CG)
	21.00		Dec. 65	Dec. 69		
4	Pratap Spg. Wvg. & Mfg. Co. Ltd., Amalner . . . . .	4-3-1963	59.14	(-)20.17*	37.54 (SG)	32.85 (SG)
	30.00		30-6-63	30-6-69	(upto 30-6-68)	
5	Model Mills Ltd., Nagpur . . . . .	18-7-1959	67.94*	12.45	77.95 (SG)	17.42 (SG)
	94.92		June '59	As at the end of June '69		
6	R.S.R.G. Mohta Spg. Wvg. Mills, Akola . . . . .	15-9-1961	45.83	(-)7.99*	14.50 (SG)	18.00 (SG)
	48.10		September 1961	As at the end of June 1969	end of June '68	

7	Aurangabad Mills Ltd., Aurangabad	11-3-1966	1465	4.55	6.00 (SG)	30.50 (SG)
	12.00		Dec. 1965	As at the end of Dec. 1969.		
8	Swadeshi Cotton & Flour Mills, Indore.	13-4-1966	38.37	38.22	5.03 (SG)	57.00 (SG)
	39.06		15-4-66	31-12-39		
9	Bengal Nagpur Cotton Mills, Rajnandgaon	17-12-1963	95.39**	(—)13.11*	..	7.16 (SG)
	30.00		Upto 1962	Dec. 1969**		
10	Hira Mills, Ujjain	4-3-1966	60.00	65.20	..	82.25 (SG)
	42.50		6-3-1966	Dec. 1969		
11	New Bhopal Textiles Ltd., Bhopal	11-2-1966	107.12	40.71	..	21.5 (SG) (on 31-12-68)
	54.00		31-3-1966	1-4-66 to 31-3-69		
12	Mahalakshmi Mills Ltd., Beawar	9-1-1967	28.60	9.60	4.5 (SG)	18.97 (SG)
	13.00		Dec. '66	Dec. 1968		
13	New Manekchock Spg. Wvg. Ltd., Ahmedabad	14-2-1969	80.86	(—)0.01*	12.75 (NTC) 12.75 (STC)	20.00 (SG + Managing Agent of the firm)
	14.99			Dec. '69		
14	Om Parasakthi Mills, Ltd., Coimbatore	25-6-1969	15.47	(—)0.47***	4.20 (STC) 3.45 (NTC)	25.73 (STC)
	9.46 (as on 31-3-69)		15-9-69	Jan.-March** '70		
15	Krishnaveni Textiles Ltd., Coimbatore	22-10-1969	22.36	Re-started recently	9.38 (STC) 3.06 (NTC)	23.00 (STC)
	10.55 (31-12-67)		31-12-69			
16	Cambodia Mills Ltd., Coimbatore	22-10-69	34.16	Do.	24.25 (STC) 13.62 (NTC)	46.00 (STC)
	21.00 (as on 31-12-67)		(31-12-69)			

\* Profit  
\*\* Provisional.

1	2	3	4	5	6	7
17	Sri Ranga Vilas Ginning, Spg. Wvg. Mills Ltd., Coimbatore	7-1-1970	21.92 (31-12-69)	Re-started recently	33.00 (STC) 9.38 (NTC)	33.00 (STC)
18	Ahmedabad New Textiles Mills Co. Ltd., Ahmedabad	6-9-1969	125.58 (31-12-68)	2.77 Dec. 69— March 70	26.95 (STC) 28.05 (NTC)	59.00 (SG) 59.00 (STC)
19	Himabhai Manufacturing Co. Ltd., Ahmedabad	19-10-1969	73.67 (31-3-69)	0.68 (Jan.— March '70)	15.35 (STC) 12.10 (NTC)	66.51 (SG) 62.00 (STC)
20	Rajkot Spg. and Wvg. Mills Ltd., Rajkot	20-6-1970	59.33 (31-12-69)	Not yet started working.	0.79 (STC) 1.00 (NTC)	58.68 (SG)
21	Mahalaxmi Mills Ltd., Beawar	6-8-70	117.42 (31-3-69)	Do.	1.36 (STC) 1.00 (NTC)	103.11 (SG)
22	New Victoria Mills Co. Ltd., Kanpur	30-8-69	248.62 (1-9-69)	Not yet started fully	*23.00 (STC) *20.10 (NTC)	..
23	Digvijay Spg. & Wvg. Co. Ltd., Bombay	9-7-69	185.00 (9-7-69)	27.20 (July 69— March, 70)	33.00 (STC)	90.00 (CG—SG)

\* Provisional.

CG Loans/guarantees given by Central Government.

SG Loans/guarantees given by State Government.

STC Loans/guarantees given by the respective State Textile Corporation.

NTC Loans/guarantees given by the respective National Textile Corporation.

1.16. Asked whether Government analysed in detail the reasons for continued loss in the textile mills taken over and whether such analysis was carried out every year, the Ministry stated that "the Authorised Controllers sent the monthly working results of the mills to the National Textile Corporation. The National Textile Corporation examines these reports and tenders suitable advices to the Authorised Controllers wherever necessary to improve the working of the mills and thus increase the profitability." The Ministry also intimated that Government issued from time to time necessary instructions to the Authorised Controllers to improve the working of the mills and that after the establishment of the National Textile Corporation, the Director (Technical) of the Corporation visited the mills periodically and gave suitable advice to the Authorised Controllers to improve the working.

1.17. According to the information furnished by the Ministry orders had been issued for reconstruction under sub-section 2 of Section 4 of the Cotton Textile Companies (Management of Undertakings and Liquidation or Reconstruction) Act, 1967 in respect of the following 4 mills:

- (1) R.S.R.G. Mohta Spg. & Wvg. Mills (Pvt.) Ltd., Akola (Maharashtra).
- (2) Swadeshi Cotton and Flour Mills Ltd., Indore (M.P.)
- (3) New Bhopal Textiles Ltd., Bhopal (M.P.).
- (4) Indian United Mills Ltd., Bombay (Maharashtra).

Orders have been issued for liquidation under Sub-section 1 of Section 4 of the Act in respect of the following two mills:

- (1) Sri Bharathi Mills Ltd., Pondicherry.
- (2) Bengal Nagpur Cotton Mills Ltd., Rajnandgaon (M.P.).

1.18. The Committee pointed out that although these mills had been taken over during the last 11 years no consideration was given to the viability or otherwise of the mills till very recently. The Additional Secretary, Ministry of Foreign Trade explained that the position deteriorated only in 1965-66 and prior to that it was more or less an isolated phenomenon. He added that as a result of the textile crisis of 1965-66, the need for bringing in legislation empowering government to handle the Sick Mills in a suitable manner according to the condition of the mill was felt and that the Cotton Textiles Companies Act, 1967 was passed. The National Textile Corporation was set up to deal with the functions envisaged in the Act and to act as the agency of Government to exercise those functions. When



1	2	3
16. Ahmedabad New Textiles Ltd., Ahmedabad .	64.01	55.00
17. Himabhai Manufacturing Co. Ltd., Ahmedabad .	22.07	23.95
18. Cambodia Mills, Coimbatore . . . . .	23.00	23.19
19. Krishnaveni Textiles Ltd., Coimbatore . .	18.61	6.00
20. Sri Rangavilas Ginning Spg. & Wvg. Coimbatore	20.40	16.00
21. Rajkot Spinning & Weaving Mills, Rajkot .	17.67	31.36
22. Mahalaxmi Mills, Bhavnagar . . . . .	38.87	45.91

1.22. Asked to indicate the amount of bad debts and the yearly administrative expenditure shortly before the take over and year to year after the take over in respect of each of the 23 mills, the Ministry furnished a statement which is reproduced at appendix II.

1.23. Referring to one of these two mills to be liquidated i.e. Bharathi Mills, Pondicherry, it was explained during evidence that the liquidation order was passed in September, 1969 after consulting Pondicherry Administration but the Indian Bank, one of the creditors of the company, had filed an objection and the matter was likely to be taken up by the court soon.

1.24. As regards the other mill, i.e., Bengal Nagpur Cotton Mills, Rajnandgaon, the Committee were furnished with the following yearwise profit and loss figures:

Year	Amount (In lakhs of Rs.)	Profit/Loss
1959 . . . . .	24	Loss
1960 . . . . .	16	Loss
1961 . . . . .	6.84	Loss
1962 . . . . .	9.6	Loss
1964 . . . . .	3	Profit
1965 . . . . .	1	Profit
1966 . . . . .	0.22	Loss
1967 . . . . .	2.9	Profit
1968 . . . . .	3.98	Profit
1969 . . . . .	2.25	Profit

1.25. Asked why, in spite of its showing steady profit since the year 1964, this mill was being liquidated, the representative from the National Textile Corporation, stated: "The machinery is very old in this mill. They are showing a little profit because of a peculiar situation there. The wages of labour are lower as compared to other areas. There are no other industrial concerns there and, therefore, this mill has been getting labour cheaply. The labour wage, on an average, is Rs. 90 as compared to Rs. 180 in Bombay and Rs. 185 in Ahmedabad. Because of this, the mill has been making a little profit. Then, when the decision for liquidation was taken, the accounts for 1963 onwards were not made available to the Controller. As such, the extent of liability was unknown. Because of these conditions, we suggested that it should be liquidated."

1.26. Asked if the Corporation was performing its functions successfully, it was stated that the Corporation was handling all the aspects of these mills besides giving them technical advice and expertise. The witness further stated that the organisation was being strengthened in the technical and financial wings, so as to render useful advice to the mills in distress. The representative from the National Textile Corporation added: "Corporation advises on the purchase of cotton of particular type, depending upon the manufacturing capacity of the individual concern and we advise on the know-how and also about marketing and about fluctuating market conditions and changes in the pattern of production."

1.27. The Committee wanted to know the basis on which the National Textile Corporation recommends reconstruction or liquidation of the mills. In reply, the Managing Director, National Textile Corporation, stated: "In regard to mills where current liabilities exceed the current assets of the mills, we recommend liquidation. Apart from that, what is the state of machinery is another factor that is taken into consideration. There is also the factor of investment of Governments funds in the mill."

1.28. As regards reconstruction, the quantum of investment by the Government in the mill is one factor. The loans, etc., after the take over of the mills are not scaled down. The Government also takes into consideration the state of machinery, to determine whether it is an economical and viable unit. We also go in for priority modernisation to which we have made a reference elsewhere. We can make a priority investment by way of modernisation and try to bring up the mill in anticipation of the formal reconstruction subsequently under the provision of the Cotton Textile Companies Act. Another factor is that in the case of reconstruction, the past losses

of the mills and the depreciation are carried forward. Subsequently, when the mill does make a profit, we have the advantage of income-tax, i.e., set off against future profits.

These are some of the broad criteria which are taken into consideration while deciding on liquidation *vis-a-vis* reconstruction of a unit.

1.29. It was stated during evidence that one of the measures in the wholesale reconstruction of the mill was a scheme of retrenchment and removal of surplus labour involving about Rs. 1.34 crores pertaining to 16 mills.

1.30. The Ministry, in a note, further stated that this was expected to result in an annual saving of Rs. 124 lakhs in the wage bills of these mills. The Committee desired to be furnished with the following details i.e. the name of the mill, its financial burden due to excess staff and the extent of overstaffing. The Ministry submitted the following statement in this regard:

Name of the mills	Financial burden on each of the mills on account of excess staff	The extent of over staffing
	Rs.	
1. New Maneckchock Mills, Ahmedabad . . . . .	11,000	44
2. Ahmedabad New Textiles, Ahmedabad . . . . .	31,250	125
3. Himabhai Manufacturing Co., Ahmedabad . . . . .	12,250	50
4. Hira Mills, Ujjain . . . . .	70,000	506
5. New Bhopal Textiles, Bhopal . . . . .	37,000	493
6. Swadeshi Cotton and Flour Mills, Indore . . . . .	63,104	272
7. India United Mills, Bombay . . . . .	1,29,100	488
8. Madh Mills, Nagpur . . . . .	67,350	330
9. Digvijay Spg. & Wvg. Mills, Bombay . . . . .	78,500	366
10. On Parasakthi Mills, Coimbatore . . . . .	8,900	50
11. Cambodia Mills, Coimbatore . . . . .	1,12,140	630
12. Kishnaveni Textiles, Coimbatore . . . . .	14,240	80
13. Sri Rangavilas Gng. Spg. and Wvg. Mills, Coimbatore . . . . .	53,400	200
14. Muir Mills, Kanpur . . . . .	61,475	586
15. New Victoria Mills, Kanpur . . . . .	2,50,000	1,387
16. Mahalakshmi Mills, Bazar . . . . .	31,200	300
<b>TOTAL . . . . .</b>	<b>10,31,459</b>	<b>5,907</b>

1.31. The Committee enquired whether there was any scheme to utilise the surplus labour as a result or retrenchment from these mills. The witness replied: "...We have gone into this almost mill by mill, and...we have a proposal for rationalisation labour where some of the more aged and sick and infirm or disabled people will be given compensation; that will reduce the liability on account of labour." As regards the future programme of rehabilitation of surplus labour, the representative from the National Textile Corporation added: "...We should work the mills round the clock throughout the seven days of the week. That will work out to 16 per cent more labour needed. So the surplus labour that may be thrown out on account of modernisation we will try to absorb them in the third shift and in the seventh working day." Asked whether any training facilities would be provided to the excess staff, so as to be rehabilitated in other productive industries, the Ministry, in a note, have stated that this matter had not so far been considered by Government.

1.32. Referring to the Audit para wherein it was stated that loans and guarantees were given to the thirteen mills by Central and State Governments, the Committee desired to know the names of the mills which received loans and guarantees from the Central Government. The Ministry have intimated that the following four have been the recipients of Central loans and guarantees.

- (1) India United Mills Ltd., Bombay.
- (2) Muir Mills Ltd., Kanpur.
- (3) Sri Bharati Mills Ltd., Pondicherry.
- (4) Digvijay Spinning and Weaving Co. Ltd., Bombay.

1.33. The latest available position of paid up share capital, accumulated losses and current assets and liabilities in respect of the four mills assisted by Central Government are as follows:

(As on 31-12-69)

Name of the Mill	Paid up share capital	Accumulated losses	Current assets	Current liabilities
(In lakhs of Rupees)				
1. The India United Mills Ltd., Bombay.	250	929	570	577
2. The Muir Mills Co. Ltd., Kanpur.	60	98	147	96
3. Shri Bharati Mills Ltd., Pondicherry.	50	105	43	47
4. The Digvijay Spinning & Weaving Co. Ltd., Bombay.	24	204	114	151

1.34. The Committee pointed out that while the National Textile Corporation was under the purview of the C. & A.G., the mills which received the loans from the Corporation did not come under his jurisdiction. The Committee enquired whether such a position was not anomalous. The Additional Secretary, Ministry of Foreign Trade stated: "...We are seized of the matter. We are consulting the State Governments concerned about the desirability of the audit being conducted in these mills by the C. & A.G." Asked whether audit by C. & A.G. of the accounts of the mills taken over by the authorised controllers would be acceptable, the Managing Director, N.T.C. stated: "I have myself taken up this question with one or two State Governments and also discussed with them. They said that they would look into this matter. We have also discussed this at the official level and I find that at this level there was no serious objection."

1.35. The Committee are concerned to note that as many as 100 cotton textile mills out of 660 in the country are sick and that the problem facing, these textile mills had got accentuated since 1965-66. The Committee consider that Government should have carried out a study in depth of the problems afflicting the textile industry and taken timely remedial measures to sustain the industry.

1.36. Management of 23 mills which were closed or on the verge of closure had been vested in authorised controllers appointed by Government under the Industries (Development and Regulation) Act, 1951. The accumulated losses of these mills which were Rs. 1607 lakhs prior to take over by the authorised controllers increased to Rs. 2636 lakhs subsequently. The Committee desire that reasons for the continued losses should be gone into thoroughly and urgent steps taken to liquidate or reconstruct the mills. The Committee were, however, given to understand that orders have been passed for reconstruction under Sub-section 2 of Section 4 of the Cotton Textile Companies (Management of Undertakings and Liquidation or Reconstruction) Act, 1967 in respect of 4 mills and for liquidation under Sub-section 1 of Section 4 of the Act in respect of two mills.

1.37. In respect of textile mills which have been taken over by Government, the Committee would like Government to put this opportunity to effective use by modernising the mills taking into account the trends of consumer requirements within the country and the export market.. They would also like Government to see how far the production in these textile mills could be sustained and stepped up to meet requirements for common varieties of cloth which

are in demand by the public. It should in particular, be ensured that the textile mills produce the cloth at most competitive rates so as to hold the price line.

1.38. The malady that afflicted the mills arose out of a combination of factors such as gross mis-management, lack of funds, inadequacy of raw cotton, surplus staff, old and outdated machinery etc. The Committee understand that assistance is being rendered by the National Textile Corporation in the purchase of cotton at economic prices. The Committee feel that the long term solution lies in increasing the production of cotton in the country. Accordingly, they would suggest that a suitable scheme should be evolved to ensure that the production is stepped up substantially in view of the strategic position of the textile industry in the economy as a whole.

1.39. The Committee find that there are 5907 surplus staff in 16 mills taken over by the authorised controllers accounting for a financial burden of Rs. 10.31 lakhs per month. The Committee are concerned to note a significant rise in establishment expenditure in respect of quite a few mills after their take over by authorised controllers. A scheme has been formulated already for rationalisation of labour strength which is expected to result in a saving of Rs. 1.24 crores per annum in the wage bills of these mills. The Committee would urge that suitable training facilities should be provided to labour who are found surplus so as to facilitate their gainful absorption in other production units. The Committee would like to be apprised of the progress made in this regard.

1.40. The requirements for modernisation in respect of 22 mills as assessed by the National Textile Corporation work out to Rs. 15.73 crores. The Committee were, however, informed that Government have accepted the need for about Rs. 3 crores worth of equipment immediately in respect of mills having export potential. The Committee would urge that the immediate requirements of other mills should also be examined by Government early.

1.41. From the particulars of authorised controllers of all the 23 mills taken over intimated by the Ministry, the Committee find that while 13 mills are managed by the respective State Textile Corporations the remaining are under authorised controllers appointed for individual mills. The authorised controllers are not all experts in the field. Further in a number of cases experts financial assistance is not available to them and the question of constitution of Advisory Board is under consideration. In this connection the Committee wish to observe that the States which at present do not have Textile

Corporations of their own should be urged to set up one so that rehabilitation and management of the mills taken over could be done jointly by the States and the Centre. They would also like Government to ensure that the assistance of an expert in finance, accounts and audit is available to the management of each mill.

1.42. As regards four mills assisted by Central Government, the position that emerges from the annual accounts is very depressing. The accumulated losses of all these mills (Rs. 1336 lakhs) exceed the paid-up share capital (Rs. 384 lakhs) by Rs. 952 lakhs. The current liabilities of the mills exceed the current assets in all the cases except one. The Committee note that Government have decided to liquidate one of these mills. They wish to emphasise that the potential of the remaining mills to grow into viable economic units with investment of reasonable amount of funds should be carefully gone into before proposing reconstruction. The Committee do not favour handing back the mills to previous owners who have grossly mismanaged them.

1.43. The Committee find that while the National Textile Corporation is within the purview of audit of the Comptroller and Auditor General, the mills which received substantial financial assistance in the form of loans and guarantees from Central and State Governments Corporations are not. As this is not a satisfactory arrangement, the Committee feel that the Comptroller and Auditor General should be empowered or requested on a consent basis by incorporating suitable provisions in the relevant agreements to audit the accounts of such mills. As it is already under consideration, the Committee would like Government to settle the matter early in consultation with the State Governments.

## PATHINI TEA ESTATE

### Introduction

#### *Audit Paragraph*

1.44. Pathini Tea Estate comprising of a total area of 2.412 hectares was being run by a sterling company incorporated in the U.K. It was found unremunerative by the Company and was purchased by Government w.e.f. 1st January, 1965 on grounds of strategic situation and national interest.

1.45. The physical possession of the Estate was taken over in February, 1966 on payment of a total consideration of Rs. 18.03 lakhs (Rs. 16.00 lakhs for land, buildings, plant and machinery and transport and Rs. 2.03 lakhs for stroes and furniture) in January, 1966.

1.46. The Estate is being managed through the previous agents of sterling company on the following terms and conditions, which were also applicable before its take-over by Government:—

- (i) A commission at the rate of 1½ per cent on the gross proceeds of tea crops.
- (ii) A commission of 2 per cent on the net annual revenue profits of the Estate after payment of taxes.
- (iii) Reimbursement of actual expenditure incurred on stationery, postage, etc. limited to a maximum of Rs. 2,500 per annum.

[Paragraph 81, Pages 122-123 of Audit Report (Civil), 1970]

1.47. During evidence, the Additional Secretary, Ministry of Foreign Trade stated: "...the previous owners of these gardens were negotiating the private sale of the estate to another party and this came for the approval of the Reserve Bank of India, who in turn consulted the Tea Board. The Tea Board brought this fact to the notice of Government stating that this estate is on the borders of our neighbour, a strategic importance, and it was also being proposed to be sold.....and this was then recommended by the Tea Board that it might be advantageous if the Government acquire possession of the estate."

1.48. The witness added: "As far as could be seen from the agreement entered into, the intention was to run it as a paying concern and also obtain strategic control of the estate....They wanted to continue it as a running concern practically on the lines of the agreement which existed prior to the taking over."

1.49. The Committee enquired about the measures taken by Government to make it a paying concern. The Additional Secretary of the Ministry stated that an advisory board was constituted with the Chairman of the Tea Board, a representative of the company and two representatives of Government to advise the management and that action was duly taken on whatever advice was tendered by the advisory committee from time to time.

1.50. To a question whether the company which was managing the estate was making profits before it was taken over, the witness replied that their profit in 1963 was Rs. 2,95,000, in 1964 Rs. 2,50,000 and in 1965, it was Rs. 76,000.



1.51. Referring to the continuance of the same management of the estate even after take over by Government, the Committee enquired whether, in view of its strategic importance, it was not felt necessary to change the management. The witness stated: "The possibility of running it directly was considered, but we did not have any competent person nor the machinery for taking over the management of such an estate. Moreover, there was nothing to suggest that the ... company were in any way unsuitable for continuing the management. There was nothing adverse against them.... I think the guiding consideration was that there should be no interruption of production by change of management." Asked on what date the decision to continue the same management was taken, the Ministry, in a note, stated that it was decided in January, 1966 to continue the same management for a period of 12 calendar months with effect from 1.2.1966.

1.52. The Committee desired to know the amounts paid to the management by way of commission since the year 1966. The following are the data given by the witness in this regard:

Year	Commission on Profit*	Commission on the crop*
	Rs.	Rs.
1966	1,171	61,574
1967	2,665	46,914
1968	1,563	40,000
1969	Nil	51,000

1.53. Comparing the above figures with those of the previous years, the Additional Secretary, Ministry of Foreign Trade added: "Prior to 1965 they were getting roughly Rs. 30,000, 34,000, 29,000, 38,000 and 40,000 from the crop and Rs. 5,000,700 and so on. On an average, they got nearly Rs. 10,000 (ten thousand) less in those years. The basis of the commission is somewhat unsatisfactory."

\*According to the proforma accounts, the following have been shown in the Revenue Accounts:—

Year	Commission on Profit	Commission on the crop
	Rs.	Rs.
1966	2,665	40,943
1967	1,563	45,421
1968	..	40,471
1969	..	48,007

1.54. Pointing to one of the terms and conditions in the agreement with the agents, which entitled him to a commission at the rate of 1½ per cent on the gross proceeds of tea crops the Committee enquired whether it would not discourage replantation as well as new plantation. The witness replied: "That was a defect of the terms of the agreement by continuing on an annual basis."

1.55. Asked when the fact that the agreement was defective, came to the notice of Government, the witness stated that this came to their notice in a letter written by the Chairman of the Tea Board on 21st April, 1969. The Ministry, subsequently furnished a copy of the letter which is reproduced at appendix III. The witness points that are mentioned in the letter are summarised below:

- (i) Estate made some profit in 1966-67 and was likely to lose nearly Rs. 1.50 lakhs in the year 1969. Loss of 1968 not known, as so far, only 2/3 of the crop of 1968 had been sold.
- (ii) Revenue expenditure of the garden had gone up by Rs. 4.33 lakhs above the estimated expenditure.
- (iii) Packing was disappointing and the net weight per chest was at least 5 kg. lower than the other gardens, entailing an excess expenditure of Rs. 51,062 on this account. As the chest were supplied by the Managing Agents, there might have been an indication to the garden manager to utilise more chests than were necessary, resulting in a loss to the estate but a profit to the Managing Agents.
- (iv) Vacancies in mature tea have increased to 30 per cent and the loss of crop due to this increased accordingly.
- (v) The standard of plucking was poor throughout the season.
- (vi) A high percentage of secondary and artificial teas were produced which were almost unfit for sale.
- (vii) The extension planting was very disappointing; the saplings which were far too small were planted at the wrong time of the year, and all the plants of clones Numbers...

have died as a result of being overgrown by jungle during the rains.

1.56. The letter concluded stating that while it was wrong to entrust a garden to a Managing Agent who had sold the garden after finding out that they could not run it profitably, closer watch should be kept on them throughout the current year and that the decision to pass on this estate to a reliable firm on a long term lease should be taken up immediately so that the present agents did not continue for the year 1970.

1.57. The Committee pointed out that the present arrangement would come to an end on 31st December, 1970 and enquired whether Government had taken steps to review the position for future. The witness stated that it was precisely for the reason that the lessee might not take sufficient interest in investment in replantations that the estate was proposed to be leased out on a long term basis for a period of twenty years. He added: "So tenders were invited on that basis in November, 1969. 12 were received on 13th January, 1970.... This was examined by the Chairman of the Tea Board. His recommendation was that none of these people had any substantial experience of managing a tea garden. He recommended rejection of all tenders." To a question why there was a delay of 3 years in leasing the property on a long term basis when the physical possession of the estate was taken over in 1966, the witness replied: "I cannot find any specific reason." Asked about its present position, the witness explained that Government was thinking of forming a National Tea Company, one of the functions of which would be to explore the possibilities of taking over such tea estates. If this company was not in a position to take it over, then fresh tenders on a long term basis might be invited.

1.58. The Committee note that the intention of Government in purchasing the Pathini Tea Estate was to run it as a paying concern and also to obtain control of an area of strategic importance. The estate was, however, continued to be managed by the agents of the previous owners. The continuance of the agents on an annual basis and relating the commission payable to them to the gross proceeds of tea crops, which were admittedly unsatisfactory features of the agreement, acted as a disincentive to take up replantation and new plantation. Only in November, 1969, attempts were made to lease

out the estate on a long term basis. The Committee were not given any specific reasons for the delay of over three years in taking this step. They could like to know why the lacumae in the agreement could not be noticed and remedial steps taken earlier. They would also like to know the progress made in handing over the estate to the proposed National Tea Company or to lease it out on long term basis.

