P.A.C. No. 164

PUBLIC ACCOUNTS COMMITTEE (1967-68)

ELEVENTH REPORT

(FOURTH LOK SABHA)

"NEW SERVICE"/"NEW INSTRUMENTS OF SERVICE"

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

April, 1968/Vaisakha, 1890 (Saka)

Price : Re. 0.55 P.

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Page	Para	Line	For	Read
v	3	6 .	held cn	held on 11th March, 1968,
	1,20	13	exhibi ed	exhibited
	1,76	1-3	"The....... Ministries/ Departments".	The.......... Ministries/ Departments.
	1.83	1-4	"Provided... lakhs."	Provided......... lakhs.
18.	Footnote	2	fiive	five
22	1.108	1-3	"The....... years."	The............ years,
29	Col.4		"The....... Ministries/ Departments."	The.......... Ministries/ Departments.
31-32	Col.4		"Provided..... lakhs."	Provided....... lakhs.
32	Col.3	S.No.6	Posts and Telegraphs Department Ministry of Finance	Posts and Telegraphs Department/ Ministry of Finance
35	Col.4		"The....... years."	The............ years.

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PART II—MINUTES*

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(1967-68)

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Shri N. N. Mallya—*Joint Secretary.*
Shri Avtar Singh Rikhy—*Deputy Secretary.*
Shri R. M. Bhargava—*Under Secretary.*

*Declared elected on the 30th November, 1967 *vice* Shri Mohammed Yunus Saleem Ceased to be a Member of the Committee on his appointment as Deputy Minister.

**Ceased to be a Member of the Committee w.e.f. 1-4-1968.

INTRODUCTION

I, the Chairman of the Public Accounts Committee, do present on their behalf this Eleventh Report (Fourth Lok Sabha) on 'New Service'/'New Instruments of Service' arising out of certain appropriations brought out in the Appropriation Accounts (Civil) 1965-66.

2. The Appropriation Accounts (Civil) 1965-66 together with the Audit Report (Civil) 1967, was laid on the Table of the House on 7th April, 1967.

3. The Committee examined the Secretary, Ministry of Finance (Department of Economic Affairs) at their sitting held on 28th October, 1967 (AN) on these appropriations. The Committee also held two sittings on 18th March and 19th April, 1968 to take the evidence of the representatives of the Ministries of Finance and Defence and the Department of Defence Production. The Committee considered this Report at their sitting held on 8th April, 1968 and finally adopted this Report on 26th April, 1968. Minutes of the sitting of the Committee form Part II* of the Report.

4. A statement showing the summary of the main conclusions/recommendations of the Committee is appended to the Report (Appendix II). 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 assistance rendered to them in the examination of these appropriations by the Comptroller and Auditor General of India.

6. They would also like to express their thanks to the Officers of the Ministries of Finance and Defence and the Department of Defence Production for the cooperation extended by them in giving information to the Committee during the course of evidence.

NEW DELHI;
April 26, 1968
Vaisakha 6, 1890 (*Saka*)

M. R. MASANI,
Chairman
Public Accounts Committee.

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NEW SERVICE/NEW INSTRUMENTS OF SERVICE

MINISTRY OF FINANCE

Appropriation Accounts (Civil), 1965-66 :

1.1. Article 115(1) of the Constitution requires that "when a need has arisen during the current financial year for supplementary or additional expenditure upon some new service not contemplated in the Annual Financial Statement for that year", another statement showing the estimated amount of that expenditure should be laid before both the Houses of Parliament and necessary appropriation law got enacted in terms of Article 115(2). The term "New Service" has not been defined in the Constitution.

1.2. The following cases of substantial expenditure which were met by reappropriation under existing powers which do not require obtaining a specific vote of Parliament were brought to notice in the Appropriation Accounts (Civil) for 1965-66.

(i) *Grant No. 133, pages 142-143—Capital Outlay of the Ministry of Industry and Supply*:

1.3. Note 2 indicates that the original provision of Rs. 60 lakhs made under the group-head "A.2(2)-Purchase of Share of Heavy Engineering Corporation" was augmented by a further sum of Rs. 3.35 crores out of savings available within the grant.

1.4. During evidence, the Committee drew the attention of the Secretary, Ministry of Finance, to the fact that a sum of Rs. 3.35 crores out of the saving available in the grant had been utilised for the purchase of shares of the Heavy Engineering Corporation and pointed out that such a heavy investment should have either been brought before Parliament before making the investment or, if reasons of emergency necessitated it, it should have been reported to Parliament as soon as possible after the event. The Secretary, Ministry of Finance, stated that the authorised capital of the Heavy Engineering Corporation that was placed before Parliament in the earlier Budget was Rs. 100 crores. The capital that had been issued by the Corporation was of the order of Rs. 85 crores.

The witness stated : "here was a case where there was no excess over authorised capital nor an excess of 25% over the paid-up capital nor even any change in the investment programme. It was a somewhat faster utilisation of the investment, as far as I can judge,........It is true that Rs. 3.35 crores is out of all proportion to 60 lakhs, but it is really an investment over number of years consecutively. Within the context of an authorised capital of 100 crores and an issued capital until then of 85 crores, I doubt whether this small investment is to be classified as new service or new instrument of service."

1.5. In reply to a question, the witness stated: "It is within the same scheme, which has been brought before and approved by Parliament, namely, within the authorised capital and authorised investment programme.... If it was some expansion even within the authorised capital something outside the original scope, I would certainly say it would be a new instrument of service. For instance, if the scheme was for a capacity to manufacture 60,000 tons of machinery and it is modified so that the capacity goes upto 70,000 tons, even within the authorised capital, I would say it is a new instrument of service, otherwise it would not really require to be brought before Parliament."

1.6. In reply to a further question, the witness stated: "We have to take the transaction as a whole to see whether there was substantial difference in the investment programme. The Ministry concerned should be asked to take that into account before they really consider reappropriations like that." The Committee desired to be furnished with a note on the following points:

(a) When was the sum of Rs. 3.35 crores out of the saving available in the Grant utilised for the purchase of shares of the Heavy Engineering Corporation?

(b) the date when the allocation was made;

(c) the date on which it was presented to Parliament; and

(d) how money to the tune of Rs. 3.35 crores was saved under the Grant.

1.7. The Ministry of Finance have stated as follows in their note:

"The sum of Rs. 3.35 crores was utilised on the following dates:—

Date	(Rs. in lakhs)
18.12.1965	150
15.1.1966	100
25.1.1966	85
	335

1.8. "The Revised estimates were framed during December, 1965—January, 1966. The formal reappropriation order was, however issued on the 26th March, 1966."

1.9. "The Ministries are empowered to re-appropriate funds under a grant within the sanctioned amount in accordance with the Delegation of Financial Powers Rules. The additional requirements were exhibited in the Revised Estimates for 1965-66 at the time of presenting the Budget Estimates for 1966-67 in February, 1966." In this connection, a reference is invited to Annexure XV-B at page 150, of the Explanatory Memorandum and page 51 of the Demands for Grants relating to the Ministry of Industry for 1966-67.

1.10. "The saving was mainly under the sub-head "Purchase of shares of Heavy Electricals (India) Ltd."

1.11. "A provision of Rs. 700 lakhs was made in the Budget for 1965-66 for release of funds to the Heavy Electricals (India) Ltd. in the form of share capital for meeting the capital expenditure. This provision was made in the expectation that during the year the subscribed capital of the Company would be reduced consequent on the accounting adjustment in respect of the transfer of the assets of the Heavy Electricals Equipment Plant at Hardwar, Heavy Power Equipment Plant at Hyderabad and the High Pressure Boiler Plant at Tiruchi, to the Bharat Heavy Electricals Ltd. It transpired during the year, however, that the reduction in the capital was a complicated process and it was, therefore, decided that the transfer of assets should be effected by reducing the loans advanced to the Heavy Electricals. The share capital of the Company, was therefore, not increased as any further provision of share capital to it would have resulted in the authorised capital being exceeded. As however funds had to be made available to the Company this was done in the form of loan and this change was exhibited in the Revised Estimate for 1965-66 *vide* in this connection pages 79 and 150 of the Explanatory Memorandum and page 73 of the Demands for Grants of the Ministry for 1966-67."

