

COMMITTEE ON PUBLIC UNDERTAKINGS
(THIRD LOK SABHA)

THIRTY-SECOND REPORT

Action taken by Government on the recommendations contained
in the Forty-ninth Report of the Estimates Committee
(Third Lok Sabha)

STATE TRADING CORPORATION OF INDIA LTD.
(MINISTRY OF COMMERCE)



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COMMITTEE ON PUBLIC UNDERTAKINGS
(THIRD LOK SABHA)

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Shri H. G. Paranjpe—*Under Secretary.*

Appointed as Chairman w.e.f. 24-1-66 *vice* Shri Panampilli Govinda Menon ceased to be a member of the Committee on his appointment as Minister.

**Elected w.e.f. 23-2-1966 in the vacancies caused by appointment of Shri Panampilli Govinda Menon as Minister.

Elected with effect from 7-8-66 in the vacancy caused by the demise of Shri S. V. Ramaswamy. Shri S. V. Ramaswamy was elected w.e.f. 23-2-66 in the vacancy caused by the resignation of Shri Harish Chandra Mathur.

***Elected w.e.f. 7-5-66 on the retirement of Shri Lokanath Mishra from Rajya Sabha on 2-4-1966.

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‡Elected w.e.f. 18-5-66 in the vacancy caused on the resignation of Shri M.N. Govindan Nair on 6-5-66.

@Elected w.e.f. 18-5-66 in the vacancy caused on the resignation of Shri M. Govinda Reddy. on 6-5-66.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings, having been authorised by the Committee to submit the Report on their behalf, present this Thirty-second Report on the action taken by Government on the recommendations contained in the Forty-ninth Report of the Estimates Committee (Third Lok Sabha) on the State Trading Corporation of India Ltd.

2. The Forty-ninth Report of the Estimates Committee was presented to the Lok Sabha on the 26th March, 1964. Government furnished their replies indicating the action taken on the recommendations contained in that Report on the 27th August, 23rd September, and 31st December, 1965. As the Public Undertakings are now to be examined by the Committee, the replies of Government to the recommendations made by the Estimates Committee in the aforesaid Report have been considered by this Committee. The Draft Report was adopted by this Committee on the 23rd August, 1966.

3. The Report has been divided into the following four chapters:—

- I. Recommendations that have been accepted by Government.
- II. Recommendations which the Committee do not desire to pursue in view of Government's reply.
- III. Recommendations in respect of which replies of Government have not been accepted by the Committee.
- IV. Recommendation in respect of which final reply has not been received from the Government.

4. An analysis of the action taken by Government on the recommendations contained in this Report of the Estimates Committee is given in Appendix V. It would be observed therefrom that out of 51 recommendations made in the Report 62.7 per cent have been accepted by Government and the Committee do not desire to pursue 27.4 per cent of the recommendations in view of the Government's reply. Replies of Government in respect of 7.8 per cent of the recommendations have not been accepted by the Committee.

NEW DELHI;

D. N. TIWARY
Chairman,

Committee on Public Undertakings.

September 2, 1966
Bhadra 11, 1888 (Saka)

CHAPTER I

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 2)

The Committee feel that if import of any commodity is to be entrusted to State Trading Corporation, it should be by means of specific and direct instructions from Government. (*Paragraph 9*).

REPLY OF THE GOVERNMENT

Government accept the recommendation.

[*Ministry of Commerce O.M. No. 24/11/64-ST, dated the 27th August, 1965*].

Recommendation (Serial No. 3)

The Corporation's share of the country's foreign trade amounts to 4.8 per cent only which can by no means be considered significant. The Committee are, therefore, unable to appreciate the allegation that the operations of the Corporation have prejudicially affected the opportunities of the private traders. (*Paragraphs 22-23*).

REPLY OF THE GOVERNMENT

The Government agree with the Committee's conclusion.

[*Ministry of Commerce O.M. No. 24/12/64-ST, dated the 27th August, 1965*].

Recommendation (Serial No. 4)

The Corporation has now been functioning for nearly eight years and has gained sufficient experience in trading practices. The Committee, therefore, feel that a larger share of the Corporation's total turn-over should not be in the form of direct trade.

REPLY OF THE GOVERNMENT

Government accept the recommendation. The Corporation will be advised suitably.

[*Ministry of Commerce O.M. No. 24/13/64-ST, dated the 27th August, 1965*].

Recommendation (Serial No. 5)

The Committee note that the Corporation's efforts have facilitated exports by private traders. They, however, feel that after creating a climate for exports, the Corporation should not have passed on the entire benefit to the private traders, but should have undertaken at least a part of the export on its own. (Paragraph 29).

REPLY OF THE GOVERNMENT

Direct exports by the STC/MMTC are neither always advantageous nor always feasible. Where bulk purchases and bulk handling are involved or long term contracts are to be entered into, it may be advantageous for the Corporation to undertake direct exports. Exports on barter basis are usually handled by private parties who make arrangements themselves with foreign buyers. Whenever it is possible for the STC to handle exports, with advantage, directly, they will do so. From the beginning of 1965 the MMTC handle all export of manganese ore under barter directly because of the possibility of bulk purchase of the ore internally and bulk handling for export. Recently the export of manganese ore, bauxite, ferro-manganese and ferro-manganese slag has been canalised through the M.M.T.C.

[Ministry of Commerce O.M. No. 24/14/64-ST, dated the 27th August, 1965].

Recommendation (Serial No. 6)

As the Corporation was responsible for introducing new items of export, the Committee feel that proper record should have been kept of new items whose export was developed by it. They hope that this will be done in future. (Paragraph 30).

REPLY OF THE GOVERNMENT

Government have taken note of the recommendation and will instruct the Corporation accordingly.

[Ministry of Commerce O.M. No. 24/15/64-ST, dated the 27th August, 1965].

Recommendation (Serial No. 7)

The Committee are not unaware of the difficulties in exploring new markets for exports or developing new lines of exports in the face of keen international competition. Nevertheless they feel that the efforts of the Corporation in this direction have not been quite satisfactory particularly its direct exports to the new markets. The

Committee therefore, urge that the Corporation should make more energetic and concerted efforts in this regard and keep a close watch on the progress made from time to time. (Paragraph 34).

REPLY OF THE GOVERNMENT

Government take note of the recommendation. The Corporation is being suitably advised.

[*Ministry of Commerce O.M. No. 24/16/64-ST, dated the 27th August, 1965*].

Recommendation (Serial No. 8)

The Committee are not aware if any study has been made of the commodities in which the exports to East European countries have declined and the reasons therefor. Considering the foreign exchange position of the country and the imperative need for expanding exports, the Committee feel that the matter needs to be investigated with a view to evolving remedial measures immediately. (Paragraph 36).

REPLY OF THE GOVERNMENT

The country's trade with the East European Countries has been on the whole steadily increasing. Studies in respect of particular commodities in which STC's exports to the East European Countries have declined will be undertaken.

[*Ministry of Commerce O.M. No. 24/17/64-ST, dated the 27th August, 1965*].

Recommendation (Serial No. 9)

The Committee feel that in view of the anticipated rise in the world demand there is ample scope for the Corporation increasing exports of Iron Ore by capturing new markets and developing the existing ones. They trust that the Corporation will take energetic steps towards this end. (Paragraph 39).

REPLY OF THE GOVERNMENT

The recommendation is noted. The M.M.T.C. has taken and is taking further steps towards developing existing markets as also to capture new markets in West and East European Countries.

[*Ministry of Commerce O.M. No. 24/18/64-ST, dated the 27th August, 1965*].

Recommendation (Serial No. 11)

It is regrettable that timely action was not taken by Government and the trade to investigate the causes of decline of exports of manganese ore from the country and to remedy the position. The Estimates Committee welcome the setting up of a Committee though belated, for examining the various problems of Manganese Ore Export Trade. The Committee trust that in the light of the findings of proposed Committee, appropriate steps will be taken to boost the country's export of manganese ore. (Paragraph 48).

REPLY OF THE GOVERNMENT

The recommendation is noted.

The report of the Committee appointed to go into the question of manganese ore industry is expected to be submitted shortly.

[Ministry of Commerce O.M. No. 24/20/64-ST, dated the 27th August, 1965].

Recommendation (Serial No. 12)

Manganese Ore, like Iron Ore, is a commodity that lends itself, to bulk handling and long term contracting, like iron ore. The Committee, therefore, suggest that the question of canalisation of its exports wholly through State Trading Corporation may be re-examined. (Paragraph 49).

REPLY OF THE GOVERNMENT

The question of canalisation of the export of manganese ore through the M.M.T.C. was examined by Government and it has been decided to canalise the export of manganese ore with effect from 12th July, 1965 through M.M.T.C. except in respect of ores produced by the Manganese Ores (India) Ltd., (MOIL) for which MOIL can arrange sales to consumers abroad.

[Ministry of Commerce O.M. No. 24/70/64-ST, dated the 27th August, 1965].

Recommendation (Serial No. 16)

The Committee consider that the requirements of the European markets for terylene mixed woollen fabrics should be given priority and efforts should be made to meet them by expanding the production capacity and by making available sufficient quantity of terylene. At the same time possibility of finding new markets for the mixed fabric containing wool and cotton may be explored. (Paragraph 64).

REPLY OF THE GOVERNMENT

Government accepts the recommendation. The Corporation will be advised suitably.

[*Ministry of Commerce O.M. No. 24/43/64-ST, dated the 27th August, 1965*].

Recommendation (Serial No. 17)

The Committee trust that all efforts will be made not only to expand the existing markets but to explore new ones for the export of cotton textiles. It is of importance that high standards of quality and speed in the execution of orders are maintained and a study of the tastes and fashions of the market are made so as to ensure a steady stream of orders in future. It is also hoped that the increase of the exports of the Corporation will not be achieved by a diversion of the existing exports of this commodity. (*Paragraph 67*).

REPLY OF THE GOVERNMENT

Government take note of the recommendation. The Corporation is being advised suitably.

[*Ministry of Commerce O.M. No. 24/44/64-ST, dated the 27th August, 1965*].

Recommendation (Serial No. 19)

There may be a case for a Government Agency like State Trading Corporation stepping in to maintain the export even at a loss if there is an apprehension of a substantial decline in the export of any commodity which earns sizeable foreign exchange. It is to be expected that whenever a Government Agency enters the trade or any commodity to a sizeable extent, there would be a visible impact on the internal trade and on the prices of the commodity. It is, therefore, very necessary to exercise the greatest caution to ensure that the prices are not pushed up artificially which usually benefit the middlemen only. (*Paragraph 86*).

REPLY OF THE GOVERNMENT

Government take note of the recommendation and will advise the S.T.C. suitably.

[*Ministry of Commerce O.M. No. 24/50/64-ST, dated the 27th August, 1965*]

Recommendation (Serial No. 21)

The Committee further suggest that while entrusting to the Corporation the trade of commodities, in respect of which loss is anticipated, Government should assess and indicate clearly the extent of loss which is likely to arise from these transactions. However, if these measures are to be successful and to achieve the desired results, they should be planned well in advance and for a sufficiently long period. (*Paragraph 88*).