#### AREA

##### *Audit Paragraph*

1.59. (i) The total area of the Estate is 2,412 hectares, out of which 787 hectares are registered for tea cultivation. The remaining area includes;

- (A) 92.77 acres not included by the State Government in the waste land grants and pattas granted after second resettlement operations. The Management have filed an objection petition and the case is *sub-judice* (February, 1970).
- (B) 144.82 acres occupied by a foreign Government since 1962-63.
- (C) 228 acres occupied by refugees and others. A case has been filed for the eviction of the persons who forcibly occupied 64 acres of land.

(ii) The age-wise analysis of the area used for cultivation of tea at the time of take-over of the Estate by Government is indicated below:—

Age Group	Area (in hec- tares)	Ave age yield per hectare (in Kgs.)
Over 60 years	85	272
Between 51—60 years	369	725
"  41—50 years	46	725
"  26—40 years	84	1,088
"  11—25 years	48	1,179
"  5—10 years	96	1,224
Under 5 years	9	..
Fallow for planting	50	..
	<hr style="width: 100%; border: 0.5px solid black;"/> 787	

1.60. It will be seen from above that the best productivity is between the age groups of 5-10 years and 26-40 years.

1.61. According to the Ministry, development of the Tea Estate was to entail new plantation as well as replantation which was expected to yield results after 5 years.

1.62. It was, however, noticed that, during the years 1965-68, only 9 hectares were added to the productive age-group of 5-10 years and another 36 hectares were brought under plantation. No area from the over-aged groups, i.e. 41 and above years old plants, was replanted during these years.

[Paragraph 81, Pages 123-124 of Audit Report (Civil), 1970].

1.63. The Ministry, in a note, submitted to the Committee stated that while new planting was undertaken on 3.91 hectares during 1969, no replanting was done.

1.64. During evidence the Committee enquired whether any survey with a view to increasing the area under tea cultivation had been carried out by Government after the take over of the estate. The Director, Tea Board, stated: "No re-survey has been carried out. A survey was carried out by the previous owners." Asked whether Government examined the scope for increasing the profitability of the estate atleast on the basis of the survey conducted by the previous owners, the witness added: "I am afraid the answer is in the negative. We accept the omission. We will have it expedited." He went on further to say: "I regret that we have only continued the system of management that prevailed prior to the transfer without really taking interest in seeing that sufficient funds are allotted for replantation and also to see that the potential of the estate is really exploited."

1.65. Referring to the 92.77 acres of land not included in the waste land grant during second settlement and the subsequent filling of an objection petition by the Management, the Committee enquired whether this fact was mentioned in the original report of the Tea Board, on the basis of which the purchase of estate was finalised. The Ministry, in their note, stated that in the report of the Tea Board dated 6.8.1964, there is no mention of 92.77 acres not having been included by the State Government in the waste land grants and patta referred to.

1.66. As regards the latest position of the case, the Ministry have furnished the following information (September, 1970):

“Objection petitions were filed on 29.6.65, 29.10.68 and 7.12.68 and agent's recent letter to the Deputy Commissioner dated 13.7.70. Deputy Commissioner, Cachar directed S.D.O. Karimganj to go into the matter personally. It is understood that the matter will be dealt with after the decision of Assam High Court where Assam Government have appealed against an order of Silchar Court regarding same area of waste land grant is available.”

1.67. Referring to the area occupied by a foreign Government, the Committee called for information on the exact date of its occupation. In their reply (January, 1971), the Ministry of Foreign Trade stated that the exact date of occupation was not known. It had, however, been ascertained that it was presumably occupied in 1962-63. To a question whether the Managing Agents of the Estate informed Government about its occupation by a foreign power at any time, the Joint Secretary, Ministry of External Affairs replied: “My information is that we got the information from the Assam Government, initially from the Defence Ministry.” The Ministry, in a note subsequently furnished to the Committee, have stated: “It has been reported that the Deputy Commissioner, Cachar was informed of the encroachment by the Garden Manager. A formal petition was submitted by the garden manager on 11.5.1967 to the Government of Assam in the Revenue Department/Controller of the District of Cachar, Silchar, requesting *inter-alia* for exemption from payment of land revenue on the areas of the Pathini Tea Estate occupied....”

1.68. As regards the area of 228 acres occupied by refugees and others, the Additional Secretary, Ministry of Foreign Trade, said during evidence that 64 acres were given in 1950 as part of an arrangement and that nothing was being done to disturb that commitment by the estate and that subsequent to 1950, encroachment had taken place on about 164 acres by the refugees. The Ministry subsequently furnished the following details in regard to eviction suits filed against the encroaches:

- (a) a case under 144 was filed at Criminal Court, Karimganj on 6.5.68.
- (b) the paddy were attached in November, 1968 by the S.D.O., Karimganj and the order has been passed for auction sale under Sec. 145.
- (c) second party filed injunction in November, 1968 and the same was vacated on 2.12.68; and

- (d) second party filed a civil suit on 2.12.68 and it was withdrawn by them in 1969/70. On the legal advice received by the agents they are now prepared to start cases of eviction against each individual."

1.69. From the data given in the Audit para, the Committee found that out of 2412 hectares, only an area about 975 hectares had been accounted for. The Committee desired to be furnished with the details of the balance area. In reply, the Ministry have submitted the following information:

(i) Area under Tea	1962.88 acres
(ii) Area under Bungalow, Staff Quarters etc.	85.00 actes
(iii) Area under labour line	424.81 acres
(iv) Area given to working labourers of the Garden for their maintenance	1158.93 acres
(v) Areas under possession of Non-working labourers and others on licence	14.50 acres
(vi) Area under Forests	391.33 "
(vii) Area under Bamboo	221.12 "
(viii) Area under thatch	196.00 "
(ix) Area under grazing	486.00 "
(x) Area under Roads, Drains etc.	458.71 "
(xi) Area under Bazar	3.00 "
(xii) Area under Schools	4.00 "
(xiii) Area under Mosque, Church, Puja Mandap, Burial ground etc.	20.00 "
(xiv) Area under occupation of Foreign Government	144.82 "
(xv) Land excluded in the second settlement operation	92.72 "
(xvi) Area cultivated by management	60.00 "
(xvii) Area cultivated by outsiders	165.28 "
(xviii) Land given to refugees	64.00 "
(xix) Area under forest camp	2.00 "
(xx) Area under military camp	5.00 "
<b>TOTAL</b>	<b>5960.10 "</b>
	<b>i.e. 2412 hectares</b>

1.70. The Committee regret to note that no attempts were made by Government to make the estate profitable. Neither any survey was conducted by Government after the purchase of the estate nor

was the scope for increasing the profitability on the basis of the survey said to have been conducted by the previous management examined. Out of the total area of 2,412 hectares the area under tea is only 787 hectares. About two-third of the plantation is over 40 years old. Only about 40 hectares were brought under new plantation during 1965-68 and no area was replanted. The Committee hope that necessary action to improve the yield will be taken early.

1.71. The Committee note that the fact that an area of 92.77 acres of the estate was not included in the waste land grants and 'pattas' during second resettlement operations was not brought to the notice of Government at the time of purchase of the estate. They would like to know how this fact was over-looked and how far the price actually paid for the estate was justified in the absence of this information.

1.72. The Committee further note that an area of 144.82 acres is occupied by a foreign Government since 1962-63. The garden manager of the Estate appeared to have reported the encroachment in writing to the Government of Assam only in May, 1967. The Committee are distressed to note the serious lapse on the part of Government in having overlooked the illegal occupation of a part of the estate by a foreign power which remained undetected for a long time and for which no effective steps seem to have been taken for recovery. The Committee would like to be apprised of the action taken and the results thereof.

#### PRODUCTION

##### *Audit Paragraph*

1.73. (i) The table below indicates the quantity of green leaves plucked, tea made at drier mouth, tea waste, saleable tea, etc., during the 4 years:—

	1965 Kgs.	1966 Kgs.	1967 Kgs.	1968 Kgs.
1. Green Leaves plucked	23,28,821	27,29,222	29,77,917	29,71,918
2. Tea made at drier mouth	5,43,885	6,15,191	6,65,341	6,50,664
3. Percentage of made tea to green leaves	23.35%	22.54%	22.34%	21.89%
4. Tea waste	13,495	12,785	*28,069	@31,596
5. Saleable tea (2-4)	5,30,390	6,02,406	6,37,272	6,19,068
6. Percentage of tea waste to tea made at drier mouth	2.48%	2.08%	4.22%	4.86%

\*Includes 4,488 Kgs. of tea found unfit for human consumption on arrival at Calcutta

@Includes 6,604 Kgs. of tea found unfit for human consumption on arrival at Calcutta.

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1.74. It will be seen that there was a continuous decline in the recovery of tea from the green leaves and that the percentage of tea waste rose sharply in 1967 and 1968 over the figure for 1966. Besides, the percentage of tea waste was much higher than the norm of below 1 per cent recommended in the manufacturing report for 1965 season. The value of the waste, in excess of the norm of 1 per cent., at the average selling prices of good tea during the years 1965, 1966, 1967 and 1968, was Rs. 38,347, Rs. 31,578, Rs. 1,02,583 and Rs. 1,11,395 respectively.

1.75. According to the Management, the recovery of tea from green leaves depended on moisture content and rainy weather and varied from year to year. It may, however, be mentioned in this connection that, although the Department had introduced in late 1967 the improved method (C.T.C.) of manufacturing tea at a total cost of Rs. 1.49 lakhs, the tea recovery from green leaves did not show any improvement in 1968.

1.76. (ii) The table below indicates the position of product-wise percentage of production to total production of different grades of tea produced during 1967 and 1968 and average selling price:—

Grade	1967		1968	
	Percentage to total production	Average price per Kg.	Percentage to total production	Average price per Kg.
		Rs.		Rs.
(a) Primary grades				
1. OF	3.77	4.94	2.36	4.98
2. F	19.44	4.86	10.30	4.70
3. D	2.90	4.85	7.39	4.79
4. BPS	6.18	4.80	5.35	4.89
5. BOP	13.70	4.79	10.66	4.68
6. BP	7.70	4.78	16.90	4.54
7. PD	4.51	4.67	17.27	4.53
8. CD	2.12	4.37	3.38	4.58
	<u>60.32</u>		<u>73.61</u>	

Grade	1967		1968	
	Percentage to total production	Average price per Kg.	Percentage to total production	Average price per Kg.
(b) Secondary grades		Rs.		Rs.
1. EOP-I	13.00	4.76	3.71	5.07
2. BPS-J, PFS(S)	1.75	4.76	2.59	4.57/4.76
3. D-I	8.95	4.27	4.06	5.02
4. BP-I	0.95	3.60	3.36	2.90
5. PD-I	12.55	3.29	6.17	3.57
( CD-I, F-I etc.	2.48	3.90 to 3.60	6.50	3.43 to 3.25
	<u>39.68</u>		<u>26.39</u>	

NOTE:—The data for 1965 and 1966 not given as the process of manufacture was changed in 1967.

1.77 According to the manufacturing report for 1967 season, the percentage of primary grades including dust was low and was to be increased to about 75 to 80 per cent. in 1968, the emphasis being laid on the production of broken grades (30 per cent to 35 per cent) as opposed to fannings. The overall percentage of primary grades and secondary grades in 1968 was, however, 73.61 and 26.39 respectively. The bulk of secondary tea was of doubtful quality and had to be sold at a price below the cost of production.

1.78. The higher production of secondary tea has been attributed to lack of processing machinery and drier capacity (resulting from inadequate boiler capacity), artificial withering facilities, etc.

[Paragraph 81, Pages 124—126 of Audit Report (Civil), 1970]

1.79. The Ministry have furnished the following figures for the item mentioned against each, for the year 1969.

(1) Green leaves plucked	28,85,632 Kgs.
(2) Tea made at drier mouth	6,36,471 @ Kgs.
(3) Percentage of furnished tea to green leaf	22.54 %
(4) Tea waste	9,047 Kgs.
(5) Saleable tea	6,27,424 @ Kgs.
(6) Percentage of tea waste to tea made at drier mouth	1.38 %
(7) Value of tea waste in excess of the norm of one per cent at the average selling prices of good tea during 1969	12,974.00 Rs.

@ According to Audit, the figure of tea made at drier mouth and saleable tea should be 6,50,337 Kgs. and 6,41,200 Kgs.

1.80. The Committee enquired the reasons for the decline in production after 1967. The Additional Secretary, Ministry of Foreign Trade attributed the shortfall in production during 1968 to unprecedented drought during the winter months of 1968 which affected the yield of the bushes. As regards the percentage of finished tea to plucked leaf varying between 21 to 24 per cent, the representative of the Tea Board stated: "The maximum crop is harvested during the monsoon when the normal recovery is as low as 18 per cent. The figures which I have mentioned are the averages for the year which take into account the figures for the earlier part of the year April-May and the latter half of the season, namely, October-December where there is not much moisture in the air." Asked how the output was better in 1969, he replied that there were seasonal variations.

1.81. The Committee enquired how the percentage of tea waste to tea made at drier mouth had gone up from 2.08 per cent in 1966 to 4.22 per cent in 1967. The witness stated that it was so because there was a change over to the CTC method of manufacture. Asked whether it was proper to change to a system which resulted in more tea getting wasted, the witness deposed: "Though the wastage percentage increased, the quality of the tea also increased with the result that we were getting a little higher price, depending upon the marketing mechanism in UK." He added: "All the same, I would not say that 4 per cent is a satisfactory figure. It is a high figure. Attempts are being made to bring it down to a lower figure. Initially, there were some teething troubles when CTC was first introduced and one of the machines could not be put to operation."

1.82. Asked who declared the tea as waste, the witness stated: "Generally speaking, at the level of the garden management, when they find that the content of fibre is too much, they themselves call it as tea waste." He further stated that inspectors of the Tea Board visit the estates periodically for drawing samples, and if (contrary to the management's opinion, they felt that it was not upto the required standard, samples were then taken and sent to the Board for chemical analysis in a Government laboratory, whose report decided whether it was suitable or otherwise for human consumption. Drawing attention of the witness to the audit para regarding the huge quantity of tea found unfit for human consumption, the Committee asked how it had happened. The representative of the Tea Board stated that when tea chests were damaged at tea sheds and tea fell on the floor and that such quantity of tea was not sent for auction but was declared unfit.

1.83. The Committee enquired how the tea wastes were utilised. The witness stated that it was either sold to the caffeine manufacturers who were licensed to buy it or, if there was no demand from nature for use destroyed in the Estate itself in the presence of excise staff. To a query whether the tea waste can be mixed with cattle manure for use as a fertiliser, the witness stated: "When cattle manure was being utilised, tea waste was mixed with that. But subsequently it has been found that application of cattle manure in young tea gives the presence of cockchafers which damage the plants. Therefore people are relying more on chemical fertilisers than on cattle manure and tea waste." The Committee then referred to the research papers of the Tea Research Association Toklai Experimental Station (Sl. No. 97|1) which stated that "tea waste mixed with cattle manure may, however, be applied with advantage without composing provided it is tried at least one year before planting of tea." The Additional Secretary, Ministry of Foreign Trade replied: "I shall pursue this. We were under the impression that it had to be disposed of by burning."

1.84. The Committee were informed that figures for tea production of primary and secondary grades which were shown in Sub para 3(ii) of the audit paragraph required revision. The Committee enquired on what basis these gradations were changed. The witness explained: "The difference in primary and secondary grades is usually in appearance. If the manufacture and standard of leaf plucked has been good, then all the grades that are obtained in the first and second sortings are generally classified as primary grades. This is, of course, not a very standard norm. Normally, they are either called leaf grade or broken grade. Broken grades are obtained after several cuts which contain more fibre. Take, for example, BPS grade. If it is clean enough, it will be classified as primary, grade for the purpose of sale. If it is not so clean and contains more fibre, it will be classified as secondary grade."

1.85. The Ministry, subsequently furnished the data for the years 1968-69 as shown below:—

1968			1969		
Primary	Percentage	Average* price per Kg.	Primary	Percentage	Average price per Kg.
O.F.	2.36	4.98	BPSI	5.13	4.93
F.	10.30	4.70	BPS	12.72	5.50
D	7.39	4.79	BPS(S)	0.33	5.48
BPS	5.35	4.89	BOPI	13.98	5.68
BOP	10.65	4.68	BOP	16.97	5.60
BP	16.90	4.54	BP	6.57	5.20
PD	17.27	4.53	OF	0.53	4.86
CD	3.33	4.53	F.	2.82	4.80
BOP-I	3.71	5.01	PD	18.55	4.92
BPS-I	1.54	4.57	D	4.99	5.22
BPS(S)	1.05	4.76	DI	1.32	4.62
	<u>79.91</u>			<u>83.91</u>	
Secondary					
D-I	4.06	5.02	BPI	1.32	3.81
BP-I	3.36	2.90	FI	0.25	3.59
PD-I	6.17	3.57	PDI	8.05	3.97
CD-I	0.59	3.43 to 3.25	DI	3.20	4.62
F-I	1.27		CD	1.89	4.57
Rep processed Tea	0.80				
Tea waste	3.84		Tea Waste	1.38	
TOTAL	<u>100.00</u>		TOTAL	<u>100.00</u>	

\*As per audit para.

1.86. Mentioning the ideal percentages of various grades of Tea the Director, Tea Board said: I may give you the ideal percentages when manufacturing conditions are at the optimum as recommend-

ed by TRA and other people who have written books on this matter. If it is orthodox manufacture, then the whole leaf grade should be in the region of 15 per cent and all the brokens should be in the region of 60 per cent and the fannings should be 18 per cent. Dust of all sorts—4 per cent and the waste permissible is 3 per cent. For CTC manufacture there are more grades and the brokens classified should be 75 per cent, fannings—4 per cent and dust again 18 per cent and waste—3 per cent. Actually what one can achieve depends upon circumstances and manufacturing conditions.”

1.87. The Committee wanted to know how there was a steady decrease in the production of OF grade viz 3.77 per cent in 1967, 2.36 per cent in 1968 and 0.53 per cent in 1969, in spite of the changing over to the improved system of CTC manufacture. The witness replied that the reduction/increase in the percentage of one fanning had been made up in BOP and BOP-I either in 1968 or 1969. He further stated: “The various grades come out during the sorting process when it goes through various size meshes. If, at a particular time, they find that there is a demand for BOP-I in the market or it is fetching better price, then all the bold fannings are re-sifted and mixed to make BOP-I. Actually one should take the broad classification of the broken grades and the fanning grades. It is difficult to maintain a particular percentage of one of these grades throughout the year.”

1.88. Pointing out to the audit para which stated that lack of processing machinery and drier capacity etc. were responsible for higher production of secondary tea, the Committee asked whether Government have taken any remedial measures. It was stated that Government were now providing for some more capital investment on account of the machineries. Asked why there was a delay in taking the above steps, the witness replied that these deficiencies were known only after the CTC was introduced.

1.89. The Committee were informed that the waste tea was either sold to the caffeine manufacturers or destroyed. As research results have shown that ‘tea waste mixed with cattle manure may be applied with advantage without composting provided it is tried at least one year before planting of tea’, the Committee would suggest that Government might examine as to how far the quantity of tea waste at present disposed of by burning can be utilised with advantage.

## SALE

*Audit Paragraph*

1.90. According to the Management, a total period of 9½ weeks (3¼ weeks for transit to Calcutta and another 4/8 weeks for putting the tea on auction) takes place from the date of despatch of tea from the garden to the date the tea is actually put on sale.

1.91. It was, however, noticed that, in a number of cases (details given below), this period was exceeded, thereby resulting in blocking of funds:—

Total time taken	1967		1968	
	Invoices involved		Invoices involved	
	Leaf grade	Dust grade	Leaf grade	Dust grade
	No.	No.	No.	No.
13—14 Weeks . . . . .	11	2	13	1
15—16 „ . . . . .	17	5	6	6
17—18 „ . . . . .	1	8	9	12
19—20 „ . . . . .	..	6	4	3
Above 20 weeks . . . . .	..	3	1	12
	29	24	33	34

[Paragraph 81, Page—126 of Audit Report (Civil), 1970].

1.92 The Ministry furnished the following information for 1969, giving the break-up of the number of cases in which the time taken from the date of despatch to the date of actual sale was in excess of 12-13 weeks.

	Number of invoices involved	
	Leaf grade	Dust grade
13—14 weeks . . . . .	20	13
15—16 weeks . . . . .	1	14
17—18 weeks . . . . .	..	6
19—20 weeks . . . . .	..	..
Above 20 weeks . . . . .	11	12
	32	45

1.93. The Committee enquired the reason for the delay of more than the normal 9—12 weeks. The witness stated: "Except for 53 cases of 1967 our estimate is, there has not been any appreciable delay in the consignment. The delay of 1967 was attributable to landsliding in some of the hill points and also floods." As regards the delays during the year 1969, the witness stated that it was due to Calcutta port strike. The Committee asked how the price of tea was affected due to delay in transit. The Director, Tea Board, deposed: "If there is particular demand for particular type of grade and if this reaches at reasonable time there is chance of this being offered to prospective buyers. If anything is unduly delayed or exposed to adverse weather conditions it gets damaged fetching lower price." To a question, it was stated that no estimation of losses due to this delay was carried out by Government and that compared to the values of transactions of huge number of chests, such delay was not considered abnormal.

1.94. In a number of cases the time taken from the date of despatch of tea from the garden to the date of actual sale was in excess of 12-13 weeks during the years 1967—69. The delays during 1968 have not been explained by Government. As such delays are bound to affect the prices either due to lack of demand or due to damage, the Committee trust that expeditious despatch and sale would be ensured in future.

#### WORKING RESULTS

##### Audit Paragraph

1.95. The working results of the Estate from the date of its acquisition are given below. Simplified *pro forma* accounts have been annexed as Appendix XVI to the Audit Report.

	(Rs. in lakhs)				
	1965	1966	1967	1968	
	1	2	3	4	5
1. Net Government capital at close of the year (after making adjustments in the succeeding year)	0.54*	28.80	31.62	30.80	
2. Sales (actually realised)	24.34	27.19	30.12	26.88	
3. Net profit (+)/Net loss (—) (after making adjustments in succeeding year)	(+)0.54	(+)1.50	(+)0.65	(—)3.81	
4. Percentage of net profit					
(i) To net Govt. Capital	—*	5.21	2.05	—	
(ii) To sales	2.20	5.52	2.15	..	

in this year.



1.96. (a) In computing the above profits, the following provisions have not been made:—

	1965	1966	1967	1968
	Rs.	Rs.	Rs.	Rs.
Interest on capital . . . . .	—	56,984	1,26,198	1,43,724
Audit fee . . . . .	4,183	4,183	4,183	6,170
	4,183	61,167	1,30,381	1,49,894

1.97. (b) The loss in 1968 was mainly on account of cost of production per Kg. (Rs. 4.92) being much more than the average sale price per Kg. (Rs. 4.44) realised. While the average sale price per Kg. decreased from Rs. 4.79 in 1967 to Rs. 4.44 in 1968 to the cost of production per Kg. increased from Rs. 4.59 in 1967 to Rs. 4.92 in 1968. The cost of production mainly increased in 1968 under the heads "Transport" (3 P. per Kg.) and 'Packing' (6 P. per Kg.). The increase under 'Packing Cost' was in turn due to average net weight per chest being continuously on the decline thereby requiring greater number of boxes, as will be seen from the data given below:—

Year	No. of Chests		Average net weight per chest		No. of chests used in excess of 1966 standard		Extra expenditure on the use of in excess	
	Leaf No.	Dust No.	Leaf Kgs.	Dust Kgs.	Leaf No.	Dust No.	Leaf Rs.	Dust Rs.
1966 . . . . .	11,190	1,181	48.04	52.02	..	..	..	..
1967 . . . . .	11,365	3,446	43.04	42.09	1,076	602	14,343	7,086
1968 . . . . .	9,747	6,255	37.07	40.57	2,090	1,293	28,236	15,516
					Total	..	42,579	22,602

1.98. The increase under "Transport Cost" was mainly on account of the vehicles being very old, thereby entailing heavy repair and maintenance charges.

1.99. Besides, higher cost of production was also due to the fuel and power cost per Kg. (18P.) being higher than the estimated cost per Kg. (16P.), which was, in turn, due to the machinery being old.

1.100 (c) The following deficiencies were noticed in the accounting records:—

- (i) No Asset Register indicating the cost, additions and deductions, depreciation and estimated life of each type of asset had been maintained.
- (ii) There was no register of claims indicating the number of claims lodged and their settlement.
- (iii) No account was maintained for empty bags and containers.

[Paragraphs 81, Pages 127-128 of Audit Report (Civil), 1970].

1.101. The Committee desired to have the details of annual expenditure incurred on the Estate after it was purchased. The Ministry have furnished the data (appendix. IV.) for the years 1965 to 1969.

1.102. The Ministry have also intimated that during the year 1969, the Estate made a profit of approximately Rs. 1,85,000.74. The following provisions were not made in computing the above profit:

Interest on capital	1,35,719.00
Audit fees	Rs. 6,170.00

The sales during the year 1969 were Rs. 32.00 lakhs.

1.103. The Committee drew attention of the witness to the working results for the years 1965 to 1968 given in the Audit paragraph and pointed out that the figures shown for each year against Net Profit/or Net Loss did not reveal a correct picture, as interest on mean capital and audit fees were not provided for. The Additional Secretary, Ministry of Foreign Trade, stated: "So long as a footnote is given below the proforma account stating that these items, amounting to so much are not included in the accounts then the actual profit or loss, can be worked out without any difficulty. The usual practice is to provide for interest on the capital provided by Government in working out the profit or loss. I do not know why this practice has not been followed in this case." To a question, the witness informed that these proforma accounts were prepared by the Managing Agents in accordance with past practice and that these were made available to the Finance Ministry for their perusal. The Committee enquired whether there were any comments made

by Finance on the non-inclusion of interest on capital and audit fee in the proforma accounts. The Ministry stated as follows:

“No comments from the Ministry of Finance on the non-inclusion of interest on capital and audit fee in the proforma accounts of this tea estate have been received so far. However, a specific reference has now been made. The comments of the Ministry of Finance when received will be intimated.”

1.104. Asked to state the cost of production and the average sale price of tea for the year 1969, the Ministry intimated that while the cost of production of tea was Rs. 4.84 per kg. the average sale price per kg. was Rs. 5.10. The break down of the cost of production of tea per kg. during the years 1967 to 1969 as furnished by the Ministry is given below :

Garden Expenditure	1967	1968	1969
Cultivation . . . . .	·73	·63	·59
Agricultural stores . . . . .	..	..	..
Manufacture . . . . .	·58	·58	·60
Power & Fuel . . . . .	·18	·19	·20
Boxes . . . . .	·28	·37	·32
Tea Despatching charges . . . . .	·01	·01	·01
Establishment . . . . .	·47	·51	·53
Transport . . . . .	·17	·20	·14
Building Repairs . . . . .	·19	·22	·13
Machinery repairs . . . . .	·17	·16	·11
Labour welfare . . . . .	·50	·70	·72
Land rent . . . . .	·02	·03	·06
Rupee pension scheme . . . . .	..	..	..
Misc. expenses/General charges . . . . .	·08	·09	·07
P.F. Contributions . . . . .	·12	·13	·15
Labour & staff bonus . . . . .	·11	·11	·11
Insurance . . . . .	·00	·08	·11
	<b>3·70</b>	<b>4·01</b>	<b>3·85</b>
Calcutta expenditure . . . . .	·95	·97	·99
	<b>4·65</b>	<b>4·98</b>	<b>4·84</b>

1.105. During evidence the Committee wanted to know why transport charges had gone up, the witness replied that it was due to maintaining very old vehicles. He explained that one jeep was of the year 1957, other was of 1962 and the tractors were of the years 1955-56 and 1960. The Committee enquired whether Government thought of replacing these vehicles. The witness stated that a proposal for investment on transport was received from the advisory board and that they were supplementing the fleet. He added that in 1969 a new lorry had been supplied.

