

# TEA BOARD

MINISTRY OF COMMERCE

THE TEA BOARD  
HUNDRED AND SEVENTY-FOURTH  
REPORT

FIFTY LAKH SARKA



LOK SARKA SECRETARIAT  
NEW DELHI

# **HUNDRED AND SEVENTY-FOURTH REPORT**

## **PUBLIC ACCOUNTS COMMITTEE (1989-90)**

**(EIGHTH LOK SABHA)**

**TEA BOARD**

**MINISTRY OF COMMERCE**

**[Action Taken on 107th Report (8th Lok Sabha)]**



*Presented in Lok Sabha on 8-Aug-1989  
Laid in Rajya Sabha on 8-Aug-1989*

**LOK SABHA SECRETARIAT  
NEW DELHI**

*August, 1989/Srawana, 1911 (Saka)*

**P.A.C. No. 1272**

*Price : Rs. 10.00*

1989 BY LOK SABHA SECRETARIAT

**PUBLISHED UNDER RULE 382 OF THE RULES OF PROCEDURE AND CONDUCT  
OF BUSINESS IN LOK SABHA (SIXTH EDITION) AND PRINTED BY THE  
MANAGER, LETTERPRESS UNIT, GOVERNMENT OF INDIA PRESS, MINTO ROAD,  
NEW DELHI-110002.**

Corrigenda to 174th Report of Public Accounts  
Committee (1989-90) on Tea Board.

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
(iii)	-	3	Kolaudaivelu	Kolandaivelu
3	11	5	Plants	Plan
5	21	4	annuam	annum
21	-	third line from below	Kalandaivelu	Kolandaivelu
24	16	5	reserve	serve
25	24	9	officers	offices
28	-	second line from below	required	require

## CONTENTS

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE . . . . .	(iii)
INTRODUCTION . . . . .	(v)
CHAPTER I Report . . . . .	1
CHAPTER II Recommendations and Observations which have been accepted by Government . . . . .	6
CHAPTER III Recommendations and Observations which the Committee do not desire to pursue in the light of the replies . . . . .	10
CHAPTER IV Recommendations and Observations replies to which have not been accepted by the Committee and which require reitera- tion . . . . .	15
APPENDIX I Statement showing classification of action taken notes received from Government . . . . .	22
APPENDIX II Conclusions and Recommendations . . . . .	23

### PART II

Minutes of the Sitting of Public Accounts Committee held on 1-8-1989 . . . . .	26
---	----

## THE COMMITTEE ON PUBLIC ACCOUNTS (1989-90)

### CHAIRMAN

Shri P. Kolaundaivelu

### MEMBERS

#### *Lok Sabha*

2. Shri Abdul Hannan Ansari
3. Shri Chhitubhai Gamit
4. Shri M. Y. Ghorpade
5. Shri Mohd. Ayub Khan
6. Shri Y. S. Mahajan
7. Shri Pratap Bhanu Sharma
8. Maj. Gen. R. S. Sparrow
9. Shrimati Usha Rani Tomar
10. Dr. Chandra Shekhar Tripathi
11. Shri Vir Sen
12. Shri Yogeshwar Prasad Yogesh
- \*13. Shri M. Mahalingam
- \*14. Shri Vijay N. Patil
- \*15. Dr. G. S. Rajhans

#### *Rajya Sabha*

16. Shri Rameshwar Thakur
17. Shri Jagesh Desai
18. Shri Surender Singh

---

\*Elected w.e.f. 3-8-89 *vice* Sarvashri Bh. Vijaykumar Raju, S. Jaipal Reddy and Saifuddin Chowdhary resigned from the Committee.

(iv)

19. Shri P. N. Sukul

20. Vacant\*\*

21. Vacant£

22. Vacant£

SECRETARIAT

1. Shri G. L. Batra—*Joint Secretary*

2. Shri K. K. Sharma—*Director*

3 Shri A. Subramanian—*Senior Financial Committee Officer*

---

\*\*Due to resignation by Shri Parvathaneni Upendra from membership of the Committee w.e.f. 12-5-89.

£Due to resignation by Sarvashri Jaswant Singh and Virendra Verma from membership of the Committee w.e.f. 15-5-89.

## INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Hundred and Seventy-Fourth Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their 107th Report (Eighth Lok Sabha) on Tea Board.

2. The Tea Board, a body corporate was established under the Tea Act, 1953 to promote the development of Tea industry under the control of the Central Government. Taking note of the action taken by Government for establishment of advisory centres on research on tea and dissemination of its results to the planters, the Committee have recommended that a review of the effectiveness of the present system may be conducted with a view of see that the arvisory centres are in a position to disseminate information on research to the field for practical application and are able to instil in the mind of the planters, faith and confidence in the advisory centres.

3. In their Action taken notes, the Ministry have not expressed themselves in favour of the Committee's earlier recommendation for co-relating targets with financial assistance expected during a given period. As fixation of targets without linking to infrastructural facilities, finance etc. has no meaning and can serve no purpose, the Committee have reiterated their earlier recommendation in this regard that Government should go into whole question of need for subsidy *vis-a-vis* further growth of the industry.

4.A Three men Committee appointed by the Government in March 1979, concluded that there was no need for continuing tea promotion within the country, because of the strong demand present in the domestic market. The Committee have considered it unfortunate that notwithstanding these observations, no action has so far been taken either to implement the recommendation for discontinuance of the tea counters or to make them really utilitarian from promotional angle.

5. The Report was considered and adopted by the Public Accounts Committee at their sitting held on 1 August 1989. Minutes of the Sitting form Part II of the Report.

6. For facility of reference and convenience, the recommendations of the Committee have been printed in thick type in the body of the Report



and have also been reproduced in a consolidated form in Appendix II of the Report.

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

NEW DELHI;

*August 7, 1989*

*Sravana 16, 1911 (S)*

P. KOLANDAIVELU,

*Chairman,*

*Public Accounts Committee*

## CHAPTER I

### REPORT

1. This Report of the Committee deals with Action taken by Government on the Committee's recommendations and observations contained in their Hundred and Seventh Report (Eighth Lok Sabha) on paragraph 3 of the Comptroller and Auditor General of India for the year 1984-85—Union Government (Civil) Vol. III on Tea Board.