REPLY OF THE GOVERNMENT

It is not always possible to assess the exact amount of loss that would be involved. Wherever an assessment of losses is possible the Government would do so and would indicate to the Corporation the limit of loss within which trading operations are to be undertaken.

[*Ministry of Commerce O.M. No. 24/49/64-ST, dated 27th August, 1965*]

Recommendation (Serial No. 22)

In the case of deoiled linseed cake, in respect of which the rate of export subsidy and the exporters through whom the exports are to be effected are determined by Government and the losses are also ultimately reimbursed to the Corporation, the Committee see no advantage in routing such transactions through the State Trading Corporation. On the other hand, such a procedure obviously results in avoidable duplication of paper work. They, therefore, recommend that the feasibility of S. T. C. itself undertaking the exports or Government directly dealing with the exporters in such cases may be considered. (*Paragraph 89*).

REPLY OF THE GOVERNMENT

The export of deoiled linseed cake is now being undertaken by the trade direct and these transactions are no longer routed through S. T. C.

[*Ministry of Commerce O.M. No. 24/48/64-ST, dated 27th August, 1965*].

Recommendation (Serial No. 23)

While there may be scope for both the Export Houses and the Corporation to increase and diversify the country's exports the Committee consider that effective steps should be taken by Govern-

ment from the very beginning to ensure that there is utmost coordination between the Export Houses and the Corporation so that they are supplementary to each other and do not indulge in unhealthy competition in the international market. (Paragraph 91).

REPLY OF THE GOVERNMENT

Government have noted the recommendation.

[Ministry of Commerce O.M. No. 24/47/64-ST, dated 27th August, 1965.]

Recommendation (Serial No. 25)

It is clear that partial canalisation of imports through State Trading Corporation has not resulted in imparting stability to the ruling market, price or in bringing them down. In cases, where a commodity is partly imported by the Corporation and partly by the private traders and the same is not available in the market at the selling prices fixed by the Corporation, allegations of malpractices are likely to be made against the Corporation also. It is, therefore, necessary to ensure that these commodities are made available to the consumers at the fixed prices. For this purpose, the cooperation of other importers may be sought. If there is no improvement in the position and there are difficulties in enforcing fixed prices, the question of canalisation of such items wholly through the Corporation may be examined. (Paragraph 103).

REPLY OF THE GOVERNMENT

In the case of import of some scarce items which are handled both by the ST.C./M.M.T.C. and private trade, there is bound to be disparity between the ruling market prices and the Corporation's selling prices because of the activities of anti-social elements who take advantage of scarcity conditions.

2. Government take note of the recommendation of the Committee to canalise the import of such scarce items through the Corporations and will take action wherever it is necessary.

[Ministry of Commerce O.M. No. 24/37/64-ST, dated 27th August, 1965.]

Recommendation (Serial No. 26)

The Committee consider that in the interests of quick distribution, the Corporation should draw up a programme of distribution well in advance of the arrival of shipment and ask the distributors to hold themselves in readiness for receiving the goods and trans-

mitting them to the actual users. Such a step will result in considerable saving in time and it is likely that the whole process of issuing release order and effecting distribution may be completed within one month. It may also eliminate the chances of malpractices arising out of delay. Higher officers in the Corporation should exercise a strict check over the distributing machinery and in cases of delay or malpractice take prompt action to remedy the defects. (Paragraph 107).

REPLY OF THE GOVERNMENT

Government take note of the recommendation. The Corporation will be suitably advised.

[Ministry of Commerce O.M. No. 24/36/64-ST, dated 27th August, 1965.]

Recommendation (Serial No. 28)

The Committee trust that the procedure regarding taking of guarantee from agents for aftersales service will be implemented without delay and the Corporation will study other difficulties, if any, experienced by the actual users and take steps to remove them. (Paragraphs 115 and 116).

REPLY OF THE GOVERNMENT

The recommendation is noted. The Corporation will be asked to take necessary steps.

[Ministry of Commerce M. No. 24/51/64-ST, dated 27th August, 1965.]

Recommendation (Serial No. 30)

It appears to the Committee that the supervision exercised by the Corporation is not adequate as the benefit of the price fixed by State Trading Corporation does not reach the consumers. They, therefore, consider it appropriate that widest publicity should be given to the prices fixed by the Corporation and that vigilance should be exercised to see that the commodities are available to the consumer at those prices. (Paragraph 119).

REPLY OF THE GOVERNMENT

Government accept the recommendation. The Corporation will be suitably advised.

[Ministry of Commerce O.M. No. 24/34/64-ST, dated 27th August, 1965.]

Recommendation (Serial No. 34)

The Committee are glad to note that there has been steady increase in the business of Corporation under link|barter deals during the last three years. They trust that this trend will not only be maintained but improved. (*Paragraph 138*).

REPLY OF THE GOVERNMENT

Government take note of the recommendation.

[*Ministry of Commerce O.M. No. 24/33/64-ST, dated 27th August, 1965.*]

Recommendation (Serial No. 35)

Considering the importance of the E.A.S.I. scheme, the progress made by the Corporation is not significant. The Committee do not appreciate the delay in inspecting the units which applied for assistance. They hope that earnest efforts will be made by the Corporation to make the scheme a success by affording assistance speedily. It is also necessary that wide publicity is given to the Scheme and that difficulties, if any, in its implementation are examined and remedied, wherever possible. (*Paragraph 141*).

REPLY OF THE GOVERNMENT

The scheme is now being worked on a pilot basis for 3 years. A larger number of small industrial units could not be inspected due to lack of sufficient number of trained export-oriented officers suitable for this purpose. To remedy this deficiency, an export marketing course was recently conducted in which 28 officers from Small Industries Service Institutes and Directorates of Industries of various States and the S.T.C. were given three months' intensive training. These officers will now be utilised for inspecting and for affording on-the-spot assistance to those units who have applied for participation under the Scheme. They will also give wide publicity to the Scheme. As a result of certain steps recently taken, it is expected that the inspection work will now proceed on an accelerated basis. In the light of the experience gained in the working of the Scheme, steps are now being taken to make the Scheme more effective and to give it a wider coverage.

[*Ministry of Commerce O.M. No. 24/55/64-ST, dated the 27th August, 1965.*]

Recommendation (Serial No. 36)

The Committee consider that if the objective of helping the primary producer in getting a reasonable price is to be achieved, the first step is to ensure that a much larger number of primary producers are covered by the buffer stock operations of the Corporation. The Committee hope that the Corporation will take steps to set up the required number of centres to cover all jute growing areas. In this context the question of organising the primary producers into co-operatives should be given earnest attention. (*Paragraph 149*).

REPLY OF THE GOVERNMENT

The intention of the S.T.C. particularly in respect of the jute operations is to carry out such operations through the machinery of the Co-operatives. The actual organization of the Co-operatives who will operate in the rural areas is in the hands of the Co-operative Departments and State Apex Co-operative Societies of the respective States and the intention is to increase the number of such primary co-operatives and to expand the scope of the operations through such co-operatives so far as jute procurement is concerned. The process of this expansion has resulted in a network of Co-operatives with purchasing facilities at 386 Secondary and Primary markets. The observations of the Committee will be kept in mind for further expansion of facilities to primary producers.

[*Ministry of Commerce O.M. No. 24/56/64-ST. dated 27th August, 1965.*]

Recommendation (Serial No. 38)

The Committee regret to note that the Corporation has not yet assessed the extent of loss that is likely to be incurred on account of the buffer stock operations. They consider that an assessment of the likely loss should be made in the very beginning by Government so that they can keep a watch over the operations of the Corporation. The Committee have already pointed out in para 88 *ante* that in cases where transactions, involving loss, are entrusted to the Corporation, Government should indicate the estimated loss likely to be involved. They hope that suitable steps would be taken in this direction. (*Paragraph 154*).

REPLY OF THE GOVERNMENT

As far as it is possible to foresee conditions in respect of supplies of the commodities and their prevailing prices, the possible results of the buffer stock operations are assessed from time to time and appropriate steps are taken. The loss of Rs. 3.21 lakhs on Seedlac

indicated in the report was the result of the evaluation of stocks at the prevailing market prices in conformity with the commercial practices. These losses have, however, been since wiped out by releasing for export certain prescribed quotas at fixed prices reasonably related to the export prices.

So far as jute is concerned it was difficult to anticipate with any degree of accuracy the possible size of the operations to which will naturally be related the extent of the losses. While every effort will be made as far as possible to assess the results of any operations and in particular the possible losses beforehand, it is extremely difficult to estimate with any precision such possible losses, since numerous factors have a direct bearing on the losses such as the size of the operations, the conditions in which such stocks will have to be disposed of, the prices that will be prevailing at the time of the disposal and the period for which such stocks will have to be held. For instance, in regard to the 1963-64 operations an assessment was made that STC may have to purchase as much as 25 lakhs maunds or more, and initially arrangements were made for storage accommodation, personnel, etc. for handling, to begin with, at least 10 lakh maunds. However, due to various factors, including the presence of the STC's purchase organisation in the field ready to step in and make purchases at any time of any quantity if and when prices fell below the operational level, the prices of raw jute have actually ruled higher than the minimum operational prices and the quantum of purchases by the STC has therefore been less than 2 lakh maunds in all. Accordingly the per unit expenses on these operations are bound to be much higher than estimated earlier. It would thus be seen that it is difficult to make a realistic assessment beforehand in regard to the actual losses or expenses to be incurred on such buffer stock operations.

In regard to lemongrass oil the decision to organise buffer stock operations and the fixation of certain prices were made in the light of the prices that prevailed during the three preceding years. Due, however, to the resistance of the purchasers to any kind of regulatory control over the prices by the Government, which was fully taken advantage of by other sources of supply, such as Gautemala and China, and with the concentration of effort on production of synthetics, the international prices came down substantially and it became difficult to effect quick sales of the stocks procured from the producers. The whole question has been reviewed in context of the developments that have taken place, and while on the one hand it is expected that the accumulated stocks will be disposed of

though at some loss, so far as future operations are concerned the Committee's observations will be kept in view for compliance.

[Ministry of Commerce O. M. No. 24/58/64-ST, dated 27th August, 1965.]

Recommendation (Serial No. 39)

The Committee regret that the Director who worked for about 24 years in the Corporation did not submit his report on the assessment of staff requirements. It is rather surprising that the Board also did not insist on a report particularly when such an impression was given to the Committee in 1959-60. (Paragraph 156).

REPLY OF THE GOVERNMENT

The views of the Committee have been communicated to the S.T.C.

[Ministry of Commerce O. M. No. 24/32/64-ST, dated 27th August, 1965.]