1.106. As regards the increase in fuel and power charges, the Director, Tea Board, stated: "The source of supply is steam engine and we have received engineer's report which says that the boilers are in a very bad shape and the advisory board has recommended to Government that we should go in for new source of power generating set for the time being and switch on to give electricity."

1.107. The Committee pointed out the decline in the average net weight per chest, resulting in increase of packing cost. The witness deposed: "I have gone through this very carefully during the last five days and the representative of the Managing Agents was also called. I have gone into all the data and I am not satisfied with the quantity packed. I cannot but come to the conclusion that large number of chest have been used and we shall take steps to rectify the position." He added: "We have issued a letter to the company as a result of my examination that where the average goes down below a particular quantity, they should take the prior approval of the Director."

1.108. The Committee referred to sub-para 5(c) of the Audit paragraph, which brought out some deficiencies in the accounting records. The Additional Secretary, Ministry of Foreign Trade stated: "The Asset records are being maintained by the Managing Agents in respect of item (i) and in respect of item (ii) also the records are being maintained in the Calcutta office. In regard to item (iii) it is correct that no account was being maintained, but they have now been asked to maintain this account and maintain it up-to-date also."

**1.109. The Committee note that as against a loss of Rs. 5.30 lakhs during 1968, the Estate has made a profit of Rs. 0.43 lakh during 1969. They suggest that in future 'interest on capital' and 'audit fee' should be included in the proforma accounts of the Estate.**

1.110. From the details of the cost of production furnished by the Ministry, the Committee find that the cost of packing which increased from 28 paise per Kg. in 1967 to 37 paise in 1968 came down to 32 paise in 1969. Admittedly the number of chests used was more than what was required. The Committee find from a letter dated 21st April, 1969 of the Chairman, Tea Board that this resulted in a loss to the estate but a profit to the Managing Agents as they were supplying the chests. The Committee would like Government to investigate into the matter.

#### SUBSIDY OF FOODSTUFFS

##### *Audit Paragraph*

1.111. The Estate is paying a subsidy (difference between cost of procurement and sale price recovered from the staff) on the foodstuffs supplied to its staff. The amount so paid amounted to Rs. 0.84 lakh, Rs. 1.08 lakhs and Rs. 1.92 lakhs in 1966, 1967 and 1968 respectively.

1.112. As the Estate possesses a large area of fallow land, the desirability of bringing this land under cultivation, thereby augmenting the production of foodgrains and consequential elimination of the subsidy, needs to be examined.

[Paragraph 81, Page 128 of Audit Report (Civil), 1970.]

1.113. Referring to the increase in payment of subsidy to staff from year to year, the Committee enquired what the factors were that contributed to the rise. Explaining the reason, the witness stated that the average price of these commodities had increased

1.114. The Committee were informed that established labourers were allowed to cultivate on fallow lands and that the entire benefit went to their families. Asked whether any recovery was being made from them, the Ministry replied in the negative. The Committee enquired whether any lease deeds had been taken from the labourers who have been permitted to cultivate the fallow lands. In a note furnished to the Committee, the Ministry have stated that there were no lease deeds but a record was maintained at the gardener of all such allotments.

1.115. To another question it was stated that although the estate paid the land rent to the State Government there was no substantial realisation from the labourers concerned. He stated further: "What I understand from my personal experience is that a nominal fee of one anna is being charged from them."

As regard elimination of subsidy by augmenting food production, the Additional Secretary, Ministry of Foreign Trade, stated during evidence that Government had started departmental cultivation which was increased from year to year. He added: "We started with 4 hectares in 1967 and now it has come upto 47 hectares and this system will be continued...The existing cultivation is now being done directly by the company. It is not done through the efforts of the cultivators or on any kind of lease basis."

1.116. There has been a considerable increase over the years in the subsidy paid by the Estate on the foodstuffs supplied to its staff despite the fact that departmental cultivation as well as cultivation on fallow lands by established labourers have been started to augment food production. The Committee feel that Government should examine as to whether it is possible to reduce if not altogether eliminate the subsidy by bringing in additional areas under cultivation of foodgrains.

1.117. Incidentally the Committee find that no lease deeds have been got executed from labourers who are allowed to cultivate on fallow lands. Further the land rent is paid by the estate to the State Government but there appears to be only a nominal recovery of six paise from the labourers. The Committee would like Government to examine all aspects of the matter in order to safeguard their interest.

#### PREMATURE PAYMENT OF GRANT

##### *Audit Paragraph*

1.118. With a view to promoting exports of jute manufacture, the then Ministry of Commerce in March 1968 approved establishment of a fibre conversion and product development unit as a part of research activities carried out by the Indian Jute Industries Research Association, Calcutta (a body registered under the Societies Registration Act, 1860) at the estimated cost of Rs. 60.76 lakhs (building Rs. 13.30 lakhs and machinery Rs. 47.46 lakhs). 75 per cent of the expenditure was to be met by Government as a grant from the Marketing Development Fund, the balance being met by the Association

itself. Rs. 10 lakhs were paid to the Association on 30th March 1968 and the entire amount was deposited by it with the State Bank of India in short-term fixed deposits.

1.119. The total expenditure incurred by the Association upto 19th September, 1969 on establishment of the unit was Rs. 4.50 lakhs only as follows:—

Year	Expenditure (In lakhs of Rs.)
1967-68	0.25
1968-69	1.07
1969-70 (Up to 19th September 1969)	3.18
TOTAL	4.50

1.120. Of this, Government's share was Rs. 3.38 lakhs. The balance of Rs. 6.62 lakhs continues to be retained by the Association (September 1969).

1.121. Government stated (November 1969) that "the Association expects to finalise the import programme as well as purchase of indigenous machinery during this year and expects to utilise the funds shortly. As, however, the Association has not fully utilised the amounts during 1968-69 and 1969-70 up-to-date, it is being asked to refund to Government the unutilised portion of the grant and also credit the interest which has accrued on this account consequent on its being deposited in the State Bank."

[Paragraph 72 of Audit Report (Civil), 1970.]

1.122. The Committee desired to know the functions of the Indian Jute Industries Research Association. The Additional Secretary, Ministry of Foreign Trade stated that its main function was to undertake applied research in regard to jute. As regards the work to be done by the new research unit, he added: "The idea was..... to find out different uses of jute fibres i.e. diversification. The demand for the traditional type of jute products was going down in the international market. The traditional use for sacking is now coming down with the various synthetics coming into the field. The idea was to find other alternatives." Elaborating further the details of the project, the Industrial Adviser, Office of the Jute Commissioner, stated: ".....There are two divisions—fibre conversion unit

and product development unit. The purpose of fibre conversion units is to study the cost reduction in existing products of manufacture and also find out the areas where the quality of the jute product could be improved. These are the two main items on which fibre conversion unit is to be devoted.

1.123. Another division is the product development unit, that is chemical processing unit. That is mainly for finding out different uses for jute, namely jute decorative fabrics, jute fabrics mixed with rayons, mixed with cotton etc. so that we can find out new export markets. In respect of IJIRA's contribution, they have developed their own bleaching process. Jute itself cannot be bleached with good fastness properties. But by IJIRA's own bleaching process, fastness property have been improved. Jute mills have already secured export orders for these decorative fabrics.

1.124. Asked whether, before deciding to establish such a unit, any experiments with jute fibres were carried out, the Addl. Secretary, Ministry of Foreign Trade replied: "Actually certain research had been carried out prior to the sanction of this project at IJIRA, and those results have proved useful to the industry. They have been benefited by this. Decorative fabrics worth Rs. 20 lakhs were exported last year. This year the exports are also encouraging."

1.125. The Committee drew attention of the witnesses to the grant of Rs. 10 lakhs paid to the IJIRA, and enquired when the amount was disbursed to the Association. The witness stated that the sanction was issued on the 20th March, 1968 but the IJIRA received the cheque only on 30th March and hence could not encash the amount before the end of the financial year. Asked whether it was justified for paying the grant just at the end of the year, the Industrial Adviser, Office of the Jute Commissioner, Calcutta, stated: "The whole project was sanctioned in principle in 1967 but the money and the sanction for the total amount of expenditure was not released yet because the condition was that the Industry would first raise the subscription and only then the Government should release the grant. In February, 1968 Industry represented to the Government that they have already raised Rs. 6 lakhs and so, as a counterpart they wanted Rs. 18 lakhs from the Government and at that time they thought that with the money forthcoming they would be able to start the construction of the building immediately. I presume considering this point the Government released the grant in the next month, that is, March, 1968."



1.126. The Committee enquired how the expenditure was only to the tune of about Rs. 4.50 lakhs till September, 1969, when the grant of Rs. 10 lakhs was made as early as March, 1968. The witness replied: "The expectation was this amount could have been expended but there was unforeseen delay. The land could not be transferred. In the first instance they were expecting to get the land but they got the same after a delay of 18 months. Secondly, the formalities they had to undergo on the import of machinery.....They did not show the same enthusiasm for the import of machinery, that they should have done."

1.127. Drawing attention to the audit paragraph wherein it was stated that Government expected to finalise the import programme and utilise the funds shortly, the Committee desired to know the present position. In a note, the Ministry have stated: "The Indian Jute Industries Research Association have been granted an import licence on the 6th December, 1969 for 13 items of machinery valued at Rs. 8,21,960. Orders for about 18 indigenous items have been placed and advances made by the Association wherever necessary. Clearance for a number of other items are yet to be given by a Technical Committee of Association. Certain items of old indigenous items of machinery are planned for procurement from jute mills and action had been taken to call for offers."

1.128. Asked when the IJIRA applied for the grant of the import licence, the Ministry have submitted the following information:

IJIRA first applied for import licence on the 21st March, 1969. They were advised by the Jute Commissioner, Calcutta, to apply afresh after contacting indigenous machinery manufacturers. The revised application was submitted on 30th October, 1969 in which IJIRA included some new equipments and machinery which they formerly did not apply for, against which a licence was issued on the 6th December, 1969.

1.129. The Committee desired to be furnished with the up-to-date expenditure of the Association on the project for the year 1969-70. The Ministry have submitted the following note in this regard:

"According to the statement of accounts furnished by the Indian Jute Industries Research Association duly certified by their Internal Auditor the total expenditure on the projects upto the 31st March, 1970 was Rs. 10,05,161.44.

The expenditure incurred upto 15th July, 1970 was Rs. 14,35,435.64. This figure has, however, yet to be audited by the Internal Auditor."

1.130. The Committee enquired as to when the Audit paragraph was brought to the notice of the Ministry. The witness replied that it was on 30th September, 1969. The Committee desired to have the details of expenditure on the new project of IJIRA before and after 30th September, 1969. The Ministry have stated the following, in a note:

"The expenditure on the pilot projects before and after 30th September, 1969, was as follows:

Before 30th September, 1969 . . . . .	Rs. 4,50,471
After 30th September, 1969 upto 28th October, 1970 . . . . .	Rs. 18,13,817"

1.131. The Committee also desired to be furnished with the yearwise break up of the grant given, the expenditure incurred by the Association and interest accrued from year to year on the unutilised portion of the grant. The Ministry furnished the following data in this regard:

*Grants given:*

1967-68 . . . . .	Rs. 10 lakhs
1968-69 . . . . .	Nil
1969-70 . . . . .	Nil
1970-71 (Up to Sept., 1970) . . . . .	Rs. 9,05,745

*Expenditure incurred:*

1967-68 and 1968-69 . . . . .	Rs. 1,31,728
1969-70 . . . . .	Rs. 8,73,433

*Interest accrued on unutilised grant:*

From 1-4-68 to 15-1-69 . . . . .	Rs. 24,139
From 16-1-69 to 4-12-69 . . . . .	Rs. 38,865

1.132. Asked why a further grant of Rs. 9 lakhs was given in 1970-71, when the previous grant was not fully utilised, the witness replied: "So far as the subsequent amount is concerned, the expenditure as on the 17th September, 1970 incurred by IJIRA is Rs. 19.48 thousand and the industry's contribution has been Rs. 9.22 thousands, already received by IJIRA, and there is a projected expenditure in October, 1968 of Rs. 25 lakhs, in respect of which Rs. 13 lakhs related

to machinery to be delivered in the next two months and the balance would be for buildings, import, installation and sanitary works. So, the further expenditure expected before December is Rs. 25 lakhs making a total (in addition to the 19 lakhs) of Rs. 44 lakhs. On that basis the M.D.F. have sanctioned this amount and we will keep a watch on the performance of IJIRA.”

1.133. The Committee enquired whether there was any condition stipulating a time limit for the grant to be spent within a specified period. The Ministry have stated that no specific period was laid down in the sanction for utilising the grant.

1.134. Pointing out to the condition stipulated in the grant about the expenditure to be met by Government to the extent of only 75 per cent, the Committee enquired whether recoveries of the unspent amount along with the interest had been made. The witness replied that the recovery had been made and that the interest had also been recovered on an *ad hoc* basis.

1.135. The Committee observe that while a grant of Rs. 10 lakhs was disbursed to the Association in March, 1968, only about Rs. 3.38 lakhs were utilised till September, 1969. This short-utilisation of funds has been attributed to unforeseen delay with regard to transfer of land and lack of a sense of urgency in the import of machinery. The licence for the import of machinery was applied for only on 21st March, 1969. The Committee do not appreciate the release of the grant without ascertaining the immediate requirement which amounted to unnecessary blocking of funds.

1.136. The Committee note that no specific time limit within which the grant should be utilised, was laid down by Government. The Committee would like Government to learn a lesson from this instance and ensure that a scheme from a private organisation seeking financial assistance from Government should be regulated by a realistic and well defined time-schedule for completion of the project and Government authorities concerned should satisfy themselves with due expedition about the actual progress made before releasing the funds.

The Committee would like to be informed of action taken and detailed instructions issued in this behalf in consultation with the Ministry of Finance.

**II**  
**MINISTRY OF AGRICULTURE**  
 (Department of Agriculture)

**FERTILISERS**

*Audit Paragraph*

2.1. As a part of the new strategy for agricultural development the Government of India decided towards the end of the Third Five Year Plan to place increased emphasis on chemical fertilisers, along with high yielding varieties of seeds, intensive water use, pest control, etc. The requirement of chemical fertilisers for this purpose was assessed by a Committee, which reported in September, 1965. Government accepted the recommendations of the Committee in favour of fixing targets for fertiliser consumption as below:

(Figures in '000 tonnes)

Year	Nitrogen	P <sub>2</sub> O <sub>5</sub>	K <sub>2</sub> O
1966-67	1000	370	200
1967-68	1350	500	300
1968-69	1700	650	450
1969-70	2000	800	550
1970-71	2400	1000	700

Import requirements of nitrogenous and phosphatic fertilisers were assessed on the basis of estimated requirements and estimated indigenous production. There being no indigenous production of potassic fertilisers, the consumption was expected to be matched by imports. The import estimates were as in the following table:

(In '000 tonne)

	Import requirements		
	Nitrogen	P <sub>2</sub> O <sub>5</sub>	K <sub>2</sub> O
1966-67	600	132	200
1967-68	825	231	300
1968-69	600	144	450
1969-70	600	171	550
1970-71	700	263	700

(2) The Department of Agriculture assessed from year to year the requirement for consumption of fertilisers, in consultation with the State Governments. The assessment is based on the expected progress of various agricultural development programmes such as the High Yielding Varieties Programmes, Multiple Cropping etc. and water availability. After making allowance for indigenous production, imports are arranged, on the basis of foreign exchange made available by the Ministry of Finance, Department of Economic Affairs. Foreign exchange for imports is found from the country's export earnings as also from external aid resources, the major part being of the latter category.

(3) Over the last three years the consumption of fertilisers showed a substantial growth, the average growth rate of Nitrogen being 28 per cent,  $P_2O_5$  46 per cent and  $K_2O$  32 per cent. However, the actual consumption has fallen considerably short of the targets, as may be seen from the following:

(in '000 tonnes of nutrient)

	Anticipated target			Actual consumption		
	N	P	K	N	P	K
1966-67	1000	370	200	738	249	114
1967-68	1350	500	300	1035	335	170
1968-69	1700	650	450	1208	382	170

(4) In fact even on the basis of the provisioning made for each year, both by imports and through indigenous production, the actual availability excluding stock in hand was generally in excess of the requirements of consumption for the year concerned. This is brought out in the following tables in respect of each of the plant nutrients:

(In '000 tonnes)

	Imports	Indigenous production	Total availability Nitrogen	Consumption + or—
	1	2	3	4
1966-67	632	308	940	738 + 202
1967-68	867	367	1234	1035 + 199
1968-69	142	545	1387	1208 + 179

	1	2	3	4	
	$P_2O_5$				
1966-67 . . . . .	148	145	293	249	+44
1967-68 . . . . .	349	194	543	*335	+208
1968-69 . . . . .	138	210	348	382	-34
	$K_2O$				
1966-67 . . . . .	135	..	135	114	+21
1967-68 . . . . .	262	..	262	*170	+92
1968-69 . . . . .	213	..	213	170	+43

\*According to subsequent information furnished by the Department of Agriculture the actual consumption during 1967-68 was 4,46,446 tonnes in respect of  $P_2O_5$  and 2,04,003 in respect of  $K_2O$ .

(5) As a result of substantial over-provisioning of fertilisers, evident from the above tables, the stock of fertilisers on 1st April, 1969 was quite heavy and amounted to 691,000 tonnes of Nitrogen, 260,000 tonnes of  $P_2O_5$  and 202,000 tonnes of  $K_2O$ . The value of stock was about Rs. 199.09 crores. On the basis of the likely consumption during 1969-70, the stocks represent nearly six months' requirements of Nitrogen, seven months' requirements  $P_2O_5$  and about 12 months' requirements of  $K_2O$ . The stocks were somewhat more than what would have been necessary to provide for in prudence, so far as the first two categories are concerned, while they were clearly excessive in the last category.

The value of foreign exchange spent for imports during these three years ending 1968-69 was Rs. 129 crores, Rs. 193 crores and Rs. 163 crores respectively.

(6) Government have attributed the shortfall of consumption compared to the targets to several factors including unfavourable weather conditions in several States during the relevant years, shortcomings in the distribution system, inadequate credit facilities, etc. The Department of Agriculture have also mentioned that the need to assess consumption requirements almost 12 to 18 months ahead of the crop season, in order to arrange for necessary foreign exchange, to negotiate for imports, etc. and the need to assure fertilisers for a favourable weather conditions lead to such differences between forecasts and actuals of consumption. It appears that the information system, by which the Government ascertains past actual consumption, making it the basis for future estimate of consumption, is also inadequate.

(7) In rectification of this situation several measures are said to be taken, among which are the following:

- (i) Improvements to the information gathering system are under consideration, in order that better and more prompt data will be available of actual consumption;
- (ii) Restrictive policies adopted by the States in respect of fertilisers distribution were being eliminated by de-licensing trade in fertilisers, and enabling freedom for anyone to trade in fertilisers;
- (iii) Credit facilities for fertilisers were being improved with the nationalised banks providing more resources to meet the credit needs of smaller farmers;
- (iv) Promotional steps being taken to ensure better use of fertilisers, in conjunction with the other inputs, towards the objective of further increasing agricultural production.

(8) In order to reduce stocks, Government have slowed down on imports. The imports during 1969-70 are expected to be lower than in the preceding two years and are estimated at 777,000 tonnes of Nitrogen, 107,000 tonnes of  $P_2O_5$  and 108,000 tonnes of  $K_2O$ . There has also been a pause in fresh contracting for imports and Government expect stock positions to be normal by the end of the Kharif-1970.

(9) Incidentally, it is noticed that given the actual consumption that has taken place since 1966-67, imports could have been even less, had indigenous production progressed as estimated, or as could be anticipated from the installed capacity.

[Para 34 of Audit Report (Civil), 1970]

### (i) Consumption

2.2. In reply to an advance questionnaire the Government informed the Committee that the demands made by the States were considerably higher than the requirements indicated by the Fertiliser Committee (1965) and that the experts in the Technical Divisions in the Department of Agriculture looking after the specific programmes on high yielding varieties of food crops, intensive areas, cash crops etc. assessed, the State-wise requirements assuming the likely doses in the light of historical experience of fertiliser application and re-

quirement of crops, annually for the years 1967-68 to 1969-70 as follows:—

Year	(In '000 tonnes)		
	N	P	K
1967-68	1390	500	300
1968-69	1806	750	450
1969-70	2000	650	325

At the instance of the Committee the Ministry furnished the targets laid down for consumption of fertilisers during the Fourth Plan Period. The targets laid down are shown in the following table:

Year	(Lakh tonnes)			
	N	P	K	Total
1969-70	17.00	6.00	3.00	26.00
1970-71	20.00	7.50	4.20	31.70
1971-72	24.00	9.30	5.60	38.90
1972-73	27.80	11.50	7.30	46.60
1973-74	32.00	14.00	9.00	55.00

2.3. The actual consumption during the year 1969-70 was stated to be 13.98 lakh tonnes of Nitrogen, 4.35 lakh tonnes of phosphatic and 1.76 lakh tonnes of potassic fertilisers. It is noted from the details of actual consumption of fertilisers during the years 1967-68 to 1969-70 furnished by the Government that the figures for actual consumption of  $P_2O_5$  and  $K_2O$  are based on despatches.

2.4. During evidence the Committee were informed: "... the distribution arrangements are now being decentralised. The Fertilisers Control Order has been amended to permit the private dealers to take up business of fertilisers after getting themselves registered with the State Governments with fifteen days notice.

2.5. The second step is that we are trying to arrange for more credits. Previously the only source used to be through the short-term loans by Government of India.



Now, we are bringing the commercial banks into picture. Also certain institutional arrangements are on the anvil like the setting up of Agricultural Credit Corporations in places where the cooperative sector is weak as also the Credit Guarantee Corporation to offer security against the risks to the commercial banks. The other step which we are taking is to encourage the selling programmes by the producers as also the mixing of fertilisers and their granulation.

2.6. Another proposal on the anvil is of the setting up of a Fertilisers Promotion Council which will undertake demonstration of fertilisers on a much larger scale. Incidentally, in our demonstration programmes we do give a very high place to the fertiliser demonstrations. Frequency of consultations with the State Governments in respect of their fertiliser requirements has been increased. We now have three rounds of discussions with them for reviewing their requirements. Also we are taking the help of the Institute of Management, Ahmedabad who have taken up the pilot experiments in areas to improve on the system of reporting and on the consumption of fertilisers which will enable us to plan our purchases and distribution among different States."

2.7. About the credit facilities, the witness stated: "The need for credit is a basic problem for the propagation and use of fertilisers. We are availing of all the facilities available from the cooperatives, from the commercial banks and in some cases from the manufacturers to make credit available to the farmers. In addition to the cooperative which are strengthening their own organisation in the various States, the only other source of finance is commercial banks, under the credit guarantee scheme. It is now proposed that every loan of Rs. 1,000 given to a small farmer will also be covered under the guarantee scheme. So that, it can freely advance to even smaller people finance for the purchase of fertiliser."

2.8. The Committee enquired about the latest position in respect of the proposal to set up a Fertiliser Credit Guarantee Corporation. The Secretary to the Ministry replied: "It was under very active examination with the Department of Banking." When asked how long it would take the Government to come to a final decision, the Secretary stated: "All that we can say that there is a great deal of anxiety on our part and I hope that by now the Department of Banking should have worked out the details of this scheme and it would be possible for us to launch the necessary financial organisation before long."

2.9. In paragraph 7.50 of the Fourth Five Year Plan document it has been stated, "Apart from a significant expansion in the quanti-

tative consumption of chemical fertilisers, attention will have to be given to certain qualitative aspects relating to balanced use of fertilisers. From the agronomic point of view, the proportion of  $P_2O_5$  and  $K_2O$  in relation to N must be much higher than is currently consumed. Unfortunately, in recent years, the consumption of  $P_2O_5$  and  $K_2O$  has been particularly lagging behind the targeted programme. It will be necessary to take measures which are pointedly directed towards accelerating the consumption of phosphatic and potassic fertilisers."

2.10. The Committee asked whether there was any integrated scheme to make good the nutrients lost by the soil as a result of production. The representative of the ICAR stated "The amount of nutrients taken out from the soil will depend upon the level of production. Every year undoubtedly a lot of nutrients are being removed. The only way to restore to the soil the nutrients and maintain the soil fertility is with the application of nutrients like phosphate, potash, etc. In that respect the present programme of stepping up consumption of fertilisers, promotion of fertilisers etc. are steps in that direction."

2.11. It has been stated in the Fourth Plan document that "increase in consumption of fertilisers is partly linked to the willingness of the farmers to step up the dosage per hectare towards the optimum level. One of the crucial aids is availability of advice on characteristics of soil. In this context the growth in demand for fertilisers is dependent on the development of soil testing facilities... It is estimated that currently only about 64 per cent of the available capacity is being utilised. Apart from underutilisation other areas of concern in this regard relate to the faulty manner of drawing the samples and consequently poor quality of soil analysis and lack of effective follow up action by the extension agency." The Committee desired to know the position in this regard. The Secretary, Department of Agriculture stated "The position is that we have arrangements in the country for soil testing at 104 places. The capacity of each of these laboratories is to test anywhere from 10,000 to 30,000 samples per year, the average being round about 15,000 samples per year. The utilisation of this has been of the order of about 65 per cent."

2.12. When the Committee pointed out that according to a paper prepared for the Conference of the State Ministers of Agriculture held on the 4th and 5th July, 1970, only 50 per cent of the capacity of these laboratories is being used, the Secretary stated: "I will not be in a position to dispute that. The utilisation has been poor. We

recognise that varying figures from 50 to 65 per cent have been mentioned."

2.13. The Committee desired to be furnished with a statement showing the details of the soil testing laboratories in the country, the installed capacity and the capacity utilised during the 4 years ending 1969-70. The statement furnished by the Department of Agriculture is at Appendix V. The Committee note the following facts from information given by the Ministry:

- (a) Out of 105 laboratories, the annual soil testing samples capacity of 31 laboratories is not available. The capacity of the remaining 74 laboratories is 11.86 lakh samples per annum.
- (b) Out of 74 laboratories for which the rate of capacity has been furnished, the capacity actually utilised during any one of the four given years is not available in respect of 48 laboratories. In respect of the remaining 26 laboratories only partial information has been furnished in respect of the capacity actually utilised during the four years ending 1969-70.

2.14. The Secretary stated during the evidence: "We do not have report in respect of a large number of stations. We have been writing to the State Governments and they have not furnished us the information."