2. The Committee's Report presented to Lok Sabha on March 17, 1988 contained 18 recommendations. Action Taken Notes, have been received from Govt. in respect of all the recommendations/observations.

3. The Action taken notes received from the Government have been broadly divided into three categories as indicated in Appendix I. In the succeeding paragraphs the Committee deal with Action taken on some of their recommendations/observations.

#### *Research activities (Sl. No. 2—Para 12)*

4. The Tea Board, a body corporate was established under the Tea Act, 1953 to promote the development of Tea Industry under the control of the Central Government. Undertaking scientific, technological and economic research in various aspects of tea in addition to assisting in such research, is one of the functions of the Board. Besides rendering financial assistance to the Tea Research Association and the United Planters Association of South India to enable them to continue research and advisory work on various aspects of tea, the Board has been financing Universities and technical institutions for carrying out certain *ad-hoc* schemes of research. The Board has also been undertaking research on its own at Tea research Centre of Darjeeling tea at Kurseong and the Instant Tea Project at Toklai (Assam).

5. To acquaint themselves with the progress and prospect of Tea research, the Committee heard the Director, Toklai Research station, Jorhat. Having gone through the facts furnished by the Tea Board indicating variation in productivity of tea from garden to garden in the same area and possible reasons therefor the Committee had found that a lot more had to be done towards research on tea and dissemination of its results to the planters. The Committee had suggested tea Board to take more initiative in dissemination of information on research to the field for practical application and attainment of better results.

6. In their action taken notes, which is reproduced, in Chapter IV of the report, the Ministry of Commerce have stated that in order to strengthen the research activities, a National Tea Research Foundation has been established in June, 1988 with a corpus of Rs. 10 crores. The Government have also constituted in September, 1987 a National Committee on Tea Research with wide terms of reference which would suggest measures concerning all aspects of Tea Research. Tea Research Association and United Planters' Association of Southern India are stated to provide technical know how to the planters through Advisory Centres located in different regions with each Advisory Centre having technical staff and field staff, who participate in the garden activities and extend technical help.

7. In view of the facts narrated in their Hundred and Seventh Report, the Committee are of the opinion that the existing system in dissemination of the information is not adequate. The Committee note that in order to strengthen the research activities, a National Tea Research Foundation has been established in June, 1988 with a corpus of Rs. 10 crores and in September, a National Committee on Tea Research has also been set up. However, mere setting up of these Institution/Committee may not result in achieving the desired results until and unless these are followed by concrete measures. The Committee hence recommend that a review of the effectiveness of the present system may be conducted with a view to see that the advisory centres are in a position to disseminate information on research to the field for practical application and are able to instil in the mind of the planters, faith and confidence in the Advisory centres.

*Tea Plantation Finance Scheme (Sl. No. 3—Para 15)*

8. The Tea Plantation Finance Scheme was introduced in 1962-63 for granting long term loans to tea estates for replanting, replacement and/or extensions of old tea areas. The total new planting done under the scheme since its inception upto 31 March, 1985 was 10,951.74 hect. i.e. roughly at the rate of 500 hect. per annum.

9. In their Hundred and Seventh Report, the Committee had stated that the Tea Board had failed to ensure replantation at the rate of 2% per annum of the total planted area as per the scheme intimated to the PAC (Fourth Lok Sabha) 1969-70. The Committee had considered it as a failure of the Government which affected both the quantitative growth and qualitative improvement of the tea industry. The Committee had urged Tea Board to closely monitor the progress of plantation in coordination with planters, research bodies and plantation workers and render help wherever necessary.

10. In their action taken note, the Ministry of Commerce have stated that they have made a reassessment of the present cost of replantation in Tea and on that basis a revised scale of loan for replantation has been sanctioned under Tea Plantation Finance Scheme. According to the ministry achievement of replantation rate of 2% annually mainly depends on the industry's initiative and availability of resources for investment.

11. The Ministry have in their action taken note informed that a national committee has been set up to draw a long term strategy and plan for tea. This Committee was expected to submit its report by the end of October, 1988. Besides, all the large and medium tea gardens have been asked to submit their seven year development plans to Tea Board.

12. The Committee note that a National Committee had been set up to draw a long term strategy and plan for Tea and the Committee was expected to submit its report by October, 1988. The Committee would like to be apprised if the Committee has since submitted their report, if so, the main recommendations and the follow up actions. From the information furnished, the Committee find that out of the development plans received, Tea Board has taken up 150 plans for detailed analysis so that they could be taken up with NABARD/Banks for financial assistance wherever the projects are found viable. The Committee would like to be informed of the further progress in the matter.

*Replantation Subsidy Scheme (Sl. No. 5—Para 23)*

13. In their earlier Report, the Committee had recommended that targets for replanting should be fixed after taking into account availability of finance and planting material for better quality and desired characteristics. In addition, amount of subsidy payable for replantation should be adequate to induce the owners to undertake replantation. The Committee had desired the Government to go into the whole question of need for subsidy *vis-a-vis* further growth of the Industry.

14. In their action taken note, the Ministry of Commerce have stated that Tea Board as an agency has to devise measures to ensure availability of tea both for domestic consumption as well as for export requirements. With this objective Government fix targets for replantation, extension plantation and for setting up tea estates in non-traditional areas. These targets, according to Government are in the nature of desired goals and achievement of these targets depend on many factors like initiative of the garden owners, availability of finance with them, etc.

15. On the other hand, according to the Ministry the subsidy/loans schemes of tea Board are meant to provide some impetus to the garden owners to undertake replantation when it becomes due and Tea-Board can neither provide the entire cost of replantation, nor compel garden owners to undertake replantation programme whenever it becomes due. In such a situation, Government have argued that fixation of targets on the basis of funds available with the Tea Board for subsidies/loans may not be realistic.