Recommendation (Serial No. 41)

The assessment of staff requirements at various levels in the Corporation is of utmost and urgent importance. The Committee recommend that early action should be taken by the Corporation to undertake a study of methods of work in the organisation with a view to fixing norms and assessing staff requirements. They hope that this will be done at an early date. (Paragraph 161).

REPLY OF THE GOVERNMENT

Government take note of the recommendation and the Corporation is being advised suitably.

[Ministry of Commerce O. M. No. 24/29/65-ST, dated the 27th August, 1965.]

Recommendation (Serial No. 43)

The Committee appreciate that it may not be possible to fix a uniform ratio of staff to turnover in respect of all the Regional Offices but it is necessary that the Corporation devise some yardstick to relate the number of persons employed to the quantum of work in each office with a view to keep the expenditure to the minimum. The Committee hope that this will be done early. (Paragraph 166).

REPLY OF THE GOVERNMENT

Government take note of the recommendation. The Corporation will be advised accordingly.

[*Ministry of Commerce O. M. No. 24/31/64-ST, dated 27th August, 1965.*]

Recommendation (Serial No. 45)

The Committee consider that the Corporation has not given sufficient publicity to its activities and has not maintained liaison with the trade to the desired extent. It is clearly the duty of the Corporation not only to remove the impression of private traders that the Corporation is shy of informing them about its imports, sales and exports, but also to instil confidence in them and secure their co-operation. They hope that the Corporation would take suitable and effective measures in this direction.

The Committee feel that the need for an agency to conduct systematic publicity work should have been realised much earlier. (*Paragraphs 174 and 175*).

REPLY OF THE GOVERNMENT

The Corporation is aware of the importance of publicity. Information, however, in respect of the activities of the Corporation can only be released to the public in such cases where its disclosure would not adversely affect its position. It is not always possible to give information in respect of quantities sold, prices etc. as this is bound to have an effect on future negotiations. Subject to this limitation, information is released with a view to creating confidence in the trade and as means of informing the public of the activities of the Corporation. The Corporation maintains a Public Relations Cell which disseminates information and also liaises with the public and the trade to secure their co-operation.

The Corporation is a member of all the Export Promotion Councils relating to commodities with which it deals. However, in the light of the observations of the Estimates Committee the activities of Public Relations Cell are being intensified. The Corporation does organise periodical meetings with the trading community both with regard to import and export items handled by it. For instance, Non-ferrous Metals imported by the Corporation to meet the requirements of Small Scale Industrial Units in different States are now released in bulk to the various State Small Industries Corpora-

tions who in turn take into consideration various factors relating to installed capacity, availability of raw materials etc. fix quotas and release metals to various individual units directly. Periodical meetings with the State Directors of Industries to discuss matters relating to import and sale of non-ferrous metals are held by the Corporation. Similarly, Standing Committee of Iron Ore has been constituted representing all interests in the Iron Ore trade, periodical meetings of which take place. Also, senior officers of the Corporation, during their periodical visits to various business and production centres meet representatives of firms having dealings with the Corporation not only to exchange views on common problems but to understand each others point of view and thus establish sound business relationship.

[*Ministry of Commerce, O.M. No. 24/26/64-ST, dated the 27th August, 1965.*]

Recommendation (Serial No. 46)

In addition to publicising its proposed purchases, sales, selling prices fixed by it for various imported items, etc. the Corporation should also establish more frequent contacts with the trading community by organising periodical meetings with them at important business centres. Circular letters to representative trade associations to keep them informed of the Corporation's activities would also help. (*Paragraph 177*).

REPLY OF THE GOVERNMENT

Government take note of the recommendation. The Corporation will be advised accordingly.

[*Ministry of Commerce O.M. No. 24/25/64-ST, dated the 27th August, 1965.*]

Recommendation (Serial No. 48)

The Committee feel that it would be better if expenditure incurred on each item is shown separately in the Profit & Loss Account instead of adding them and showing them under the head 'Miscellaneous Expenses'. Some expenditure has been incurred in 1960-61 and 1961-62 on account of "adjustments of purchase and sale values" which has been shown under 'Miscellaneous Expenses'. As the detail furnished is not clear, the Committee suggest that in regard to such items, descriptive notes should be given in future. (*Paragraph 186*).

REPLY OF THE GOVERNMENT

Government accept the recommendation. The Corporation will be advised accordingly.

[*Ministry of Commerce, O.M. No. 24/38/64-ST, dated the 27th August, 1965*].

Recommendation (Serial No. 49)

The Committee consider that Government should fix a time limit for the presentation of the Annual reports by Public Undertakings and should ensure that it is adhered. (*Paragraph 49*).

REPLY OF THE GOVERNMENT

Under the Companies Act, the time limit fixed for closing the Annual accounts and presentation of the annual report to the shareholders is 6 months from the date of closing of the financial year. The Corporation adheres to this time limit. So far as the submission of annual report to Parliament is concerned, Government have instructed the Corporation in October 1964 that the annual reports containing duly audited accounts should be laid on the Table of both Houses of Parliament latest by November/December of the financial year following the financial year for which the Report pertains.

[*Ministry of Commerce, O.M. No. 24/39/64-St, dated the 27th August, 1965*].

FURTHER INFORMATION DESIRED BY THE COMMITTEE

A copy of the instructions stated to have been issued by Government regarding laying of Annual Reports on the Table of the House.

[*L.S.S. O.M. No. 25-Pu/65, dated the 15th November, 1965*].

FURTHER REPLY OF THE GOVERNMENT

A copy of letter No. 23/20/64-ST, dated the 31st October, 1964 together with enclosure is reproduced as Appendix I.

[*Ministry of Commerce, O.M. No. 24/10/64-ST, dated 31st December, 1965*].

Recommendation (Serial No. 51)

It is evident that proper statistics are not maintained by the Corporation and this has been partly responsible for the delay in furnishing the information to the Committee. The Committee are not happy that such a state of affairs has been allowed to grow. These disparities should have been detected by the Ministry and re-

conciled before being furnished to the Committee. They, therefore, recommend that immediate steps should be taken by the Government to streamline the procedure of maintaining records, so that such a situation does not arise in future. (*Paragraph 197*).

REPLY OF THE GOVERNMENT

Government take note of the recommendation. The Corporation will be advised suitably.

[*Ministry of Commerce, O.M. No. 24/41/65-ST, dated the 27th August, 1965*].

CHAPTER II

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

Recommendation (Serial No. 1)

The Committee agree with the observations of the Mudaliar Committee that there is a general misconception of the role and functions of the State Trading Corporation and they feel that there is room for clarifying them more specifically. The misconception is principally regarding the commodities the export or import of which would be undertaken by the Corporation or the directions in which its activities would increase in future. The apprehensions of trade, if they are to be allayed, would call for a clearer indication of the commodities which would be taken up by the Corporation as also the principles which would govern their selection. It would be desirable if at the time of entrusting any additional commodity to the Corporation for trade or increasing its activities in any direction, the reasons thereof are made known so that the position is fully appreciated by all concerned and there is no ground for unjustified criticism. It would also be helpful if the particular sub-clause of the Objects Clause under which any activity is entrusted to the Corporation is clearly indicated in all such cases. Government should also periodically review the effect of the Corporation's entry in the trade of various commodities so that the original purpose of such entry is constantly kept in view. —(Paragraph 16).

REPLY OF THE GOVERNMENT

While fully appreciating the views expressed by the Estimates Committee it will not be possible for practical reasons to regulate the Corporation's activities strictly in conformity with their recommendations. By the very nature of things foreign trade with which, by and large, the Corporation would be mainly concerned would involve numerous items which would be determined from time to time in the context of various circumstances as they develop and it will be extremely difficult if not impossible to give a prior indication of the commodities which would be taken up by the Corporation. Selection of particular commodities would be in conformity with the objectives and functions of the Corporation which have been laid down. It will not be possible to lay down any further set of principles which would

govern the selection of such commodities if effective action is to be taken to contain the trade situations that arise from time to time. In organising and undertaking trade generally with State Trading Countries as well as other countries in commodities which may be entrusted to the Corporation for such purposes by the Government from time to time it will be difficult before hand to specify the commodities to be handled without seriously weakening the bargaining position of the Corporation with various buyers and sellers in other countries. The main impact of the Corporation's activities is on those commodities in which by bulk handling and coordinated bargaining the country is able to buy (import) at lower and sell (export) at higher prices. Due publicity of its role and functions will be arranged by the Corporation from time to time.

Government accept the recommendation of the Committee that periodical review of the effect of the Corporation's entry in the trade of various commodities should be made.

[*Ministry of Commerce O.M. No. 24/10/64-ST. Dated 27th August, 65.*]

Recommendation (S. No. 10)

As Iron Ore is an important foreign exchange earner, the Committee cannot over-emphasise the need to reduce its cost of production so that the competitive strength of this commodity in the international market is not only retained but improved. They recommend that a study of the cost structure of this commodity should be undertaken immediately with a view to reducing the cost of production. At the same time, the desirability and the possibility of arriving at an understanding regarding price with other countries may be explored. (*Paragraph 41*).

REPLY OF THE GOVERNMENT

Government are fully conscious of the fact that to maintain and expand iron ore exports in a highly competitive world market, our own costs must be kept under control. As regards the foreign buyer, he is concerned with the end cost at which he can receive supplies from the various sources, and so we have to seek ways and means to reduce each important element contributing towards that end cost as far as Indian Ores are concerned.

Working backwards, the first such element is the sea-freight which in fact accounts for more than 1/3rd of the end cost; this in turn, depends not only on the length of the voyage but also on the size of

the ore carrier as well as the rate at which it can be loaded at the port of the supplying country. The size of the ore carrier depends on the draft available at the particular port. So far, our ports concerned with iron ore exports, are not capable of receiving ships of more than 15/20,000 D.W.T.—except in the case of Mormugao, where ships of somewhat larger size can be completed in outer waters through barges after being partly loaded within the harbour. However, some improvements have been effected and others are under way; such improvements have also to cover the other equally important factor of hourly loading rate.

The port at Vizag can now receive carriers upto 32,000 DWT and the first trial loading of a ship has just commenced through the mechanical loading plant which has a rated capacity of loading upto 2670 tonnes per hour. Next to be ready would be Paradip Port; it will at its first stage be capable of receiving 45,000 DWT carriers and load them at 2500 tonnes per hour. Madras has already got the necessary draft for receiving upto 35,000 DWT carriers; a new mechanical ore handling plant shall have, however, to be installed there. Similar improvement plans are at various stages of preparation in regard to the port of Mormugao and proposed satellite port of Haldia, and might also be a part of the Mangalore Port Project.

The next important item towards the end cost is the transport cost between the particular mining area and the particular loading port; except the road movement by an Express Highway contemplated for the present between the Daiteri mine and the Paradip Port (both projects under implementation), such transportation in all other major export projects is or will be by railway. So new railway links, or conversion of existing lines from MG to BG, are already under construction and some have been completed. For instance the extension of the BG line from Guntakal to Hospet on the Southern Railway has been completed and has already reduced the road load in certain cases by about 70 miles. Part of the same process is, wherever justified, the taking out of railway sidings to major mines from the nearest rail-head so as to reduce double handling of ore, apart from eliminating the more expensive road transport.