2.15. The Committee enquired whether Government were satisfied with the present soil testing arrangements. The Secretary, Department of Agriculture replied: "We recognise that there are not adequate soil testing arrangements. Even such arrangements as there are not being put to the maximum or the most efficient use. But what can we from this end do? This is a matter within the administrative jurisdiction of the States. All that we can do is to highlight the role of soil testing in utilisation of fertiliser in all forms by correspondence, in meeting and in Plan discussions and meetings held with the Ministers. But as to how far a State will go in implementing any particular programme is really a matter within the sphere of that State."

2.16. The Committee desired to know whether Government was doing any coordination work in respect of the work done by soil testing laboratories, the witness stated: "The proposal is to set up a Fertiliser Promotion Council which will know what is happening at present and supplement where necessary the services that are

now being provided. This council will have regional set up and coordination committees with the State Governments and agricultural universities. It is expected the Council will be able to bring about a larger amount of coordination because it will be functioning in a decentralised manner." The Secretary, to the Department of Agriculture explained further, "We have prescribed a monthly report asking for details and this was introduced only in June, 1970. There is also a proposal to set up 34 mobile soil testing laboratories and the crucial role of soil testing for pushing up fertiliser consumption is being emphasised in our frequent communications to the State Governments."

2.17. It is a recognised fact that a significant increase in fertiliser consumption is a critical element in the agricultural strategy. Although the consumption of fertilisers has registered a substantial increase in the recent years, it has fallen considerably short of the targets. During the years 1966-67, 1967-68, 1968-69 and 1969-70 against the targets of 15.70 lakh tonnes, 21.90 lakh tonnes, 30.06 lakh tonnes and 29.75 lakh tonnes, the actual consumption was 11.01 lakh tonnes (70 per cent), 16.85 lakh tonnes (76 per cent), 17.60 lakh tonnes (58 per cent) and 20.09 lakh tonnes (67 per cent) respectively. The continued shortfall in consumption leads the Committee to the conclusion that the fertiliser promotion efforts of the Government are not effective enough. The Committee hope every effort will be made to reach the desirable level of annual consumption by the end of the Fourth Plan so that the loss of nutrients from the soil may be adequately compensated.

2.18. The Committee note that Government propose to set up a Fertiliser Promotion Council to undertake demonstration of fertilisers and to bring about a large amount of coordination in the use of fertilisers. They hope that the Council will be set up early and it will enlist earnest cooperation and active participation of the States to achieve the targets of consumption during the Fourth Plan period.

2.19. The Committee would like to emphasise that adequate credit facilities to small farmers should be made available on easy terms for getting agricultural inputs. The Committee note that Government propose to set up an Agricultural Credit Corporation to offer security against risks to the commercial banks and that the proposal is under active consideration. The Committee would like to be apprised of the decision taken in this regard.

2.20. The growth in the demand for fertilisers is very much dependent on the development of soil testing facilities. The Committee are, however, distressed to find that the existing soil testing laboratories which number 105 are not being utilised to their full capacity. According to the Planning Commission, the laboratories are being utilised to the extent of 65 per cent of their capacity while in a paper submitted to the Conference of Agriculture Ministers it was mentioned that the laboratories are being utilised to the extent of 50 per cent only. Apart from under-utilisation, the Committee are concerned to note that the manner of drawing and testing samples by the laboratories is admittedly fault and there is also lack of effective follow-up action by the Extension Agencies. During the course of evidence the Secretary, Department of Agriculture expressed his helplessness in the matter as the laboratories were working under the control of the State Governments. The Ministry of Agriculture are not aware even about the actual figures of utilisation of facilities provided by these laboratories. The Committee consider this as regrettable state of affairs. They would urge Government to take necessary steps to establish better coordination with the State Governments in the matter of utilisation of the soil testing laboratories. The Committee cannot over-emphasise that improvement in soil testing facilities and their full utilisation are essential for increase in consumption of fertilisers, particularly, and  $K_2O$  of which there is deficiency in certain parts of the country.

(ii) Over-provisioning

2.21. The Committee enquired about the basis on which assessment of fertiliser requirements [Nitrogenous (N), Phosphatic (P) and Potassic (K)] for different States was made during each of the three years ending 1969-70. In their note the Department of Agriculture stated as under :

*“Requirements for 1967-68*

States and Union Territories were requested in May, 1966 by this Department to communicate their requirements of fertilisers product-wise, quarter-wise and crop-wise for use in the year 1967-68.

Action had to be initiated soon after for indenting foreign exchange requirements so that necessary foreign exchange may be allotted by Finance Ministry for starting procurement steps by August/September, 1966. Considering the trends of consumption and of requirements

of States and also the recommendation of the Committee on Fertilisers (1965) the total requirements of States was assessed at 14.50 lakh tonnes of N, 5 lakh tonnes of  $P_2O_5$  and 3 lakh tonnes of  $K_2O$ . The aforesaid Committee had taken into account the requirements of intensive programme for foodgrains, for cash crops, including fibre and oilseeds etc. after consultation with the States. The States' total requirements, as included in the Annual Plan for 1967-68 turned out to be 15.0 lakh tonnes of N, 6.5 lakhs tonnes of  $P_2O_5$  and 3.76 lakhs tonnes of  $K_2O$ —considerably higher than the requirements as indicated by the Fertiliser Committee. However, the Technical Divisions in the Department looking after the specific programmes on High Yielding Varieties of food crops, intensive areas, cash crops, including plantation crops, fibres and oilseeds assessed the Statewise requirements assuring the likely doses in the light of historical experience of fertiliser application and the requirements of crops. These assessments by the Technical Experts were considered as final requirements of the States and allocations were made accordingly for 1967-68. The recommendations made by the Technical Experts added upto 13.9 lakh tonnes of N and 5.0 lakh tonnes of  $P_2O_5$ . The requirements of potash, being about 1/4 of the dosage of nitrogen and 1/2 the dosage of phosphate, was assessed at 3.0 lakh tonnes of  $K_2O$ ; though the States had in a conference on potash in April, 1967 assured their requirements at 4.47 lakh tonnes of  $K_2O$ .

1968-69

The States were requested in a letter dated 1.3.67 to communicate their fertiliser requirements product-wise, month-wise, crop-wise for the year 1968-69.

Just as they were being received, the foreign exchange requirements for 1968-69 had to be asked for so that they may be available for initiating procurement action by September, 1967. Considering the trend of demand for fertilisers from the States and also the calculation of requirements as indicated by the Committee on Fertiliser, the requirements of States were estimated at 17 lakh tonnes of Nitrogen, 6.5 lakhs tonnes of  $P_2O_5$  and 4.5 lakh tonnes of  $K_2O$ . The requirements of States, as revealed during the discussions for the annual plan for

1968-69, added upto 18.21 lakh tonnes of N, 7.69 lakh tonnes of  $P_2O_5$ , and 4.89 lakh tonnes of  $K_2O$ —considerably above the targets laid down about the requirements assessed by the Committee on Fertilisers. Experts looking after programmes on high yielding varieties of foodgrains, intensive areas, multiple cropping export-oriented cash crops etc. were consulted and their assessments of requirements totalled to 18.06 lakh tonnes of Nitrogen and 7.5 lakh tonnes of  $P_2O_5$ . The requirements of K 20, being 50 per cent of N and 25 per cent of  $P_2O_5$ , were assessed at 4.5 lakh tonnes.

In the zonal conference held in March, 1967 the States had communicated their  $K_2O$  requirements as 6.48 lakh tonnes.

#### 1969-70

The States were called upon to indicate their requirements for fertilisers during the Annual Plan discussions held in September-October, 1968 for use in 1969-70. By this time it had been found that assessment of requirements only for priority crops was not very logical. Demand was also growing for non-priority crops often at greater pace. Supply position was becoming easier and it would have been illogical to deprive fertilisers to traditional varieties of foodgrains as distinguished from high yielding varieties. In view of this, States were asked to indicate their gross requirements of fertilisers. The criterion followed for assessing requirements for 1969-70 was whether it was a reasonable enough advance over the consumption record of the States in 1967-68 and the trend of consumption in 1968-69. However, the assessment of the total of States requirements made in July, 1968 for the purpose of indenting foreign exchange was 20 lakh tonnes of Nitrogen and 6.50 lakh tonnes of  $P_2O_5$ . This was also the target indicated by the Committee on Fertilisers and represented an advance of only 2 lakh tonnes of Nitrogen over the requirements indicated by the States for the year 1968-69. Like-wise the requirement of  $P_2O_5$  indicated by States for 1969-70 was 6.22 lakh tonnes and  $K_2O$  3.25 lakh tonnes during discussions in the Annual Plan."

2.22. A statement showing the demand of fertilisers (N, P and K) made by individual States and their actual consumption during the three years ending 1969-70 tabulated on the basis of information

furnished by the Ministry at the instance of the Committee is shown at Appendix VI. In 1967-68 the States had consumed only 16.85 lakhs metric tonnes of fertilisers, i.e. 66 per cent of their demand of 2.52 million metric tonnes. In the subsequent year (1968-69) the position deteriorated further and the States consumed 17.60 metric tonnes i.e., 57 per cent only of their demand of 3.10 million metric tonnes. The consumption during the year 1969-70 was 2.0 million tonnes against the reduced targets of 2.64 million tonnes.

2.23. During the evidence the Committee referred to the observations in the Audit paragraph that as a result of over-provisioning of fertilisers, the stock of fertilisers on 1st April, 1969 was quite heavy and amounted to 11.53 lakh tonnes (6.91 lakh tonnes of N, 2.60 lakh tonnes of P and 2.02 lakh tonnes of K) and that the value of stock was about Rs. 199.09 crores. The Committee enquired about the reasons for it. The witness replied: "The stock available on 1st April, 1969 was two-thirds of the requirements of the Khariff. The Khariff requirements of that year, according to the requirements of the States, was assessed at 9.6 lakh tonnes of nitrogen against which the stock was 6.91 lakh tonnes of nitrogen which is two-thirds of the requirements of the Khariff. In the case of  $P_2O_5$ , the requirements given by the States were 3.8 lakh tonnes and the stock was 2.60 lakh tonnes, a little more than two-thirds. In respect of  $K_2O$  I must confess that while the requirements were 1.69 lakhs tonnes the stock was 2.02 lakh tonnes. As I explained in the case of phosphatic and potassiam fertilisers the imports which were arranged earlier arrived late because of the Suez crisis. Then, because di-ammonium phosphate was not popular with the States, there were heavy stocks of this fertiliser left with them. Out of this, the States of U.P., Maharashtra, Tamilnadu and Mysore had 4.64 lakhs tonnes of nitrogen, 3.83 lakhs tonnes of  $P_2O_5$  and 1.09 lakh tonnes of  $K_2O$ . These stocks were supplied to the States in the expectation of their requirements of khariff and we have been providing fertilisers in the expectation that at least two-thirds of the requirements for the crop season should be available before the season. In respect of potash, as I explained yesterday, the consumption in the previous years had been very buoyant and we also wanted that more of potash should be used so as to realise the full potential of high-yielding varieties of seeds. The removal of potash from the soil is much more in the case of high-yielding varieties than in the case of nitrogen and  $P_2O_5$ . On that assumption; a larger quantity was imported. Unfortunately, the consumption in 1968-69 was stagnant. It was only 1.70 lakhs tonnes of  $K_2O$ ; whereas in the previous year it had risen by about 48 to 49 per cent." About the Di-ammonium phosphate the witness said: "This was a new fertiliser, and enough promotional work was 1935 (Aii) L.S.—5.



not done in order to popularise it. And we did find that in the Southern States, people did not use that in the required measure that we had estimated." The Secretary to the Department of Agriculture explained the position further by saying that "the department is not at all interested in frittering foreign exchange by accumulating large stocks. There is a certain time lag in procuring and importing. The timings of purchases also have to be regulated according to the practices in the country. For instance, USA which provide 60 per cent of the fertiliser import credit wants us to buy the fertiliser before their own season for consumption of fertilisers from February to July starts so that arrangements for purchase have necessarily got to be made in advance. The big compulsion under which the Department has been working is that fertilisers having such a vital role in the production programme—somewhere about 44 per cent of the increased production is expected to come out of the use of fertilisers—one does not wish to get into a position that the fertilisers cannot be made available when the States want. However, profiting by the experience over the last two years, we have now improved upon the system of reviews and of indenting which we now do twice a year as against the bulk orders which we used to decide earlier." As regards the Periodicity of the review, the witness deposed: "One review is in April. This year it was done in March after rabi consumption is known. The other review is made after the Khariff season i.e. in October. Of course, this year it became three. Earlier there was one review. Since 1968-69 there are two reviews."

2.24. When the Committee asked to explain specifically the balance of stock of fertilisers amounting to Rs. 199.09 crores as on 1.4.1969, the witness replied: "This balance is in the pipeline. You cannot keep the pipeline dry. You have to keep up the flow from the godown to the field, etc. You cannot strike an account where at a particular point of time there will be nothing left."

2.25. The Secretary to the Ministry stated further: "The first April of any year with regard to fertilisers will not give a correct picture because the fertilisers are used during rabi and khariff for which indenting is to be done much earlier. Therefore, the proper period for knowing stock position with regard to the fertilisers should be 1st of January and 1st of October." However, according to the information furnished subsequently by the Ministry, the quantity of stock of fertilisers as on 1st January and 1st October, 1969 was as under :

1—1—1969	-8.12 lakh metric tonnes
1—10—1969	-8.22 lakh metric tonnes

2.26. The Committee desired to know the quantity of stock that remained unsold for over two years in each State as on 1.4.1970 and

the reasons therefor. The reply furnished by the Ministry is at Appendix VII. From the data furnished, it is observed that on 1-4-1970, the States except those of Assam, Bihar, Jammu and Kashmir, Orissa and U.P. which had not furnished their reports in this respect, had about 2 lakh metric tonnes of fertilisers (1.07 of N, 0.79 of P and 0.14 of K) lying unsold with them for more than 2 years.

2.27. Following are some of the common reasons given by various States for this accumulation:—

- (1) Unprecedented and severe drought conditions;
- (2) Supply of huge quantities of fertilisers from the pool (To States of Andhra Pradesh, Haryana, Maharashtra and Mysore);
- (3) Lack of promotional efforts;
- (4) High prices of fertilisers;
- (5) Sufficient fertilisers available in free market;
- (6) Absence of credit facilities to the cultivators; and
- (7) Stoppage of taccavi loans.

Against the reason at No. (2) above the Department of Agriculture have stated in their own remarks that "It is not a fact that allocation from the pool was excessive to the States. These States had very high targets of N and P for 1967-68. The actual supplies from the pool and the actual consumption was much smaller. If the States had done adequate promotional work they would have been able to reach their target of consumption in 1967-68."

2.28. The Committee enquired about the loss or damage sustained during the 3 years ending 1969-70 on account of long storage of fertilisers. In a note the Department of Agriculture furnished the following information:—

Year	Amount of loss/damage in Rs.
1967-68	50,405.18
1968-69	1,499.50
1969-70	26,192.49
<b>TOTAL</b>	<b>78,097.17</b>

2.29. In a note, the Department of Agriculture have stated that the foreign exchange spent on imports of fertilisers during the four years, 1966-67 to 1968-70 is as under:—

Year	Value (Rs. crores)
1966-67	129.00
1967-68	193.00
1968-69	163.00
1969-70	112.20
TOTAL	597.20

2.30. The Committee also desired to know the quantity of various kinds of imported fertilisers (Nitrogen, Phosphorous and Potash) accumulated and value thereof as on 1st April, 1970. The following information was furnished by the Department of Agriculture:

(000 M. Tonnes)

	N	P	K	Total
Stocks with States	443	214	72	729
Stocks with agents of S.T.C.	..	..	70	70
Stocks with the Pool	239	54	16	309
TOTAL	682	268	158	1108

2.31. The value of these fertilisers is as under:—

	Stock (000 M Tonnes)	Value (Rs. crores)
N	682	129.17
P	268	45.56
K	158	12.72
TOTAL	1108	187.45

2.32. The Committee desired to know the targets fixed for import of fertilisers during the Fourth Five Year Plan. The information furnished by the Department of Agriculture is stated below:—

(000 tonnes)				
Year	N	P	K	Total
1969-70	667	107	120	894 (actual)
1970-71	423	4	80	507 (planned)
1971-72	800	508	560	1868
1972-73	870	674	730	2274
1973-74	1020	754	900	2674

2.33. According to the Audit para the Government have slowed down on imports in order to reduce the stocks. The imports during 1969-70 are expected to be lower than the preceding two years. There has also been pause in fresh contracting for imports and the Government expect stock position to be normal by the end of the kharif 1970.

2.34. As on 1st April, 1969 there was an accumulation of 11.53 lakh tonnes of fertilisers valued at Rs. 200 crores. The quantity that remained unsold for more than two years on the 1st April, 1970 in States (except Assam, Bihar, J&K, Orissa and U.P. who had not furnished their reports), was of the order of 2 lakh tonnes and the loss/damage sustained on account of long storage was Rs. 0.78 lakh during the 3 years ending 1st April, 1970. In addition considerable expenditure had to be incurred on long storage. In view of this position, the Committee would emphasise the need for realistic provisioning based on the actual consumption of each kind of fertilisers. In this connection the Committee wish to add that Government should devise a proper scientific machinery to collect the data regarding actual consumption of fertilisers for the accurate assessment of future needs, as at present they are not in the know of the extent of actual consumption of potassic and phosphatic fertilisers throughout the country.

2.35. The Committee note that Government have spent Rs.597.20 crores on the import of fertilisers during the 4 years 1966-67

to 1969-70. During the three years ending 1968-69 the import of nitrogenous fertilisers was much more than even the targets envisaged in spite of the actual availability of stocks being in excess of the requirements. The quantity of imported fertilisers accumulated as on 1st August, 1970 was 11.06 lakh metric tonnes costing Rs. 187 crores. The targets fixed for the import of fertilisers during the revised Fourth Plan show that the imports will be increasing every year. From 8.94 lakh tonnes of fertilisers imported in 1969-70, the imports during the last year of the Plan, viz., 1973-74 is expected to increase to 26.74 lakh tonnes. In view of the fact that increasing imports of fertilisers involve considerable foreign exchange expenditure, the Committee would like to caution Government against importing fertilisers far in excess of requirements which has resulted in overstocking in the past. The Committee would also stress that concerted efforts should be made to develop indigenous capacity for production of fertilisers so as to obviate dependence on imports in this crucial sector of our economy.

### (iii) Production

2.36. The Committee enquired about the installed capacity of fertiliser production and the quantity actually produced during the three years ending 1969-70. In a note the following information has been furnished by the Department of Agriculture:

#### *Nitrogenous Fertilisers*

Year	Capacity (000 tonnes)	Production (000 tonnes)	%age of production to capacity
1	2	3	4
1967-68	585	366.80	62.7
1968-69	849	545.16	64.2
1969-70	1024	715.6	70.0

#### *Phosphatic Fertiliser*

1967-68	208	144	69
1968-69	208	107	51
1969-70	208	100	48

1	2	3	4
<i>Triple Superphosphate</i>			
1967-68	10.80	0.26	2
1968-69	10.80	1.89	17
1969-70	10.80	3.60	33
<i>Complex Fertilisers</i>			
1967-68	202.2	49.8	24
1968-69	202.2	101.7	50
1969-70	202.2	118.4	58

2.37. The Committee wanted to know the steps taken to reach the installed capacity. The representative of the Department of Chemicals replied: "I would like to mention one or two steps that we have taken. We divide it into two parts—those units which are already in commercial production and which are not reaching upto their installed capacity; those and new factories which are under construction, or the commissioning of which has taken longer period of time, and the production of which has not stabilised."

2.38. "In the first category, we have the Rourkela plant under the Iron & Steel Ministry. This was set up to produce 120 thousand tons of nitrogen, but after sometime, it has found that the coke oven gas which is the raw-material, and which is a by-product of the steel plant is not available in sufficient quantities. Only one-third of it or so has become available. The gas from the coke oven gas plant has become necessary for the steel mill itself. Therefore, we studied this matter at great length, and the Government have taken a decision to set up an additional naphtha gasification facility in order to supplement the gas that is required for the fertiliser factory. Similarly, in Sindri, which is one of our oldest plants, there is also shortage of raw material—gypsum which is used for fixing up ammonia and nitrogen. There is also certain other problem—ammonia was not adequate. Here also a decision has been taken to set up an additional naphtha gas facility to make up the shortage of ammonia in order to bring it up to installed capacity. Similarly,

we have made a study of Neyveli plant as it did not stabilise for a period of time. Then, some remedial measures were taken and things are now improving. There is another plant in Trombay. We are unhappy with its performance ever since it is commissioned. This has been investigated by a Special Committee and additional facilities have been sanctioned, and they are now under erection, and when these facilities are completed, we hope that the ammonia shortage will be cured."

2.39. "Regarding the second category, whenever we found some shortages in the actual production with reference to the estimates in the beginning of the year, the shortages are mainly due to the fact of delay in the completion of some of the plants. For example, we estimated the plants to come into production in the middle of the year but they do not go into production, and, therefore, delayed. For example, in 1967-68, it was assumed that Gorakhpur plant and also Namrup plant would go into production. But their construction went on for a longer period. We have now, therefore, introduced a system of watching the construction progress by the critical path method, and if any difficulties have arisen in the construction of these plants, we see that they are reviewed through a Co-ordination Committee that is set up in the Ministry of Petroleum and Chemicals. The Chief Project Officer presides over it, and tries to solve the problems and enables the plants to keep up the schedules to the extent possible."

2.40. The Committee asked whether, after the steps that are being taken by Government to rectify the position in respect of production of fertilisers, and with all the factories which have been established and which are in the process of establishment, it would be possible to reach targetted capacity by the end of Fourth Plan. The representative of the Department of Chemicals replied: "I would not say that. But by 1975-76, by the middle of the Fifth Plan, we are likely to become self-sufficient. By the end of the Fourth Plan, according to the figures supplied to you, the production would be round about 2.2 million tonnes by the existing capacities and the new plants which are coming up. Some more factories have to be put up in order to reach the capacity of 3.2 million tonnes which is the present target of consumption. So, another one million tonnes is required. To make one million tonnes you must have a capacity of more than one million tonnes. A fertiliser plant takes nearly 4-5 years to reach commercial production. It takes about three years for construction and then six to nine months for commissioning. In other words, any plant which is likely to be sanctioned during the

current year is not likely to contribute very much in the last year of the Fourth Plan; but it will contribute by 1975-76. So, by that time we will become self-sufficient. Therefore, we have continuously to plan to establish more fertiliser factories to keep pace with the increase in the target of consumption."

2.41. The Committee referred to import of Potassic fertilisers involving substantial amount of foreign exchange every year and asked whether Government had discovered any substitute for it. The representative of I.C.A.R. stated that there was no substitute for potass. It is taken out from the soil or some countries take it from sea water but the latter method is costly one. Attempts are being made to produce it in India for that purpose Mining Research Institute was doing experiments. But so far no definite results were achieved.

2.42. The Committee enquired whether it was a fact that producers of Super phosphatic fertilisers were finding it difficult to market this produce and that they wanted to switch over to the production of granulated fertilisers. The representative of the Department of Chemicals replied: "Superphosphate, of late, has come in a bad way because it is not able to compete with the higher nutrient phosphatic fertiliser like DAP. The emphasis is on balanced fertilisers. If a producer places in the market a complex fertiliser which consists of both nitrogen as well as potassium and phosphorus, the farmer prefers it. The superphosphate has only 16 to 18 per cent phosphorus pentoxide. So, there is a genuine difficulty in the future for the superphosphate industry. Therefore, in our Ministry we have consultations with the industry's representative and also the Fertiliser Association. Thus, some programme is sought to be worked out how to rehabilitate the industry and enable them to meet the challenge that has come up."

2.43. In a written reply, the Department of Agriculture have stated that the question of encouraging the use of balanced fertilisers was also discussed in the State Agricultural Ministers' Conference and it was stated that "the ideal solution would be in putting on sale mixed fertilisers or making suitable arrangements for the mixing of complex fertilisers not leaving the task of mixing to the farmers themselves."

2.44. In a note furnished to the Committee, Department of Agriculture brought out the following comparative position of prices of



## fertilisers in Pakistan, USA, Japan and India for the year 1967:

Country	1967	
	Ammonium Sulphate	Superphosphate (more than 25% P <sub>2</sub> O <sub>5</sub> )
	Quantity of rice (in Kgs) required to purchase one Kg. of fertiliser	
Pakistan . . . . .	0.98 (West) 0.77 (East)	Not available
Japan . . . . .	0.64	0.43
U.S.A. . . . .	2.67	1.82
India . . . . .	2.41	2.10

2.45. During evidence the representative of the Ministry gave the following figures of comparative cost:

1967-68  
Price per metric tonne of plant nutrient  
(Rupees)

Country	Ammonium Sulphate	Urea
Pakistan (East) (1966-67) . . . . .	1282	1035
Pakistan (West) (1966-67) . . . . .	1627	1642
Japan . . . . .	1920	1687
U.K. . . . .	1342	Not available
U.S. . . . .	2160	1800
India . . . . .	2340	1820

2.46. The Committee desired to know the reasons for higher cost of production of fertilisers in India. The representative of the Department of Chemicals stated: "The cost of production is influenced by the technology and the size of the factories. When you compare the cost of production with other countries, the size of the factories in other countries must also be considered. There the plants are huge plants, for example producing a thousand tons of ammonia and 1500 tonnes of urea. Ours are smaller plants. They produce

only about 300 tons a day of ammonia and about 600 tons a day or so of urea. This produces a considerable difference in the cost figures. One of the major steps we have taken towards reduction of price is to see that new technology is utilised. It has not been possible to take to new technology earlier because our demands have not been higher. During the last 3 to 4 years our demand has gone up with the result that more factories have been established with the latest technology and we are taking advantage of the improvements in technology and we are confident that the cost of production would be considerably less when these factories go into production. When self-sufficiency is reached by the middle of the Fifth Plan, the position will be better. Last years sellers market has already disappeared. Even now, the private factories are quoting prices at certain rebates and making other facilities available. So, the major trend here is towards reduction in the cost of production and the major thing is adoption of new technology and higher size of plants." When the Committee asked whether it was a fact that one of the reasons for the high cost of production was under-utilisation, the representative of the Department of Chemicals replied in the affirmative and added: "that is one of the aspect."

2.47. The Committee regret to find that indigenous production of such a vital commodity like fertilisers had been far below the needs of the country and that 69 per cent to 85 per cent of the requirements of Nitrogenous fertilisers and 36 per cent to 100 per cent of the requirement of phosphatic fertilisers had to be imported during the 3 years 1967-68 to 1968-69, while the entire consumption of potassic fertilisers had been met by imports resulting in a substantial drain on limited foreign exchange resources of the country. This phenomenon is partly due to persistent shortfall in the utilisation of installed capacity of the fertiliser factories. From the data relating to last three years ending 1969-70 furnished to the Committee, they find that while the percentage of production of nitrogenous fertilisers to the installed capacity has increased from 62.7 in 1967-68 to 70 in 1969-70 the production of phosphatic fertilisers has shown a decline from 69 per cent in 1967-68 to 48 per cent of production capacity in 1969-70. The production of triple super-phosphatic was only 33 per cent of the capacity and that of complex fertilisers was 58 per cent in 1969-70. The Committee urge upon Government to take necessary steps to ensure that the built-up capacity of the industry is fully utilised.