16. The Committee note that according to Government, fixation of targets for replantation subsidy scheme on the basis of available funds may not be realistic. The Committee are, however, of the opinion that fixation of targets without taking into account available infrastructural facilities, finance etc. has no meaning and can serve no purpose. The Committee would like to reiterate their earlier recommendation in this regard that Government should go into the whole question of need for subsidy vis-a-vis further growth of the industry.

*Unfruitful expenditure in promotional activities (Sl. No. 7—Para 28)*

17. The Tea Board has not done any internal promotion of tea because of the strong demand present in the domestic market. This decision has subsequently been endorsed by a three man Committee appointed by the Govt. in March 1979, which submitted its report in August 1979, concluding that there was no need for continuing tea promotion within the country. However, the Tea Board continues to maintain some promotional activities through tea counters in Delhi and Bombay. The total expenditure incurred on these centres from 1979-80 to 1985-86 amounted to Rs. 82.84 lakhs.

18. In their earlier Report, The Committee had recommended that this unfruitful expenditure should be discontinued immediately and resources made available in terms of money and material to be employed more profitably in other productive activities without further delay.

19. In their action taken notes, the Ministry of Commerce have stated *inter-alia* that tea bars/buffets/nooks have been serving as a very useful platforms of public relations for the Board and that these tea counters serve two purposes namely liaison work with various Govt. departments and other concerned bodies and promotion of tea. According to the Ministry, considering the essential activities that are being carried out by the Tea Board's Zonal offices and by the tea service units within India, it is felt that these units should continue.

20. Because of the strong demand present in the domestic market, this Committee note that a three men Committee appointed by Government in March 1979 had endorsed the view of the PAC that there was no need

for continuing tea promotion within the Country. The Committee consider it unfortunate that notwithstanding these observations, no action has so far been taken either to implement the recommendation for discontinuance of the tea counters or to make them really utilitarian from promotional angle. Considering the extent of expenditure incurred on them so far without any tangible achievements, the Committee reiterate their earlier recommendation for appropriate action.

*Export Promotion (Sl. No. 8 Para 35)*

21. While India continues to be the leading exporter of tea, its share in the world market in quantitative terms has declined from 45 per cent in 1951 to 23 per cent in 1985. The expenditure on promotional activities of the Board ranging from Rs. 2.45 to Rs. 3.21 crores per annum during the last 5 years has not been able to prevent the sharp decline in export of Indian tea to the countries where traditionally Indian tea was being exported even up to the sixties.

22. The Committee had found that shift in import of tea from India to other countries by the importing countries had caused decline in export percentage of Indian tea. The Tea Board together with the lopsided functionaries of its foreign offices have failed to check this trend. The Committee had recommended that a thorough scrutiny of the effectiveness of the tea promotion offices abroad be made and those not found effective in increasing sale of Indian tea substantially within their respective area of operation be wound up and the work handed over to the Embassy/High Commission.

23. According to the Action taken note furnished by the Ministry, the role of the offices of Director of Tea Promotion abroad and their efficiency cannot be judged solely with reference to the figures of export of Indian tea to those countries and that the success in a promotional campaign greatly depended on the quantum of money available for such campaign. Within the limited resources at their command, the foreign offices are stated to have taken measures to publicise the superiority of Indian tea through various publicity media.

24. The Action taken note of the Ministry only narrate the promotional efforts that are expected of the promotion offices. Unless the efforts result in improvement of trade, the Committee do not see any justification for the continuance of promotion offices. In the circumstances, the Committee once again reiterate their earlier recommendation for a thorough scrutiny of effectiveness of the tea promotion offices and for closure of ineffective offices by a time bound programme. The Committee trust that Government would keep a close watch on the working of these offices in future and take appropriate steps for their improvement.

## **CHAPTER II**

### **RECOMMENDATIONS AND OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT**

#### **Recommendation**

The Committee find that the Tea Board does not monitor the implementation of improvements required to be undertaken by the beneficiaries as per loan stipulations. As such, its contribution in these respects cannot be ascertained. The Committee recommend that the Tea Board should set up continuous monitoring mechanism as long as it continues with such schemes.

[Sl. No. 1 (Para 9) of Appendix J to 107th Report of PAC  
(8th Lok Sabha)]

#### **Reply of the Government**

The various Plantation Schemes of Tea Board provide for use of improved planting materials and observance of certain other conditions for qualitative and quantitative improvement in the production of tea. The assistance given by Tea Board is in instalments and before disbursing the 2nd and subsequent instalments, it is ensured that the conditions of giving financial assistance have been observed by the gardens. For this purpose, Inspectors of the Tea Board visit tea gardens and ensure that the various suggestions for improvements have been implemented. Thus inspections at specified stages are in-built into the schemes and this ensures that the steps required for improvements have actually been undertaken by the beneficiaries. At present this monitoring is done till the last instalment of assistance is disbursed. However, the observation of the Committee has been noted and the monitoring mechanism will be reviewed periodically for its efficiency.

[Ministry of Commerce O.M. No. K-13012(1)/88-Plant A,  
dated 6th Jan. 1989]

#### **Recommendation**

The Committee however, were of the view that with a view to effecting economy and efficiency, administration and implementation of these schemes could be transferred to NABARD and the Board could function as an expert body which could be consulted by NABARD or other Banks

processing loan applications as well as for monitoring utilisation of loans and results obtained thereon.

[Sl. No. 6 (Para 25) of Appendix J to 107th Report PAC  
(8th Lok Sabha)]

### **Reply of the Government**

Over the years, the Tea Board has acquired knowledge of the requirements of tea industry, through operation of its various financial schemes. The Tea Board launched these schemes for which they provide loans with objective of enhancing productivity, production and better processing of tea. Through these loans, Tea Board has been able to keep on constant touch with the actual field operations as Tea Board Officers have to monitor the expenditure.

Tea Board's schemes have been designed for assisting the small tea growers in certain essential areas. It has been the policy of the Government to encourage the bigger tea gardens to have loan from financial Institutions, Tea Board's role being restricted primarily to payment of subsidy only.

It will, however, be the endeavour of the Tea Board to gradually shift their loan schemes to the Financial Institutions.