(ii) *Grant No.* 138.—*Page* 171—*Capital Outlay of the Ministry of Petroleum and Chemicals* :

1.12. Note 2 indicates that an amount of Rs. 3.45 crores out of the savings was re-appropriated to Group—head "A.1(10)" and utilised for the purchase of shares of Fertiliser Corporation of India. No provision therefore had been made in the Budget.

1.13. The Committee asked the Ministry of Finance to furnish a note explaining why the specific approval of Parliament was not obtained before making an investment of Rs. 3.45 crores in the Fertiliser Corporation of India as there was no such provision in the original estimate. In their note, the Ministry of Finance have stated as follows :—

1.14. "A provision of Rs. 900 lakhs for giving loans to the Fertilizer Corporation of India was made in the Budget for 1965-66 after taking into account the likely internal resources of the Corporation and anticipated expenditure on projects under construction. It became however necessary during the year to provide additional funds to the Corporation due mainly to :—

(i) delay in the commissioning of Trombay Project leading to less internal resources;

(ii) increase in the cost of Trombay Project;

(iii) lesser internal resources from Sindri Unit than anticipated; and

(iv) increased expenditure on Gorakhpur Project than what was anticipated at the time of preparation of Budget Estimates.

1.15. "As a result, additional funds amounting to Rs. 695 lakhs were provided to the Corporation—Rs. 350 lakhs as loans and Rs. 345 lakhs as equity. This was exhibited in the Revised Estimates for 1965-66 at the time of presenting the Budget Estimates for 1966-67. In this connection, a reference is invited to pages 14 and 43 of the Demands for Grants of the Ministry of Petroleum and Chemicals and page 151 of the Explanatory Memorandum for 1966-67."

1.16. "As the additional funds were provided for projects under construction and as the expenditure did not exceed the total project estimates, the limitation of 'New Service'—which refers to expenditure on a service not contemplated in the Annual Financial Statement—was not attracted. Further as savings were available within the sanctioned grant, it was not necessary to obtain the specific approval of Parliament (through Supplementary Demands) before incurring the additional expenditure."

1.17. The Committee had desired to be furnished with a note as to why the specific approval of Parliament was not obtained in the following cases where loans of substantial amounts were advanced to certain Corporations/private companies, even though there was either no provision for grant of loans in the original budget estimates or the additional funds were much in excess of those provided for in the original estimates :

Ministry	Name of the Institution	Original B. E.	Actual Expenditure
			(Rupees in crores)
Commerce	(i) India United Mills.	Nil	1.12
	(ii) Minerals & Metals Trading Corporation Limited.	Nil	1.00
Mines & Metals	(iii) Orissa Mining Corporation.	Nil	1.85
	(iv) National Mineral Development Corporation.	3.69	5.81
	(v) National Coal Development Corporation.	9.25	14.18
Petroleum and Chemicals	(vi) Fertiliser Corporation of India.	9.00	12.50

1.18. The Ministry of Finance have explained the position in respect of each case in a written note which is reproduced below :—

(i) *India United Mills*

1.19. The India United Mills Ltd., Bombay, which is the biggest composite textile mill in the Country and which was facing a critical financial condition in September-October, 1965, was taken over by the Government of India with effect from 1-12-1965 after an Investigating Committee appointed under section 15 of the Industries (D&R) Act had made a recommendation to this effect. Thereupon, the Government of India and the Government of Maharashtra assumed joint financial responsibility for running the Mill on a 50 : 50 basis and in view of the immediate financial requirement of the Mill, loans to the extent of Rs. 75 lakhs and Rs. 37 lakhs were sanctioned as Government of India's share on 5-12-1965 and 6-1-1966 respectively. As this was a post-budget decision, no provision therefor could be made in the original Budget. However, the requirement of Rs. 1.12 crores was exhibited in the Revised Estimates for 1965-66 *vide* in this connection page 80 of the Explanatory Memorandum and page 340 of Part III of the Demands for Grants of the Ministry of Finance for 1966-67.

(ii) *Minerals and Metals Trading Corporation Ltd.*

1.20. A short-term advance of Rs. 1 crore had to be made to the Minerals and Metals Trading Corporation (M.M.T.C.) in March, 1966 in order to enable it to make payment to the National Minerals Development Corporation (N.M.D.C.) for the iron ore supplied by the latter for export. This became necessary because of the retrospective revision of the basis on which the M.M.T.C. had to pay for the iron ore supplied by the N.M.D.C., resulting in M.M.T.C. having to make a substantial payment to the N.M.D.C. The M.M.T.C. could not find necessary resources for this purpose and the Government, therefore, gave a ways and means advance to the Corporation. As this was a post-Budget decision, no provision therefor was included in the Budget Estimates for 1965-66 but the amount was found from within the savings available in the grant. This could not also be exhibited in the Revised Estimates for 1965-66 which were presented before the decision was taken.

(iii) *Orissa Mining Corporation*

1.21. The Orissa Government had asked for a loan of Rs. 2.75 crores to meet the requirements of the Orissa Mining Corporation an undertaking of the State Government, for financing a part of the cost of the Daitari Iron Ore Project. This request was considered and it was decided in October, 1965, that assistance amounting to Rs. 2.66 crores may be given directly to the Corporation rather than through the State Government. This meant that instead of meeting the requirement out of the 'charged' provision it had to be found out of the 'voted' provision in the Budget. The Corporation actually asked for funds to the extent of Rs. 1.85 crores only during 1965-66 and this was found by re-appropriation of savings within the grant, no specific provision having been made as this was a post-Budget decision.

(iv) *National Mineral Development Corporation*

1.22. A provision of Rs. 3.09 crores was made in the Budget Estimates, 1965-66 for grant of loans to the N.M.D.C. The amount, however, fell short of the requirements mainly due to the following post-budget developments :—

(i) certain modifications to the crushing plant and additional plant were found necessary to arrest the generation of excessive fines in Kiriburu;

(ii) equipment for Bailadila Project, which was not available on deferred payment terms as anticipated, had to be obtained from other sources;

(iii) plant and machinery for Khetri Project, for which commitments were made earlier, materialised for payment in that year;

(iv) expenditure had to be incurred on pipes and other stores and consultancy and patent fees for Khetri Project; and

(v) feasibility studies were undertaken.

As savings were available within the sanctioned Grant to cover the additional requirements of Rs. 2.72 crores, these were provided by re-appropriation.

(v) *National Coal Development Corporation*

1.23. A provision of Rs. 9.25 crores was made in the Budget Estimates for 1965-66 for grant of loans to the above Corporation. In view, however, of the increased requirements of the Corporation mainly due to the following post-Budget developments, the above provision had to be augmented by grant of additional loans :—

(a) Foreign payments for coking coal collieries of the Corporation under development;

(b) payments to contractors for supply and erection of machinery for Swang and meeting of expenditure on the Corporation's washeries; and

(c) increased expenditure on prospecting and boring including arrear payment to the Geological Survey of India and Indian Bureau of Mines and for drilling work done by them.

(vi) *Fertilizer Corporation of India*

1.24. The position has been explained earlier (Please see paras 1.13 to 1.16 pages 3-4.

'General'.

1.25. The loan to India United Mills was in pursuance of the provisions of the Industries (D&R) Act and did not involve any new policy as such since there have been other cases where Government have appointed authorised controllers to take over textile mills in financial difficulties.

1.26. The loan to Mineral and Metals Trading Corporation was a purely short-term advance necessitated by the fact that it could not obtain working capital from the bank and this also did not involve a new policy decision.

1.27. The loans in other cases were necessitated by post-budget developments but these did not arise out of any new policy decisions.

1.28. Further, in respect of cases at (iii) to (vi) above, the additional requirements were also duly exhibited in the Revised Estimates *vide* pages 147 of the Demands for Grants of the Ministry of Finance for 1966-67 and pages 79 and 150-151 of the Explanatory Memorandum for 1966-67.