2.48. The Committee note with concern that the price of fertilisers is the highest in India as compared with other countries. The

high cost of production of fertilisers in the country has been attributed partly to small size of factories and non-use of new technology and partly to underutilisation of the existing capacity. The Committee wish to emphasise that concerted measures should be taken to bring down the cost of production and sale price so that a farmer finds it economic to use fertilisers.

(iv) Distribution

2.49. The Committee desired to know the intervals at which the allocation of fertilisers from the pool were made to States and the time that was allowed to them to lift the stocks. In a note the Department of Agriculture stated as under:—

“On the basis of the requirement indicated by the States/ Union Territories, allocations of the Pool fertilisers are made on quarterly basis, before the beginning of each quarter. Against these allocations, the State Governments/Union Territories issue despatch instructions indicating the various destinations in States/Union Territories, where fertilisers are to be despatched. Thus supplies can be affected only after the States/Union Territories issue despatch instructions.

In the allotment letter, the States/Union Territories are requested to furnish despatch instructions within 10 days on receipt of the allotment letter. But they mostly do not furnish them within the prescribed period. Many a time a despatch instructions are issued and accepted even after the expiry of the quarter. However, the defaulting States|Union Territories are constantly reminded to expedite despatch instructions. If no despatch instructions are received for the allotted quantity of fertiliser from a State within the year, the allotment for the respective quantity is treated as cancelled”.

2.50. The Committee asked how the cost of fertilisers transported by road to be reimbursed to State Governments was calculated. In a note the Department of Agriculture stated: “The transport charges are reimbursed on actual basis. These are, however, subject to a ceiling rate of 0.25 P. per ton per Km. The reimbursement is subject further to the condition that the material has been transported by the shortest route and that the rates claimed are reasonable. A certificate to this effect is required to be obtained from an Officer authorised in this respect by State Government. The quantity for the transportation of which the reimbursement is claimed, has also to be supported by a delivery certificate from an Officer

authorised by the R.D.I. (now F.C.I.)". During the evidence the witness said that the "Decisions are taken by the RDI and now the Food Corporation of India. If they find that wagons are not available, they will allow transport by road upto a certain distance, say 300 or 500 kms. Normally railway wagons should be utilised but there are certain departures depending upon the circumstances. For instance, in a port like Kandla a ship would be discharging 22,000 tonnes and the railway wagons would be only metre gauge wagons and even if used all the available wagons, we could not clear up and in such cases in addition to railway wagons, movement by road may be there. In Andhra Pradesh there was some disruption of rail traffic because of cyclones and there were some difficulties on that account also. Wherever a departure is made from the rule, we take the concurrence of the Ministry of Finance."

2.51. The Committee wanted to know whether it could not be ensured by advance planning that the fertilizers are moved in time by rail. In a note the Department of Agriculture stated that, "the wagon requirement at each port is worked out every month on the basis of the expected import of fertiliser through that port. The Railway Board is requested to allot wagon quota accordingly, and instructions are issued by Railway Board to Zonal Railways accordingly. In spite of these planned arrangements, sometimes adequate number of covered wagons are not available for loading all the fertiliser that may be required to be despatched. It is normally only under these circumstances that road movement upto a limited extent is resorted to supplement the Railway movement." During the evidence the witness explained further: "The procedure laid down was that the RDI earlier and now the FCI would make over to the State Governments' nominees, either cooperatives or private dealers, whatever quantities according to the despatch instructions are to be issued to the State Governments. When there is a shortage of wagons road movement is allowed. But there have been cases where in spite of wagon availability, this restriction was not enforced but those were under very special circumstances. One of the conditions is that railway wagons may not be available; then we have insisted that certificates should be furnished by the various authorities to be designated by the State Governments in respect of (a) the reasonableness of rates (b) the shortest route having been taken and (c) the fact that fertilisers have been delivered at the points for which charge has been made. These payments are made by the State Governments and then they send the bills to the A.G. for audit and after this these bills come to the P.A.O. for payment here. The P.A.O. checks up whether all those certificates

have been furnished. So, in the ultimate analysis, the responsibility to see that this concession is not misused is cast on the State Governments because evidently the Central Ministry cannot have an agency to check up this kind of thing all over the country. Except in Andhra Pradesh which is an unfortunate case, this system has worked very well and there has been no complaint from any quarters."

2.52. The Committee drew the attention to the Third Report of the Committee on Public Accounts of the Andhra Pradesh Legislature who have observed as under :—

"The Committee, however, came to understand that several complaints were received by the departments regarding bogus road transport claims.... It is seen that the extent of check exercised on the road transport claims is not uniform and fool-proof. In this connection the Committee took opportunity to actually test check from the records of the Commercial Tax Department whether the lorries passed through the check posts while carrying the fertilisers from the port the destination as shown in the bills submitted by the private dealers and certified by the Agricultural Assistant at the district level. The check so conducted revealed that not one of the lorries did in reality pass through the check-post to reach the destination.... It shows that the payment of transport charges was being made without the transport really being made and that the certificates issued by the Agricultural Assistants in such cases appear to be completely false.... From the note furnished to the Committee, it is seen that the transport charges paid to the District Cooperative Marketing Societies and private firms during the years 1966-67 to 1968-69 amounted to Rs. 3.77 crores. It is seen further that even standing concerns like District Cooperative Marketing Societies submitted bogus claims amounting to lakhs of rupees."

2.53. The Committee enquired whether in all the cases of reimbursement of the cost of transport of fertilisers by road to Andhra Pradesh, the covered wagons were not available. The witness said: "It has to be found out whether in all these cases covered wagons were not available. I am not in a position to say just at the moment." The Secretary to the Department of Agriculture added: "The position is that this discretion was left with the Regional Directors, Food, and thereafter when the F.C.I. came into the pic-

ture with the F.C.I., because it would not be possible to exercise the mode of distribution centrally. The fertilisers would deteriorate. Therefore, whether these officers exercised due care and caution in allowing road transport on such a large scale for Andhra Pradesh, we will not be able, at this point of time, to rebut one way or the other, and as you would remember, this matter has been relegated for a detailed enquiry." In a subsequent note furnished at the instance of the Committee the Department of Agriculture stated: "It is not possible to say categorically whether in all such cases covered wagons were not available. Owing to the chronic shortage of wagons for moving huge imports of food-grains and fertilisers at many of the Southern ports and with a view to ensuring fast clearance of cargo from the port area and also to meet the urgent demands of the State Governments for fertilisers, the procedure of allowing movement of fertilisers by road was relaxed in respect of certain ports and the Regional Directors of Food at these ports were authorised to move fertilisers by road. In practice, however, it has been ascertained that the available wagons were invariably being utilised to the full. The position has been particularly checked up at Madras from where substantial fertilisers moved to Andhra Pradesh that the available wagons both for food and fertilisers were being fully utilised and only the balance was being moved by road. The alternative to not moving fertilisers by road would have been congestion at the wharfs and consequent delayed clearance of ships leading to payment of demurrage in foreign exchange. This would have meant greater expenditure than the extra cost of road transport. It was, therefore, considered essential to move fertilisers quickly out of the port area by all possible means."

2.54. The Committee desired to know port-wise and factory-wise allotment of fertilizers made to the States during the 3 years, ending 1969-70. From the data furnished to the Committee it appears that allotment of fertilisers are made from ports and factories without proper planning and without any consideration of distance and the cost of transport involved in such movements. Following are some of such allotments made during 1967-68:

- (1) While 10,347 tonnes of S.A. were allotted to Andhra Pradesh from a distant port at Calcutta, 2,000 tonnes of the same fertilizer were allotted from Neyvelli Factory (in Tamil Nadu) to a distant State, Orissa.
- (2) 19,108 tonnes of C.A.N. were allotted from Rourkela (Orissa) to Maharashtra and 13,765 tonnes of the same fertilizer were allotted to Bihar from Bombay port.

- (3) 5,000 tonnes of urea were allotted to Andhra Pradesh from Nangal factory (Punjab) and 53,331 tonnes of the same fertilizer were allotted to Punjab from Bombay Port.
- (4) 25,943 tonnes of S.A. were allotted to Bihar from Bombay Port and 3,000, 27,495 and 19,529 tonnes of the same fertilizer were allotted to Haryana, Jammu and Kashmir and Punjab respectively from Sindhri factory (Bihar).
- (5) 800 tonnes of S.A. were allotted to Assam from Madras Port and 10,3471 tonnes of the same fertilizer were allotted to Andhra from Calcutta Port.
- (6) 4,795 tonnes of urea were allotted to Assam and 2,500 tonnes to West Bengal from Madras Port and 1,49,409 tonnes of the same fertilizer were allotted to Andhra from Calcutta Port.
- (7) 13,765 tonnes of CAN were allotted to Bihar from Madras Port while 12,692 tonnes of the same fertilizer were allotted to Andhra from Calcutta Port.
- (8) 5,000 tonnes of S.A. were allotted to Andhra State from Sindhri factory (Bihar) and 25,943 tonnes and 57,423 tonnes of the same fertilizer were allotted to Bihar from Madras and Calcutta Ports respectively.

2.55. The Committee asked why fertilizers were allotted to Andhra Pradesh from Sindhri factory in Bihar and why the allotment was not made from the ports/factories nearest to Andhra Pradesh. The representative of the F.C.I. replied: "Some ammonium sulphate has gone from Sindri but it is not on Government account. The Director of Agriculture or the Secretary of the agriculture department recommends the names of some private individuals and we sell only to private parties or to cooperative societies and they take delivery at the factory at the ex-factory price."

2.56. The Committee desired to have a statement showing year-wise and state-wise transportation charges reimbursed by Govern-

ment during the 3 years ending 1969-70. The information furnished by the Ministry is summarised in the following table:—

(Rs. Lakhs)

S. No.	State	Total Transport charges paid in 3 years	Break up of transport charges paid		
			1967-68	1968-69	1969-70
1.	Andhra . . . . .	350·741	113·941	177·488	59·312
2.	Maharashtra . . . . .	260·892	..	189·545	71·347
3.	Mysore . . . . .	198·579	9·882	152·744	35·593
4.	Tamil Nadu . . . . .	131·433	30·061	43·229	58·143
5.	Punjab . . . . .	22·671	13·861	8·810	..
6.	Bihar . . . . .	21·338	4·380	..	16·958
7.	Gujarat . . . . .	19·047	19·047	..	..
8.	Haryana . . . . .	12·488	6·301	6·187	..
9.	Madhya Pradesh . . . . .	10·008	..	10·008	..
10.	Rajasthan . . . . .	9·665	..	7·758	1·907
11.	Kerala . . . . .	6·223	0·853	2·108	3·262
12.	Orissa . . . . .	1·126	..	..	1·126
13.	West Bengal . . . . .	0·258	..	0·180	0·078
14.	Uttar Pradesh . . . . .	..	..	..	..
15.	Jammu and Kashmir . . . . .	..	..	..	..
16.	Assam . . . . .	..	..	..	..
		1044·869	198·326	598·057	248·086

2.57. The Committee asked during the evidence how some States had received huge amount as transport charges while others like Jammu and Kashmir, U.P. and Assam had not been paid any amount. The witness said: "The system works like this. Such road transport is resorted to only in the coastal states mostly Andhra Pradesh, Madras, Maharashtra, Gujarat etc. where fertilisers are received in the ports and have to be moved to interior over short distances. Assam, U.P. and other land-locked states are so far away



from ports that we do not obviously need any transport of fertilisers by road over long distances. Even in Punjab there are some transshipment points where transshipment has to be done over Broad gauge and Metre gauge stations. For instance in Punjab we bring it up to Bhatinda from where it is transported by road. This amount cannot equally be distributed over the States; it depends upon the requirement and placement of delivery points and the availability of wagons."

2.58. The Committee again drew the attention of the witness to the Report of the Committee on Public Accounts (1969-70) of the Andhra Pradesh Legislative Assembly who have suggested that "the State Government as well as the Centre should make a thorough probe into the whole question in detail without any loss of time by entrusting it to the Central Bureau of Investigation or such other agency as is deemed fit," and have "urged the Government of India to make necessary reformulation of the fertilizer policy, keeping in view what all has occurred in this regard and in such a way as to prevent recurrence of such rackets in the fertilizer distribution in the State in future."

2.59. The Committee asked whether Government had ever investigated whether the road transport facility was not being misused. The witness replied: "Since there was no complaint from any quarter, we thought that this was working very well. After the disclosures made in the PAC report in Andhra Pradesh, we have set up an inter-departmental committee consisting of the representatives of the Ministry of Transport and Shipping, the FCI and the State Governments to go into the whole question whether this procedure is fool-proof, whether the distance limit laid down it all right or should be relaxed or increased. The whole procedure is under examination."

2.60. Giving further details of the Inter-departmental Committee the witness said: "The Committee will have representative from the Ministry of Food & Agriculture, Joint Director from the Railway Board, Manager (Movement) of the Food Corporation of India, representatives from the State Government and representatives from the Finance Ministry and Ministry of Transport and Shipping." The Committee asked whether it would not be desirable to associate a representative from audit with the committee. The Secretary to the Department of Agriculture replied: "We will be glad to have a representative from Audit."

2.61. The Committee invited the attention of the witness to the allegation that some of the people who have been accused of defrauding the Andhra Pradesh Government are getting direct allotment from the Government of India and that the Andhra Pradesh Food Secretary has made representations to the Government of India. The Committee asked whether Government of India knew about it. The Secretary to the Department of Agriculture replied: "I am afraid we do not have any details of this case." The Committee then drew the attention of the witness to the reports that Andhra Pradesh Food Secretary had said that it is time that Government of India stop direct allotments and insisted on the allotments being made through the Andhra Pradesh Government. The witness replied: "The allotments are made to State Governments and Commodity Boards like the Rubber Board. Since last year we have had plenty of Fertilizers in pool, so we have also allowed direct sales. He must be talking about the direct sales to the dealers which we have started only six months back."

2.62. The Committee feel greatly concerned over the malpractices disclosed in the Third Report (1969-70) of the Public Accounts Committee of Andhra Pradesh regarding the claims of charges for transportation of fertilisers by road which are ultimately reimbursed by the Government of India. The charges for movement of fertilisers from various ports/Factories to the point of distribution|consumption in the Andhra State paid initially by the State Government to the District Cooperative Marketing Societies and private firms during the 3 years ending 1968-69 amounted to Rs. 3.77 crores. But the check exercised on the claims is not uniform and fool proof. Payment of transport charges was made without the transport really having been made. The Committee on Public Accounts of Andhra Pradesh have recommended that the Central Government should "make a thorough probe into the whole question in detail without any loss of time by entrusting it to the C.B.I." The Committee would like to know the action taken in the matter.

2.63. The Committee would also like Government to thoroughly investigate the allegation that some of the people accused of defrauding Government were getting direct allotment of fertilisers from the Central Government. The Committee would like to know if there was any mala fide intention behind such allotments and the action taken against all those found responsible for indulging in malpractices.

2.64. From the data furnished by the Ministry, the Committee find that during the three years ending 1969-70, Government of India

have reimbursed road transport charges to the tune of Rs. 10.45 crores to various States. Out of this amount Rs. 9.42 crores, i.e., 89 per cent pertained to four States namely Andhra Pradesh (Rs. 3.51 crores), Maharashtra (Rs. 2.61 crores), Mysore (Rs. 1.99 crores) and Tamil Nadu (Rs. 1.31 crores). The Committee suggest that on the basis of the findings of the Public Accounts Committee Andhra Pradesh, it should be examined whether there is any loophole in the matter of claim and payment of transport charges which require plugging in any of the remaining States.

2.65. The Committee note that Government of India have since appointed an inter-departmental Committee comprising the representatives of the Ministries of Food and Agriculture, Finance and Transport and Shipping, Railway Board, Food Corporation of India and a representative of the State, to go into the whole question of transport and distribution of fertilisers. The Committee understand that pursuant to a suggestion from the Committee during evidence, a representative of the Comptroller and Auditor General of India was also associated with the inter-departmental Committee to evolve a fool-proof procedure to prevent malpractices. They would like to be informed of the remedial measures taken and their efficacy in putting a stop to these malpractices.

2.66. From the particulars for the year 1967-68 furnished to them, the Committee find that allotment of fertilisers was made in an unplanned manner involving substantial avoidable expenditure on transport. To quote only an instance, 4,705 tonnes of area were allotted to Assam and 2,500 tonnes to West Bengal from a distant port at Madras whereas 1,49,409 tonnes of the same variety of fertiliser were allotted in the same year to Andhra Pradesh from Calcutta. A number of such instances have been mentioned earlier in this section of the Report. The Committee cannot too strongly stress that such ill-planned movement should be stopped forthwith and allotment of fertilisers to the various regions made from the nearest port or factory.

#### AERIAL SPRAYING OF CROPS

##### Audit Paragraph

2.67. An aerial unit was established by Government in 1956 for undertaking aëro-chemical operations of spraying pesticides/insecticides and also for locust control. Upto August 1964 the unit

had acquired 7 aircrafts at a cost of \$ 4,05,553 (Rs. 30.42 lakhs at post-devaluation rate); out of these, 5 aircrafts valued at \$ 2,85,173 (Rs. 21.38 lakhs) were received as gift under the Colombo Plan. In addition, the unit spent Rs. 21 lakhs (post-devaluation) on spares and workshop equipment.

2.63. On the assumption that the fleet strength would be 50 aircrafts, in the project report prepared by the Department in 1966 the cost of operation was estimated to be Rs. 3.27 per acre. With a view to intensifying production of foodgrains, cotton and oilseeds in the country, the State Governments were informed that the operational charges of aircrafts used in spraying these crops from the air would be subsidised by charging Re. 1 per acre upto 30th March, 1966, Rs. 2 per acre upto 30th March 1968 and Rs. 3 per acre subsequently. In the event of engagement of aircraft of the private sector for spraying such crops the operational charges would be subsidised to the extent of 66-2/3 per cent of the cost of Rs. 8 per acre (on average) upto 31st March, 1968 and 50 per cent thereafter.

2.69. According to the Department, "with the present fleet strength of 7 aircrafts and taking into account the present work trends and campaign periods, the task capacity of the aerial unit may be expected to be between 3.5 to 4.0 lakh acres per year". However, except during 1968-69, the area covered by the unit was far less as follows:—

Year	Area covered (In lakhs of acres)
1965-66	1.11
1966-67	2.09
1967-68	2.05
1968-69	3.45

2.70. There was thus a shortfall of 5.25 lakh acres during the three years ending with 1967-68. The actual cost of operations per acre during these three years worked out to Rs. 7.60, Rs. 5.21 and Rs. 5.18 respectively against Rs. 3.27 per acre estimated in the project report. The shortfall which had ultimately to be covered by private operators would result in extra expenditure of Rs. 2.65 lakhs by way of subsidy payable to State Governments in excess of the expenditure that would have been borne had the operations been carried out by the unit.

2.71. It would be seen from the table below that the total subsidy paid by Government of India during the three years 1965-66 to 1967-68 on operations performed by the unit proved to be much more than what was estimated originally while fixing the charges for spraying recoverable from State Governments.

Year	Expenditure on the unit (including depreciation and interest)	Revenue earned	Subsidy actually paid by Govt. of India	Subsidy estimated to be paid by Govt. of India
(In lakh of rupees)				
1965-66	8.44	1.34	7.10	2.18
1966-67	10.89	3.86	7.03	2.07
1967-68	10.62	6.20	4.42	2.05

2.72. Government stated (November 1969) that 'an operational effort of 3.5 to 4 lakh acres would be possible per year provided at least half the work is low-volume application' and that in the two drought years 1965-66 and 1966-67 the total work available was so little that even if the aerial unit had set itself an annual target of 3.5 to 4.0 lakh acres, such a target was not physically possible of achievement.

[Paragraph 35 of Audit Report (Civil), 1970]

2.73. The Committee desired to know whether Government had made any assessment of the area requiring aerial spraying. In a note, the Department of Agriculture stated that "almost all cultivated areas are amenable to aerial treatment either by fixed-wing aircraft or helicopters and there can be no assessment of areas requiring aerial spraying. It is left to the State Governments to decide what areas and crops they would like to be aerielly treated." In a further note, the Department stated that, "there is no fixed area programmed to be sprayed. Aerial spraying is undertaken on demand, where crops are attacked by insects|pests." The Committee enquired during evidence whether aerial spraying was preventive or curative. The Secretary of the Department replied: "It has to play both roles.... there are certain endemic pockets where diseases have been permanently located. For instance, there are certain endemic Pockets for rice disease, Cotton disease and so on. It is only the year that Government have sanctioned a special scheme to deal with the endemic areas. But otherwise, the normal pattern of operation will

be that when the reports came from State Governments that such and such crop has been afflicted with a particular kind of pest then they ask us to assist them by either arranging Government planes or putting them in touch with the private operators so as to arrange private planes."

2.74. The Committee desired to know whether there was any such legislation in the country which made spraying compulsory as in the case of some foreign countries. In a note the Department of Agriculture stated: "Although control operations in most cases have to be adopted voluntarily by cultivators, it becomes necessary at times to use compulsion when the obstructive attitude of a few may threaten the well-being of the rest of the farming community. To forestall such a contingency, necessary legislation has been passed by almost all States. The State Agricultural Pests and Diseases Acts, empower the executive to notify potentially dangerous and destructive pests, plant diseases and abnoxious weeds and allow for action to be taken against them by the farmer on a community or collective basis."

2.75. "With a view to introducing a certain element of uniformity in the State Acts, a Model Pest Act was framed and circulated by the Centre to all State Governments and Union Territory administrations for enacting similar legislation or amending the existing ones. All States, except Orissa and Nagaland have enacted Pest Acts, which have provisions to control insects, pests, plant diseases and various weeds in notified areas through legal means. The Union Territories of Manipur, Tripura and Pondicherry have initiated action to enact legislation on the pattern of the Model Pest Act circulated by the Department of Agriculture."

2.76. According to the information contained in the Audit paragraph and that furnished by the Department at the instance of the Committee, the following are the targets laid down by Government for aerial spraying of crops and the area actually covered by public and private units:

Year	Target (lakhs acres)	Area covered		
		(Lakhs acres)		
		Public Unit	Private unit	Total
1965-66	Nil	1.11	2.70	3.81
1966-67	10	2.09	2.86	4.95
1967-68	10	2.05	7.79	9.84
1968-69	20	3.45	11.76	15.21
1969-70	30	1.81	9.34	11.15
<b>TOTAL</b>	<b>70</b>	<b>10.51</b>	<b>34.45</b>	<b>44.96</b>
1970-71	40			
1973-74	70			

2.77. The Committee enquired about the potential capacity of spraying of each aircraft. In a note, the Government stated that "the work capacity of an agricultural aircraft is dependent on a number of variable factors. The main ones are:—

- (a) Distance between aircraft|helipad and work site.
- (b) Dosage rate.
- (c) Fragmentation of the area to be covered.
- (d) Spraying speed.
- (e) Chemical payload capacity of the aircraft|helicopter.
- (f) Ambient temperature and worksite elevation.

All these factors would jointly or severally affect the work capacity of an agricultural aircraft. However, it has been computed on a pragmatic basis that, taking all kinds of operational conditions into account, an aircraft would cover on an average, approximately 35,000 acres per year."

2.78. The Committee enquired as to why, in the year 1967-68, which was not a drought year, the performance of the Government unit was poor. In a note, the Government stated that, "In 1967-68 the total work arising for fixed-wing aircraft, with which the Government Unit is equipped, was 5,77,166 acres, of which 2,04,700 acres were covered by the Government Unit, which was 35.46 per cent of the total work arising. If the Government Unit did not extend its effort over a wider field of activity, it was because the pattern of work arising was such that it was not possible to have done any better. Task arising were so highly concentrated in time, that is, so many different tasks came up at the same time, that it was not practicable to cover all of them at one time with the small fleet of the Government Unit. There were other reasons also. For instance, 42,100 acres could not be covered in Punjab, because the Government aircrafts were not suitable for this particular type of work. 62,000 acres in Maharashtra, 63,000 acres in Madras and 6,500 acres in Gujarat had to be left out, because the Aerial Unit was engaged in two campaigns in Maharashtra at this time, that is between 15th September to 20th November, 1968, during which period it covered about 90,000 acres. 1,19,000 acres in Madhya Pradesh and 18,000 acres in Rajasthan had to be left out, because the Government Unit was at that time fully engaged in the same campaigns and covered 1,10,000 acres."

2.79. The Committee enquired whether, considering the importance of the protection of crops from pests|diseases in the context of

the food problem and popularisation of exotic high yielding varieties which were more susceptible to pest and disease as compared to indigenous varieties, efforts made at aerial spraying so far were not insignificant. The Secretary of the Department replied in affirmative and added: "Considering the size of the country, it is insufficient." The Committee drew attention to the poor performance of spraying of 11.15 lakh acres in 1969-70 and asked whether Government would be able to fulfill the target of 40 lakh acres in 1970-71 and 70 lakh acres in 1973-74. The Secretary replied: "It is really the expectation with regard to the total programme."

2.80. In reply to a question the witness stated: "The Government aerial spraying unit was more or less set up by way of reconnaissance purpose just to see what the possibilities were. The reconnaissance showed that the organisation for the handling of the work required a great deal of flexibility and also a fair capital. It was felt that there might be some advantages in decentralisation in having units placed as close to the areas of operation as possible. On these considerations it was felt that a reasonable number of licences should be given to the private operators. Private entrepreneurs were willing to come forward and take a share in this work." About augmenting the public sector unit, the witness deposed: "There is no proposal to step up substantially the Government fleet, but we may add a few. The types which Government have are the fixed wing Beaver types. Since then there have come more efficient fixed wing types such as Piper Pawnee and the helicopter which in certain situations is preferable to the fixed wing type for aerial spraying. We may add a few such units more or less to supplement the programme but essentially by way of experiment." As to the present condition of the Government fleet, the witness stated that, "these are obsolete and are not specialised aircraft... The existing aircrafts would be gradually phased out and replaced by modern specialised agricultural aircraft."

2.81. The Committee drew attention to the observations (para 4.6.6) of the Study Team of Administrative Reforms Commission that "the problem of lack of timely and adequate supply of spares service for the aircraft has often come in the way of efficient utilisation of these aircrafts" and enquired what were the particular difficulties in this regard. The witness explained: "We have the necessary spares but sometimes it happens that a particular small spare part is not available and then we have to place a requisition on the manufacturers who have to, sometimes, manufacture certain parts and supply them to us, as these are obsolete." Asked about the details of the breakdowns of aircrafts, the witness said: "The unit met with one major accident. The aircraft was grounded for almost 2



years. In 1966-67 we met with another major accident. In 1967-68 we met with an accident, on account of which the aircraft remained on the ground for 55 days. In 1968-69, we met with two accidents. One aircraft was grounded for 15 days and the other for one month." The Committee enquired the total period during which the Government fleet remained grounded on account of the reasons other than the accidents like want of repairs, spare parts, etc. during the 5 years ending 1969-70. In a note the Department furnished the following information:

Year	Total period of grounding in days in respect of 7 Beaver aircrafts
1965-66 . . . . .	371
1966-67 . . . . .	269
1967-68 . . . . .	549
1968-69 . . . . .	439
1969-70 . . . . .	465

2.82. The Committee drew the attention of the witness to the observations (para 4.6.6) of the Study Team of Administrative Reforms Commission that "while the privately owned aircraft are being operated with a high degree of efficiency, the Government owned aircraft do not match these in regard to their efficiency" and wanted to know the reaction of the Government. The witness replied: "This is not correct. Our aircraft utilisation rate is much higher than that of the private sector aircraft; in fact they are higher than the figures achieved by some of the leading countries in the world. Our average utilisation is of the order of 40 thousand cases per aircraft per year as against 25 thousand acres in the private sector." The Committee enquired why the farmers preferred private spraying inspite of the fact that it was costlier than spraying through Government unit, the witness stated that "it seems that there is preference for helicopter spraying which can attack pockets of small area with low flying and the work can get broken up much better than the fixed wing aircraft." To a question whether Government proposed to acquire helicopters, the witness replied: "Yes, three helicopters have already been acquired."