[Ministry of Commerce O.M. No. K-13012 (1)/88-Plant A,  
dated 6th Jan. 1989]

### **Recommendation**

The Committee would like the Board to share its promotional expenses with the trade wherever possible which would reduce the burden of Tea Board and make more funds available for export promotion.

[Sl. No. 13 (Para 45) of Appendix J to 107th Report of  
PAC (8th Lok Sabha)]

### **Reply of the Government**

This is already being done. Tea Board carries out joint promotion programme in association with concerned exporters and importers sharing the cost of specific promotion programme. The Brand promotion Fund Scheme of the Tea Board provides interest free loan to the exporters for carrying out brand promotion activity. Again, the loan so advanced is 50 per cent of the sum required for such brand promotion and the rest 50 per cent is borne by the trade.

[Ministry of Commerce O.M. No. K-13012 (1)/88-Plant A,  
dated 6th Jan. 1989]



### **Recommendation**

The Committee desire that Government should review the expenditure on fruitless generic promotion of tea keeping in view the observation of the earlier PAC *vis-a-vis* the result obtained from the generic promotion of tea till now. This is necessary to prevent wasteful expenditure and to lay stress in the right direction of the campaign.

[Sl. No. 14 (Para 46) of Appendix J to 107th Report of PAC  
(8th Lok Sabha)]

### **Reply of the Government**

Generic promotion programmes are complementary to the uninalational programmes. Moreover, generic promotion in foreign countries is being carried out on a cost sharing basis with other tea producing/exporting countries.

The result of such activities is reviewed periodically and India had in the past stopped sharing the cost of generic promotion wherever it has been found that the promotion was not effective.

The recommendation of the Committee has been noted.

[Ministry of Commerce O.M. No. K-13012 (1)/88-Plant A,  
dated 6th Jan. 1989]

### **Recommendation**

The Committee would like to be apprised of the manner in which the intensive advertising programmes for tea promotion are proposed to be or are being carried out. In their view unless a sizeable amount of quality tea was made available for export by producing more of such tea at competitive price, more spending on campaigns abroad would be of little avail.

[Sl. No. 15 (Para 47) of Appendix J to 107th Report of  
PAC (8th Lok Sabha)]

### **Reply of the Government**

The special promotional programmes launched by Tea Board since 1987-88 in identified markets like Egypt, Saudi Arabia, UAE, UK, West Germany, Australia and USA were designed to be conducted in a sustained manner. In Saudi Arabia, Egypt, UAE and Oman intensive advertising programmes have been launched on the advice of and in consultation with a team of Consultants which includes marketing experts of Indian Institute

of Management in Calcutta and Ahmedabad. Several major packers in UK have started using this logo after getting permission from the Board. This campaign is being continued during current year also. The successful launching of the Indian tea campaign in other markets has encouraged Indian exporters to push up their export and marketing activities including introduction of new brands containing teas most suitable for such regions. Production of quality tea has been good during last two years and Tea Board is taking a number of steps to ensure that production keeps pace with the demand both for domestic consumption as well as for exports.

[Ministry of Commerce O.M. No. K-13012 (1)/88-Plant A,  
dated 6th Jan. 1989]

### **Recommendation**

The Committee are constrained to conclude that no systematic attempt was made for promoting tea in value added form in spite of the recommendation to that effect made by the earlier PAC (1969-70) and which recommendation was also accepted by the Government. As a result whatever increase in export of tea in value added form has taken place (raised to 27.38 m.kg valued at Rs. 111.89 crores in 1985-86 from 11.51 m.kg. valued at Rs. 32.96 crores in 1982-83), has occurred due to higher demand in the consuming countries to which the contribution of the Government through its policies or by the Tea Board by its field activities had been minimum.

[Sl. No. 17 (Para 54) of Appendix J to 107th Report of  
PAC (8th Lok Sabha)]

### **Reply of the Government**

The various fiscal and promotion incentives announced by the Government combined with publicity programmes carried out by the Board to give specific support to the Indian tea brands have contributed to the growth of value-added tea exports. Special promotional campaigns have been taken up by Tea Board for promotion of value added tea and this has started bearing fruit.

[Ministry of Commerce O.M. No. K-13012 (1)/88-Plant A,  
dated 6th Jan. 1989]

### **CHAPTER III**

#### **RECOMMENDATIONS/OBSERVATION WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF REPLIES RECEIVED FROM GOVERNMENT**

##### **Recommendation**

The Committee recommend that a monitoring system should be introduced immediately to watch over the payment made for supply of machinery and irrigation equipment and benefits accruing out of the scheme. Such system would help the Tea Board in ascertaining its ability to meet borrowers' requirement of finances for such purpose and also getting information regarding other institutions from which borrower have to take loans to meet their requirement which in turn would help the Tea Board in final assessment of the fund requirement for the scheme.

[Sl. No. 4 (Para 19) of Appendix J to 107th Report of  
PAC (8th Lok Sabha)]

##### **Reply of the Government**

At present before giving a loan to a garden for purchase of machinery and Irrigation equipment, the expected benefits are examined. The actual utilisation of the machinery/equipment and also the benefits accruing therefrom is also periodically verified by Tea Boards Inspectors. However, the recommendation of the Committee has been noted.

[Ministry of Commerce O.M. No. 13012(1)/88-Plant A,  
dated 6th Jan. 1989]

##### **Recommendation**

The Committee desire Tea Board to take up export promotion work through exporters Associations with their proven experience and expertise. In turn the Board may render such assistance to the exporters as may be sought by them from time to time to facilitate their export promotion work. This step, besides promoting tea export, would help Tea Board in reduction of its expenditure to the minimum on its export promotion offices/establishments abroad.

[Sl. No. 9 (Para 38) of Appendix J to 107th Report of  
PAC (8th Lok Sabha)]

### **Reply of the Government**

The Export Promotion Committee of Tea Board which is an apex body to decide on the tea promotion strategy consists of representatives of various sections of Tea Trade/Industry. The promotional activities of the Tea Board are formulated in consultation with this Committee. Moreover, in most cases Promotional Delegations abroad include members from Tea trade and industry so that direct relationship between Indian exporters and foreign importers is established. The presence of Tea Board/Government officials in such delegations facilitates discussion with Governmental Agencies of the foreign countries particularly where import is canalised through the Governmental Agencies of the concerned country.