1.29. Moreover, the grant of loans and advances has hitherto not been deemed to attract the concept of either 'New Service' or 'New Instrument of Service' (for reasons explained in the note furnished in respect of the point marked "General")* and therefore, the question of obtaining specific vote of Parliament for grant of loans in the above cases did not arise in view of the fact that these could be met from savings available within the grant and except in the case of item (ii) were also exhibited in the Revised Estimates for the year.

1.30. The Committee enquired whether there should not be some limit beyond which the sanction of Parliament should be obtained or in cases of urgency the *post facto* approval of Parliament should be obtained where a fresh investment was made or where a fresh loan of substantial amount was given. The Secretary, Ministry of Finance, stated : "I would say that where it is a substantial loan in relation to the capital such as I believe, was given to the Fertiliser Corporation, it would perhaps be a case for bringing to the notice of Parliament at the earliest opportunity and taking their approval, if necessary. Where it is only a question of ways and means advance, as is the case in regard to the Minerals and Metals Trading Corporation, I do not think the same procedure should be followed. The Minerals and Metals Trading Corporation has a very large turnover and a small ways and means advance mean very little. Where it would be a substantial investment programme not included in the Budget and proposed later, I think it should come before Parliament."

1.31. When the Committee pointed out that the Comptroller and Auditor General of India had suggested to the Ministry of Finance as far back as 1964 that the question of limits beyond which loans and investments made without the sanction of Parliament should be placed before the Public Accounts Committee, the witness stated "I understand that on loans the Finance Ministry had expressed the view that there may not be a general case at all to bring the issue before Parliament. I am modifying that

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*Please see pages 6 & 7.

view......As a first step in this direction, I will consult the Comptroller & Auditor General of India."

1.32. In a note furnished on 23rd December, 1967 at the instance of the Committee, the Ministry of Finance have stated as under:

1.33. "The Constitution [Article 115(1)(a)] requires that 'when a need has arisen during the current financial year for supplementary or additional expenditure upon some new service not contemplated in the Annual Financial Statement for that year', another statement showing the estimated amount of that expenditure should be laid before both the Houses of Parliament and necessary Appropriation Law got enacted in terms of Article 115(2) *ibid.* The term 'new service' has not been defined nor is it practicable to do so and its scope has therefore been left to be decided by the evolution of a body of case law on the basis of decisions taken in the light of the views expressed by Audit and the Public Accounts Committee. Broadly, however, expenditure arising out of a new policy decision (not brought to Parliament's notice earlier) including a new activity or a new form of investment, is regarded as an item of 'new service'. Similarly, relatively large expenditure arising out of an important extension of an existing activity is treated as a 'new instrument of service' which is a slight variant of the term 'new service', even if the activity is contemplated in the Annual Financial Statement. Thus, the setting up of a new Government company is treated as a 'new service' and new works undertaken during the course of the year and costing more than Rs. 25 lakhs each in the case of Civil and P. & T. Department (Rs. 2 crores for Railway works) are treated as 'new instrument of service', expenditure on which is to be incurred after obtaining Parliamentary approval or in cases of urgency after obtaining an advance from the Contingency Fund. Setting up of Commissions and Committees of Enquiry are also treated as 'new instruments of service' if the expenditure involved is likely to exceed Rs. 2 lakhs."

1.34. "Investments in Government companies, where made for the first time are, as mentioned earlier, treated as items of 'new service'. Additional investments for which provision can be found by re-appropriation, have not however so far been treated as 'new instruments of service', so long as the authorised capital, which would have been brought to the notice of Parliament through the Budget documents, is not exceeded. Similarly, the concept of 'new service' or 'new instrument of service' has not so far been deemed to be attracted in the case of loans as these are recoverable, interest also being recovered thereon, and if at any time it becomes necessary either to forgo interest or write off loans, the matter is brought before Parliament for specific approval. In order however that new investments, additional investments by re-appropriation and new or additional loans by re-appropriation are brought to Parliament's notice, it is proposed, after consultation with the Comptroller & Auditor General, to observe the following procedure in future :—

I. PUBLIC SECTOR UNDERTAKINGS :

1.35. (a) The following cases will be treated as involving 'new service'/'new instrument of service' :—

(i) Setting up of new Government companies, splitting up of an existing Government company or amalgamation of two Government companies, and the taking up of a new activity by an existing Government company or a departmental undertaking.

(ii) Additional investments exceeding Rs. 2 crores or 50% of the budget provision, whichever is less, to finance an expansion scheme of a Government company or a departmental undertaking.

1.36. (b) The following cases will be reported to Parliament along with the ensuing batch of Supplementary Demands :—

(i) Additional investments in Government Companies or departmental undertakings, exceeding Rs. 1 crore or 50% of the budget provision, whichever is less; and

(ii) additional loans to Government Companies, exceeding Rs. 2 crores or 50% of the budget provision whichever is less, and loans exceeding Rs. 1 crore where there is no budget provision.

II. PRIVATE SECTOR COMPANIES/PRIVATE INSTITUTIONS :

1.37. The following cases will be treated as involving 'new service'/'new instrument of service' :—

(i) Investments in private sector companies to be made for the first time;

(ii) Additional investments in private sector companies exceeding Rs. 1 crore or 50% of the budget provision, whichever is less; and additional investments exceeding Rs. 25 lakhs where there is no budget provision;

(iii) Additional loans exceeding Rs. 2 crores or 50% of the budget provision, whichever is less; and

(iv) Loans to private sector companies/private institutions exceeding Rs. 50 lakhs where there is no budget provision;

Provided that loans exceeding Rs. 25 lakhs will be reported to Parliament along with the ensuing batch of Supplementary Demands.

III. GRANT-IN-AID TO PRIVATE INSTITUTIONS :

1.38. The following cases will be treated as involving 'new instrument of service' :—

(i) Additional grants-in-aid exceeding Rs. 10 lakhs or 50% of the budget provision, whichever is less; and

(ii) Grants-in-aid to institutions not mentioned in the budget documents, where the amount exceeds Rs. 10 lakhs in individual cases.

IV. OTHER CASES :

1.39. (a) The present limit for treating expenditure on new Commissions or Committees of Enquiry, *viz.*, Rs. 2 lakhs is somewhat low. This will be increased to Rs. 4 lakhs.

1.40. (b) Other cases of government expenditure (*i.e.*, other than works expenditure for which limits have already been prescribed) cannot be classified under well-defined categories and it would be difficult to lay down any definite criterion or a guiding limit for treating any individual case as a 'new service' or a 'new instrument of service'. The general instructions that expenditure arising out of new policy decisions or new activities should be treated as 'new service' and expenditure on important extensions of existing activities as 'new instruments of service' will continue to be observed, each case being considered on merits.

1.41. The above arrangements are proposed to be given effect to from 1st April, 1968, and will be reviewed after three years."

1.42. The Committee also took evidence of the representatives of the Ministry of Finance on 18th March, 1968.* The Ministry of Finance have also furnished a Memorandum on 22nd March, 1968 which *inter alia* states :—

I. PUBLIC SECTOR UNDERTAKINGS :

1.43. "Cases of additional investments or loans to an existing undertaking for purposes of expansion and those for other purposes must be distinguished. While an expansion scheme could be deemed to be an important extension of an existing activity or, in some cases, even a new activity and therefore a 'new service'/'new instrument of service' additional investments/loans to finance an existing company even when there is no expansion scheme—such cases arise when there is a shortfall in internal resources or there is an accelerated activity due to quicker receipt of stores, equipment, etc.—should not be deemed to be a 'new service'/'new instrument of service'."

*Please see Minutes for 18th March, 1968. One cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library.