2.83. The data in regard to the acreage covered by the Public Spraying Unit, expenditure incurred on establishment, etc. and the

total expenditure on the unit during the last 5 years ending 1969-70, as contained in the Audit paragraph and that furnished by the Department at the instance of the Committee are shown below:

Year	Area sprayed (lakh acs)	Establishment	Repairs overhauls	Fuel, oil, etc.	Misc. (Annual average)	Total	Total including interest and depreciation
(In lakhs of Rupees)							
1965-66	1.11	1.50	2.07	0.85	0.13	4.55	8.44
1966-67	2.09	1.72	4.38	0.75	0.15	7.00	10.89
1967-68	2.05	1.39	4.11	0.98	0.24	6.72	10.62
1968-69	3.45	3.74	1.90	1.72	0.20	7.56	N.A.
1969-70	1.81	4.21	1.09	2.43	0.37	8.10	N.A.
<b>TOTAL</b>	<b>10.51</b>	<b>12.56</b>	<b>13.55</b>	<b>5.73</b>	<b>1.09</b>	<b>33.93</b>	

2.84. The Committee pointed out that while area sprayed had decreased from 3.45 lakh acres in 1968-69 to 1.81 lakh acres (by about 50 per cent) in 1969-70, there had been a steep rise in establishment expenditure from 1968-69. The Committee enquired of the reasons for this rise in establishment expenditure. The witness stated that "the establishment expenditure has remained more or less the same, Rs. 1½ lakhs per annum from 1965-66 to 1967-68. Thereafter it has shown an upward trend, because it was decided in 1968-69 that the Government unit should be self-sufficient in technical capacity in meeting the requirements of overhaul work. The unit has, therefore, been equipped with necessary technical staff, which has resulted in the expenditure going up. The increased expenditure has, however, been more than compensated by the reduced expenditure on aircraft operation. The reduction under this head has been approximately of the order of Rs. 3½ lakhs per year during 1968-69 and 1969-70. This expenditure was a little over Rs. 5 lakhs per year during 1966-67 and 1967-68 when the overhaul and repair of our aircraft were entrusted to private organisation. The unit has been made self-sufficient in this respect."

2.85. The Committee desired to know the yardstick adopted for entering staff for public unit and how it compared with that of private sector units. In their note the Department stated that they

"do not possess information on the yardstick adopted for entertaining staff in units in the private sector." As regards their own unit, the Department stated that "since aircraft must have their independent crew complements for working singly in the field, every aircraft has a crew composition of one pilot, one aeronautical engineer, one mechanic and one cleaner. In case of repair and overhaul of aircraft at base, recruitment is made tradewise on a man-hour basis. The annual production work capacity of engineer and technicians is 1,750 hours per man. The technical posts required for aerial unit are created only after consulting the Director General Civil Aviation, New Delhi.

2.86. The Committee enquired why the Government should not have entirely the aerial spraying by the private sector which the farmers appeared to prefer. The witness stated that this was a "field in which some competition between the public and the private sector should exist."

2.87. The witness further added that "in any case, the public unit of the Ministry has done useful work in opening up this area and developing it." Taking note of the observations of the Study Team of the Administrative Reforms Commission (para 4.6.6.) that "Government should not be operating the aircraft or as a matter of fact any other plant protection equipment for undertaking plant protection work. It should be left to the commercial organisation whether in the public or private sector," the Committee enquired how Government justified its participation in aerial spraying and why Government should not confine themselves to supervision and control of the activities of the private sector in the field in the interest of farmers. The witness replied: "We do maintain a certain amount of supervision by regulating at least the rates of subsidy on the basis of certain hourly charges. But in a country of this size and with such diverse cropping pattern, one may find that the incidence of disease has been so widespread and even concentrated that the resources which were available will get over-stretched and may not be able to cope with the problem.... This work is likely to grow very fast. Therefore, a large number of planes in the public sector will not, therefore, be either an extravagant or an out-of-place proposition."

2.88. In regard to the development of private sector, the witness stated that it was "being encouraged". He added: "We are giving licences for a large number of planes of various types to them." The Committee desired to know the strength of the private sector

aerial spraying unit from time to time till 1969-70. In a note the Department of Agriculture furnished the following information:

Year	Strength of private fleet		Total
	Fixed wing	Helicopters	
1964-65	5	5	10
1965-66	8	10	18
1966-67	13	8	21
1967-68	14	11	25
1968-69	21	19	40
1969-70	26	21	47

2.89. The Committee desired to know the value of foreign exchange released so far to the private sector for the acquisition of fixed wing aircraft and helicopters, spare parts, etc. In a note, the Ministry furnished the following figures of the allocations made so far for import by the private sector:

Year	Purpose	Allocations made
		(Rs. in lakhs)
1966	For spare parts	12.165
1968	For fixed wing aircraft/helicopters	85.027
1970	For fixed wing aircraft and helicopters, spare parts, etc.]	95.175
	TOTAL	192.367

2.90. As regards the rate of subsidy paid for Government spraying as well as private sector spraying and the manner of its release, the Ministry intimated that "aerial spraying in the States is got done by the State Governments through the public sector unit and the operators in the private sector. For the work done by the (Government) aerial unit certain rates have been prescribed by the Ministry from time to time which carry an inbuilt subsidy. Against an estimated cost of operation of Rs. 3 per acre, Re. 1 was charged upto 31st March, 1966, Rs. 2 upto 31st March, 1967 and Rs. 3 per acre in the subsequent years. In case of aerial spraying done by

the private operators, with the approval of the Planning Commission, the Ministry had given subsidy to the extent of 2/3rd of the cost of Rs. 8 per acre on an average upto 31st March, 1966 and 50 per cent of the cost of aerial spraying thereafter. Funds were released to the State Governments on the basis of details furnished by them. Under the Centrally sponsored scheme for eradication of pests in endemic areas by aerial spraying, the cost of aerial spraying upto a ceiling of Rs. 7 per acre is met by the Government of India and funds are released to the State Governments only.

2.91. The Committee desired to know about the actual cost of operation of the private sector from time to time as compared with the estimated rate of Rs. 8 per acre. In a note, the Department stated that, "the Government does not keep a check on the cost of operation in the private sector, so long as operators do not charge in excess of the ceiling prices laid down by Government which are Rs. 8 per acre in case of fixed wing aircraft and Rs. 10 per acre for helicopters for a dosage rate of 1½ to 2 gallons per acre." The Committee enquired how the actual cost of operation, if higher than the ceiling fixed, affected the subsidy. The Department of Agriculture stated that "Government have no information that in any particular operation actual costs of a private operator have been higher than the maximum rates fixed by Government of India. In any case, there is no question of the rate of subsidy being affected by it nor has any claim for higher subsidy been made."

2.92. The Committee desired to know the total amount of subsidy paid to State Governments from 1965-66 for using aircraft of the private sector. The Ministry furnished the following estimated year-wise figures:

Year	Subsidy in rupees
1965-66	17,83,664
1966-67	15,04,587
1967-68	46,15,799
1968-69	51,79,072
TOTAL	<u>1,30,83,122</u>

2.93. The Committee enquired how the Government satisfy itself before paying the subsidy that the acreage claimed by the State Government to have been sprayed by private sector aircraft was actually sprayed. In a note, the Ministry stated that "the Government of India do satisfy themselves before paying the subsidy that the acreage claimed to have been sprayed by the State Government have been sprayed by private sector aircraft actually from the reports of the State Governments. This is because the Government of India does this work through the State Government and the agencies under their control. At present under the financial rules for payment to operators, the State Governments issue orders for disbursing of sums to the different private operators after the local authorities under the State Governments are satisfied about areas in accordance with the terms of the contract which might have been entered into at their level with the private operator concerned and verification about the acreage actually sprayed by the private sector aircraft is done under this procedure by the officials of the State Governments themselves. After this, a reconciled statement of technical performance is jointly prepared by the State Government and the operator concerned which forms the basis of calculating the subsidy payable. Based on the State Government's communication the Government of India releases the subsidy to the State Governments."

2.94. The Committee desired to know the total Fourth Plan allocation for aerial spraying for public and private sector. The Ministry submitted the following information :

(i) Centrally sponsored scheme for meeting the cost of aerial spraying for eradication of pests in endemic areas	Rs. 427 lakhs
(ii) Strengthening of Aerial Unit and for modernisation of fleet and setting up of the training centre	Rs. 175 lakhs
<b>TOTAL</b>	<b>Rs. 602 lakhs</b>

The aforesaid allocation excludes the provision made for meeting the cost of aerial spraying in respect of cash crops under Fourth Five Year Plan, for which information is yet to be furnished by the Ministry.

2.95. The Committee desired to know why the aircraft for aerial spraying were not being manufactured in the country. The witness replied: "There was a scheme with the Ministry of Defence (Production) to manufacture agricultural aircraft in India about 4 years

ago and H.A.L. had begun to design but after 4 years of development they came to the conclusion that these aircraft will not meet our operational requirement. So the Ministry of Defence Production has now taken a decision that we should find a suitable aircraft for ourselves and manufacture it in the country under licence."

2.96. The Committee get a depressing picture from the data made available to them regarding the aerial spraying of pesticides. During the four years 1966-67 to 1969-70, actual coverage was only to the extent of 59 per cent of the targets fixed. The performance during the year 1969-70 was particularly bad inasmuch as only 11.15 lakh acres were covered as against 30 lakh acres programmed to be sprayed. The total strength of public and private sector aerial spraying units during 1969-70 was 57. (33 fixed wing aircraft and 24 helicopters). Taking the average work capacity of an aircraft as 35,000 acres per year as intimated by Government, the performance hitherto has not at all been satisfactory. In view of the importance of aerial spraying of pesticides as a plant protection measures to maximise agricultural production, Government should investigate the reasons for the poor performance and take adequate steps to increase the coverage to 70 lakhs by 1973-74 as envisaged for the Fourth Plan period.

2.97. The Committee note that in order to provide for compulsory sparying when necessary a Model Pest Act was framed and circulated by the Centre to all State Governments and Union Territory Administrations. As some of the States and Union Territories have yet to enact Pest Acts, the Committee desire that the desirability of enacting necessary legislation early should be impressed upon them.

2.98. The Committee were informed that the Government spraying unit which consisted of 10 aircrafts as against a strength of 47 aircrafts in the private sector was started as an experimental measure. However, the possibility of expanding the public sector unit was not ruled out. The Committee find that the Government aircrafts have become obsolete and that these would be gradually phased out and replaced by modern specialised agricultural aircrafts. The Committee desire that the exact role of the Government unit should be decided upon early and steps taken to augment the fleet by including helicopters also. In this connection the Committee would commend the suggestion of entrusting the plant protection work to a Commercial organisation in the public sector.

2.99. According to the information furnished by the Ministry, foreign exchange was allowed to the extent of Rs. 192 lakhs to the private sector to import aircrafts and spare parts during 1966 to 1970. In view of the possible expansion of the spraying units both in private and public sectors, the Committee feel that development of indigenous manufacture of suitable aircrafts for the purpose should receive priority.

2.100. Spraying by private sector aircrafts was subsidised to the extent of two-third of the cost of Rs. 8 per acre in the case of fixed wing aircrafts and Rs. 10 per acre on helicopters upto 31st March, 1968 and 50 per cent thereafter. The Committee learn that Government do not keep a check on the actual cost of operation. As the cost of operation of Government unit ranged between Rs. 5.18 and Rs. 7.60 as against Rs. 3.27 per acre estimated in the project report, the reasonableness of the rate charged by the private sector should be examined before releasing the subsidy in future.

NEW DELHI;

August 11, 1971.

Sravana 20, 1893 (Saka).

ERA SEZHIYAN

Chairman,

Public Accounts Committee.



## APPENDIX I

*Statement showing qualifications and experience of the authorised controllers of the 23 mills taken over*

(Para 1.12, Page 7)

S. No.	Name of the mill	Name of the Authorised Controller	Qualification and experience in the textile industry of the Authorised Controller	Composition of the Advisory Board.	Whether assistance of financial expert is available to the Authorised Controller
(1)	(2)	(3)	(4)	(5)	(6)
1	New Maneckchock Spg. and Wvg. Mills Ltd., Ahmedabad.	Gujarat State Textile Corporation.	..	The question of constitution of Advisory Board is under consideration.	Yes
2	Ahmedabad New Textile Mills Co. Ltd., Ahmedabad.	Do.	..	Do.	Yes
3	Himabhai Mfg. Co. Ltd., Ahmedabad.	Do.	..	Do.	Yes
4	Rajkot Spg. and Wvg. Mills Ltd., Rajkot.	Do.	..	Do.	Yes
5	Mahalaxmi Mills (Pvt.) Ltd., Bhavnagar.	Do.	..	Do.	Yes
6	Om Parasakthi Mills Ltd., Coimbatore.	Tamil Nadu Textile Corporation Ltd.	..	Do.	Yes
7	Cambodia Mills Ltd., Coimbatore.	Do.	..	Do.	

8	Sri Rangavilas Gng. Spg. and Wvg. Mills Co., Coimbatore.	Do.		Do.	
9	Kishnaveni Textiles Ltd. Coimbatore.	Do.		Do.	
10	Muir Mills Co. Ltd., Kanpur	Shri . . . .	He is an IAS Officer and has worked in the State Trading Corporation of the Government of India.	<ol style="list-style-type: none"> <li>1. Secretary, Industries Deptt. Govt. of U.P. or his representative.</li> <li>2. Secretary, Finance Department, Govt. of U.P. or his representative.</li> <li>3. Chairman or Managing Director of the Uttar Pradesh State Textile Corporation.</li> <li>4. Managing Director of National Textile Corporation Ltd.</li> <li>5. Authorised Controller of Mills (Member-Secretary and Convenor)</li> </ol> <p>The Board will appoint its own Chairman from time to time.</p>	The permanent staff of Company includes an experienced Secretary a Chartered Accountant & an Asstt. Secretary holding a Govt. diploma for Company Secretaryship.
11	New Victoria Mills Co. Ltd., Kanpur.	Shri . . . .	He is an IAS Officer and possesses five years previous experience as Authorised Controller of Atherton West Textile Mills, Kanpur.	Do.	The Company has employed Accountant and a Cost-Accountant.

(1)	(2)	(3)	(4)	(5)	(6)
12 Bengal Nagpur Cotton Mills Ltd., Rajnandgaon (MP)	M/s . . . .	Shri Raja Ram Gupta and his sons who are all engineering graduates are managing the mills. The firm has a starch factory, cement pipe factories, small sugar mills and other mill scale industries.	<ol style="list-style-type: none"> <li>1. Secretary, Industries Deptt. Govt. of Madhya Pradesh or his representative.</li> <li>2. Secretary, Finance Deptt., Govt. of Madhya Pradesh or his representative.</li> <li>3. The Managing Director of National Textile Corporation Ltd.</li> <li>4. Authorised Controller of the Mill (Member Secretary and Conve-nor)</li> </ol>	None	
13 New Bhopal Textiles Ltd., Bhopal (MP)	Shri . . . .	<p>M.A., B. Com. He is an Officer of MP Govt. He has held the following appointments in the Ind. Deptt. of the State Govt. :—</p> <ol style="list-style-type: none"> <li>(1) Cottage Industries Officer.</li> <li>(2) Asstt. Director of Industries.</li> </ol>	Do.	The Asstt. Secretary who is M.A., B. Com., LLB is looking after the accounts work of the mill. The guidance of Chartered Accountants is also obtained by the Authorised Controller from time to time.	

			(3) Dy. Director of Industries.		
			(4) Joint Director of Industries.		
14	Hira Mills Ltd., Ujjain (MP)	Shri . . . . .	B.A. He is an Officer of the Madhya Pradesh Govt. and has held the following appointments prior to the appointment as Authorised Controller :—	Do.	The mill has employed one Senior Accountant having the qualifications of B. Com. LLB. He has also passed the Chartered Accounts Intermediate examination, and is having 20 years experience in this line.
			(1) Investigator.		
			(2) Cotton Industries Officer.		
			(3) Officer on special duty.		
			(4) Asstt. Director of Industries.		
			(5) Dy. Director of Industries.		
			(6) Joint Director of Industries.		
15	Swadeshi Cotton & Mills Ltd., Indore.	Flour Shri . . . . .	B.Sc. (Engg.) He is an Officer of the Madhya Pradesh Govt. and has held the following appointments prior to his appointment as Authorised Controller:—	Do.	
			(1) Asstt. Engineer, P.W.D.		

(1)	(2)	(3)	(4)	(5)	(6)
-----	-----	-----	-----	-----	-----

(2) Asstt. Director (Industries)

(3) Jt. Director

(4) Addl. Director.

Prior to joining his State service, he served in Gun Carriage Factory, Jabalpur, for 4 years and also worked in partnership in Simplex and Engg. Works, Jabalpur for four years.

16 Mahalakshmi Mills Co. Ltd.,  
Beawar (Rajasthan)

Shri . . . . .

He is an IAS Officer. While Collector at Pali for four years, he had been dealing with problems of textile mills. Also as Addl. Registrar Cooperatives, he was connected with setting up of a textile mill at Gulabpura.

(1) Secretary, Deptt. of Ind. Govt. of Rajasthan or his representative.

(2) Secretary, Deptt. of Finance, Govt. of Rajasthan or his representative.

(3) Managing Director, National Textile Corporation.

(4) Authorised Controller of the mill (Member-Secretary)

The Board will appoint its own Chairman from time to time.

The mill has on their rolls a Financial Advisor, a Senior Cost Accountant and an Accountant.

17 Sri Bharathi Mills Ltd.,  
Pondicherry.

Shri.....

He is a Textile Technologist and has six months practical training in Textile mills in U.K. He has worked as Superintendent, Industries. Joint Director of Ind. and Deputy Commissioner State Enterprises.

(1) Secretary, Deptt. of Industries Pondicherry Admn. or his representative.

(2) Secretary, Finance Deptt. Pondicherry Admn or his representative.

(3) Managing Director of National Textile Corpn.

(4) Authorised Controller of the Mill (Member-Secretary and Conveyor)

The Board will appoint its own Chairman from time to time.

The mill has employed Chartered Accountants, Accounts Officers and Accountants who hold necessary qualifications in accounts.

18 Model Mills Nagpur Ltd.,  
Nagpur.

Maharashtra, State Textile  
Corpn.

(1) Chief Secretary to the Govt. of Maharashtra (Chairman)

(2) Secretary, Finance Deptt., Govt. of Maharashtra.

(3) Secretary, Industries and Labour Deptt., Govt. of Maharashtra.

(1)	(2)	(3)	(4)	(5)	(6)
				(4) Jt. Secretary, Industries and Labour Department, Govt. of Maharashtra.	
				(5) Textile Commissioner or his representative.	
				(6) Authorised Controller of the Mill (Member-Secretary)	
10	R.S.R.G. Mohta Spg. and Wvg. Mills Ltd., Akola (Maharashtra)	Do.	..	Do.	No.
20	Pratap Spg. & Wvg. and Mfg. Co. Ltd., Amalner.	Do.	..	Do.	No.
21	India United Mills Ltd., Bombay.	Shri.....	Passed L.T.M. from V. J.T. Institute in first class in 1935. He has nine years experience in various cotton mills as Supervisor and Asstt. Master. In addition, he has served in various cotton mills in various capacities for about 24 years.	(1) to (6) as above. (7) Addl. Textile Commissioner or his representative.	A Chartered Accountant is working as Chief Accountant of the mills/ Company and his assistance is available to the Authorised Controller.
22	Aurangabad Mills Ltd., Aurangabad.	Shri.....	..	The question of constitution of Advisory Board is under consideration.	
23	Digvijay Spg. and Wvg. Co. Ltd., Bombay.	Maharashtra State Textile Corporation.	..	Do.	

## APPENDIX II

*Statement showing the amount of Bad debts and yearly administrative expenditure in respect of 23 mills.*

(Para 1.22, Page 19)

(Figures in lakh rupees)

Name of the mill & date of take over and year of accounting.	Bad debts & Administrative expenditure shortly before take over.		Bad debts & Administrative expenditure year to year after take over.		Remarks
	Bad Debts	Admn. Expdt.	Bad Debts.	Admn. Expdt.	
(1)	(2)	(3)	(4)	(5)	(6)
1. <u>Model Mills Nagpur Ltd., Nagpur</u> 18-7-1959 (July—June)	..	10.64 1-7-58 to 17-7-59	..	1959-60 . 6.23* 1960-61 . 12.19 1961-62 . 13.67 1962-63 . 14.81 1963-64 . 15.43 1964-65 . 17.07 1965-66 . 16.97 1966-67 . 16.98 1967-68 . 16.17 1968-69 . 16.62 1969-70 . 17.50	*The mill started working on 29-10-1959.
2. <u>R.S.R.G. Mohta Spg. and Wvg. (Pvt.) Mills Ltd., Akola</u> (15-9-1961) (July-June)	30.51 (Approximately)	21.09 1959-60	Nil	15-9-61 to 30-6-62 . 12.49* 1962-63 . 27.13 1963-64 . 33.60 1964-65 . 39.89 1965-66 . 36.19 1966-67 . 34.10 1967-68 . 39.38 1968-69 . 39.92	*The figure includes wages also.



(1)	(2)	(3)	(4)	(5)	(6)
3. <u>The Pratap Spg., Wvg. and Mfg. Co. Ltd., Amalner</u> (4-3-1963) (July-June)	Nil	6.52 1962-63	Nil	1963-64 . 6.20 1964-65 . 7.14 1965-66 . 7.45 1966-67 . 7.60 1967-68 . 7.76 1968-69 . 7.84 1969-70 . 8.13	
4. <u>Bengal Nagpur Cotton Mills Ltd., Rajnandgaon (MP)</u> (17-12-1963) (Jan.-December)	Not available.	1962 . 7.15	Nil	1964. . 4.10 1965. . 4.34 1966. . 5.07 1967 . 5.32 1968. . 5.36 1969. . 5.88	
5. <u>India United Mills Ltd., Bombay</u> (29-11-1965) (Jan.-December)	Nil	1964 . 105.92 1965 . 103.35	Nil	1966. . 97.42 1967. . 100.50 1968. . 104.95 1969. . 107.28	
6. <u>Muir Mills Ltd., Kanpur</u> (22-12-1965) (Jan.-Dec.)	1965. 0.07	*1965 . 19.57	1966 1967 1968 1969	Nil 1966. . 16.85 0.27 1967. . 21.26 0.05 1968. . 20.96 0.01 1969. . 21.34 1970. . 27.13 (Jan.-Sept.)	*The mill remained closed from 9-8-1965 to 31-12-1965, & 1-1-66 to 6-5-66.
7. <u>New Bhopal Textiles Ltd., Bhopal</u> (11-2-1966) (April-March)	1965-66. 0.12	1965-66. 7.54	1966-67 1967-68 1968-69	0.10 1966-67 . 3.87 0.07 1967-68 . 1.35 Nil 1968-69 . 2.92 1969-70 . 3.33	

8.	Hira Mills Ltd., Ujjain (4-3-1966) (Jan.-Dec.)	1965	1.18	1965	14.13	1966 1967 1968 1969	0.92 0.91 0.99 1.01	1966. 1967. 1968. 1969.	13.70 13.54 14.50 15.74	
9.	Swadeshi Cotton and Flour Mills Ltd., Indore. (13-4-1966) (Jan.-Dec.)	Nil		1965	8.94	Nil		1966. 1967. 1968. 1969.	7.43 8.20 8.25 8.44	
10.	Sri Bharathi Mills Ltd., Pondicherry (5-5-1966) (Jan.-Dec.)	Nil		1965	3.18	Nil		1966. 1967. 1968. 1969.	0.59 2.30 3.46 3.43	
11.	Aurangabad Mills Ltd., Aurangabad (11-3-1966) (Jan.-Dec.)	Nil		1965	0.52	Nil		1966. 1967. 1968. 1969.	0.32 0.25 0.28 0.64	
12.	Mahalakshmi Mills Co. Ltd., Beawar (Rajasthan) (9-1-1967) (Jan.-Dec.)	1966	0.02	1966	2.14	Nil		1967. 1968. 1969.	3.33 4.09 3.94	
13.	New Maneckchock Spg. and Wvg. Mills Ltd., Ahmedabad (14-1-1969) (Jan.-Dec.)	1968	Nil	1968*	1.22	Nil		1969.	3.33	*Mill worked partially.
14.	Om Parasakthi Mills Ltd., Coimbatore (27-5-1969) (April-March)	1969 (ending March)	0.04*	1968	0.14	Nil		1969. From 1-4-70 to 30-9-70	0.12 0.29	*Includes Doubtful debts
15.	Digvijay Spg. and Wvg. Co. Ltd., Bombay (9-7-1969) (Jan.-Dec.)	1968	Nil	1968 1969 (upto 9-7-69)	17.89 10.66	1969		Nil 10-7-69 to 31-12-69	7.35	

	(1)	(2)	(3)	(4)	(5)	(6)
16. <u>New Victoria Mills Co. Ltd., Ahmedabad</u> (30-8-1969) (Jan.-Dec.)	1967	0.20	1968 2.03	Nil	1969 1.93	
17. <u>Ahmedabad New Textile Mills Co. Ltd., Ahmedabad</u> (6-9-1969) (Jan.-December)	1969	Nil	1969 0.81	Accounts after take over not finalised.		*Mill worked Partially.
18. <u>Himabhai Mfg. Co. Ltd., Ahmedabad</u> (9-10-1969) (April-March)	1968-69	Nil	1968-69 1.20	Do.		
19. <u>Cambodia Mills Ltd., Coimbatore</u> (22-10-1969) (Jan.-Dec.)	1969	0.17* 1969	1968 0.19 0.15	Nil	1-1-70 to 30-9-70	} 0.63 *Includes doubtful debt.
20. <u>Kishnaveni Textiles Ltd., Coimbatore</u> (22-10-1969) (Jan.-Dec.)	1969	1.13*	1968 6.81 1969 0.55	Nil	1-1-70 to 30-9-70	} 0.42 *Includes doubtful debt.
21. <u>Sri Ranga Vilas Ginning and Spg. and Wvg. Co. Ltd., Coimbatore</u> (7-1-1970) (Jan.-Dec.)	1969	0.23*	1968 0.06 1969 0.36	Nil	1-1-70 to 30-9-70	} 0.49 *Includes doubtful debt.
22. <u>Rajkot Spg. and Wvg. Mills Ltd., Rajkot.</u> (20-6-1970) (Jan.-Dec.)	1969	Nil	1969 0.51	The mill started working on 2-2-1971.		
23. <u>Mahalakshmi Mills Ltd., Bhavnagar</u> (6-8-1970) (April-March)	1968-69	Nil	1968-69 0.66	The mill has started working on 3-2-1971		

### APPENDIX III

*Copy of the letter from Chairman, Tea Board to Government,  
regarding the objects in the agreement.*

(Para 1.55, Page 36)

No. CH|Per|81,  
April 21, 1969.