Lastly, every effort would be made at least to maintain the actual mining cost per tonne at the present level. That effort will be difficult, and so reduction in it well nigh impossible, because several elements enter into it—such as the minimum wage or other labour legislation, the amortisation cost of mechanised equipment, rising cost due to taxation of diesel fuel, lubricants etc. needed for mechanised equipment, and so on. However, it may be added, broadly our mining

costs as such are not out of line with comparable costs of our competitors; in the world market, real competition has in fact boiled down to economics of scale being achieved (through modernisation of facilities) in transport costs between mine and loading port and between loading port to destination.

However, all the three main elements in the end costs of our ore *vis-a-vis* foreign buyers will be kept under constant review with a view to achieving whatever economics that are possible. It would certainly be desirable, also, to reach a reasonable understanding regarding economic price with other competing suppliers; the possibility of doing so, however, would naturally depend on such an understanding being to the mutual interest of the parties concerned.

[Ministry of Commerce O.M. No. 24/19/64-ST, dated the 23rd Sept. 1965.]

Recommendation (Serial No. 13).

The Committee feel that since the cement agency surplus has been earned on an all India basis, its utilisation for the benefit of a few States is not a healthy practice. However, if it has been decided to use it to improve ore carrying roads, the proper course would have been to assess the requirements of funds for developing such roads in various States and then to make the funds available according to requirements, after the approval of Parliament. (*Paragraph 51*).

REPLY OF THE GOVERNMENT

The surplus in the cement agency account was paid back to Government and credited to the Consolidated Fund of India. The question of its distribution was examined carefully keeping in view the requirements of the country as a whole in consultation with the Ministries of Finance and Transport and the most appropriate schemes were selected for being financed from these funds. Grants-in-aid for the improvement of certain iron-ore carrying roads in the States of Mysore, Andhra Pradesh and Orissa were made because the main sources of supplies of iron ore are situated in these States and those roads would make some of the ports more accessible, thereby promoting exports and earning of foreign exchange. Besides, some money was also provided for adding certain new roads to the existing National Highway System. The new National Highways lie in the States of Madhya Pradesh, U.P., Rajasthan, Maharashtra and Mysore.

[Ministry of Commerce, O.M. No. 24/21/64-ST, dated 27th August, 1965].

Recommendation (Serial No. 14).

The Committee hope that there will be proper co-ordination between the railway authorities and the Corporation and that the carrying capacity by rail will be developed to fully match the requirements of movement of ores.— (Paragraph 53).

REPLY OF THE GOVERNMENT

The Government has now set up a high level committee to co-ordinate the developmental activities of the various Ministries and Departments which are concerned in the export of Iron, Ore, with Chairman, MMTC as its Chairman. The Committee will submit a monthly report to the Secretary's Committee and a quarterly report to the Cabinet.

[Ministry of Commerce O.M. No. 24/22/64-ST, dated the 27th August, 1965].

Recommendation (Serial No. 15)

The Committee recommended that the requirements of foreign exchange for building carrier vessels and its economics may be examined by Government and the same made available to the extent possible.— (Paragraph 60).

REPLY OF THE GOVERNMENT

The requirements of foreign exchange for building bulk carriers and its economics were examined by a Sub-Committee appointed by the Board of Trade at its meeting held on 1st December, 1962. The Sub-Committee has already submitted its report. The conclusions reached by the Sub-Committee are given at Appendix II.

The findings of the Sub-Committee have been accepted by the Ministry of Transport and necessary action is being taken by them to implement the recommendations as far as possible.

[Ministry of Commerce, O.M. No. 24/23/64-ST, dated 27th August, 1965].

Recommendation (Serial No. 18)

The Corporation's efforts in expanding the exports of difficult-to-sell items have not so far met with any great success. The Committee realise that there may be initial difficulties in finding markets for difficult-to-sell items and facilitating their exports to any large extent. But considering the fact that the Corporation has been functioning for over seven years, better results were expected in this direction. The Committee trust that the Corporation would at least now

take effective steps to increase the export of these items. — (Paragraphs 71-72).

REPLY OF THE GOVERNMENT

To stimulate the export of chrome ore, bauxite ferro-manganese and ilmenite the MMTC was allowed to export these items on barter basis. In addition, recently the export of bauxite, ferro-manganese and ferro manganese slag has been canalized through MMTC. It is hoped that these steps will help in increasing the export of these items.

So far as manioc meal is concerned, the STC started handling the export of this item only in 1962-63. In 1963-64, however, the exports at 6,000 tonnes were substantially higher than in the previous year. Late last year, the Kerala Government banned the export of manioc meal. The STC is now discussing this question with the Kerala Government

In the case of sodium bichromate, the STC is finding it difficult to push up the export because of recent increase in the cost of production of the commodity and also increase in the internal demand. Nevertheless, the STC is examining the question of stepping up the export of this commodity.

[Ministry of Commerce O.M. No. 24/46/64-ST, dated the 27th August, 1965]

Recommendation (Serial No. 24)

While there has been a reduction in the Corporation's purchase price of the commodities whose imports are wholly canalised through S.T.C., the resultant benefit has not, in most of the cases, been passed on to the actual user or consumer.—(Paragraph 97).

The object of bringing down the prices by canalising the imports through the Corporation has not been achieved. The manner in which the charging of high profits by the Corporation has been sought to be justified by the Secretary of the Ministry, is a clear indication that the main object behind the canalisation of imports has been lost sight of. Instead of devising ways and means to regulate the prices and to see that the consumer got the goods at lower prices, the Corporation and the Government appear to have reconciled themselves to charging of high prices as the only way out. It is true that the Corporation might have encountered some difficulties in arranging the supply of goods to the consumers in the initial stages, but the same cannot be considered to be insurmountable, particularly now when it

has been functioning for over seven years. It has to be realised that State trading, which is not universally supported has to create a good image of its working in the public mind. The benefits it brings to the consumer is the measure of its success. The Committee, therefore, recommend that suitable measures should be devised in this regard by the Corporation immediately.—(Paragraph 99).

REPLY OF THE GOVERNMENT

Generally, the distribution margin on items handled by the State Trading Corporation and the Minerals and Metals Trading Corporation varies between $\frac{1}{2}$ % per cent to 10 per cent (Limited to only 0.5 per cent to 3% per cent in case of exports) to cover distribution expenses and other incidental charges including profit, depending on different commodities. In some export commodities, the Corporation have even to bear losses rather than charge any profits.

However, in case of scarce commodities and commodities in short supply, the main objective is to canalise imports and distribution in order to mop up a portion of the differences between the ruling price in the market and the landed cost which would otherwise be cornered and exploited wholly by a few importers without any benefit whatsoever to the consumers. Even in such cases the prices fixed by the State Trading Corporation or the Minerals and Metals Trading Corporation are somewhat lower than the market prices of such scarce imported commodities.

With a view to illustrate the above policy, a copy of the statement laid on the Table of the Parliament by the Minister of Commerce in May, 1964 is placed at Appendix III.

[Ministry of Commerce O.M. No. 24/46/64-ST, dated the 27th August, 1965].

Recommendation (Serial No. 29)

The Committee suggest that the Corporation should not automatically accept the agents selected by foreign suppliers but should independently decide about their suitability for the purpose. The Committee feel that for more than one reason, particular care should be exercised in the selection of agents. They would rather emphasise that the Corporation should itself take over agency functions in these cases unless there are specific difficulties which necessitate the appointment of outside agencies. (Paragraph 117).

REPLY OF THE GOVERNMENT

While up to a point it is correct that the STC accepts the agents selected by the foreign suppliers, this is not done automatically.

In fact the Corporation makes independent inquiries regarding the status of the firms and their standing before assistance is given to them. When it is found that the firms do not have necessary experience in dealing with particular commodities or do not have adequate organisational set up to provide satisfactory aftersale service, S.T.C. advises the Trade Representatives of the supplying countries and requests them to select firms who can provide satisfactory facilities. The Corporation also impresses on the supplying countries that agency arrangements should be more broad based so that effective aftersale service can be provided. The efforts of the Corporation in this direction have yielded tangible results and for a number of items the foreign suppliers have appointed agents for smaller areas so that they may effectively provide aftersale service. For imported engineering goods it would not ordinarily be feasible for the S.T.C. to take over agency functions. The items imported are many and varied and the Corporation will have to expand its organisational set up considerably if it has to deal with a variety of items all over the country. Besides it will mean displacement of a number of traders who have the necessary organisation to provide the type of service that the Corporation will be called upon to render. This will lead to considerable heart burning and criticism without giving adequate compensation by way of improved facilities to the end-user. Having regard to these difficulties the S.T.C. will be advised to examine items in respect of which it can take over agency functions on a trial basis.

[*Ministry of Commerce O.M. No. 24/52/64-ST, dated the 27th August, 1965*].

Recommendation (Serial No. 32)

There is considerable over-lapping of functions between the State Trading Corporation and selling agents and between selling agents and stockists in the matter of cement distribution. The Committee consider that there is no need for all these agencies which unnecessarily add to the cost of cement for the consumers. It appears to the Committee that the selling agents who are the nominees of the factories do not serve any vital and useful functions and are only intermediaries and middlemen between the factories and stockists. While there may have been good reasons for their retention in the initial stages so as not to disturb the existing channel of distribution, there is no longer any justification for their continuance in the present scheme of cement distribution by the Corporation. The existence of these agencies only add to avoidable paper work and delays and higher price.

The Committee feel that there is urgent need to effect economy in the distribution arrangement and that the functions of the selling agents can be taken over by the Corporation without much additional expenditure. They have no doubt that such an arrangement, besides saving about Rs. 1 crore annually, will result in streamlining the distribution process as the Corporation will be dealing directly with the factories on the one hand and stockists on the other. The Committee trust that this matter will be examined without any delay. (Paragraphs 129-130).

REPLY OF THE GOVERNMENT

The recommendation of the Estimates Committee has been taken into consideration while arriving at a decision in principle to decontrol cement except for quantities required by Government as announced by the Prime Minister in the Lok Sabha on the 26th August, 1965.

[Ministry of Commerce O.M. No. 24/52/64-ST, dated the 27th August, 1965].

Recommendation (Serial No. 33)

There is justification for reducing and rationalising the remuneration of the Corporation for cement distribution. The Committee have earlier recommended in para 130 that the Corporation should take over the functions of the selling agents. This might require a marginal readjustment of its remuneration. The Committee would, therefore, suggest that the entire price structure of cement may be reviewed so as to effect economy in the various elements of cost and pass on the benefit to the consumer. It would be desirable if such a review is conducted by an agency, outside the Corporation. (Paragraph 135).