1.44. "................ it should be appropriate not to treat an additional investment/loan given for purposes other than for expansion, *e.g.* because of shortfall in internal resources etc. as attracting the limitation of 'new service'/'new instrument of service'. If however the Committee feel that additional investments/loans even for such purposes should be brought before Parliament in the form of Supplementary Grants because of the amounts involved, the limit should be sufficiently high so as to avoid too many supplementary demands. A limit of Rs. 5 crores without any alternative limit with reference to the Budget provision is suggested for this purpose. Reappropriations of more than Rs. 2 crores and less than Rs. 5 crores will be reported to Parliament."

1.45. "Loans have hitherto invariably been treated on a slightly different footing and not brought within the limitation of 'new service' etc. for reasons explained in the earlier note. However, in the case of public sector undertakings, funds even for expansion schemes are to some extent provided in the form of loans. In the circumstances, there is no objection if the same limit is prescribed for additional investments/loans to public sector undertakings to finance an expansion scheme in order to bring them within the scope of the term 'new service'/'new instrument of service'."

1.46. "A limit of Rs. 2 crores was suggested in the earlier note for treating an item of expenditure as 'new service'/'new instrument of service' in order to avoid a large number of supplementary grants and/or advances from the Contingency Fund. It was felt that cases involving more than Rs. 1 crore but less than Rs. 2 crores—and met out of savings—would be reported to Parliament. If however the Committee consider that the limit should be lowered, Finance Ministry would agree to the limit which was suggested *viz.* Rs. 1 crore. At the same time, since the limit is being lowered, the alternative limit of 50 per cent of the Budget provision, for treating an item of expenditure as 'new service'/'new instrument of service' could be dispensed with. It seems also unnecessary to report any cases of reappropriations of lesser amounts to Parliament."

II. Private Sector Companies :

1.47. "The earlier proposal was based on the limit proposed in the case of public sector undertakings. If the limit is to be lowered to Rs. 1 crore in the latter case, Finance Ministry would agree to a limit of Rs. 50 lakhs for additional investments in a private sector company and for loans to a company, for treating such expenditure as involving 'new instrument of service'. Simultaneously, the alternative limit of 50 per cent of the Budget provision could be dispensed with."

1.48. "Cases of additional investments exceeding Rs. 25 lakhs but less than Rs. 50 lakhs, as also loans exceeding Rs. 25 lakhs but less than Rs. 50 lakhs will be reported to Parliament."

III. GRANTS-IN-AID TO PRIVATE INSTITUTIONS :

1.49. "The Committee's suggestion that a distinction be drawn between recurring and non-recurring grants has been considered. It is not always practicable nor will it be desirable to indicate that a grant is intended to be recurring. In any case even where it is known that a grant is likely to be recurring the amount involved may not be the same in all the years. Subject to this limitation, Finance Ministry would have no objection to a grant to a private institution not mentioned in the budget documents/additional grant to an institution mentioned in the budget documents, exceeding in each case Rs. 10 lakhs where it is likely to be non-recurring and Rs. 5 lakhs where it is definitely known to be recurring, being treated as a 'new service'/'new instrument of service'. There need not also be any alternative limit with reference to the budget provision."

1.50. "Where at the time a grant is agreed to be provided, it is known definitely that it will be a recurring grant, every attempt will be made to give a suitable indication in regard to the period for which it is to be given, in the budget documents."

1.51. "The limits proposed above will apply in the case of each institution receiving grants from any one Ministry. Cases of institutions receiving grants from more than one Ministry will be rare. In any case, grants are purpose-wise and it is the purpose which should matter and not the institution. An institution may have various types of activities, medical, educational, charitable etc. and grants can be given differently by different Ministries for these purposes and on the merits of each case. Moreover it will be extremely difficult to keep track centrally of grants of small amounts going to individual institutions. It is therefore proposed that no further restrictions in regard to cases of institutions receiving grants from more than one Ministry be placed."

IV. SUBSIDIES

1.52. "The various types of subsidies in force at present are :

(a) Food subsidies

(b) Fertiliser subsidies

(c) Export subsidies

(d) Subsidies to cover concession in the rate of interest on loans.

1.53. The position regarding each is explained below :

1.54. (a) and (b) The food and fertiliser transactions are routed through two State Trading Schemes.

1.55. There is already a procedure under which the trading loss in respect of foodgrains is written off to revenue over a period of years, provision for the purpose being made in the Revenue Budget. The extent of subsidies is also specifically indicated in the Explanatory Memorandum.

1.56. As regards the fertiliser transactions, the loss in 1966-67 resulting from devaluation and non-adjustment of sale-price is largely covered by the accumulated profits in earlier years and the balance will be written-off when final figures are available. There is now no subsidy in respect of the pool fertilisers. There are certain subsidies in respect of non-pool fertilisers etc. for which provision is specifically made in the Revenue Budget.

1.57. It will not be practicable to provide that sale-price of foodgrains and fertilisers and therefore the subsidies, if any, should be varied only after obtaining a Supplementary Grant.

1.58. (c) The provision for export subsidies is made in the Commerce Ministry's Demands under the head 'Marketing Development Fund'. The various types of subsidies are broadly indicated in the Budget documents, but it will neither be practicable nor desirable to provide that the subsidies—whether individual commodities eligible for subsidies and rates of subsidies—should be varied only after obtaining a Supplementary Grant.

1.59. (d) Interest concessions *e.g.* interest-free loans or loans at concessional rates, are, according to existing instructions, required to be covered by a subsidy provision in the Budget under the relevant Demands for Grants. Necessary provision is made accordingly in the Budget.

1.60. (e) It might be added that where an altogether new or novel grant or subsidy is proposed, the question whether the limitation of new service is attracted or not will be specifically examined and action taken accordingly."

1.61. "A list of new schemes included in the Budget will in future be shown in a separate section in the Book of Demands of each Ministry."

1.62. "The comprehensive instructions to be issued in regard to the expenditure to be treated as 'new service'/'new instrument of service' will include the earlier decisions relating to works expenditure etc. subject to the change in the limit already proposed—as also transfer or gift of Government assets and write-off of loans exceeding Rs. 1 lakh. These instructions will apply to expenditure of Civil Departments *i.e.* Departments other than Railways, Defence and P. & T."

1.63. "The changes in the scope/limits of expenditure to be treated as 'new service'/'new instrument of service' will mean that the entire expenditure in such cases will have to be covered by an advance from the Contingency Fund where such expenditure cannot wait till the Supplementary Grant has been obtained. The present corpus of the Contingency Fund *viz.* Rs. 15 crores including the requirements of the Railways is therefore likely to prove insufficient. It will consequently become necessary to increase the corpus of fund to at least Rs. 30 crores. This will need amendment of the Contingency Fund of India Act, 1951".

1.64. The Committee are broadly in accord with the views of Government enunciated in the note dated 23-12-1967. The Committee consider that expenditure arising out of a policy decision, not brought to Parliament's notice earlier, including a new activity or a new form of investment should be regarded as an item of "New Service". Similarly, substantial expenditure arising from an important extension of an existing activity should be treated as a "New Instrument of Service." All cases of "New Service" and "New Instrument of Service" should be brought specifically to the notice of Parliament.

1.65. As regards the specific proposals of Government regarding investments/loans to Public Sector Undertakings, Private Sector Companies/Private Institutions, Grants-in-aid to Private Institutions, the Committee's views are set out below :—

1.66. The Committee agree with Government's proposal that the setting up of a new Government Company or the splitting up of an existing Government Company or the amalgamation of two or more Government Companies or the taking up of a new activity by an existing Government Company or a Departmental Undertaking or new investments in Private Sector Companies to be made for the first time should be treated as involving a 'New Service'/'New Instrument of Service' requiring Parliament's prior approval.

1.67. The Committee consider that the monetary limits proposed by Government for additional investments in or loans to a Government Company/Departmental Undertaking and Private Companies/Private Institutions are, however, on the high side. The Committee recommend that budgetary provisions for Public Sector Undertakings and Private Sector Companies/Private Institutions should be on the lines indicated below :—

I. PUBLIC SECTOR UNDERTAKINGS

1.68. (a) The following cases should be treated as involving 'New Service'/'New Instrument of Service' :

(i) Setting up of new Government Companies, splitting up of an existing Government Company or amalgamation of two or more Government Companies, and the taking up of a new activity by an existing Government Company or a Departmental Undertaking.