However, the visits of such promotional delegations are generally for short durations and the foreign offices of the Tea Board do the ground work for the visiting delegation by fixing appointments with importing agencies/importers. Necessary follow up actions are also undertaken by the Tea Board's foreign offices. Thus posting of Directors of Tea Promotion in important tea consuming countries immensely assists Tea Board as well as visiting Indian exporters in their export promotion activities.

Normal compliment of officers/staff in Tea Board's foreign offices has been kept at the barest minimum for reasons of economy.

In view of the above, it is submitted that the export promotion work may be continued by the offices of Director Tea Promotion abroad. The Exporters Association may continue to do the work in liaison with the offices of Director Tea Promotion.

[Ministry of Commerce O.M. No. K-13012(1)/88-Plant A,  
dated 6th Jan. 1989]

### **Recommendation**

The Committee would also like Government to explore the possibility of handing over of residual functions of export promotion, such as, coordination with private/Government export organisation etc. to the Commercial Attaches of the Indian Embassies/High Commissions abroad, as earlier suggested by the Public Accounts Committee in their 115th Report (Fourth Lok Sabha).

[Sl. No. 10 (Para 39) of Appendix J to 107th Report of  
PAC (8th Lok Sabha)]

### **Reply of the Government**

The Commercial Attaches of Indian Missions have the responsibility to coordinate with private/Government export organisations. But it is the

Tea Board's foreign offices which prepare the field for establishing market for Indian tea in those countries. This is a specialised activity and where we have a large market for tea, this job cannot be adequately handled by the Commercial Attaches of the Indian Embassies/High Commissions abroad who have other responsibilities and have no knowledge, marketing skill and experience in tea.

[Ministry of Commerce O.M. No. K-13012(1)/88-Plant A,  
dated 6th Jan. 1989]

### **Recommendation**

The Committee are of the considered view that tea promotion in its present form has benefitted multi-national companies in selling Indian tea to consumers in those countries where Tea Board's export promotion operates. They conclude that this is the strongest reason for putting an end to the export promotion by the Tea Board at least in the present form.

[Sl. No. 11 (Para 40) of Appendix J to 107th Report of  
PAC (8th Lok Sabha)]

### **Recommendation**

Even if it can be said that the Ministry did not consciously or deliberately encourage the Tea Board to go in for export promotion and spend huge amount of money of Tea Board on operations abroad which came to the ultimate benefit of the multi-nationals then the Committee is constrained to conclude that the Ministry has been guilty of utmost callousness in not properly considering who will be the beneficiary of expenses incurred on export promotion by the Tea Board.

[Sl. No. 12 (Para 41) of Appendix J to 107th Report of  
PAC (8th Lok Sabha)]

### **Reply of the Government**

Tea Board's promotional programmes have been directed to retain export market for Indian tea as a whole by placing emphasis on its quality and distinct characteristics. It is not directed to benefit any individual company, let alone multi-nationals. Under the Brand promotion programme, Tea Board gives support to the various Indian brands marketed in various foreign countries. The Promotional programmes now carried out by the Board, cover the major brands which are exported by companies like TTCI, BalmerLawrie, Duncans, Tata Tea, Brooke Bond, Lipton G.A. Randerian, Madhu Jayanti & Co. etc. This promotion programme is well thought out and as such it would be not justified to comment that the Ministry has been guilty of utmost callousness in not properly considering who will be the beneficiary of expenses incurred on export promotion by the Tea Board.

[Ministry of Commerce O.M. No. K-13012(1)/88-Plant A,  
dated 6th Jan. 1989]

### **Recommendation**

The Committee concluded that the Ministry has not been able to really locate the reason for Indian tea losing out in competition with East African tea in its traditional market and has clutched at whatever distinct differences they could find to explain the reasons. In their view, smooth supply of tea to these markets at competitive price could be maintained by creating a buffer stock which at the most, might add to the cost marginally. The Committee recommend that Government should make an in-depth study to find out the reasons why Indian tea is losing out in competition and what steps are necessary to re-capture the competitive markets.

[Sl. No. 16 (Para 53) of Appendix J to 107th Report of  
PAC (8th Lok Sabha)]

### **Reply of the Government**

One of the main reasons why Indian tea is not able to face competition with East African tea in the traditional markets is the low price of the East African tea.

Further, a significant proportion of tea producing estates in East Africa has links with transnational companies having established distribution net works in some of the Western Countries. This factor has also to a major extent contributed to the shift from Indian tea to East African Tea in the Western Markets.

Government have also initiated a number of measures to ensure adequate supply of tea both for domestic consumer and for exports requirements so that the supply constraints felt during the later part of 1983 and first part of 1984 do not recur in future. Therefore, creation of buffer stock to maintain a steady of supply is not considered to be necessary.

Indian tea being superior in quality costs more. Steps have been taken to publicise the improved quality of Indian tea so that the consumers are motivated to opt for better quality Indian tea. An intensive advertising programme has been undertaken in Saudi Arabia, Egypt, UAE and Oman on the advice of and in consultation with a team of consultants which includes marketing experts of Indian Institute of Management Calcutta and Ahmedabad. Delegations sponsored by Government/Tea Board have been visiting different countries to re-establish the position of Indian tea in such markets. As an interim measures, Government have recently sanctioned Promotion Incentive Scheme for export of South Indian

teas to identified markets like UK, Egypt, Iraq, USA, Australia, Syria, Jordan and USSR to recapture its share in such competitive markets.

[Ministry of Commerce O.M. No. K-13012(1)/88-Plant A,  
dated 6th Jan. 1989]

### **Recommendations**

The Committee would like to know the details of steps taken towards product diversification in the context of development of instant tea technology, introduction of flavours like lemon, ginger, bergmote and mint into tea, etc. The Committee may also be apprised of the impact of various concessions now given to boost export of value added tea.