Dear Shri Singh,  
Pathini Tea Estate.

The Pathini Tea Estate is owned by the Government of India and is managed by its original Mg. Agents M<sub>s</sub>. Octavius Steel & Co. Ltd. Calcutta on the basis of commission on sales and on profit. The Government have appointed an Advisory Committee of which the Chairman of the Tea Board is the Chairman and the convenor is the Mg. Director of Octavius Steel & Co. Ltd. The Dy. Financial Advisory, Ministry of Finance (Foreign Trade) the Uunder Secretary of Ministry of Foreign Trade and Shri P. K. Kanoria are the Members of the Advisory Committee. The Advisory Committee met only once last year in May and on the basis of the recommendations by the Committee sanction on the various items were given by the Government after getting the necessary Clarifications from the Managing Agents. The Committee met recently again on 18th April 1969. The position which came out in the meeting was very disquiting and I think that steps should be taken by the Government to recover some of the losses of the Tea Estate from Octavius Steel & Co. for mismanaging the Estate.

This Estate made some profit in 1966-67 and is likely to lose nearly Rs. 1.50 lacs in the year 1969. We do not know how much exactly the estate would lose in 1968 because all the teas have not yet been sold. In fact only about 2/3 of the crops of 1968 has been sold to-date.

I may mention that the fact that the Company has so badly managed the Estate came to my notice just before this April meeting of the Advisory Committee. The visiting Agent of Octavius Steel & Co. Ltd. has sent a report on the Estate. (The original one has been sent to Ministry and we received a copy on 14th April).

This report, as you will notice from what I have said below, is very disquieting. When I received this report I asked M/s. J. Thomas & Co. who are the Brokers for this Estate whether they had noticed the bad quality of the tea produced by this estate. J. Thomas & Co. said that they had reported the matter to the Mg. Agents throughout the year and had recently sent them an annual report. On my request they have sent us a copy of this year ending report and I am enclosing a copy of the same for your perusal.

Coming back to the report of the visiting agent I might quote a few sentences below. The revenue expenditure of the garden has gone up by Rs. 4.33 lakhs from the estimated expenditure. One of the largest items giving to this excess expenditure is on boxes account. Actually Rs. 51,062 were the excess expenditure on this account. The reason is that the Estate management did not pack the boxes properly. The words used by the Visiting Agent are "Packing was disappointing and the net-weight per chest was at least 5 kg. lower than the other gardens". I understand that the chests are supplied by the Mg. Agents and therefore it appears that there might have been some indication to the garden manager to utilise more chests that were necessary. This has meant a loss of the estate but a profit to the Mg. Agents.

Apart from this, the management of the garden at all states was very poor. We may start with the stage of maintenance. The visiting Agent's words are "the vacancies in mature tea have increased to 30 per cent and the loss of crop due to this increased accordingly".

Next stage is plucking. Here the Visiting Agent says "The standard of plucking was poor throughout the season and has been reflected in the tea produced".

We now come to the question of manufacture. The Visiting Agent says here "teas were generally of a poor standard during 1968 although occasionally some invoices were found to be useful. The main defect appeared to be in the processing of the leaf and teas were flaky and open with too much uncut stalk and fibre present. A high percentage of secondary and artificial teas were produced which were almost unfit for sale". You will notice that almost similar words have been used by the Brokers—J. Thomas & Co. who have said that some of the teas produced were not fit for human consumption.

This is so far as the year 1968 was concerned. The estate has some replanting and extension programme and here also the maintenance of the young plant and the shade trees was disappointing. For instance the Visiting Agent says "the extension planting at Champabari is very disappointing. The large flat in particular is much below standard where there have been many deaths and green crop is almost non-existent" and again "all the plants of clones Nos. TV11, TV12 and TV13 have died as a result of being over grown by jungle during the rains". In regard to the shade trees the visiting Agent report says "The work was of a poor standard as saplings which were far too small, were planted at the wrong time of the year". All these mean that the Managers have put the future prospects of the Tea Estate in a doubtful position.

I could go on in this manner but I hope written enough to say that the Octavius Steel & Co. did not manage the tea estate properly.

I may mention that according to the usual practice, apart from the Broker's report the Mg. Agents themselves keep a weekly watch on the quality of tea produced, and therefore they cannot say that the visiting agent's report came to them like a revelation at the end of the year. Also so far as I know according to the agreement with Octavius Steel & Co. they should inspect the garden periodically. In other words they cannot say that they were not aware of what was happening throughout the year. Perhaps they thought that nobody would go into the details about the working and they would take shelter behind the common plea that 1968 was a very bad year for tea.

With a hind sight one might say that it was wrong for us to entrust a garden to a Mg. Agent who had sold the garden after finding out that they could not run it profitably. But now that we have entrusted the garden to them even for 1969 I think we will have to keep a closer watch on them throughout the year. In any case the Government decision to pass on this estate to a reliable firm on a long term lease basis must be taken quickly so that we do not have to keep the garden with this company in the year 1970. I would also repeat what I have said at the beginning of this letter that Government should write to Octavius Steel & Co. to compensate the Government for some of the losses. Atleast so far as the extra use of the tea chests was concerned they cannot deny that it meant more profit for them and a loss to the Estate. They should give back the Government this amount.

In this meeting of the Advisory Committee I had spoken to their representatives about all these defects pointed out by the Visiting

Agent. They had no explanation to offer and only said that they had written a strong letter to the Manager to be careful this year.

Yours sincerely,  
Sd/-

Shri,  
Add. Secretary, Ministry of Foreign Trade,  
New Delhi.

7th April, 1969.

Copy

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**PATHINI TEA ESTATE**

---

(SEASON 1968)

During the season under review, only CTC teas were manufactured and the general standard was rather disappointing. Sorting was inconsistent with leaf colour, sizes and fibre content varying from lot to lot. The primary grades were generally grainy but the BPs were small and mixed while the BPS's and the BPSI's were rather bold and uneven. Dusts were rather poorly sorted, the DPs being large and mixed while the CDs were too flurry to attract blenders. Through out the season a large quantity of reprocessed dusts were also seen and these were of a very poor standard. At the end of the season, some of these teas were found to be unfit for human consumption while a few others were very mixed and dusty.

The liquors were fairly full and coloury but generally tasted coarse and the reprocessed teas were also very dull.

As for the coming season, we feel that every effort will have to be made to improve the standard of teas both leaf and liquor. With virtually all tea growing areas in world harvesting larger crops, teas with poor appearance as or liquors are likely to be severely discriminated against. Teas from Cachar sell mainly for their leaf appearance and buyers prefer grainy teas with blackish-brown leaf colour. In this connection, we feel that the CTC cutting at Pathini needs to be greatly improved. Correct alignment of roller is very essential and the roller settings should be checked daily. CTC segments should be sharpened frequently, certainly after manufacture of every 500 mds. of made tea. This will help in obtaining a grainy cut and improving the appearance of primary

grades while at the same time reducing the percentage of secondary grades.

The dull and coarse characteristics of liquors may be due to inefficient firing and/or delay in sorting and packing. All aspects of manufacture should be given most careful attention and we hope to see teas of a considerably improve standard in the forthcoming season. Needless to add we will be only too pleased to render every possible assistance to the Manager.

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## APPENDIX IV

*Details of expenditure incurred on the Pathini Tea Estate from time to time after the purchase (Para 1·101, Page 67).*

*(Running Expenses)*

(Fig. in Rs.)

Garden Expenditure	1965	1966	1967	1968	1969
1. Cultivation . . . . .	4,28,684·30	4,42,251·85	4,62,029·99	3,91,359·58	3,67,936·45
2. Manufacture . . . . .	2,80,500·10	3,34,184·94	3,66,037·32	3,55,459·55	3,74,313·61
3. Power and Fuel . . . . .	73,913·78	80,539·84	1,15,326·38	1,15,735·52	1,28,764·97
4. Boxes . . . . .	1,23,852·75	1,56,146·67	1,76,547·11	2,27,608·59	2,03,658·32
5. Tea Despatching Charges. . . . .	2,367·87	2,876·01	4,789·88	4,056·17	4,774·12
6. Establishment (Salaries & Wages) . . . . .	2,43,433·97	2,51,098·54	2,96,912·02	3,12,484·19	3,35,432·97
7. Transport and Maintenance . . . . .	75,534·22	84,726·55	1,07,987·37	1,25,393·42	86,705·23
8. Repairs to Buildings. . . . .	1,09,826·82	90,586·08	1,19,880·61	1,36,382·44	82,748·60
9. Repairs to Machinery. . . . .	88,379·47	55,339·37	1,08,213·09	97,284·61	72,780·73
10. Labour and Staff Welfare. . . . .	2,46,262·67	3,39,019·76	3,17,408·23	4,31,596·00	4,48,625·64
11. Land Rent. . . . .	13,955·74	13,956·24	13,613·84	20,412·13	35,641·43
12. Rates and Taxes . . . . .	1,132·00	1,016·00	1,108·00	1,228·00	1,386·00

13. Provident & Superannuation Funds Contributions.	53,594.40	58,416.19	73,821.60	82,448.92	91,865.19
14. Miscellaneous Expenses.	65,713.83	50,788.88	53,437.43	56,884.31	42,429.89
15. Labour and Staff Bonus	70,000.00	75,400.00	68,680.00	66,500.00	68,000.00
16. Insurance.	58,724.14	67,433.84	59,004.47	51,071.93	67,622.13
<i>Calcutta Expenditure :</i>					
17. Insurance.	5,478.00	9,591.07	7,563.07	8,049.60	7,899.38
18. Miscellaneous Expenses.	15,667.48	12,851.44	10,475.82	9,283.06	11,448.14
19. Auditors' Fees.	1,200.00	..	..	..	..
<i>Agents Remuneration :</i>					
20. Commission on Crop.	37,163.00	40,943.46	45,421.79	40,471.85	48,006.65
21. Commission on Profit.	1,171.00	2,665.00	1,563.00	..	..
22. London Office Expenses.	41,781.76	..	..	..	..
<i>Freight and Marketing Expenditure :</i>					
23. Freight and Sale Charges.	1,10,224.45	1,40,753.46	1,81,914.29	1,97,551.69	1,84,372.18
24. Brokerage	21,701.75	26,125.34	28,278.59	25,199.74	30,40.95
<i>Government Duties and Tea Cess:</i>					
25. Tea Cess .	20,324.01	23,053.95	748.13	..	..
26. Excise Duty	95,490.18	1,08,263.08	2,08,440.82	1,98,992.92	1,85,768.43
27. West Bengal Entry Tax.	71,209.02	82,890.24	88,315.52	86,086.66	87,827.76
28. Manager's & Assistant's Commission on Profit.	3,894.00	4,834.00	3,684.00	..	9,055.00
29. Manager's Planting Commission .	910.50	..	376.25	..	..

	1965	1966	1967	1968	1969
30. Interest	15,049.45	456.78	..	..	11.88
31. Depreciation	23,795.00	21,215.00	25,705.00	30,528.00	59,017.00
32. Contribution to National Defence Fund.	1,878.00	..	..	..	..
33. Expenditure on grow more food scheme.	..	..	..	..	30,140.01
<b>TOTAL</b>	<b>21,02,813.62</b>	<b>25,77,424.78</b>	<b>29,47,383.62</b>	<b>30,80,523.03</b>	<b>30,66,680.66</b>

### CAPITAL EXPENDITURE

(Figures in Rupees).

	1965	1966	1967	1968	1969
Machinery	..	..	1,48,815.56	..	..
Land Development (for Extension planting)	..	..	14,524.69	14,524.69	27,074.81
Buildings (Labour Houses)	..	..	..	25,390.57	..
Transport (TMB Lorry)	..	..	..	..	54,353.51
Furniture	..	..	..	..	400.00
Grow more Food Scheme.	..	..	..	..	6,056.95
(Land Development, Water Supply Scheme and Agricultural implements).					

## APPENDIX V

(Para 2.13, Page 60)

*Statement showing the Soil Testing Laboratories in India, their installed Capacity and the Capacity utilised during 4 years ending 1969-70.*

State	Sl. No.	Name of soil testing Lab.	Sponsoring authority	Capacity	No. of soil samples analysed during the last four years.			
					1966	1967	1968	1969
Andhra Pradesh	1	Bapatla	Under USAID	15,000	NA	NA	NA	NA
	2	Hyderabad	"	15,000	NA	NA	NA	NA
	3	Rajahmundry	"	10,000	NA	NA	NA	NA
	4	Tadepalle	EID Parry Ltd. Madras	900	NA	NA	NA	NA
	5	Tadepalligudem	Under IADP	30,000	NA	26,360	33,563	24,953 upto Oct.
	6	Visakhapatnam	Fisssen & Co.	NA	NA	NA	NA	NA
	7	Amadalavalasa	State Govt.	9,000	NA	NA	NA	NA
	8	Kodur	"	9,000	NA	NA	NA	NA
	9	Yemmiganoor	"	9,000	NA	NA	NA	NA
	9 (a)	Visakhapatnam	M/s. Cotomandal	6,000	NA	NA	NA	NA
	Assam	10	Guahati	State Govt.	NA	NA	NA	NA
		11	Jorhat	Under USAID	10,000	1,483	NA	1,491 upto Sept.
		12	Namrup	Fertilizer Corporation of India.	10,000	NA	NA	NA
13		Silchar	Under IADP	30,000	763	999	NA	

1	2	3	4	5	6	7	8	9
Bihar	14	Arrah	Under IADP	30,000	8,379	4,308 Upto July	8,273	NA
	15	Hazaribagh	Under USAID	10,000	NA	NA	NA	NA
	16	Patna	State Govt.	NA	NA	NA	NA	NA
	17	Pusa	" "	NA	NA	NA	NA	NA
	18	Sabour	Under USAID	10,000	NA	NA	NA	NA
	19	Sindri	Fert : Corporation of India.	60,000	NA	NA	NA	NA
Gujarat	20	Bardoli	Under IADP	30,000	NA	8,191	5,764	17,807 upto Sept.
	21	Baroda	Gujarat State Fertilizer Co.	10,000	NA	NA	NA	NA
	22	Deesa	State Govt.	10,000	NA	NA	NA	NA
	23	Thasra	" "	10,000	NA	NA	NA	NA.
	24	Vallabhipur	" "	10,000	NA	NA	NA	NA
	25	Junagarh	Under USAID	30,000	NA	10,174	10,620	4,807 upto Oct.
Haryana	26	Hissar	State Govt.	10,000	NA	NA	NA	NA
	27	Karnal	Under USAID	12,000	NA	NA	15,828	8,427
	28	Rohtak	State Govt.	NA	Started in	1969	NA	NA
J & K	29	Jammu	State Goyt.	12,000	NA	NA	NA	NA
	30	Srinagar	State Goyt.	12,000	NA	NA	NA	NA
Kerala	31	Alleppey	Under IADP	15,000	NA	NA	NA	NA
	32	Pattambi	" "	30,000	NA	6,981	8,077 upto Oct.	NA

	33	Udyogamandal	Fertilizers & Chemicals Travancore Ltd.	10,000	NA	NA	NA	NA
	34	Vellayani	Under USAID	15,000	NA	NA	4,066	11,685
							April to Dec. exclude June.	upto Oct.
Madhya Pradesh	35	Gwalior	Under USAID	10,000	NA	NA	NA	NA
	36	Indore	State Govt.	6,000	NA	NA	NA	NA
				to 8,000				
	37	Jabalpur	Under USAID	10,000	NA	NA	6,785	8,673
Tamil Nadu	38	Ajithurai	Under IADP	48,000	16,408	26,691	37,896	upto Sept. 28,663
	39	Avadi	Shaw Wallace & Co.	NA	NA	NA	NA	upto Sept. NA
	40	Coimbatore	Under USAID	15,000	NA	NA	7,284	8,723
							July to Dec.	upto to Aug.
	41	Coimbatore	Scientific Fertilizer Co.	NA]	NA	NA	NA	NA
	42	Cuddalore.	State Govt.	15,000	NA	NA	10,132	12,298
							April to December	Upto Oct.
	43	Ennore	EID Parry Ltd.	900	NA	NA	NA	NA
	44	Gudiahham	State Govt.	15,000	NA	NA	3,779	10,518
							Aug. to November	upto Oct.]
	45	Kancheepuram.	State Govt.	15,000	NA	NA	8,035	11,404
							June to December	upto Sept.
	46	Koilpatti	State Govt.	15,000	NA	NA	6,115	10,975
							May to December.	upto Sept.
	47	Madurai	State Govt.	15,000	NA	NA	4,932	9,005
							Aug. to December	upto Oct except July

1	2	3	4	5	6	7	8	9
	48	Madras	Essen & Co.	NA	NA	NA	NA	NA
	49	Madras	Rallis India Ltd.	NA	NA	NA	NA	NA
	50	Madras	Mysore Fertilizer Co.	NA	NA	NA	NA	NA
	51	Nellikuppam	DID Parry Ltd.	900	NA	NA	NA	NA
	52	Ranipat	" "	900	NA	NA	NA	NA
	53	Salem	Yercaud Coffee Curing Works.	NA	NA	NA	NA	NA
Maharashtra.	54	Akola	State Govt.	NA	NA	NA	NA	NA
	55	Ambernath	Dharamsi Morari Chemical Co.	NA	NA	NA	NA	NA
	56	Bombay	Fert. Corporation of India.	15,000	NA	NA	NA	NA
	57	Dhulia	State Govt.	3,000	NA	NA	NA	NA
	58	Kolhapur	" "	NA	NA	NA	NA	NA
	59	Maiwada-Thana	Bharat Fertilizer Industries.	NA	NA	NA	NA	NA
	60	Nagpur	Under USAID	20,000	NA	NA	5,397	4,270 upto Sept. except May.
	61	Nagpur	Essen & Co.	NA	NA	NA	NA	NA
	62	Parbhani	State Govt.	12,000	NA	NA	NA	NA
	63	Poona	Under USAID	8,000	NA	NA	4,157	5,549 upto Oct. except Aug.

	64	Poona	Sunrise Manures & Chemicals.	NA	NA	NA	NA	NA	
	65	Bangalore	Under USAID	33,000	22,240	22,243	17,954	2,456	January to March
Mysore.	66	Bangalore.	Essen & Co.	NA	NA	NA	NA	NA	NA
	67	Bangalore	Mobile Laboratory.	NA	NA	NA	NA	NA	NA
	68	Belgaum	Essen & Co.	NA	NA	NA	NA	NA	NA
	69	Bellary	Essen & Co.	NA	NA	NA	NA	NA	NA
	70	Davangere	State Govt.	30,000	NA	NA	NA	NA	NA
	71	Dhadesugar	State Govt.	30,000	NA	NA	NA	NA	NA
	72	Jamkhandi	" "	10,000	NA	NA	NA	NA	NA
	73	Mandya	" "	30,000	NA	NA	NA	NA	NA
	74	Mangalore.	" "	30,000	NA	NA	NA	NA	NA
	75	Mysore.	Under USAID	30,000	NA	NA	NA	NA	A
Orissa.	76	Balasore.	State Govt.	10,000	NA	NA	NA	NA	NA
	77	Berhampur	" "	12,000	NA	NA	4,668	2,740	upto Oct.
	78	Bhubaneswar.	" "	20,000	NA	1,733	NA	2,797	upto Oct.
	79	Sambalpur	Under USAID.	30,000	NA	April to December 10,803	14,581	14,303	
Punjab	80	Gurdaspur	State Govt.	10,000	NA	NA	NA	NA	NA
	81	Ludhiana	Under USAID.	30,000	NA	29,445	24,641	8,967	upto Sept.



1	2	3	4	5	6	7	8	9
Rajasthan	82	Durgapura	State Govt.	NA	NA	NA	NA	NA
	83	Sri Ganganagar	" "	NA	NA	NA	NA	NA
	84	Jodhpur	Under USAID	10,000	NA	NA	NA	NA
	85	Kota	State Govt.	NA	NA	NA	NA	NA
Uttar Pradesh	86	Aligarh	under IADP	30,000	NA	6619	10,181	9,607 upto Oct.
	87	Gorakhpur	Fertilizer Corporation of India	NA	NA	NA	NA	NA
	88	Kanpur	Under USAID	10,000	NA	NA	NA	NA
West Bengal	89	Burdwan	Under IADP	30,000	5,345	8,917	9,855	14,986 upto Sept.
	90	Calcutta	Under USAID	10,000	NA	NA	NA	NA
	91	Calcutta	Shaw Wallace & Co.	NA	NA	NA	NA	NA
	92	Durgapur	Fert. Corporation of India	7,000 to 8,000	NA	NA	NA	NA
	93	Rishra	Phosphate Co. Ltd.	NA	NA	NA	NA	NA
Delhi	94	Delhi	Under USAID	10,000	NA	NA	NA	NA
Goa	95	Margoa	Essen & Co.	NA	NA	NA	NA	NA
	96	Panaji	Union Territory	6,000	NA	NA	NA	NA
Himachal Pradesh	97	Palampur	" "	10,000	NA	NA	NA	NA
	98	Simla	Under USAID	10,000	NA	NA	NA	NA
	99	Sunder Nagar	Under IADP	NA	NA	NA	NA	NA

	100	Chamba . . . . .	Union Territory . . . . .	NA	NA	NA	NA	NA
	101	Dhaulakuan . . . . .	” ” . . . . .	NA	NA	NA	NA	NA
Manipur . . . . .	102	Imphal . . . . .	” ” . . . . .	10,000	NA	NA	NA	NA
Pondicherry . . . . .	103	Pondicherry . . . . .	” ” . . . . .	7,500	NA	NA	NA	NA
Tripura . . . . .	104	Agartala . . . . .	” ” . . . . .	10,000	NA	NA	NA	NA

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## APPENDIX VI

(Para 2.22, page 107)

*Statement showing the demands made by various States of different fertilizers and their actual consumption during the years 1967-68, 1968-69 and 1969-70.*

Serial No.	State	1967-68 <span style="float: right;">(000 metric tones)</span>							
		*Demand				**Consumption			
		N	P	K	Total	N	P	K	Total
1.	Andhra	200.0	91.7	30.0	321.7	147.4	54.6	3.4	205.4
2.	Assam	6.0	4.2	1.5	11.7	3.3	31.5	0.5	5.3
3.	Bihar	80.0	25.0	12.0	117.0	57.5	26.1	6.7	90.3
4.	Gujarat	95.0	46.0	6.0	147.0	46.7	26.1	2.1	74.9
5.	Haryana	36.0	2.0	2.0	40.0	31.4	12.8	3.7	47.9
6.	Kerala	50.6	34.3	34.3	119.2	16.7	11.7	20.5	48.9
7.	Madhya Pradesh	34.0	16.7	1.5	52.2	29.5	6.6	1.9	29.0

8.	Mahrashtra	235.0	141.0	103.0	479.0	95.5	55.6	23.1	174.2
9	Mysore	91.0	61.0	25.0	177.0	68.8	39.6	15.2	123.6
10.	Orissa	44.0	13.3	21.7	79.0	12.6	2.4	2.2	17.2
11	Punjab	100.0	36.0	20.0	156.0	89.0	34.8	12.6	137.3
12	Rajasthan	30.4	91.0	3.0	42.4	19.1	6.1	1.3	26.5
13.	U. P.	183.4	50.3	20.0	253.7	169.0	57.4	50.0	276.4
14.	Tamil Nadu	163.0	82.0	70.4	315.4	127.7	55.4	40.6	223.7
15.	J & K.	15.0	7.0	0.4	22.4	18.1	16.8	3.3	38.2
16	West Bengal	80.0	25.0	25.0	130.0	34.2	8.6	13.1	55.0
17.	U. T./others	60.0	5.0	..	65.0	76.1	28.9	3.7	108.7
TOTAL		1503.4	649.5	375.8	2528.7	1034.5	445.0	203.9	1685.0

\*Demand as emerged from the Annual Plan discussions with the States.

\*\*Consumption figures of 1967-68 based on despatches in the case of P and K.

1968-69

Serial No.	State	Demand				Consumption			
		N	P	K	Total	N	P	K	Total
1.	Andhra	210.0	77.5	60.4	347.9	180.0	38.0	4.8	222.8
2.	Assam	7.0	4.5	3.5	15.0	4.2	2.4	3.0	9.6
3.	Bihar	111.3	39.4	26.4	177.1	60.0	6.0	4.0	70.0
4.	Gujarat	130.0	27.0	6.0	163.0	70.0	25.0	3.6	98.6
5.	Haryana	50.0	8.0	5.0	63.0	52.0	5.7	1.3	59.0
6.	Kerala	30.0	25.0	25.0	80.0	25.0	20.0	18.0	63.0
7.	Madhya Pradesh	136.0	75.0	3.0	214.0	22.0	10.5	1.1	33.6
8.	Maharashtra	188.0	117.0	80.0	385.0	130.0	75.0	22.0	227.0
9.	Mysore	125.0	80.0	30.0	235.0	60.0	21.5	11.0	92.5
10.	Orissa	54.4	19.5	9.1	83.0	19.8	4.0	1.2	25.0
11.	Punjab	180.0	75.0	46.0	301.0	132.0	31.3	9.8	173.1
12.	Rajasthan	25.0	6.0	2.0	33.0	23.3	5.7	2.1	31.1
13.	U. P.	323.0	141.3	119.2	583.5	230.0	77.0	42.0	349.0
14.	Tamil Nadu	135.8	51.0	37.9	224.7	107.7	34.6	31.1	173.4
15.	J & K	NA	NA	NA	NA	NA	NA	NA	NA
16.	West Bengal	80.0	25.0	20.0	125.0	30.0	10.0	7.5	47.5
17.	U.T/ Others	35.8	17.8	16.4	70.0	62.1	15.2	7.0	84.3
TOTAL		1821.3	789.0	489.9	3100.2	1208.1	381.9	169.5	1759.5

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1969-70

Serial No.	State	Demand				Consumption			
		N	P	K	Total	N	P	K	Total
1.	Andhra	260.0	60.0	25.0	345.0	280.0	92.7	6.3	379.0
2.	Assam	7.0	3.7	4.2	14.9	5.0	2.0	1.5	8.5
3.	Bihar	75.0	18.0	9.0	102.0	64.8	25.0	12.5	102.3
4.	Gujarat	17.0	35.0	*	52.0	77.0	29.5	4.2	110.7
5.	Haryana	82.0	18.0	6.4	106.4	52.0	6.2	2.1	60.3
6.	Kerala	35.0	25.0	25.0	85.0	30.1	20.3	21.5	71.9
7.	Madhya Pradesh	40.0	18.0	3.6	61.6	31.1	14.7	2.3	48.11
8.	Maharashtra	230.0	100.0	39.0	369.0	83.8	25.5	3.7	113.0
9.	Mysore	75.0	30.0	16.0	121.0	87.0	31.0	14.0	132.0
10.	Orissa	25.0	6.4	2.4	33.8	19.4	5.8	2.7	27.9
11.	Punjab	184.0	50.0	18.0	252.0	151.6	22.2	5.8	180.6
12.	Rajasthan	37.8	11.2	3.0	52.0	26.0	4.3	1.3	31.6
13.	U. P.	320.0	140.0	100.0	560.0	300.0	96.0	53.5	449.5
14.	Tamil Nadu	175.0	55.0	52.0	282.0	140.4	40.4	31.0	211.8
15.	J & K	7.0	3.0	2.0	12.0	2.7	0.6	0.3	3.6
16.	West Bengal	60.0	20.0	15.0	95.0	34.0	14.0	10.5	58.5
17.	U.T. Others	69.5	28.4	4.2	102.1	12.8	4.0	2.0	19.2
TOTAL		1699.3	621.7	324.8	2645.8	1397.7	434.6	176.2	2008.5

nclud in Maharashtra

## APPENDIX VII

(Para 2.26, Page—)

**Ministry of Food, Agriculture, Community Development & Co-operation**

**(Department of Agriculture)**

STOCKS OF FERTILISERS (NPK) THAT REMAINED UNSOLD FOR MORE THAN TWO YEARS AS ON 1-4-1970.