(ii) Additional investments in an existing Departmental Undertaking of Rs. 1 crore and above or 50% of the budget provision, whichever is less.

(iii) Additional investments in or loans to finance an existing Government Company subject to the limits shown below :—

Limit of Additional Investments or Loans

Undertakings with paid-up capital upto Rs. 1 crore.	Rs. 10 lakhs and above or 50% of the budget provision, whichever is less.
Undertakings with paid-up-capital of more than Rs. 1 crore but less than Rs. 25 crores.	Rs. 1 crore and above or 50% of the budget provision, whichever is less.
Undertakings with paid-up capital of Rs. 25 crores and above.	Rs. 5 crores and above or 50% of the budget provision, whichever is less.

1.69. (b) The following cases should be reported to Parliament along with the ensuing batch of Supplementary Demands :—

(i) Additional investments in a Departmental Undertaking of Rs. 50 lakhs and above or 50% of the budget provision, whichever is less.

(ii) Additional investments in or loans to finance an existing Government Company subject to the limits shown below :—

Limit of Additional Investments or Loans

Undertakings with paid-up capital upto Rs. 1 crore.	Rs. 5 lakhs and above or 50% of the budget provision, whichever is less.
Undertakings with paid-up capital of more than Rs. 1 crore but less than Rs. 25 crores.	Rs. 50 lakhs and above or 50% of the budget provision, whichever is less.
Undertakings with paid-up capital of Rs. 25 crores and above.	Rs. 2.5 crores and above or 50% of the budget provision, whichever is less.

1.70. (c) Loans upto Rs. 10 lakhs may be given to an existing Government Company in cases where there is no budget provision.

II. PRIVATE SECTOR COMPANIES/PRIVATE INSTITUTIONS :

1.71. (a) The following cases should be treated as involving 'New Service'/'New Instrument of Service' :

(i) Investments in private sector companies to be made for the first time.

(ii) Additional investments in or loans to an existing Private Sector Company/Private Institution of Rs. 1 crore and above or 50% of the Budget Provision, whichever is less.

1.72. (b) The following cases should be reported to Parliament along with the ensuing batch of Supplementary Demands:

> **Additional investments in or loans to an existing Private Sector Company/Private Institution exceeding Rs. 50 lakhs but less than Rs. 1 crore or 50% of the Budget Provision, whichever is less.**

1.73. (c) Loans upto Rs. 5 lakhs may be given to a Private Sector Company or a Private Institution in cases where there is no budget provision.

> **Explanation :—Cases of additional investment in or loans to an existing private Companies/Private Institution exceeding Rs. 50 lakhs but less than Rs. 1 crore would fall under II(b) while cases of Rs. 1 crore and above would fall under II(a) (ii).**

III. GRANTS-IN-AID TO PRIVATE INSTITUTIONS :

1.74. The Committee consider that a distinction should be drawn between non-recurring and recurring grants given to a private institution. While the limit for non-recurring grants may remain at Rs. 10 lakhs as proposed, for recurring grants it may be fixed at Rs. 5 lakhs.

1.75. In addition, Government should indicate specifically in the papers submitted to Parliament the financial implications of a recurring grant exceeding Rs. 5 lakhs per annum where the commitment, direct or implied, is for two years or more.

1.76. "The limit for non-recurring and recurring grant-in-aid to a private institution should apply in the case of moneys disbursed by Government as a whole rather than by individual Ministries/Departments."

IV. SUBSIDIES

1.77. There is no mention of subsidies in the original proposals drawn up by Government, though in the subsequent note they have mentioned subsidies. The Committee also find that Government do not in all cases indicate the extent and quantum of subsidy in the Budget Demands presented to Parliament. To cite an instance, the Demands for the Ministry of Food & Agriculture only indicate the expenditure incurred on the purchase of foodgrains and fertilisers, but the losses resulting from the difference in the sale and cost price of foodgrains and fertilisers which are largely covered by subsidies are not specifically indicated against any major head in the Demands for Grants.

1.78. The Committee consider that, as subsidies reflect in monetary terms the result of some of the important policy decisions of Government or contractual obligations entered into by them, it is proper that the specific approval of Parliament to the grant of subsidies, overt or covert, should be taken.

1.79. The Committee accordingly recommend that a subsidy should be shown as a separate sub-head under each relevant Demand supported by adequate details regarding the extent of subsidy on each commodity and the reasons for it in the Explanatory Memorandum so that Parliament is made fully cognisant of the extent and quantum of the subsidy being voted upon and the reasons for it.

1.80. It is noticed that at present the entire provision for export promotion schemes is being shown under one sub-head: Export Promotion & Marketing Scheme. A lump sum provision of Rs. 40 crores under this Sub-head has been made in the Budget for 1968-69. The explanatory note appended to the Demand states that this amount of Rs. 40 crores is to be utilised on the following major items:

Cash assistance for exportable commodities;

Market Research;

Export Publicity;

Participation in Trade Fairs and Exhibitions;

Trade Delegations and Study Teams;

Grants-in-aid to Export Oriented Organisations;

Foreign Offices; and Research and Product Development Schemes etc.

1.81. The explanatory memorandum, however, does not indicate how much would be specifically spent on each of the major items. The Committee feel that, in the interest of effective Parliamentary control, this lump sum provision should be broken down into its major constituent schemes and shown specifically under each detailed head in the Demand with suitable explanatory notes.

1.82. An additional subsidy exceeding Rs. 10 lakhs or 50% of the Budget Provision, whichever is less, should be treated as a 'New Instrument of Service' requiring Parliament's approval.

1.83. "Provided that in the case of a scheme for the purchase of foodgrains and for export subsidies (under each detailed head) through the Marketing Development Fund, the limit of Rs. 25 lakhs each would apply in place of Rs. 10 lakhs."

1.84. The Committee also desire that the statements showing the financial results of State Trading in foodgrains should be incorporated along with adequate details in the explanatory note to the relevant Demand for Grants. The statement should *inter-alia* show the Quantity and Value Accounts and the Gross Profit and Loss position in respect of major foodgrains for the previous year as also the cumulative profit/loss on different foodgrains. It should also indicate the average cost price and sale price in order to bring out clearly the amount of the subsidy. The average cost price should show details such as actual price paid to the indigenous producer and the country

from which the foodgrains is imported administrative expenditure, freight, incidental and other charges, losses in transit handling and storage.

V. OTHER CASES

1.85. The Committee agree with Government's proposals.

VI. POSTS & TELEGRAPHS

1.86. The general principles enunciated above should be made applicable to Posts & Telegraphs Department also.

VII. DEFENCE

1.87. The Committee also desired the principles enunciated above regarding 'New Service'/'New Instruments of Service' to be made applicable to the Ministry of Defence. The representatives of the Ministry of Defence and the Department of Defence Production appeared before the Committee on 19th April, 1968.*

1.88. The Committee desired to know whether the general principles enunciated by the Ministry of Finance with reference to 'New Service'/'New Instrument of Service' should be made applicable to the Ministry of Defence. The Secretary, Department of Defence Production stated: "As far as the Ordnance Factories are concerned, the procedure that has been followed is that because of security considerations we do not report to Parliament in detail, but that we do make a report to the Auditor General and my recommendation is that this procedure should continue to be followed in the case of Defence factories. In public sector undertakings this may continue to be followed for such factories as are employed on what is called classified work like the HAL and BEL factories. In the case of other public sector undertakings it should be possible to give necessary coverage as far as secret work is concerned in making a report to Parliament."

1.89. Asked if the general principles should be applied to the Ministry of Defence provided they are given certain latitudes in the description of the details regarding 'New Instrument of Service' which could be given in rather broad terms, the Secretary, Deptt. of Defence Production, stated: "That should be possible." Asked if it would meet the needs of the Defence Production, the Secretary, Deptt. of Defence Production stated: "Yes".