REPLY OF THE GOVERNMENT

The Tariff Commission last examined the price structure of cement in 1961 and prices were determined according to the recommendations with effect from the 1st June, 1963. Subsequently in view of the increase in the railway freight, price of coal, etc., the prices were further revised with effect from the 1st July, 1964.

[Ministry of Commerce O.M. No. 24/54/64-ST, dated the 27th August, 1965].

Recommendation (Serial No. 37)

While the Committee appreciate that though the buffer stock operations do not fall within the normal commercial functions of a trading organisation, the Corporation has undertaken them as a mea-

sure of price support for the benefit of the primary producers. They are, however, concerned about the multiplicity of agencies which, as admitted by the Chairman of State Trading Corporation, increases the margin between the producer and the ultimate consumer. There is thus an urgent need to eliminate the superfluous agencies and to reorganise the pattern of operations accordingly. The Committee hope that Government, in consultation with the Corporation, would take effective measures expeditiously. In addition to streamlining the procedure as indicated above, the Corporation should also ensure that widest possible publicity is given to the prices paid by the Corporation for such commodities, so that the primary producer is protected from exploitation by intermediaries. (*Paragraph 151*).

REPLY OF THE GOVERNMENT

State Trading Corporation is undertaking buffer stock operations in the following Commodities at present:

- (a) Sedlac,
- (b) Jute, and
- (c) Lemongrass Oil.

So far as seedlac is concerned there is no intermediate agency and purchases are made at the various centres opened by the S.T.C. and manned by their own officers. In the case of lemongrass oil again there is no multiplicity of agency. The Purchase of lemongrass oil on S.T.C's. account and its export are the responsibility of the S.T.C. itself. Purchases of the oil are made by the S.T.C. at 12 depots spread over the lemongrass growing areas in the Kerala State. These depots are under the overall charge of an official of the S.T.C. and 3 or 4 such depots are under the supervisory charge of an Inspector of the S.T.C. The actual storing at the various mofussil depots, transport of the oil from those depots to the central depots at Cochin and certain other services like Agmarking, drumming, etc., are rendered by the agents appointed by the S.T.C. who were in the past handling lemongrass oil trade and for such services they are paid the actual expenses and a nominal commission. In fact on a comparative assessment of cost and administrative arrangements to be made it was found that this was a much simpler and cheaper operation.

So far as Jute buffer stock operations are concerned it is true that there is a three tier system, with the primary co-operating societies at the base, the State Apex Marketing Society who supervises the overall operations in the States, and the National Agricultural Co-operative Marketing Federation (NAFED), through whom

the jute is purchased by the S.T.C. The question of reducing these stages particularly by eliminating the NAFED had been examined in great detail by the different Ministries concerned, and it was the general conclusion that as the overall (All-India) organisation representing the co-operative marketing organisations in the country, with experience of commercial operations of purchases and sales, the NAFED should be kept in the picture and should be the organisation with whom the S.T.C. should deal. The NEFED was in fact brought into these operations as the specific request of the various Apex Co-operative Societies concerned with a view to help them in effecting deliveries at Calcutta to S.T.C. on behalf of the up-country Suppliers, settling accounts with S.T.C. and, what is even more important, in regard to the adjudication of quality of the goods supplied and settlement of disputes, if any, with the S.T.C. and with the ultimate purchaser mills. It has to be admitted that the NAFED has rendered a good account of itself on these operations. So far as the Apex and Primary Societies are concerned it will be very difficult if not impossible to operate in an orderly manner without these organisations in view of the vast areas to be covered and the extensive nature of the operations.

If these stages are to be eliminated and the Apex and Primary Societies are to be displaced it will be necessary for the S.T.C. to build up a corresponding organisation covering the entire jute areas which may not be very easy nor advantageous.

[*Ministry of Commerce O.M. No. 24/57/64-ST, dated the 27th August, 1965*].

Recommendation (Serial No. 40)

The Committee deprecate the tendency on the part of public undertakings to follow Government pattern in creating a hierarchy of officer and in employing subordinate staff like Stenographers and peons on Government scale. The deputation of top officers from Government to the public undertakings, who are used to Government procedure, appears to be the principal reason for this situation. The Committee consider that a trading organisation like the State Trading Corporation should be guided by the practices and procedures followed by business houses in the private sector, if it has to work efficiently and economically. By eliminating some of the existing layers and introducing the jumping level system, it should be possible for the Corporation to distribute the work among a lesser number of officers. This will also help in reducing paper work and in expediting disposal of cases. The provisions of peons and stenographers should be made on the basis of the requirements of work rather than the status of the officer. (*Paragraph 160*).

REPLY OF THE GOVERNMENT

In an organisation like the S.T.C., it is not always possible to be guided by the practices and procedures followed by Business Houses in the private sector. While the procedures adopted have been simplified to the extent possible as a result of experience gained during the last eight years, it is, nevertheless, essential to maintain the Government system of working to an extent, as it is necessary to maintain proper records of business conducted, of discussions that take place between the Corporation and the various Governmental agencies as also the private trade so that no doubts remain unclarified at a later stage. It is to be remembered that the entire transactions of this Corporation are subject to detailed audit scrutiny both by the Commercial Auditors as well as Government Auditors from the point of view of accounting and propriety. The Corporation is also answerable to the Government and Parliament for its various activities.

The system of jumping of levels is already in practice in the Corporation. There is really no "hierarchy" of officers, although various pay scales have been prescribed for facilitating recruitment.

The provision of Peons and Stenographers is in fact made on the basis of recruitment of work rather than the status of officer concerned.

[*Ministry of Commerce O.M. No. 24/31/65-ST, dated the 27th August, 1965*].

Recommendation (Serial No. 42)

The Committee trust that the Corporation will initiate action to improve the functioning of the Regional Offices in the light of the suggestions referred to in para 163. (*Paragraph 164*).

REPLY OF THE GOVERNMENT

Quality Control: It is not understood as to how the Estimates Committee has come to the conclusion that the Corporation's Regional Offices do not exercise any control over the quality of the minerals purchased by the Corporation. The purchase contracts entered into by the Corporation provide for samples to be drawn either at the time of loading the ore into the wagons or at the time of unloading the ore from the wagons at the port. Since the trade practice is for a neutral sampler to do the sampling work the Corporation maintains a panel of Samplers and the sampling is done by the Analyst on this panel.

Demurrage.—Demurrage/despatch are a normal feature of trade in a bulk commodity, like iron ore when shipments are effected in full charter loads. The Corporation is exercising constant vigilance and utmost care in drawing up shipping programmes in such a manner so as to minimise the chances of demurrage but the possibility of the occurrence of circumstances beyond the control of the Corporation is difficult to eliminate. Certain remedial measures have already been taken which would to some extent minimise the possibilities of incurring heavy demurrage, such as building-up stocks at ports, spacing of shipping Schedules in a manner so as to avoid touching of vessels, etc.

Other suggestions of the Committee are noted and the Corporation will be advised suitably.

[*Ministry of Commerce U.O. No. 24/30/65-ST, dated the 27th August, 1965*].

Recommendation (Serial No. 47)

It may be conceded that a trading organisation like S.T.C. may not like to disclose detailed information about each commodity but some method has to be devised by which Parliament may have an opportunity of judging the performance of the Corporation in regard to its trade in important commodities. The Committee consider that it may be possible for the Corporation to indicate the individual trading results in the following cases:—

- (i) Where a commodity has been entrusted to the Corporation with the prior knowledge that loss would be incurred, e.g., groundnut oil;
- (ii) trade in commodities in public interest, e.g., Buffer stock Operations;
- (iii) where losses in trading in particular commodities exceed Rs. 1 lakh in a year. (*Paragraph 183*).

REPLY OF THE GOVERNMENT

There should be no objection to furnishing information of the kind suggested by the Estimates Committee subject to certain important considerations. Both in respect of commodities on which it is known that losses would be incurred and operations like buffer stocks schemes undertaken in public interest, the Corporation makes as careful and detailed an assessment as possible of the trading results, including losses, though it could happen that for reasons beyond the Corporation's control the actual results may vary sometime substantially from such estimates. Such information to be

furnished will contain the overall trading conditions and the anticipated results but it will not be desirable to disclose either the prices or some of the major ingredients of the contract, since the divulgence to the public of such information will be taken advantage of by competitors both in the country and particularly abroad and will only be of benefit to our competitors. It will also not be desirable to divulge in detail the cost of production and its break-up in respect of various commodities since the very knowledge of these details would on the one hand provide our competitors with information which will put them in a strong bargaining position and could on the other hand sometimes even defeat the very objectives with which such transactions are undertaken. In the very nature of things where buffer stock operations are undertaken they are liable to losses since such operations are a measure of economic assistance to the community and the element of assistance is not related to a corresponding element of profit or benefit to the Corporation.

[*Ministry of Commerce O.M. No. 24/24/64-ST, dated the 27th August, 1965*].

CHAPTER III

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

Recommendation (Serial No. 20)

The Committee are doubtful whether Government which have directed the Corporation to undertake the export of groundnut oil, had they known in advance that for earning foreign exchange of Rs. 3.44 crores, a loss of Rs. 2.13 crores would be incurred. Considering the fact that on a transaction of a little less than Rs. 6 crores a loss of Rs. 2.13 crores has been incurred i.e., 33.05 per cent, which is very abnormal, the Committee recommend that a thorough enquiry into the transaction and the circumstances leading to the losses should be made expeditiously. (Para 87).

REPLY OF THE GOVERNMENT

The matter has been fully examined and a detailed report prepared by the S.T.C is placed at Appendix IV. The Committee is requested to reconsider whether in view of the position explained by the S.T.C. an enquiry is still called for. It may be seen from the report that the losses involved on the groundnut oil operations were not net losses and were made good by the counter valling imports. If, however, the Committee still desire that an enquiry is called for, Government would not have any objection.

[Ministry of Commerce O.M. No. 24/49/64-ST, dated 27th August, 1965].

COMMENTS OF THE COMMITTEE

The Committee would emphasize that Government and the Corporation should in future exercise greater vigilance in dealing with items where losses are anticipated and take timely measures so that losses, if any, are not allowed to increase beyond reasonable limits of normal commercial transactions of that nature.

Recommendation (Serial No. 27)

It is true that no rigid purchase procedure can be followed by a trading organization like the State Trading Corporation for all the

commodities. But it is essential that it would give the widest publicity to its purchases so that all the intending sellers have a fair chance of quoting their rates and the Corporation obtains the commodities at cheap price. The system of limited tenders, followed by the Corporation, does not serve any useful purpose as most of the members of the trading community in any particular commodity would come to know of the intended purchases of the Corporation. On the other hand, the system lays the Corporation open to the allegations of favouritism and nepotism. The Committee would, therefore, recommend that wide publicity should be given by the Corporation to its purchases and as far as possible, public tenders should be invited for the purchases made by it. This will also help to remove misgivings, if any, in the minds of the public and the trading community at large about fairness in the selection of suppliers by the Corporation. (*Paragraph 110*).