[Sl. No. 18 (Para 55) of Appendix J to 107th Report of  
PAC (8th Lok Sabha)]

### **Reply of the Government**

Indian Tea is famous for its unique flavour. As such, introduction of extraneous flavour like lemon, ginger, bergmote and mint into tea has not been strongly encouraged. Indian exporters, however, have started providing flavoured teas like Earl Grey (called bergmote oil) to foreign markets in limited quantities. The instant tea technology developed by Tea Board has also been made available for commercialisation.

It would be too early to assess the impact of various concessions given recently to boost export of value-added tea. It may, however, be mentioned that export of value added tea showed good improvement during 1987-88 as compared to previous year 1986-87. Export licence for 24.5 m.kg. was issued in 1987-88 as against 17.2 m.kg. in 1986-87. This favourable trend has been continuing during the current year also.

[Ministry of Commerce O.M. No. K-13012(1)/88-Plant A,  
dated 6th Jan. 1989]

## **CHAPTER IV**

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

#### **Recommendations**

After hearing the Director, Tocklai Research Station, Jorhat and having gone through the facts furnished by the Tea Board indicating variation in productivity of tea from garden to garden in the same area and possible reasons therefor, the Committee are inclined to believe that a lot more has to be done towards research on tea and dissemination of its results to the planters. They would like Tea Board to take more initiative in dissemination of information on research to the field for practical application and attainment of better results.

[Sl. No. 2 (Para 12) of Appendix J to 107th Report of  
PAC (8th Lok Sabha)]

#### **Reply of the Government**

At present Tea Research Association and United Planters' Association of Southern India are carrying out Research on tea. The bulk of the Tea Board's research budget is spent in giving financial assistance to Tea Research Association and United Planters' Association of Southern India through Council of Scientific and Industrial Research.

Tea Board is having only one Research Centre at Kurseong which is looking after the specific problems faced by the gardens in the Darjeeling hills. This Centre is yet to develop itself as a full-fledged the Research Institute. In order to strengthen the research activities a National Tea Research Foundation has been established recently (June, 1988) with a corpus of Rs. 10 crores of which 50 per cent will be contributed by the industry and 50 per cent by NABARD. The Government have also recently constituted (September, 1987) a National Committee on Tea Research with wide terms of reference which would suggest measures concerning all aspects of Tea Research. According to the present arrangement both Tea Research Association and United Planters' Association of Southern India are providing technical know-how to the planters through Advisory Centres located in different regions. Each



Advisory Centre is having technical staff and field staff, besides Advisory Officers, who participate in the garden activities and extend technical help. The Advisory Officers regularly visit member tea estates to extend advice on field operations like pruning, cultural practices, fertilisers and manuring, plant protection problems etc. and render other help as sought by garden management.

[Ministry of Commerce O.M. No. K-13012(1)/88-Plant A,  
dated 6th Jan. 1989]

### **Recommendations**

The Committee desire that Tea Board should make a realistic assessment of actual requirement of funds for plantation for tea in the plains and hills and sanction loans or plantation according to that requirement. They are constrained to note that Tea Board has failed to ensure replantation at the rate of 2 per cent per annum of the total planted area as per the scheme intimated to the PAC (Fourth Lok Sabha) 1969-70. This is a failure of the Government which affected both the quantitative growth and qualitative improvement of the Tea Industry. It is high time that Government should review the requirement of quantitative growth and qualitative improvement of tea industry keeping in view the future requirement of export and domestic consumption of tea. Once the target for plantation is fixed on the basis of this assessment, all resource including technological know-how, should be mobilised to ensure achievement of target. They would urge Tea Board to closely monitor the progress of plantation in coordination with planters, research bodies and plantation workers and render help/guidance wherever necessary.

[Sl. No. 3 (Para 15) of Appendix J to 107th Report of  
PAC (8th Lok Sabha)]

### **Reply of the Government**

Government has made a reassessment of the present cost of replantation in Tea and on that basis a revised scale of loan for replantation has been sanctioned under Tea Plantation Finance Scheme which is as follows:—

Areas	Existing rates	Revised enhanced rates
	(per hectare)	(per hectare)
Plain gardens	Rs. 25,000	Rs. 69,000
Hill gardens	Rs. 31,000	Rs. 79,000

A similar exercise which was undertaken to assess the present cost of new plantation in non-traditional areas with a view to revising the existing scales of loans/subsidies under the New Tea Unit Financing Scheme is being processed in consultation with the Planning Commission.

The stated objective of the Tea Replantation Subsidy Scheme is to encourage the industry to achieve replantation rate of 2 per cent annually of the total area under tea. Achievement of this objective mainly depends on the Industry's initiative and availability of resources for investment.

Government is fully conscious of the need to increase production and productivity of Tea as well as to bring out qualitative improvement. A National Committee has since been set up to draw a long-term strategy and plan for tea. This Committee is expected to submit its report by the end of October, 1988. Besides, all the large and medium tea gardens have been asked to submit their seven year Development Plans to Tea Board. Of the Development plans so received, Tea Board has since taken up 150 plans for detailed analysis so that they could be taken up with NABARD/Banks for financial assistance wherever the projects are found viable.

As regards monitoring the progress of plantation by the Tea Board, it may be mentioned that the Development Committee of the Tea Board which comprises of representatives of Planters and Plantation Workers periodically reviews the progress of the Plantation Schemes.

[Ministry of Commerce O.M. No. K-13012(1)/88-Plant A,  
dated 6th Jan 1989]

### **Recommendation**

What is however, astonishing is that no calculations appears to have been made by the Board while setting the target in terms of quantity achievable on the basis of the limited finance which was made available to it. The Committee recommend that targets for replanting should be fixed after taking into account availability of finance and planting material for better quality and desired characteristics. In addition, amount of subsidy payable for replantation should be adequate to induce the owners to undertake replantation. The Committee are, however, of the opinion that the very fact that subsidy is still thought to be necessary for inducing new plantation or replantation in an industry which is profitably enough in the domestic market so as to effect growth of

export, does not speak highly of entrepreneurial ability of tea planters. The Committee desire the Government to go into the whole question of the need for subsidy vis-a-vis further growth of the Industry.