1.90. The Committee asked the views of the representatives of the Ministry of Defence regarding the treatment of non-recurring grants-in-aid in excess of Rs. 10 lakhs and recurring grants-in-aid in excess of Rs. 5 lakhs as new Instrument of Service. The Secretary, Department of Defence Production stated: "In today's context it is reasonable but in the case of R. & D. when we go into more sophisticated spheres specially in the field of electronics we may have to give higher grants and some of these

*Please see Minutes for 19th April, 1968. One cyclostyled copy laid on the Table of the House and fiive copies placed in Parliament Library.

may well be in the classified sphere." The Additional Secretary, Ministry of Defence stated: "There are grants made to cantonment boards to meet their deficits but they are generally provided in the budget."

1.91. The Committee were also informed by the Additional Secretary, Ministry of Defence, that they did not generally give subsidies from the Ministry of Defence. The Secretary, Department of Defence Production stated: "Even in the Deptt. of Defence Production we do not give subsidies except for import substitution and that too for the first production."

1.92. The Secretary, Ministry of Finance stated: "Sir, I am happy to see the readiness with which my two colleagues feel that they can work out a formulation which will give Parliament the necessary information while retaining for them the flexibility of operations. Actually, Sir, we ourselves would like the budgeting to be done in more detail so that shifting of funds from one programme or work to another is subject to public control. But frankly, I am not quite sure as to how the mechanics of this change is going to work out."

1.93. The Secretary, Ministry of Finance further stated: "With regard to their public sector undertakings where even now certain details are being furnished, I think, it should be possible for them to come into more or less same kind of discipline which is accepted on the civil side. I would submit that in order to keep the work within manageable limits, even in respect of new service perhaps a small area of discretion might be left otherwise the task of presentation will become so voluminous that it may be felt that all this information has not been worthwhile."

1.94. "With regard to the Defence Ministry proper—as I have already said there is no question of over-emphasising the security consideration with the Parliament—I really do not know whether they can so readily fall in line with what is being suggested on the civil side." "......I feel, Sir, we might be given a little more time so that we can really fulfil the basic purpose which is in view and without jeopardising the flexibility of actoin and also keeping within the constraint of not bringing out all information."

1.95. The Committee welcome the readiness shown by the Ministry of Defence and the Department of Defence Production to fall in line with the other Ministries of the Government of India in agreeing to obtain the prior approval of Parliament for investments in or loans to a departmental undertaking/Government Company/Public Undertaking or Private Company or grants-in-aid for private institutions and subsidies subject to the condition that Government should be free to decide in each case the extent to which information could be given in the budget papers consistently with consideration of security.

1.96. As regards new works, the Committee drew attention of the representatives of the Ministry of Defence and Defence Production to the recommendations made by the Committee in the 10th Report (Third Lok Sabha) in respect of Civil Ministries. The Committee desired to know whether the Ministry of Defence/Defence Production would now fall in line with the other Ministries so that prior approval of Parliament was taken for all new works costing Rs. 25 lakhs and above.

1.97. The Additional Secretary, Ministry of Defence stated: "As far as I am concerned, Sir, I would say that provided it does not interfere with the interests of the security we could fall in line in broad terms."

The Secretary, Department of Defence Production stated, ".......... that in the case of Defence factories it may not be possible to indicate the purpose of the Civil Works for the same consideration as the purpose for installation of machinery because after all the Civil Works are related to 'installation of plant and machinery' which is related to a specific item of manufacture or specific capacity for manufacture of a weapon or ammunition". The Secretary, Ministry of Finance added "We are taking note of this point and will see to what extent and for what type of construction works one could give the information".

1.98. The Committee are glad that the representatives of the Ministry of Defence have agreed to fall in line with the guidelines laid down for new works by the Committee in respect of Civil Ministries in their Tenth Report (3rd Lok Sabha). The Committee expect Government to give effect to these recommendations subject to the considerations of security referred to in para...1.95.

VIII. RAILWAYS

1.99. The Ministry of Railways were informed that the Committee propose to extend the principles enunciated above in respect of Civil Ministries to the Railways. The Memorandum received from the Ministry of Railways is reproduced at Appendix I.

1.100. The Committee have observed in para 6.1 of their 22nd Report (Fourth Lok Sabha) on the Third Five Year Plan of the Railways that "the planning of railway transport during the Third Plan period was unrealistic in that it was not closely related to actual requirements. Against an estimated increase of 93 million tonnes in the level of goods traffic during the Third Plan period, the actual increase was only of 47 million tonnes representing a shortfall of about 50 per cent. On the other hand, the financial out-lay for the Third Plan turned out to be Rs. 1,686 crores, representing an increase of 27 per cent over the investment of Rs. 1,325 crores contemplated in the Plan." The Committee came to the conclusion that: "With all this heavy investment the capital-at-large of the Railways increased from Rs. 1,521 crores to Rs. 2,680 crores, representing an increase of 76 per cent during the Third Five Year Plan period. The over-capitalisation of the Railways during the period has not only effected their financial working but unnecessarily distorted the budget and burdened the tax payer. It has also disturbed the entire pattern of investment and development of the economy in that scarce resources including valuable foreign exchange were blocked in rail programmes which could otherwise have been put to more productive use."

1.101. The Committee would also like to draw attention to para 2.16 of the aforesaid Report wherein the Committee have expressed regret that "in the case of as many as 16 works including twelve works of doubling of tracks costing Rs. 27.03 crores, the capacity actually utilised in 1965-66 was less than the capacity available before the works were undertaken. The Committee strongly deprecate the tendency of the Railways to go in for works, including doubling of track, without critically examining their economies. The Committee would like the Railways to review the Works Programme, particularly for works to increase the capacity and doubling of track, in the light of experience gained during the Third Plan so as to minimise what would otherwise be infructuous expenditure."

1.102. The Committee are of the view that a time has come when the monetary limit for new works laid down by the Committee in paras 1 to 3 of their 10 Report (Third Lok Sabha) for all Ministries should be made applicable to Railways. This means that the prior approval of Parliament should be obtained for undertaking new works costing Rs. 25 lakhs or more.

1.103. As regards investments in and loans to public and private sector undertakings, and the subsidies and grant-in-aid, the general principles enunciated by the Committee in paras 1.68 to 1.84 should apply to the Ministry of Railways also.

IX. CONCLUSION

1.104. The Committee suggest that in order to make the instructions comprehensive, the recommendations made by the Public Accounts Committee earlier in their 10th Report (Third Lok Sabha) and accepted by Government about execution of new works only after obtaining Parliament's approval should be suitably incorporated with instructions to be issued.

1.105. Similarly, Government should also incorporate the instructions issued by them in 1958*, in pursuance of the recommendations made by the Committee in para 80 of their 15th Report (First Lok Sabha), that the transfer of a gift of Government assets of a value exceeding Rs. 1 lakh to private parties/institutions etc. should made only after such cases are specifically brought to the notice of Parliament.

1.106. The Committee find that in the Demands for Grants for Ministries (1968-69), New Services which are being included in the Budget for the first time as also schemes envisaging substantial expansion are not mentioned in one place for facility of reference. The Committee suggest that

*Ministry of Finance O.M. No. F. 2(92) B-58, dated 23rd December, 1958.

Government may add a section in the Book of Demands for Grants for each Ministry indicating the details of all schemes which come within the purview of 'New Services'/New Instruments of Service' so that these can receive the special attention of Parliament.

1.107. The Committee would like to be furnished early with a copy of the comprehensive instructions issued in the matter in consultation with the Comptroller & Auditor General.

1.108. "The Committee suggest that the above arrangements may be given effect to from the current financial year and its working may be reviewed in the light of the experience gained after about three years."

NEW DELHI
April 26, 1968
Vaisakha 6, 1890 (*Saka*)

M. R. MASANI

Chairman,
Public Accounts Committee.