REPLY OF THE GOVERNMENT

The procedure followed by MMTTC and STC is explained below:—

Minerals and Metals Trading Corporation:

Iron Ore.—In the case of Iron ore the Corporation enjoys complete monopoly. While giving the monopoly Government also directed the Corporation to utilise the existing channels of trade. In particular, the Corporation was asked to ensure that every established shipper and mine-owner/exporter was given an opportunity to participate in the business relating to his performance during the four-year period ending December 1956 and that interest of the mine-owners who are not shippers was duly safeguarded.

In major mining sectors, therefore, the Corporation decides the quantity that it would purchase from the established shippers and non-shipper mine-owners. The quantity is fixed after taking into account the movement capacity available on the sector and the requirement of the Corporation. This purchase policy is made known to all the concerned persons. Thus, there is no chance of the Corporation being open to allegation of nepotism and favouritism so far as the iron ore purchases are concerned.

Non-ferrous Metals.—The Corporation purchases Non-ferrous metals from abroad against foreign exchange allocations made by the Government from time to time. Although the tenders are not advertised through the Press as such, tender enquiries are issued to all suppliers of non-ferrous metals in India as also all Smelters/Producers as well as other firms abroad. Experience during the last few years has shown that whatever be the system of tender enquiry

quotations are received only from a limited number of Indian Agents of Smelters/Producers abroad. The existing system of purchase of Non-ferrous metals is, therefore, found suitable. For the Corporation's purchase of Non-ferrous Metals from Rupee payment countries, however, deals are finalised after negotiations, with the Trade Representations in India of the supplying countries concerned, there being no Agents of East-European suppliers.

State Trading Corporation:

The purchases by the Corporation can be divided broadly as follows:—

1. For purposes of exports to other countries;
2. For imports from other countries and distribution in the country; and
3. For buffer stock operations.

(1) In most of the cases of exports, the purchases are made from the suppliers, whose products have been approved by the foreign buyers at prices which are acceptable to them. An attempt is made to get samples from as wide a circle of suppliers as possible by making reference in some cases to the Export Promotion Council. A small margin for the Corporation is included in the purchase price. From time to time, further additions of names to the list of quality manufacturers are made after due scrutiny of capacity, reliability and dependability of the firms. Various consumer goods, salt, shoes, juices etc. are covered by this category.

In the case of a few commodities, purchases and sales are made by the Corporation on its own, for example, groundnut oil. In such cases, purchases have to be made quickly and quotations have to be restricted to a few parties, who are capable of supplying at competitive rates and who are sure of performing the contract. If this method is not resorted to, the exports are likely to suffer because of high prices of goods resulting from advance publicity of large demands.

(2) So far the imports are concerned these may be from:

- (a) Rupee Payment Countries;
- (b) AID Loan Programme; and
- (c) Against free foreign exchange and barter allocations.

The purchases from Rupee Payment countries have to be made through centralised selling agencies in those countries and the question of calling for quotations does not arise. In making such purchases, prevailing international prices are kept in view.

AID Loan purchases have to be made according to definite purchasing procedures, which have scrupulously to be followed and quotations have to be called for from all the parties laid down in the terms or in pursuance for the AID procedures.

So far as purchases against free foreign exchange allocations are concerned quotations are called for from the widest circle of suppliers and new parties offering to supply are always taken note of and asked to quote, whenever the occasion arises.

(3) Purchases under Buffer stock operations are spread over three commodities, namely jute, seedlac, and lemongrass oil. In such cases, the minimum prices, at which purchases are made, are determined by the Corporation in consultation with the Government and the purchases are effected after giving wide publicity to the purchasing prices and these are open to all producers, who care to bring their produces to our purchasing centres. In case of Jute, however, procurement is through NAFED from the Apex Cooperative Societies, which function through a net work of secondary and **primary cooperative societies.**

It would thus be observed that the Corporations have evolved purchase procedures to suit each category of items involved. It will not be in the business interests of the Corporations to give in all cases wide publicity to their purchases.

[Ministry of Commerce O.M. No. 24/35/64-ST, dated 27th August, 1965].

COMMENTS OF THE COMMITTEE

The Committee would stress that as far as possible the Corporation should avail of the benefit of competitive rates and the cardinal principle of inviting quotations after wide publicity, should not be set aside.

Recommendation (Serial No. 31)

In view of the imperative need for increasing exports from the country, the Committee consider that where import licences issued in the name of S.T.C. are transferred to private parties, the feasibility of making it obligatory on the part of such importers to effect exports of a percentage of the value of their import licences may be examined. In case it is not feasible, the whole question of indirect imports may be reviewed to see whether the Corporation could do it itself. (Paragraph 121).

REPLY OF THE GOVERNMENT

Generally it will not be possible to make it obligatory for imports by private parties to be linked up with some exports. As it is, so far as trade with East European Countries and other countries with which there are agreements on the basis of a balanced trade is concerned, imports are by and large matched by corresponding exports though each individual import is not matched by a specific individual export. There does not appear to be much scope for a reconsideration of the import policy in this matter. It is not always possible, or even desirable to make it obligatory for each importer to effect exports of a percentage of the value of their import licences, since more often than not the importer deals exclusively with particular lines of imports. Possibilities can, however, be explored of persuading importers of particular items to export at least a certain proportion, say 25 per cent., of the value of the import licence of like items; e.g., where the imports are of items like machine tools, chemicals and pharmaceuticals, it may be possible to persuade the foreign supplier to agree to import himself or through his associate machine tools and chemicals and pharmaceuticals which are available for export from this country.

At present S.T.C. is not equipped to handle directly all the indirect imports being done through the Corporation.

[Ministry of Commerce O.M. No. 24/59/64-ST, dated 27th August, 1965 and O.M. No 24/10/64-ST, dated 27th July, 1966].

COMMENTS OF THE COMMITTEE

The Committee are of the view that effective steps should be taken to implement the recommendation of the Estimates Committee to the extent it is possible without further loss of time.

Recommendation (Serial No. 50)

The Committee are not convinced with the reasons advanced for bifurcating the STC. In their opinion there is no need for having two independent Corporations to handle the increasing business of the STC. The formation of two Corporation is open to the criticism that there is a tendency in the Government Organisation to proliferate. The setting up of two separate independent Corporations would apparently result in:

- (i) Setting up of two Boards of Directors.
- (ii) Lack of unified policy decision in the matter of handling trade and the two Boards taking independent decisions on similar subject.

- (iii) Delays and difficulties in finalising Link and Barter deals which would concern both the Corporations.
- (iv) Higher administrative and overhead expenses.
- (v) Opening of separate regional and Branch Offices and Service Sections etc.

The Committee consider that the purpose of handling additional business and strengthening the organisation might have well been served by setting up two units with separate General Managers under the same Corporation—one dealing with minerals and metals trade and the other with the remaining items. Such an arrangement, besides economy, will have the advantage of a unified policy direction at the top by one Board. At the same time the units will have sufficient autonomy in their day-to-day working. In fact there are already other Public Undertakings which have been functioning successfully with more than one unit under one Board of Management viz., H.M.T., H.E.L., H.S.L., Fertiliser Corporation of India Ltd. etc. In their 80th Report (Second Lok Sabha) the Committee had recommended that even for taking up new activities in the line the existing organisation should be utilised rather than creating new bodies for the purpose. The Committee regret that in spite of the fact that the above recommendation has been accepted by Government, the STC has been spilt up to carry on even its existing activities (*Paragraphs 192—195*).

REPLY OF THE GOVERNMENT

Before bifurcating the S.T.C., Government fully considered the implications of such bifurcation. In recent years, it has been extremely difficult for India to sell its mineral ores, particularly iron ore and manganese ore, as international prices have been declining and also because of alternative sources of supply. It became essential therefore to pay exclusive attention to intensify efforts towards reducing procurement costs internally and to maintain and develop markets abroad. Moreover, it was decided to fix the target of export of 25 million tons of iron ore by 1970-71. Government, therefore, after full consideration, came to the conclusion that, to achieve the export target for iron ore and to maintain and develop the markets for mineral ores in general, it was essential to have an organisation with a separate administrative set up.

The results achieved so far by the M.M.T.C. have justified fully Government's decision to bifurcate the STC, which was unwieldy, to create the new Corporation, the MMTC, to handle exclusively the trade in minerals and metals. The value of export of mineral ores in 1964-65 was Rs. 40·74 crores as against Rs. 25·35 crores in 1963-64.

The export of iron ore and manganese ore in 1964-65 formed about 80 per cent of the total value of exports. The MMTC started operating as a separate organisation from the 1st October, 1963. The following comparative figures of export for 1963-64 and 1964-65 will bring out the achievement of the M.M.T.C. operating as a separate organisation.

Exports	1963-64	1964-65
Iron ore (in million tons)	4.18	4.81
Manganese ore (in million tons)	0.64	1.36
Bauxite (in 'ooo' tons)	1.50	11.00
Chrome ore (in 'ooo' tons)	8.3	32.00
Ferro-Manganese (in 'ooo' tons)	0.9	87.00
Coal (in 'ooo' tons)	..	159.00

On the import side of the MMTC's activities, the value of imports in 1964-65 (not including cotton under CCC Barter) was about Rs. 20 crores as against Rs. 13.7 crores in 1963-64. The main imports were steel, non-ferrous metals, pig iron and tin.

[Ministry of Commerce, O.M. No. 24/40/64-ST, dated 27th August, 1965].

COMMENTS OF THE COMMITTEE

The Committee suggest that the working of the S.T.C. and M.M.T.C. should be reviewed, after some years by an independent body, with a view to seeing whether the two could be combined as suggested by the Estimates Committee.

CHAPTER IV

RECOMMENDATION IN RESPECT OF WHICH THE FINAL REPLY HAS NOT BEEN RECEIVED FROM THE GOVERNMENT

Recommendation (Serial No. 44)

The Committee are unhappy at the failure of Government to implement a previous recommendation of the Committee which has been accepted by them. It is expected that once a recommendation has been agreed to, it would be acted upon without any delay. The Committee would also like to emphasise that in the case of their recommendations which are of general application and require to be implemented by more than one undertaking, the Ministry concerned should bring it to the notice of the other undertakings through the respective administrative Ministries. (*Paragraph 171*).

REPLY OF THE GOVERNMENT

It is felt that giving wide publicity to instructions received from Government, from time to time, by the Corporation and publishing them in the annual Reports of the Corporation might not always be in the best trading interest of the Corporation. In the oral evidence before the Committee, it was explained that a register be maintained of such instructions which can be made available to the Parliament.

[*Ministry of Commerce O.M. No. 24/71/64-ST, dated 27th August, 1965.*]

FURTHER INFORMATION DESIRED BY THE COMMITTEE

Government's reply to the observation of the Committee that recommendations which are of general application should be brought to the notice of other undertakings.