[Sl. No. 5 (Para 23) of Appendix J to 107th Report of  
PAC (8th Lok Sabha)]

### **Reply of the Government**

Tea Board, as an agency to look after the development aspect of the tea production, has to devise measures to ensure availability of tea both for domestic consumption as well as for export requirements. With this objective it has to fix targets for replantation, extension plantation and for setting up tea estates in non traditional areas. These targets are in the nature of desired goals, achievement of which would ensure availability of tea in adequate quantities. However, achievements of these targets depend on many factors such as initiative of the garden owners, availability of finance with them, etc. The subsidy/loan schemes of Tea Board are meant to provide some impetus to the garden owners to undertake replantation when it becomes due. As Tea Board cannot, for obvious reasons, provide the entire cost of replantation, it cannot also compel garden owners to undertake replantation programme whenever it becomes due. In such a situation fixation of targets on the basis of funds available with the Tea Board for subsidies/loans may not be realistic.

The recommendations of the Committee to examine the question of the need for subsidy *vis-a-vis* further growth of the tea industry has been noted. The National Committee set up by Government to formulate a long-term strategy for tea has been asked to examine this issue and to make suitable recommendations in this regard.

[Ministry of Commerce O.M. No. K-13012(1)/88-Plant A,  
dated 6th Jan. 1989]

### **Recommendation**

The Committee are constrained to note that although discontinuance of the expenditure on promotional activities such as running of tea counters in Delhi and Bombay with a view to promoting tea within the country was recommended by the three man Committee appointed in 1979, the Tea Board has spent the aforesaid amount of Rs. 82.84 lakhs in the last 6 years, while unsuccessfully looking for organisations to take over the so-called promotional activities of Tea Board. The

Committee recommend that this unfruitful expenditure should be discontinued immediately and resources made available thereby in terms of money, material and may be employed more profitably in other productive activities without further delay.

[Sl. No. 7 (Para 28) of Appendix J to 107th Report of  
PAC (8th Lok Sabha)]

### **Reply of the Government**

Tea Boards' budget provision for Tea Promotion within India covers the costs of maintenance of zonal offices in Bombay and Madras as well as the costs of running four Tea Bars/Buffets in New Delhi, a Tea Centre at Bombay, a Tea Nook at Tirumalai and Tea Room at Tamil Nadu Secretariat. The Zonal Offices at Bombay and Madras are essential for carrying out liaison work with various Government departments, trade associations etc. and for issue of export licences, collection of retail and wholesale prices of tea etc. Tea bars/buffets/nooks have been serving as a very useful platforms of public relations for the Board. The Tea Bars/Buffets at New Delhi located at Parliament House, Udyog Bhavan, North Block and Yojana Bhavan arrange serving of quality tea at various meetings including International Meetings with high dignitaries from overseas countries. As such the Tea counters serve two purposes namely liaison work with various Government Departments and other concerned bodies and promotion of tea.

Further, the Board have been trying to increase the sales in these units on the lines of recommendations of the Committee. The tariff for sale of cup and pot was raised in 1981 and the Tea Board is presently examining the question of making a further revision of sale prices.

The Tea Centre at Bombay is now proposed to be converted into a Display-cum-Conference Centre, where foreign visitors/buyers can have the opportunity to have a quick look at the wide range of Indian tea products and also to have a central meeting place with the tea trade of the country at Bombay.

Considering the essential activities that are being carried out by the Tea Board's zonal offices and by the tea service units within India, it is felt that these units should continue.

[Ministry of Commerce O.M. No. K-13012(1)/88-Plant A,  
dated 6th Jan. 1989]

### Recommendation

The Committee found that shift in import of tea from India to other countries by the importing countries has caused decline in export percentage of Indian tea. The Tea Board together with the lopsided functionaries of its foreign offices have failed to check this trend. The Committee would like the Tea Board to take lesson from this situation and post in its foreign offices, where it is considered necessary to retain foreign office with personnel experienced in tea and marketing who could handle the situation with skill. The Committee further recommends that a thorough scrutiny of the effectiveness of the tea promotion offices abroad be made and those not found effective in increasing sale of Indian tea substantially within their respective area of operation be wound up and the work handed over to the Embassy/High Commission.

[Sl. No. 8 (Para 35) of Appendix J to 107th Report of PAC 8th Lok Sabha]

### Reply of the Government

The reasons for decline in import of Indian Tea in the traditional markets have been explained to the Committee. Increased use of C.T.C. teas and increased popularity of tea bags led to the decline in the total import of tea in the traditional markets and this in turn led to the decline in the share of India's export. The other important factor which has been submitted before the Committee is emergence of new countries particularly East African countries, where cost of production is lower. Besides, some of the multinationals in the International Tea trade own tea gardens in some of the East African countries and hence they prefer to procure their supplies from their own tea gardens located abroad. These factors are under constant review of the Tea Board and the Government and certain steps are being taken to check this trend. On the one hand, campaigns have been intensified for highlighting the better characteristics of Indian tea and on the other, efforts are being made to capture new markets. In these efforts Directors of Tea Promotion abroad have a very positive role to play. They are assisting in the chalking out of the promotional campaigns and constantly monitoring the outcome of the promotional efforts and suggesting fresh measures that are required to be taken to achieve the desired goal. The role of the Offices of Director of Tea Promotion abroad and their efficiency can not be judged solely with reference to the figures of export of Indian tea to those countries. The success in a promotional campaign particularly in sophisticated market greatly depends on the quantum of money available for such campaign. Within the limited resources at their command, the foreign offices took measures to publicise the superiority of

Indian tea through various publicity media. One important activity of the foreign offices of the Tea Board has been to organise free liquid tea sampling and store demonstration which provide an opportunity to the consumers to get the distinct taste of Indian tea. Product exposure directly at the consumer level through such demonstrations immensely helps generate consumer awareness of the distinct quality of the Indian tea.

As regards Committee's recommendations relating to posting of suitable persons as Directors Tea Promotion, Government is taking appropriate action in regard to appointment of suitable persons, having knowledge of tea as essential qualifications. Effectiveness of the Tea Promotion offices abroad is also being reviewed by Government.