APPENDIX I

(Ref. para 1.99 of this Report)

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS

(RAILWAY BOARD)

No. 68-B-4141-New Service *New Delhi, dated 16th April, 1968.*

MEMORANDUM

SUB :—*Limits for 'New Service'/'New Instruments of Service'.*

REF. :— *Lok Sabha Secretariat O.M. No. 2/1/8/67/PAC of 10th April,* 1968.

The various proposals contained in the Ministry of Finance Memorandum dated 22-3-1968 relate to investments in and loans to public and private sector undertakings and grants-in-aid and subsidies. The Ministry of Railways agree to the limits proposed by the Ministry of Finance in respect of the public and private undertakings such as the State Road Transport Corporations and privately owned railways. There are hardly any cases of substantial grants-in-aid on the railways. There is, however, no objection to the limits proposed by the Ministry of Finance being applied to us. As regards subsidies, these are allowed in terms of the Government's contracts with privately owned railways and are exhibited separately in Annexure 'B' to Demand No. 3 of the Demands for Grants of this Ministry. There is, as such, no need to prescribe any monetary limit in this behalf.

2. So far as the works expenditure of the Ministry of Railways is concerned, in respect of items of 'New Service', such as construction of new lines and purchase of railway lines, prior approval and vote of Parliament or advances from the Contingency Fund of India are obtained irrespective of the amount of expenditure involved. The question of the monetary limit of each work up to which the Ministry of Railways should have the power to reappropriate the funds available within a sanctioned grant arises only in the case of works, like line capacity works and remodelling of yards to meet increased demands for transport, which fall in the category of 'New Instruments of Service'. This matter was considered in detail by the Public Accounts Committee in 1962-63 in their Tenth Report (Third Lok Sabha) and the Committee recommended that the limit of such works should be Rs. 2 crores for each work provided that these works do not constitute a new

form of service. The relevant recommendation of the Committee as contained in para 6 of the Report is reproduced below for ready reference—

> "The Committee concur in the proposal of the Ministry of Railways that it should have the power to reappropriate funds available within a sanctioned grant to works estimated to cost not more than Rs. 2 crores each, provided that they do not constitute, a new form of service. They also recommend that a list of non-budgeted new works costing more than Rs. 25 lakhs each should also be placed before Parliament. The Committee would like to make it clear that these powers of reappropriation to incur expenditure on non-budgeted works costing more than Rs. 25 lakhs each should be exercised by the Ministry of Railways only for undertaking new works, which might become necessary to meet the urgent demands of transport."

3. The above referred limit of Rs. 2 crores was agreed to by the Committee in the case of the Railways, as against the limit of Rs. 25 lakhs for similar works for the P&T and other departments also agreed by the Committee in the same report, on account of the special requirements of the railways, briefly indicated below :—

(i) the capital cost of the railway works in a year is several times more than that of the P&T and other departments individually;

(ii) the changing needs of transport require undertaking of many new works in the course of the year;

(iii) the works undertaken by the railway are very costly as even small bits of line capacity works like doubling or yard remodellings etc. require heavy expenditure; and

(iv) all works estimated to cost more than Rs. 20 lakhs each are invariably approved by the Minister of Railways, ever since the former Parliamentary Standing Committee for Finance was abolished.

These considerations prevail even now.

4. In respect of the expenditure on surveys for new lines, the existing procedure which has been evolved in consultation with the Comptroller and Auditor General of India is that the surveys, the estimated cost of which is over Rs. One lakh each only are treated as requiring Parliamentary approval.

5. The Ministry of Railways are of the view that the existing monetary limits in respect of 'New Instruments of Service' and 'Surveys' should be continued in respect of the works on the railways.

Sd/- K. V. KASTURI RANGAN

Additional Member, Finance, Railway Board.

The Lok Sabha Secretariat,
New Delhi.

APPENDIX II

Summary of main conclusions/recommendations

S. No.	Para No. of Report	Ministry/Department concerned	Conclusions/Recommendations
1	2	3	4
1.	1.64	Ministry of Finance All Ministries	The Committee are broadly in accord with the views of Government enunciated in the note dated 23-12-1967. The Committee consider that expenditure arising out of a policy decision, not brought to Parliament's notice earlier, including a new activity or a new form of investment should be regarded as an item of "New Service". Similarly, substantial expenditure arising from an important extension of an existing activity should be treated as a "New Instrument of Service." All cases of "New Service" and "New Instrument of Service" should be brought specifically to the notice of Parliament.
	1.65	—Do—	As regards the specific proposals of Government regarding investments/loans to Public Sector Undertakings, Private Sector Companies/Private Insti-

1	2	3	4
			tutions, Grants-in-aid to Private Institutions, the Committee's views are set out below :—
	1.66	—Do—	The Committee agree with Government's proposal that the setting up of a new Government Company or the splitting up of an existing Government Company or the amalgamation of two or more Government Companies or the taking up of a new activity by an existing Government Company or a Departmental Undertaking or new investments in Private Sector Companies to be made for the first time should be treated as involving a 'New Service'/ 'New Instrument of Service' requiring Parliament's prior approval.
2.	1.67	—Do—	The Committee consider that the monetary limits proposed by Government for additional investments in or loans to a Government Company/ Departmental Undertaking and Private Companies/Private Institutions are, however, on the high side. The Committee recommend that budgetary provisions for Public Sector Undertakings and Private Sector Companies/ Private Institutions should be on the lines indicated below :—
	1.68	—Do—	I. *Public Sector Undertakings* (a) The following cases should be treated as involving 'New Service'/ 'New Instrument of Service'; (i) Setting up of new Government Companies, splitting up of an existing Government Company or amalgamation of two or more

Government Companies, and the taking up of a new activity by an existing Government Company or a Departmental Undertaking.

(ii) *Additional investments in an existing Departmental Undertaking of Rs. 1 crore and above or 50% of the budget provision whichever is less.*

(iii) *Additional investments in or loans to finance an existing Government Company subject to the limits shown below :—*

	Limit of Additional Investments or Loans
Undertakings with paid-up-capital upto Rs. 1 crore.	*Rs. 10 lakhs and above or 50% of the budget provision, whichever is less.*
Undertakings with paid-up-capital of more than Rs. 1 crore but less than Rs. 25 crores.	*Rs. 1 crore and above or 50% of the budget provision whichever is less.*
Undertakings with paid-up-capital of Rs. 25 crores and above.	*Rs. 5 crores and above or 50% of the budget provision, whichever is less.*

1.69 **Ministry of Finance**
All Ministries

(b) The following cases should be reported to Parliament along with the ensuing batch of Supplementary Demands :—

(i) ***Additional investments in a Departmental Undertaking of Rs. 50 lakhs and above or 50% of the budget provision, whichever is less.***

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			(ii) *Additional investments in or loans to finance an existing Government Company subject to the limits shown below :—*

Limits of Additional Investments or Loans

Undertakings with paid-up-capital upto Rs. 1 crore.	*Rs. 5 lakhs and above or 50% of the budget provision, whichever is less.*
Undertakings with paid-up-capital of more than Rs. 1 crore but less than Rs. 25 crores.	*Rs. 50 lakhs and above or 50% of the budget provision whichever is less.*
Undertakings with paid-up-capital of Rs. 25 crores and above.	*Rs. 2.5 crores and above or 50% of the budget provision, whichever is less.*

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	1.70	—Do—	(c) *Loans upto Rs. 10 lakhs may be given to an existing Government Company in cases where there is no budget provision.*
	1.71	—Do—	II. *Private Sector Companies/Private Institutions* : (a) The following cases should be treated as involving 'New Services/New Instrument of Service' : (i) Investment in private sector companies to be made for the first time. (ii) Additional investments in or loans to an existing Private Sector Company/Private Institution of *Rs.* 1 *crore* and above or 50% of the Budget Provision whichever is less.