[*L.S.S. O.M. No. 25-PU/65 dated the 15th November, 1965*]

FURTHER REPLY OF THE GOVERNMENT

The point is under examination in consultation with the Ministry of Industry and Supply.

[*Ministry of Commerce O.M. No. 24/10/64-ST dated the 31st December, 1965.*]

NEW DELHI ;

September 2, 1966

Bhadra 11, 1888 (S)

D. N. TIWARY,

Chairman,

Committee on Public Undertakings.

*At the time of factual verification, the Ministry have stated that the observation of the Committee is being brought to the notice of all the Ministries.

[*Ministry of Commerce O.M. No. 24/10/64-ST, dated the 31st August, 1966.*]

APPENDIX I

(See S. No. 49, Chapter I)

A copy of letter No. 23/20/64-ST, dated the 31st October, 1964 issued by the Ministry of Commerce regarding the presentation of Annual Reports and Audited Accounts of Statutory Bodies to Parliament to the following:

- (a) The Secretary,
(Shri J. L. Agarwal),
State Trading Corporation,
Express Building,
New Delhi.
- (b) The Divisional Manager (Admn.)
(Shri Virendra),
M.M.T.C.,
Express Building,
New Delhi.
- (c) The Secretary
(Shri B. Mehta),
E.C.G.C.,
4, Rampart Row,
Bombay-1.
- (d) The Secretary,
(Shri S. Jayaraman),
H. & H.E.C.,
Lok Kalyan Bhavan,
11-A Rouse Avenue Lane,
New Delhi.

Dear Sir,

I am directed to forward herewith a copy of this Ministry's Memo. No. Parl. 5(26)/64, dated the 5th October, 1964, on the above subject, and to request that the time schedule referred to therein in respect of the submission of the Annual Reports containing duly Audited Accounts of the Corporation may please be noted.

No. Parl. 5(26)/64
GOVERNMENT OF INDIA
MINISTRY OF COMMERCE

New Delhi, the 5th Oct., 1964.

MEMORANDUM

SUBJECT:—Presentation of Annual Reports and Audited Accounts of Statutory Bodies to Parliament.

It has been observed that no uniform procedure is at present being followed by the Sections for laying on the Table of both Houses of Parliament, Annual Reports and the Audited Accounts of the various Statutory Boards etc. under the administrative control of this Ministry. With a view to bringing about uniformity in this behalf as also with a view to avoiding any undue delay in the submission of Annual Reports and the Audited Accounts of the various Boards etc. to Parliament, Ministry of Finance have suggested that in future Annual Reports containing duly Audited Accounts of the various Statutory Boards under the administrative control of this Ministry should be laid on the Table of both Houses of Parliament latest by November/December of the next financial year to which the Report pertains. All concerned may kindly note this suggestion for strict compliance.

Sd/- (K. K. SACHDEV)

Under Secretary to the Government of India

To

ST & BD Section

APPENDIX II

(See S. No. 15, Chapter II)

Findings of the Sub-Committee appointed by the Board of Trade to examine the requirements of foreign exchange for building bulk carriers and its economics

(i) *Need for bulk carriers:*

Considering that the export of iron ore from India is proposed to be stepped up to about 25 million tons by 1970-71 from the present level of about 9 to 10 millions tons and considering, further, that a large quantity of foodgrains is being imported from abroad, it is essential, in our view, that India should build up an adequate merchant fleet of bulk carriers to carry in national shipping, a progressively increasing percentage of such cargoes. The share of Indian shipping should eventually reach the target of 50 per cent of the total trade.

(i) *Conservation of foreign exchange:*

The acquisition of bulk carriers is necessary for conserving the large amount of foreign exchange which is spent at present on the utilisation of foreign tonnage. An idea of the total freight involved for the transportation of iron ore at an assumed rate of Rs. 26 per ton f.i.o.t. is given below:—

Quantity of Iron Ore	Total Freight (Rs. Crores)
10 million tons	26
15 million tons	39
20 million tons	52
25 million tons	65

In addition, the freight involved in the transportation of 2 million tons of foodgrains from U.S.A. to India which could be carried in Indian ships if the same were available adds up to Rs. 8 crores per

annum, freight being calculated at Rs. 40 per ton. Once the price of the bulk carriers has been paid off, there would be considerable contribution towards our foreign exchange resources from the earnings of these bulk carriers.

(iii) Export Promotion:

From the point of view of export promotion, it is essential that India should have an adequate bulk carrier fleet. In the absence of such a fleet, the country could have to depend on foreign tonnage. This would be a serious handicap for two reasons. Firstly, the tramp market being unsteady, a definite sale programme of substantial quantities would be dependent on the vagaries of the Market. As recent weeks have shown, the tramp market registers a sharp increase without much notice. Secondly, even if the country were prepared to pay the high freight rate at to-day's market, suitable vessels may not be forthcoming. As against this, if bulk carriers are acquired as proposed in this report, it would be possible to promote the export of iron ore on the basis of a steady freight rate negotiated with Indian shipowners, effective for a reasonable period of time. This would be a dependable base for selling iron ore, specially on c.i.f. basis.

(iv) Cargo Availability, Sale Pattern:

Shipowners acquiring bulk carriers should have the assurance that cargoes would be available regularly and on a long-term basis. To ensure this every effort should be made to sell as large a percentage of iron ore as possible on c.i.f. basis with a view to retaining control over shipments within the country. This would enable the allocation of such cargoes to national shipping and would facilitate the achievement of the target of carrying 50 per cent bulk cargoes in national shipping. Even if c.i.f. sales cannot be effected to the extent desired, and for some time more f.o.b. sales have to be made, a suitable clause should be inserted in sale contracts providing for the utilisation of Indian tonnage up to an agreed percentage which should be progressively increased until the overall target of 50 per cent transportation by Indian vessels is achieved.

(v) Number of Bulk carriers to be acquired:

Priority should be given to the Building up of a bulk carrier fleet of 23 vessels of about 33,000 d.w.t. each. It is understood that 11 such vessels have already been acquired or ordered. Arrangements may, therefore, be made for acquiring another 12 vessels on the basis of priority. Subsequently, 5 or 6 bulk carriers should be acquired each

year. This programme may be reviewed annually with a view to improving the pace of acquisition of further bulk carriers, if possible.

(vi) Employment of bulk carriers in the India-Europe-USA-India route for exporting iron ore and importing foodgrains would be reasonably economical. Priority may, therefore, be given to the employment of bulk carriers in this route. Priority may also be given for the employment of bulk carriers in the India-Japan-India route for carrying iron ore to Japan and ballasting back to India.

(vii) *Acquisition of bulk carriers on 10 years deferred payment terms.*

Approval may be accorded to the acquisition of bulk carriers on deferred payment terms spread over 10 years. It is estimated that within this period the net foreign exchange earnings of each vessels would be adequate to cover the entire price of each vessel as well as the interest charges payable to shipyards.

(viii) *A Line of Credit to be arranged to meet the initial down payment:*

To meet the initial down payment which may be of the order of 15% of the price of each vessel, a Line of Credit may be arranged by Government with the leading shipbuilding countries of the world. Failing that, assistance may be provided for securing foreign exchange loans repayable over a period of 10 years for this purpose. If this also does not succeed, to the extent necessary, there would be no alternative to releasing an amount equal to 15% of the price of each vessel from the free foreign exchange resources. In that event, every effort may be made to reduce the amount of initial down payment while negotiate deferred payment terms.

(ix) *Contribution to foreign exchange pool:*

After the first 10 years, during which period the entire price and interest charges would have been paid off, each bulk carrier would make a worth while contribution to the foreign exchange resources of the country.

(x) *Interest Free loan of Rs. 50 lakhs per vessel:*

For enabling the acquisition of a bulk carrier costing Rs. 215 lakhs it would not be necessary for the Shipping Development Fund Committee to advance a loan equal to 90% or 95 p.c. of the price of each vessel as is normally done. Under deferred payment terms, the price would be paid over a number of years and the bulk of these payments could be made from the earnings of these vessels

themselves. For enabling the shipping companies to pay the down payment equal to 15% of the price of each ship on delivery and for filling the gap during the next 2 or 3 years between the earnings available for repayment of price and the total amount due to the shipyard, a sum of Rs. 50 lakhs per vessel may be provided as loan to shipping companies. As an incentive, this loan may be given interest-free. This would be an inducement to shipowners to operate their vessels even in those routes where ballasting back to India is involved.

(xi) *Special port facilities:*

Quick turnround of bulk carriers is an essential requirement for economic operation. Accordingly special arrangements may be made for berthing bulk carriers and loading and unloading facilities should be mechanized to the maximum extent possible to provide quick despatch.

(xii) *Dry docking and repair facilities:*

An immediate survey should be conducted of the drydocking and repair facilities available at Indian ports in order to ascertain the improvements which would be necessary for meeting requirements of not only the existing fleet, but also the additional tonnage which is proposed to be acquired.

(xiii) *Shipowners obligation:*

The shipowners should be required to place the bulk carriers acquired by them in India's overseas trades for carrying iron ore exports and foodgrain imports. There should be no objection to cross trading after the country's own requirements have been met. Shipowners should also be required to agree to operate their vessels at a freight rate settled by mutual negotiations, such freight rate to be effective for a reasonable period in order to permit c.i.f. sales.

APPENDIX III

(See S. No. 24, Chapter II)

Copy of a Statement laid on the Table of the Parliament by the Minister for International Trade in May, 1964 regarding the percentage of Profits charged by the State Trading Corporation

The reference to the so-called high profits of the State Trading Corporation and the Minerals and Metals Trading Corporations relates mostly to the import of items such as betelnuts and cloves, camphor, ball bearings, non-ferrous metals etc. There is a misunderstanding as to the margin which is charged by these two Corporations between the landed cost of these commodities and the release price for distribution. The correct position in regard to these aspects, therefore, requires to be stated fully and in its proper perspective.

The Corporation are having their trading activities covering exports, imports, internal purchase and sale in some commodities. So far as the exports are concerned, the margins of profit are, as a rule small, varying between $\frac{1}{2}$ % to 3%. In fact, in some cases like groundnut oil, manioc meal, lemongrass oil, sodium bichromates etc. losses are suffered with the dual object of (a) promoting exports and earning the much-needed foreign exchange and (b) to given price support to the primary producers of manioc meal, lemongrass oil, tobacco etc.

On imports the margin of profits varies from commodity to commodity depending upon its availability in foreign markets, its essentiality, the prevailing market prices, the relative availability of the indigenous products etc. In a very large number of cases, the percentage of distribution margin charged varies from 0.4% to 10%.