Serial No.	Name of the State U. T.	Stocks of			Reasons for accumulation as reported by the States.
		N	P	K	
*1.	Andhra Pradesh	10,237	11,442	186	(i) Supply of huge quantities of Di-ammonium Phosphate in 1967 from the Central Fertilizer Pool. As this is a new fertilizer and also costly, it did not find favour with the cultivators. (ii) Coloured and Powdery Ammonium Sulphate supplied was not popular. (iii) Free sale of fertilisers resulted in stocks with the District Co-operative Marketing Societies. (iv) The private dealers are able to get stock of their choice from the Pool through Food Corporation of India. District Co-operative Marketing Societies had no option but to take whatever variety was supplied to them.
2.	Assam	No report			
3.	Bihar	No report			
4.	Delhi.	Nil.	Nil.	Nil.	

5.	Gujarat	285	187	Nil.	(i) The existence of policy of free sale of fertilisers. (ii) Fertiliser supplied was in damaged and torn bags and in deteriorated condition. (iii) The fertilisers supplied by Gujarat State Fertilisers Company—Ltd., Baroda are in good condition and hence the fertilisers from Pool are lying unsold.
*6.	Haryana	6,262	7,847	3,547	(i) Excessive supplies by the Pool. (ii) Lack of promotional efforts for Di-ammonium Phosphate, and (iii) Coloured and powdery variety of Ammonium Sulphate is not popular.
7.	Himachal Pradesh	1,980	2,580	267	(i) Unprecedented drought conditions. (ii) High prices of fertilisers. (iii) Stoppage of taccavi loans.
8.	Jammu & Kashmir	No report			
9.	Kerala	3,166	4,958	Nil.	(i) Fertilisers are costly compared to similar or, more or less similar fertiliser products. (ii) Even slight deterioration of the fertilisers lead to non-off-take of fertilisers. (iii) The introduction of wide range of mixtures and complexes has effected the sale of straight fertilisers.
10.	M dhya Pradesh	1,302	450	Nil.	Due to production of new kind of fertilisers the old fertilisers lost their popularity.
*11.	Maharashtra	39,249	31,953	2,370	(i) Inadequate rainfall during last three continuous years in some parts of the State. (ii) Ammonium Phosphate and Di-ammonium Phosphate are not popular. (iii) F.C.I. and G.S.F.C. are selling the fertilisers direct to the cultivators with credit facilities at lower prices. (iv) Extension of credit facilities to societies and private parties.
*12.	Mysore	24,300	13,700	6,300	(i) Sufficient fertilisers are available in free market. (ii) Excessive and untimely supplies by the Pool in 1968-69; and (iii) Unfavourable seasonal conditions.



Serial No.	Name of the State/U.T.	Stock of			Reasons for accumulation as reported by the States
		N	P	K	
13.	Orissa . . . . .	—No report—			
14.	Punjab . . . . .	957	515	324	No comments given by the State Government.
15.	Pondicherry . . . . .	646	510	207	These fertilisers are unpopular with the ryots.
16.	Rajasthan . . . . .	1,414	1,582	727	(i) Continuous drought conditions in the western parts of Rajasthan and floods during 1969 in some parts of the districts. (ii) Absence of credit facilities to the cultivators. (iii) Ammonium Sulphate was not popular.
17.	Tamil Nadu . . . . .	16,846	3,119	495	(i) Many of the varieties of the Chemical fertilisers were supplied for the first time under Poo <sup>1</sup> arrangements during the years, 1967 and 1968 and that in spite of adequate propaganda those varieties did not gain popularity among the ryots.  (ii) Due to unprecedented and severe drought conditions in many parts of the State during 1967-68 which had also affected off-take of chemical fertilisers.
18.	Uttar Pradesh . . . . .	—No report—			
19.	West Bengal . . . . .	Nil.	Nil.	Nil.	No stock with the State Government. The stocks with the private parties are not known.
20.	Manipur . . . . .	Nil.	45	4	(i) Removal of subsidy. (ii) Fall in market price of paddy.
21.	Tripura . . . . .	Nil.	Nil.	Nil.	
22.	Goa, Daman & Diu. . . . .	Nil.	112	Nil.	No comments given by the Union Territory.

23. Andaman & Nicobar Islands . . . . .	Nil.	Nil.	Nil.
<b>TOTAL . . . . .</b>	<b>89,798</b>	<b>75,881</b>	<b>13,746</b>

\*—It is not a fact that allocation from the pool was excessive to the States. These States had very high targets of N and P for 1967-68 as given below. The actual supplies from the Pool and the actual consumption were much smaller. If the States had done adequate promotion work, they would have been able to reach their target of consumption in 1967-68. ■

(Figures in '000 M. Tons).

State	Target of consumption			Pool supplies			Actual consumption		
	N	P	K	N	P	K	N	P	K
1. Andhra Pradesh . . . . .	200.0	91.7	30.0	19.2	28.9	0.9	14.49	54.6	3.4
2. Haryana . . . . .	36.0	2.0	2.0	29.3	12.0	1.9	31.4	12.8	3.7
3. Maharashtra . . . . .	235.0	141.0	103.0	84.2	40.5	..	95.5	55.6	23.1
4. Mysore . . . . .	91.0	61.0	25.0	70.6	25.9	2.9	68.8	39.6	15.2

(S. M. H. Burney)

Joint Secretary to the Government of India,

## APPENDIX VIII

### Summary of main Conclusions/Recommendations

S. No. 1	Para No. 2	Ministry Deptt. 3	Conclusion/Recommendation 4
1	1.35	Foreign Trade	The Committee are concerned to note that as many as 100 cotton textile mills out of 660 in the country are sick and that the problem facing these textile mills had got accentuated since 1965-66. The Committee consider that Government should have carried out a study in depth of the problems afflicting the textile industry and taken timely remedial measures to sustain the industry.
2	1.36	-do-	Management of 23 mills which were closed or on the verge of closure had been vested in authorised controllers appointed by Government under the Industries (Development and Regulation) Act, 1951. The accumulated losses of these mills which were Rs. 1607 lakhs prior to take over by the authorised controllers increased to Rs. 2636 lakhs subsequently. The Committee desire that reasons for the continued losses should be gone into thoroughly and urgent steps taken to liquidate or reconstruct the mills. The Committee were, however, given to understand that orders have been passed for reconstruction under Sub-section 2 of Section 4 of the Cotton Textile Companies (Management of Undertakings and Liquidation or Re-

construction) Act, 1967 in respect of 4 mills and for liquidation under Sub-section 1 of Section 4 of the Act in respect of two mills.

3            1.37            -do-

In respect of textile mills which have been taken over by Government, the Committee would like Government to put this opportunity to effective use by modernising the mills taking into account the trends of consumer requirements within the country and the export market. They would also like Government to see how far the production in these textile mills could be sustained and stepped up to meet requirements for common varieties of cloth which are in demand by the public. It should, in particular, be ensured that the textile mills produce the cloth at most competitive rates so as to hold the price line.

4            1.38            -do-

The malady that afflicted the mills arose out of a combination of factors such as gross mismanagement, lack of funds, inadequacy of raw cotton, surplus staff, old and outdated machinery etc. The Committee understand that assistance is being rendered by the National Textile Corporation in the purchase of cotton at economic prices. The Committee feel that the long term solution lies in increasing the production of cotton in the country. Accordingly, they would suggest that a suitable scheme should be evolved to ensure that the production is stepped up substantially in view of the strategic position of the textile industry in the economy as a whole.

5            1.39            -do-

The Committee find that there are 5,907 surplus staff in 16 mills taken over by the authorised controllers accounting for a financial

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burden of Rs. 10.31 lakhs per month. The Committee are concerned to note a significant rise in establishment expenditure in respect of quite a few mills after their take over by authorised controllers. A scheme has been formulated already for rationalisation of labour strength which is expected to result in a saving of Rs. 1.24 crores per annum in the wage bills of these mills. The Committee would urge that suitable training facilities should be provided to labour who are found surplus so as to facilitate their gainful absorption in other production units. The Committee would like to be apprised of the progress made in this regard.

6                    1.40                    -do-

The requirements for modernisation in respect of 22 mills as assessed by the National Textile Corporation work out to Rs. 15.73 crores. The Committee were, however, informed that Government have accepted the need for about Rs. 3 crores worth of equipment immediately in respect of mills having export potential. The Committee would urge that the immediate requirements of other mills should also be examined by Government early.

7                    1.41                    -do-

From the particulars of authorised controllers of all the 23 mills taken over intimated by the Ministry, the Committee find that while 13 mills are managed by the respective State Textile Corporations the remaining are under authorised controllers appointed for indivi-

dual mills. The authorised controllers are not all experts in the field. Further in a number of cases expert financial assistance is not available to them and the question of constitution of Advisory Board is under consideration. In this connection the Committee wish to observe that the States which at present do not have Textile Corporations of their own should be urged to set up one so that rehabilitation and management of the mills taken over could be done jointly by the States and the Centre. They would also like Government to ensure that the assistance of an expert in finance, accounts and audit is available to the management of each mill.

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1.42

-do-

As regards four mills assisted by Central Government, the position that emerges from the annual account is very depressing. The accumulated losses of all these mills (Rs. 1,336 lakhs) exceed the paid-up share capital (Rs. 384 lakhs) by Rs. 952 lakhs. The current liabilities of the mills exceed the current assets in all the cases except one. The Committee note that Government have decided to liquidate one of these mills. They wish to emphasise that the potential of the remaining mills to grow into viable economic units with investment of reasonable amount of funds should be carefully gone into before proposing reconstruction. The Committee do not favour handing back the mills to previous owners who have grossly mismanaged them.

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1.43

-do-

The Committee find that while the National Textile Corporation is within the purview of audit of the Comptroller and Auditor

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General, the mills which received substantial financial assistance in the form of loans and guarantees from Central and State Governments/Corporations are not. As this is not a satisfactory arrangement, the Committee feel that the Comptroller and Auditor General should be empowered or requested on a consent basis by incorporating suitable provisions in the relevant agreements to audit the accounts of such mills. As it is already under consideration, the Committee would like Government to settle the matter early in consultation with the State Governments.

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1-58

-10-

The Committee note that the intention of Government in purchasing the Pathini Tea Estate was to run it as a paying concern and also to obtain control of an area of strategic importance. The estate was, however, continued to be managed by the agents of the previous owners. The continuance of the agents on an annual basis and relating the commission payable to them to the gross proceeds of tea crops, which were admittedly unsatisfactory features of the agreement, acted as a disincentive to take up replantation and new plantation. Only in November, 1969, attempts were made to lease out the estate on a long term basis. The Committee were not given any specific reasons for the delay of over three years in taking this step. They would like to know why the lacunae in the agreement could not be noticed and remedial steps taken earlier. They would

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also like to know the progress made in handing over the estate to the proposed National Tea Company or to lease it out on long term basis.

11            1.70            -do-

The Committee regret to note that no attempts were made by Government to make the estate profitable. Neither any survey was conducted by Government after the purchase of the estate nor was the scope for increasing the profitability on the basis of the survey said to have been conducted by the previous management examined. Out of the total area of 2,412 hectares the area under tea is only 787 hectares. About two-third of the plantation is over 40 years old. Only about 40 hectares were brought under new plantation during 1965-68 and no area was replanted. The Committee hope that necessary action to improve the yield will be taken early.

12            1.71            -do-

The Committee note that the fact that an area of 92.77 acres of the estate was not included in the waste land grants and 'pattas' during second resettlement operations was not brought to the notice of Government at the time of purchase of the estate. They would like to know how this fact was overlooked and how far the price actually paid for the estate was justified in the absence of this information.

1.72            Foreign Trade  
External Affairs

The Committee further note that an area of 144.82 acres is occupied by a foreign Government since 1962-63. The garden manager of the Estate appeared to have reported the encroachment in writing to the Government of Assam only in May, 1967. The Committee are distressed to note the serious lapse on the part of Government in



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			having overlooked the illegal occupation of a part of the estate by a foreign power which remained undetected for a long time and for which no effective steps seem to have been taken for recovery. The Committee would like to be apprised of the action taken and the result thereof.
14	1.89	Foreign Trade	The Committee were informed that the waste tea was either sold to the coffee manufacturers or destroyed. As research results have shown that 'tea waste mixed with cattle manure may be applied with advantage without composting provided it is tried at least one year before planting of tea', the Committee would suggest that Government might examine as to how far the quantity of tea waste at present disposed of by burning can be utilised with advantage.
15	1.94	-do-	In a number of cases the time taken from the date of despatch of tea from the garden to the date of actual sale was in excess of 12-13 weeks during the years 1967-69. The delays during 1968 have not been explained by Government. As such delays are bound to affect the prices either due to lack of demand or due to damage, the Committee trust that expeditious despatch and sale would be ensured in future.
16	1.109	-do-	The Committee note that as against a loss of Rs. 5.30 lakhs during 1968, the Estate has made a profit of Rs. 0.43 lakh during 1969. They suggest that in future 'interest on capital' and 'audit fee' should be included in the proforma accounts of the Estate.

- 17            I.110            -do-            From the details of the cost of production furnished by the Ministry, the Committee find that the cost of packing which increased from 28 paise per Kg. in 1967 to 37 paise in 1968 came down to 32 paise in 1969. Admittedly the number of chests used was more than what was required. The Committee find from a letter dated 21st April, 1969 of the Chairman, Tea Board that this resulted in a loss to the estate but a profit to the Managing Agents as they were supplying the chests. The Committee would like Government to investigate into the matter.
- 18            I.116            -do-            There has been a considerable increase over the years in the subsidy paid by the Estate on the foodstuffs supplied to its staff despite the fact that departmental cultivation as well as cultivation on fallow lands by established labourers have been started to augment food production. The Committee feel that Government should examine as to whether it is possible to reduce if not altogether eliminate the subsidy by bringing in additional areas under cultivation of foodgrains.
- 19            I.117            -do-            Incidentally the Committee find that no lease deeds have been got executed from labourers who are allowed to cultivate on fallow lands. Further the land rent is paid by the estate to the State Government but there appears to be only a nominal recovery of six paise from the labourers. The Committee would like Government to examine all aspects of the matter in order to safeguard their interest.
- 20            I.135            -do-            The Committee observe that while a grant of Rs. 10 lakhs was disbursed to the Association in March, 1968, only about Rs. 3.38 lakhs were utilised till September, 1969. This short-utilisation of funds has

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		Foreign Trade---contd.	<p>been attributed to unforeseen delay with regard to transfer of land and lack of a sense of urgency in the import of machinery. The licence for the import of machinery was applied for only on 21st March, 1969. The Committee do not appreciate the release of the grant without ascertaining the immediate requirement which amounted to unnecessary blocking of funds.</p>
21	1.136	-do-	<p>The Committee note that no specific time limit within which the grant should be utilised, was laid down by Government. The Committee would like Government to learn a lesson from this instance and ensure that a scheme from a private organisation seeking financial assistance from Government should be regulated by a realistic and well defined time-schedule for completion of the project and Government authorities concerned should satisfy themselves with due expedition about the actual progress made before releasing the funds.</p> <p>The Committee would like to be informed of action taken and detailed instructions issued in this behalf in consultation with the Ministry of Finance.</p>
22	2.17	Agriculture (Deptt. of Agriculture)	<p>It is a recognised fact that a significant increase in fertiliser consumption is a critical element in the agricultural strategy. Although the consumption of fertilisers has registered a substantial increase in the recent years, it has fallen considerably short of the targets. Dur-</p>

ing the years 1966-67, 1967-68, 1968-69 and 1969-70 against the targets of 15.76 lakh tonnes, 21.90 lakh tonnes, 30.06 lakh tonnes and 29.75 lakh tonnes, the actual consumption was 11.01 lakh tonnes (70 per cent), 16.85 lakh tonnes (76 per cent), 17.60 lakh tonnes (58 per cent) and 20.09 lakh tonnes (67 per cent) respectively. The continued shortfall in consumption leads the Committee to the conclusion that the fertiliser promotion efforts of the Government are not effective enough. The Committee hope every effort will be made to reach the desirable level of annual consumption by the end of the Fourth Plan so that the loss of nutrients from the soil may be adequately compensated.

23            2 18

-do-

The Committee note that Government propose to set up a Fertiliser Promotion Council to undertake demonstration of fertilisers and to bring about a large amount of coordination in the use of fertilisers. They hope that the Council will be set up early and it will enlist earnest cooperation and active participation of the States to achieve the targets of consumption during the Fourth Plan period.

24            2 19

-do-

The Committee would like to emphasise that adequate credit facilities to small farmers should be made available on easy terms for getting agricultural inputs. The Committee note that Government propose to set up an Agricultural Credit Corporation to offer security against risks to the commercial banks and that the proposal is under active consideration. The Committee would like to be apprised of the decision taken in this regard.

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Agriculture (Deptt. of  
Agriculture) *contd.*

The growth in the demand for fertilisers is very much dependent on the development of soil testing facilities. The Committee are, however, distressed to find that the existing soil testing laboratories which number 105 are not being utilised to their full capacity. According to the Planning Commission, the laboratories are being utilised to the extent of 60 per cent of their capacity while in a paper submitted to the Conference of Agriculture Ministers it was mentioned that the laboratories are being utilised to the extent of 50 per cent only. Apart from under-utilisation, the Committee are concerned to note that the manner of drawing and testing samples by the laboratories is admittedly faulty and there is also lack of effective follow-up action by the Extension Agencies. During the course of evidence the Secretary, Department of Agriculture expressed his helplessness in the matter as the laboratories were working under the control of the State Governments. The Ministry of Agriculture are not aware even about the actual figures of utilisation of facilities provided by these laboratories. The Committee consider this as regrettable state of affairs. They would urge Government to take necessary steps to establish better coordination with the State Government in the matter of utilisation of the soil testing laboratories. The Committee cannot over-emphasise that improvement in soil testing facilities and their full utilisation are essential for increase in consumption of fertilisers, particularly, P<sub>2</sub>O<sub>5</sub> and K<sub>2</sub>O of which there is deficiency in certain parts of the country.

As on 1st April, 1969 there was an accumulation of 11.53 lakh tonnes of fertilisers valued at Rs. 200 crores. The quantity that remained unsold for more than two years on the 1st April, 1970 in States (except Assam, Bihar, J&K, Orissa and U.P. who had not furnished their reports), was of the order of 2 lakh tonnes and the loss/damage sustained on account of long storage was Rs. 0.78 lakh during the 3 years ending 1st April, 1970. In addition considerable expenditure had to be incurred on long storage. In view of this position, the Committee would emphasise the need for realistic provisioning based on the actual consumption of each kind of fertilisers. In this connection the Committee wish to add that Government should devise a proper scientific machinery to collect the data regarding actual consumption of fertilisers for the accurate assessment of future needs, as at present they are not in the know of the extent of actual consumption of potasic and phosphatic fertilisers throughout the country.

The Committee note that Government have spent Rs. 597.20 crores on the import of fertilisers during the 4 years 1966-67 to 1969-70. During the three years ending 1968-69 the import of nitrogenous fertilisers was much more than even the targets envisaged in spite of the actual availability of stocks being in excess of the requirements. The quantity of imported fertilisers accumulated as on 1st August, 1970 was 11.08 lakh metric tonnes costing Rs. 187 crores. The targets fixed for the import of fertilisers during the revised Fourth Plan show that the imports will be increasing every year. From 8.94 lakh tonnes of fertilisers imported in 1969-70, the imports during the last year of the Plan, viz., 1973-74 is expected to increase to 26.74 lakh

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Agriculture (Deptt. of Agriculture)  
Petroleum & Chemicals—*contd.*

tonnes. In view of the fact that increasing imports of fertilisers involve considerable foreign exchange expenditure, the Committee would like to caution Government against importing fertilisers far in excess of requirements which has resulted in over-stocking in the past. The Committee would also stress that concerted efforts should be made to develop indigenous capacity for production of fertilisers so as to obviate dependence on imports in this crucial sector of our economy.

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2.47

-do-

The Committee regret to find that indigenous production of such a vital commodity like fertilisers had been far below the needs of the country and that 69 per cent to 85 per cent of the requirements of Nitrogenous fertilisers and 36 per cent to 100 per cent of the requirement of phosphatic fertilisers had to be imported during the 3 years 1967-68 to 1968-69, while the entire consumption of potassic fertilisers had been met by imports resulting in a substantial drain on limited foreign exchange resources of the country. This phenomenon is partly due to persistent shortfall in the utilisation of installed capacity of the fertiliser factories. From the data relating to last three years ending 1969-70 furnished to the Committee, they find that while the percentage of production of nitrogenous fertilisers to the installed capacity has increased from 62.7 in 1967-68 to 70 in 1969-70 the production of phosphatic fertilisers has shown a decline from 69 percent in 1967-68 to 48 percent of production capacity in 1969-70. The production of triple super-phosphatic was only

33 percent of the capacity and that of complex fertilisers was 58 percent in 1969-70. The Committee urge upon Government to take necessary steps to ensure that the built-up capacity of the industry is fully utilised.

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-do-

The Committee note with concern that the price of fertilisers is the highest in India as compared with other countries. The high cost of production of fertilisers in the country has been attributed partly to small size of factories and non-use of new technology and partly to underutilisation of the existing capacity. The Committee wish to emphasise that concerted measures should be taken to bring down the cost of production and sale price so that a farmer finds it economic to use fertilisers.

30 2-62 Agriculture (Dept of Agriculture)

The Committee feel greatly concerned over the malpractices disclosed in the Third Report (1967-70) of the Public Accounts Committee of Andhra Pradesh regarding the claims of charges for transportation of fertilisers by road which are ultimately reimbursed by the Government of India. The charges for movement of fertilisers from various ports/factories to the points of distribution/consumption in the Andhra State paid initially by the State Government to the District Cooperative Marketing Societies and private firms during the 3 years ending 1968-69 amounted to Rs. 3.77 crores. But the check exercised on the claims is not uniform and fool proof. Payment of transport charges was made without the transport really having been made. The Committee on public Accounts of Andhra Pradesh have recommended that the Central Government should



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	Agriculture (Dept. of Agriculture)— <i>Contd.</i>		"make a thorough probe into the whole question in detail without any loss of time by entrusting it to the C.B.I." The Committee would like to know the action taken in the matter.

31	2.63	-do-	The Committee would also like Government to thoroughly investigate the allegation that some of the people accused of defrauding Government were getting direct allotment of fertilisers from the Central Government. The Committee would like to know if there was any <i>mala fide</i> intention behind such allotments and the action taken against all those found responsible for indulging in malpractices.
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32	2.64	-do-	From the data furnished by the Ministry, the Committee find that during the three years ending 1969-70, Government of India have reimbursed road transport charges to the tune of Rs. 10.45 crores to various States. Out of this amount Rs. 9.42 crores i.e. 89 per cent pertained to four States namely Andhra Pradesh (Rs. 3.51 crores), Maharashtra (Rs. 2.61 crores), Mysore Rs. 1.99 crores) and Tamil Nadu (Rs. 1.31 crores). The Committee suggest that on the basis of the findings of the Public Accounts Committee Andhra Pradesh, it should be examined whether there is any loophole in the matter of claim and payment of transport charges which require plugging in any of the remaining States.
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33            2.65            -do-

The Committee note that Government of India have since appointed an inter-departmental Committee comprising the representatives of the Ministries of Food and Agriculture, Finance and Transport and Shipping, Railway Board, Food Corporation of India and a representative of the State, to go into the whole question of transport and distribution of fertilisers. The Committee understand that pursuant to a suggestion from the Committee during evidence, a representative of the Comptroller and Auditor General of India was also associated with the inter-departmental Committee to evolve a fool-proof procedure to present malpractices. They would like to be informed of the remedial measures taken and their efficiency in putting a stop to these malpractices.

34            2.66            -do-

From the particulars for the year 1967-68 furnished to them, the Committee find that allotment of fertilisers was made in an un-planned manner involving substantial avoidable expenditure on transport. To quote only an instance, 4795 tonnes of urea were allotted to Assam and 2500 tonnes to West Bengal from a distinct port at Madras where 1,49,409 tonnes of the same variety of fertiliser were allotted in the same year to Andhra Pradesh from Calcutta. A number of such instances have been mentioned earlier in this section of the Report. The Committee cannot too strongly stress that such ill-planned movement should be stopped forthwith and allotment of fertilisers to the various regions made from the nearest port or factory.

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35            2.96            -do-

The Committee get a depressing picture from the data made available to them regarding the aerial spraying of pesticides. During

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Agriculture (Deptt. of Agri.) *Contd.*

the four years 1966-67 to 1969-70, actual coverage was only to the extent of 59 per cent of the targets fixed. The performance during the year 1969-70 was particularly bad inasmuch as only 11.15 lakh acres were covered as against 30 lakh acres programmed to be sprayed. The total strength of public and private sector aerial spraying units during 1969-70 was 57. (33 fixed wing aircrafts and 24 helicopters). Taking the average work capacity of an aircraft as 35,000 acres per year as intimated by Government, the performance hitherto has not at all been satisfactory. In view of the importance of aerial spraying of pesticides as a plant protection measure to maximise agricultural production, Government should investigate the reasons for the poor performance and take adequate steps to increase the coverage to 70 lakhs by 1973-74 as envisaged for the Fourth Plan period.

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36      2 97      -do-

The Committee note that in order to provide for compulsory spraying when necessary a Model Pest Act was framed and circulated by the Centre to all State Governments and Union Territory Administrations. As some of the States and Union Territories have yet to enact Pest Acts, the Committee desire that the desirability of enacting necessary legislation early should be impressed upon them.

37      2 98      -do-

The Committee were informed that the Government spraying unit which consisted of 10 aircrafts as against a strength of 47 aircrafts in the private sector was started as an experimental measure. How-