	1.72	Ministry of Finance All Ministries	(b) The following cases should be reported to Parliament along with the ensuing batch of Supplementary Demands : Additional investments in or loans to an existing Private Sector Company/Private Institution exceeding *Rs.* 50 *lakhs* but less than *Rs.* 1 *crore* or 50% of the Budget Provision, whichever is less.
	1.73	—Do—	(c) *Loans upto Rs. 5 lakhs may be given to a Private Sector Company or a Private Institution in cases where there is no budget provision.* *Explanation* :— Cases of additional investment in or loans to an existing Private Companies/Private Institution exceeding *Rs.* 50 *lakhs* but less than *Rs.* 1 *crore* would fall under II(b) while cases of *Rs.* 1 *crore* and above would fall under II(a)(ii).
3.	1.74	—Do—	III. *Grants-in-aid to Private Institutions* The Committee consider that a distinction should be drawn between non-recurring and recurring grants given to a private institution. While the limit for non-recurring grants may remain at Rs. 10 lakhs as proposed, for recurring grants it may be fixed at Rs. 5 lakhs.
	1.75	—Do—	In addition, Government should indicate specifically in the papers submitted to Parliament the financial implications of a recurring grant exceeding Rs. 5 lakhs *per annum* where the commitment, direct or implied, is for two years or more.
	1.76	—Do—	"The limit for non-recurring and recurring grants-in-aid to a private institution should apply in the case of moneys disbursed by Government as a whole rather than by individual Ministries/Departments."

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4.	1.77	Ministry of Finance Ministry of Food, Agriculture, Community Development and Cooperation Ministry of Commerce All Ministries	IV. *Subsidies* There is no mention of subsidies in the original proposals drawn up by Government, *though in the subsequent note they have mentioned subsidies.* The Committee also find that Government do not in all cases indicate the extent and quantum of subsidy in the Budget Demands presented to Parliament. To cite an instance, the Demands for the Ministry of Food & Agriculture only indicate the expenditure incurred on the purchase of food-grants and fertilisers, but the losses resulting from the difference in the sale and cost price of foodgrains and fertilisers which are largely covered by subsidies are not specifically indicated against any major head in the Demands for Grants.
	1.78	—Do—	The Committee consider that, as subsidies reflect in monetary terms the result of some of the important policy decisions of Government or contractual obligations entered into by them, it is proper that the specific approval of Parliament to the grant of subsidies, overt or covert, should be taken.
	1.79	—Do—	The Committee accordingly recommend that a subsidy should be shown as a separate sub-head under each relevant Demand supported by adequate details regarding the extent of subsidy on each commodity and the reasons for it in the Explanatory Memorandum so that Parliament is made fully cognisant of the extent and quantum of the subsidy being voted upon and the reasons for it.
	1.80	—Do—	*It is noticed that at present the entire provision for export promotion schemes is being shown under one sub-head : Export Promotion & Marketing Scheme. A lump sum provision of Rs.* 40 *crores under this Sub-head*

		has been made in the Budget for 1968-69. The explanatory note appended to the Demand states that this amount of Rs. 40 crores is to be utilised on the following major items : *Cash assistance for exportable commodities;* *Market Research;* *Export Publicity;* *Participation in Trade Fairs and Exhibitions;* *Trade Delegations and Study Teams;* *Grants-in-aid to Export Oriented Organisations;* *Foreign Offices; and* *Research and Product Development Schemes etc.*
1.81	Ministry of Finance Ministry of Food, Agriculture, Community Development and Cooperation Ministry of Commerce All Ministries	*The explanatory memorandum, however, does not indicate how much would be specifically spent on each of these major items. The Committee feel that, in the interest of effective Parliamentary control, this lump sum provision should be broken down into its major constituent schemes and shown specifically under each detailed head in the Demand with suitable explanatory notes.*
1.82	—Do—	An additional subsidy exceeding Rs. 10 lakhs or 50% of the Budget Provision, whichever is less, should be treated as a 'New Instrument of Service' requiring Parliament's approval.
1.83	—Do—	*"Provided that in the case of a scheme for the purchase of foodgrains and for export subsidies (under each detailed head) thorugh the Marketing Deve-*

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			lopment Fund, the limit of Rs. 25 lakhs each would apply in place of Rs. 10 lakhs."
	1.84	Ministry of Finance Ministry of Food, Agriculture, Community Development and Cooperation Ministry of Commerce All Ministries	*The Committee also desire that the statements showing the financial results of State Trading in foodgrains should be incorporated along with adequate details in the explanatory note to the relevant Demand for Grants. The Statement should* inter-alia *show the Quantity and Value Accounts and the Gross Profit and Loss position in respect of major foodgrains for the previous year as also the cumulative profit/loss on different foodgrains. It should also indicate the average cost price and sale price in order to bring out clearly the amount of the subsidy. The average cost price should show details such as actual price paid to the indigenous producer and the country from which the foodgrains is imported, administrative expenditure, freight, incidental and other charges, losses in transit handling and storage.*
5.	1.85	Ministry of Finance All Ministries	V. *Other Cases* The Committee agree with Governments' proposals.
6.	1.86	Posts and Telegraphs Department Ministry of Finance All Ministries	VI. *Posts & Telegraphs* The general principles enunciated above should be made applicable to Posts & Telegraphs Department also.
7.	1.95	Ministry of Defence Ministry of Finance All Ministries	VII. *Defence* The Committee welcome the readiness shown by the Ministry of Defence and the Department of Defence Production to fall in line with the other

			Ministries of the Government of India in agreeing to obtain the prior approval of Parliament for investments in or loans to a departmental undertaking/Government Company/Public Undertaking or Private Company or grants-in-aid for private institutions and subsidies subject to the condition that Government should be free to decide in each case the extent to which information could be given in the budget papers consistently with consideration of security.
	1.98	Ministry of Defence Ministry of Finance All Ministries	The Committee are glad that the representatives of the Ministry of Defence have agreed to fall in line with the guidelines laid down for new works by the Committee in respect of Civil Ministries in their Tenth Report (3rd Lok Sabha). The Committee expect Government to give effect to these recommendations subject to the considerations of security referred to in Para 1.95.
			VIII. *Railways*
8.	1.102	Ministry of Railways (Railway Board) Ministry of Finance All Ministries	The Committee are of the view that a time has come when the monetary limit for new works laid down by the Committee in paras 1 to 3 of their 10 Report (Third Lok Sabha) for all Ministries should be made applicable to Railways. This means that the prior approval of Parliament should be obtained for undertaking new works costing Rs. 25 lakhs or more.
	1.103	—Do—	As regards investments in and loans to public and private sector undertakings, and the subsidies and grant-in-aid, the general principles enunciated by the Committee in paras 1.68 to 1.84 should apply to the Ministry of Railways also.

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			IX. *Conclusion*
9.	1.104	Ministry of Finance All Ministries	The Committee suggest that in order to make the instructions comprehensive, the recommendations made by the Public Accounts Committee earlier in their 10th Report (Third Lok Sabha) and accepted by Government about execution of new works only after obtaining Parliament's approval should be suitably incorporated *with instructions to be issued.*
	1.105	—Do—	Similarly, Government should also incorporate the instructions issued by them in 1958*, in pursuance of the recommendations made by the Committee in para 80 of their 15th Report (First Lok Sabha), that the transfer of a gift of Government assets of a value exceeding Rs. 1 lakh to private parties/institutions etc. should made only after such cases are specifically brought to the notice of Parliament.
	1.106	—Do—	The Committee find that in the Demands for Grants for Ministries (1968-69), New Services which are being included in the Budget for the first time as also schemes envisaging substantial expansion are not mentioned in one place for facility of reference. The Committee suggest that Government may add a section in the Book of Demands for Grants for each Ministry indicating the details of all schemes which come within the purview of 'New

*Ministry of Finance O.M. No. F. 2(92) B-58, dated 23rd December, 1958.

		Services/New Instruments of Service' so that these can receive the special attention of Parliament.
1.107	Ministry of Finance / All Ministries	The Committee would like to be furnished early with a copy of the comprehensive instructions issued in the matter in consultation with the Comptroller & Auditor General.
1.108	—Do—	*"The Committee suggest that the above arrangements may be given effect to from the current financial year and its working may be reviewed in the light of the experience gained after about three years."*.

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