[Ministry of Commerce O.M. No. K-13012(1)/88-Plant A,  
dated 6th Jan. 1989]

NEW DELHI  
August 7, 1989  
Saravana 16, 1911 (Saka)

P. KALANDAIVELU  
Chairman,  
Public Accounts Committee

## **APPENDIX I**

*(Vide Para 3)*

*Statement showing classification of the Action Taken Notes furnished by the Govt.*

- (i) Recommendations/observations that have been accepted by the Govt.

Sl. Nos. 1, 6, 13, 14; 15 and 17.

- (ii) Recommendations/observations which the Committee do not desire to pursue in the light of replies received from Government:

Sl. Nos. 4, 9—12, 16 and 18

- (iii) Recommendation/observations replies to which have not been accepted by the Committee and which require reiteration:

Sl. Nos. 2, 3, 5, 7 and 8.

## APPENDIX I I

### *Recommendations/Observations*

Sl. No.	Para No.	Ministry concerned	Recommendations/ Observations
1	2	3	4
1	7	Ministry of Commerce	In view of the facts narrated in their Hundred and Seventh Report, the Committee are of the opinion that the existing system in dissemination of the information is not adequate. The Committee note that in order to strengthen the research activities, a National Tea Research Foundation has been established in June, 1988 with a corpus of Rs. 10 crores and in September, a National Committee on Tea Research has also been set up. However, mere setting up of these Institution/Committee may not result in achieving the desired results until and unless these are followed by concrete measures. The Committee hence recommend that a review of the effectiveness of the present system may be conducted with a view to see that the advisory centres are in a position to disseminate information on research to the field for practical application and are able to instil in the mind of the planters, faith and confidence in the advisory centres..



1	2	3	4
2	12	Ministry of Commerce	<p>The Committee note that a National Committee had been set up to draw a long term strategy and plan for Tea and the Committee was expected to submit its report by October, 1988. The Committee would like to be apprised if the Committee has since submitted their report, if so, the main recommendations and the follow up actions. From the information furnished, the Committee find that out of the development plans received Tea Board has taken up 150 plans for detailed analysis so that they could be taken up with NABARD/Banks for financial assistance wherever the projects are found viable. The Committee would like to be informed of the further progress in the matter.</p>
3	16	-do-	<p>The Committee note that according to Government, fixation of targets for replantation subsidy scheme on the basis of available funds may not be realistic. The Committee are, however, of the opinion that fixation of targets without taking into account available infrastructural facilities, finance etc. has no meaning and can serve no purpose. The Committee would like to reiterate their earlier recommendation in this regard that Government should go into the whole question of need for subsidy <i>vis-a-vis</i> further growth of the industry.</p>
4	20	do	<p>Because of the strong demand present in the domestic market, this Committee note that a three man Committee appointed by Government in March 1979 had endorsed the view of the PAC that there was no need for continuing tea promotion within the Country. The Committee consider it unfortunate that notwithstanding these observations, no action</p>

has so far been taken either to implement the recommendation for discontinuance of the tea counters or to make them really utilitarian from promotional angle. Considering the extent of expenditure incurred on them so far without any tangible achievements, the Committee reiterate their earlier recommendation for appropriate action.

The Action taken note of the Ministry only narrate the promotional efforts that are expected of the promotion offices. Unless the efforts result in improvement of trade, the Committee do not see any justification for the continuance of promotion offices. In the circumstances, the Committee once again reiterate their earlier recommendation for a thorough scrutiny of effectiveness of the tea promotion offices and for closure of ineffective offices by a time bound programme. The Committee trust that Government would keep a close watch on the working of these officers in future and take appropriate steps for their improvement.

**PART II**  
**MINUTES OF THE 6TH SITTING OF THE PUBLIC ACCOUNTS**  
**COMMITTEE HELD ON 1.8.1989**

The Committee sat from 1500 hrs. to 1600 hrs.

**PRESENT**

**Shri P. Kolandaivelu—Chairman.**

**MEMBERS**

2. **Shri Abdul Hannan Ansari**
3. **Shri M. Y. Ghorpade**
4. **Shri Y. S. Mahajan**
5. **Maj. Gen. R. S. Sparrow**
6. **Shrimati Usha Rani Tomar**
7. **Dr. Chandra Shekhar Tripathi**
8. **Shri Vir Sen**
9. **Shri Rameshwar Thakur**
10. **Shri Surender Singh**

**SECRETARIAT**

1. **Shri G. L. Batra—Joint Secretary**
2. **Shri K. K. Sharma—Director**
3. **Shri A. Subramanian—Senior Financial Committee Officer**

**REPRESENTATIVES OF AUDIT**

1. **Shri R. Parameswar—Addl. Dy: CAG**
2. **Shri S. B. Krishnan—Director (Reports)**
3. **Shri S. Satyamoorthy—Director of Audit, CW&M-I**
4. **Shri T. Sethumadhvan—Director of Receipt Audit-I**
5. **Shri K. Krishnan—Joint Director (DT)**
6. **Shri K. Jayaraman—Dy. Director (Rlys)**

The Committee considered and adopted the following Draft Action Taken Reports:

xx	xx	xx
xx	xx	xx

(iv) On the recommendations contained in 107th Report of PAC (8th Lok Sabha) regarding Tea Board (subject to amendments/modifications as shown in Annexure).

2. The Committee authorised the Chairman to finalise the Draft Report in the light of verbal and consequential changes arising out of factual

*The Committee then adjourned.*

## ANNEXURE I

*Modifications made by the Public Accounts Committee in the Draft Report on action taken by Government on the recommendations contained in the 107th Report of the PAC (8th Lok Sabha) relating to Tea Board.*

<i>Page</i>	<i>Para</i>	
17 to 21	25 to 31	Delete Para 25—31
22	Appendix I	Under Classification (ii) relating to the recommendations/observations which the "Committee do not desire to pursue" read as: Sl. Nos. 4,9 to 12, 16 and 18.
22	Appendix I	Under classification (iii) relating to Recommendations/observations "replies to which have not been accepted by the Committee and which required reiteration" read as: 2,3,5, 7 and 8.

---