. Margins of distribution charged is illustrated as under:—

Items	Distribution margin charges
Fertilisers	about $\frac{1}{2}$ %
Copper	about 2%
Zinc	about 2%
Steel	about 4%
tools and alloy steels	about $\frac{1}{2}$ %
Dye intermediates, pharmaceutical intermediates, sodium and chilean nitrated, crustic soda, sodium sulphate and miscellaneous basic chemicals	below 10%
Newsprint	about 1%

In some scarce imported consumer commodities in short supplies, whose imports have been canalised through these Corporations, the Corporations mop up a portion of the surplus profits which are available in these commodities owing to their short supply and high ruling market prices. Such commodities are betelnuts, cloves, camphor, mercury, etc. In such cases also, the Corporation while mopping up the excess profits fix the release price, which is invariably lower than the prevailing market prices so that the prices tend to stabilise at reasonable levels and unduly large profits are not passed on to private hands without at all benefiting the consumers.

While determining the release prices, the Corporations have also been guided by the considerations that the release prices may not effect the interests of the indigenous producers. For example, India produces about 40,000 tons of betelnuts and imports only 5,000 tons. The State Trading Corporation does not at all interfere with purchase, sale and distribution of indigenous betelnuts which is handled entirely by the indigenous growers and traders of the country. The S.T.C. releases the imported betelnuts to distributors at prices somewhat lower than the ruling market prices of indigenous betelnuts. The margin charged by the State Trading Corporation on the distribution of betelnuts has been about 33% over the landed costs.

In such cases of imported consumer commodities whose supply falls short of demand and where due to shortage of foreign exchange, large imports to satisfy internal demand are not possible, the factor which the Corporations take into consideration is that the release prices of such scarce imported commodities do not leave a very excessive margin of profits in the hands of the intermediaries and where no benefit really accrues at all to the consumers by releasing such commodities to the distributors at very low prices. As in case of imported betelnuts, release prices of cloves, camphor and other canalised imported scarce commodities are also fixed from time to time by the Corporation in accordance with above policy as mentioned in this statement.

APPENDIX IV

(See S. No. 20, Chapter III)

Report on the Groundnut Oil Operations Undertaken by the State Trading Corporation in 1961—63 and the circumstances leading to the Losses on those Exports.

The Estimates Committee in their 49th Report (8-8-64) relating to the State Trading Corporation of India Ltd., in recording their conclusions and recommendations on the export of groundnut oil undertaken by the Corporation recommended in paragraph 87 that a thorough enquiry into the transactions and the circumstances leading to the losses should be made expeditiously. In order to make a through investigation into this transaction the Government in the Ministry of International Trade (now Ministry of Commerce) directed that a detailed report should be submitted to the Government by the Corporation regarding the operations undertaken by the S.T.C. in this regard.

2. In order to place these operations in the correct perspective it is necessary to explain the background against which this work was undertaken by the STC and the objectives and the results of these operations. India was at one time in the forefront of the countries exporting groundnut oil and this commodity was an important foreign exchange earner. However during the decade from about 1951-52, but for a spurt in 1955, the export of groundnut oil dwindled over the years and became almost negligible in 1960-61, in which year the total quantity exported was a mere 975 metric tons. This decline in the exports was not the result of any shrinkage in production but was essentially attributable to the disparity between the internal and international prices resulting from large internal demand and the availability of oil in the world from other sources at competitive prices. In this context, it was apprehended that the foreign markets for Indian groundnut oil might be lost for ever and that some effort should be made to revive the export of groundnut oil even if it involved losses. The prices for groundnut and groundnut oil prevailing in the country in the second half of 1961 were very high and it was inconceivable that the trade would be interested in purchasing oil in India at such high prices and exporting it incurring a loss of anything from Rs. 600 to Rs. 700 or even more per ton of the oil exported. (A statement is attached

showing the internal and international prices of groundnut oil between June 1961 and June 1962—Annexure I.). The country was thus almost being eliminated from the business of groundnut oil export and liable to lose the foreign exchange to be earned therefrom as will be seen from the export figures of 1960-61 quoted earlier, unless some method could be devised to continue the exports of groundnut oil. In this context, it was felt that it was only a public organisation like the STC that could be called upon to step into the breach. At the same time it was recognised that as a trading organisation with public accountability, the Corporation could not enter into dealings involving large-scale financial losses. It was felt that some means should be devised to compensate the Corporation for the losses likely to be incurred on the operations undertaken by them. It was therefore decided that the STC should be permitted to import certain commodities of which, conversely, the internal prices in the country were very high as compared to the international prices. The matter was considered in great detail by the Government in consultation with the STC and it was felt that the import of such commodities should be entrusted to the STC for the purpose of mopping up extra profits from private trade and diverting the same to the public sector, the purpose being to utilise the profits earned in this fashion for the promotion of exports; and it was clarified that the imports of such items proposed to be entrusted to the STC were to be regarded as counter-vailing imports for encouraging exports of difficult-to-sell items. These decisions were taken at a meeting between the officers of the Government and of the STC on the 5th July 1961 in the context of certain allocations already made to the STC for the import of copra, betelnuts and spices such as cloves, cassia, nutmegs, mace etc. on all of which items the internal prices provide a substantial margin over the imported prices. This point was again discussed between the Government and the STC at a meeting on the 3rd August 1961 with particular reference to the possibilities of export of groundnut oil against import of palm oil and copra, when it was decided that the STC should organise procurement of groundnuts through Co-operative Societies and have the kernels crushed under special arrangements with mills which would hold the stocks of oil and cake for export according to the instructions of the STC from time to time. In order to enable export of substantial quantities of oil in the immediate future it was also proposed to utilise the services of well established firms to undertake procurement crushing and if necessary export of oil and cake on behalf of the STC. It was also recognised at that meeting that owing to the high internal prices of groundnuts and groundnut oil the sale of groundnut oil in the world markets would result in losses for which STC should be suitably

compensated. In the course of the discussions a target of 1,000 tonnes of oil for export had been considered. The meeting however took the view that while there was need for simultaneously organising procurement through Co-operatives and mills at the initial stages and fostering the Co-operatives to progressively undertake the work on a bigger scale, the Government would not like to limit export of groundnut oil to any pre-determined target figure. Certain conditions were however prescribed by the Government to be fulfilled in the course of these operations, namely:—

- (i) bring at least 25% of the value as net earnings in foreign exchange;
- (ii) import at least one tonne of another vegetable oil for each tonne of groundnut oil exported so that the oil economy of the country is not affected;

and

- (iii) organise the work and recoup the loss with the assistance of the special facility that is being provided. (Note: The special facility referred to here is the allocation of various high profit margin items for import to the STC).

3. Taking due note of the national policy to encourage and build up the Co-operatives the STC made arrangements for procurement of groundnuts through the Apex-Co-operative Societies of Gujarat, Andhra Pradesh and Mysore, the Apex Societies in their turn making parallel arrangements for procurement through their secondary societies in different parts of their respective States. Procurement of groundnut was actually undertaken from November 1961 to March 1962 in Gujarat; from December 1961 to July 1962 in Andhra Pradesh; and from November 1961 to July 1962 in Mysore. A total quantity of 50,397 metric tons of groundnuts in shell was purchased during this period (38,349 tonnes in 1961-62 and 12,048 tonnes in 1962-63). From these seeds the following yields were obtained:—

Groundnut oil	14,731 tonnes
Expeller Cake	21,577 tonnes
Kernels, including H.P.S.	91 tonnes

Further, on a directive from the Government, purchases of groundnut oil were also made from the market and 8,959 metric tons were thus obtained.

Of these quantities 14,174 metric tons of oil, 21,214 metric tons of cake and 327 metric tons of H.P.S. kernels were exported. While these operations were going on, it was understood that the Government of Morocco was desirous of purchasing about 6,000 tonnes of groundnut oil and it was hoped that India might be able to secure the order. Ultimately however the Government of Morocco decided to go in for cheaper oils, like rape seed oil and sun-flower seed oil and dropped the idea of purchasing 6,000 tonnes of groundnut oil from India.

4. A statement is attached giving the details of the quantities and value of the groundnut purchased by the S.T.C., and the various expenses incurred for their crushing and conversion into oil, cakes, H.P.S., Kernels, etc., and the details of the disposal of these commodities (Annexure IV). The entire question had to be re-considered some time in the middle of 1962 since the situation had so drastically changed in respect of the price structure of groundnut oil and allied products that to continue with the operations on the initial basis would have led to much larger losses. At the time the decision was taken for the S.T.C. to start operations the prices of groundnuts and groundnut oil in India were very high as will be seen from the statement attached. At the same time the international prices were also very high at about £118 to £120 c.i.f., U.K. ports. The bulk of the purchases by the Co-operative Societies on behalf of the Corporation had been effected at a time when the internal prices were high and there was a reasonable expectation of being able to secure correspondingly higher export prices. However by March/April 1962 the international prices of groundnut oil had slumped to very low levels and in October/November 1962 the quotations were as low as £88. This created a very serious situation since to have persisted in exports of the oil crushed from nuts purchased at such high prices or even of oil purchased direct would have meant a much higher rate of loss than had at any time been contemplated. Moreover exports of the oil already crushed or purchased and stored by the S.T.C. having slackened very greatly, and the oil having remained in storage for varying periods related to the dates of purchase, the oil had to some extent gone down in quality and could be sold only at comparatively lower prices than absolutely fresh oil. In this context a decision was taken in November 1962, that the stocks of groundnut oil on hand should be disposed of in the internal market by the S.T.C. at the best possible prices.

5. While the Corporation fully shares the anxiety of the Estimates Committee to ensure that in any operations that they under-

take all due diligence and care are exercised and that public interests are fully protected, in these transactions which came in for scrutiny by the Estimates Committee, there have been factors which have either not been fully explained before the Committee or have not been given by the Committee the consideration and weight they deserved. As already explained, the Corporation's entry into this business was taken advantage of for the purposes of encouraging the Co-operative movement as far as possible in furtherance of the avowed objective of our national policy. That this arrangement made it somewhat difficult for the Corporation to undertake these operations taking full advantage of competitive conditions, which have been possible had the Corporation acted freely like any member of the trade, would not seem to have been fully appreciated. The terms and conditions on which the S.T.C. entered into arrangements with the different Co-operatives for the purchase and supply of groundnuts and for the processing thereof into oil and cakes were certainly more costly than would have been the case if these arrangements had been entered into with the trade on a purely competitive basis.

6. It is a matter of some regret that apart from these factors various other difficulties and problems also arose in the dealings with the Co-operatives leading to interminable delays which in their turn resulted in prolonged holding of the oil in storage and consequent effect on the quality. This too added to our overall cost in that the sale price obtainable at the time of the disposal of such oil was necessarily lower. In fact there have been several cases in which the Co-operatives particularly in the Mysore and Andhra Pradesh States have totally refused to deliver oil and other commodities to parties to whom they had been sold by the S.T.C. on the ground that there were certain outstanding issues or disputes between them and the S.T.C. It has not been possible for the S.T.C. to secure compliance with their instructions to deliver the goods to the purchasers or to investigate the complaints in view of the extremely unhelpful attitude of some of these Co-operatives who have in some cases even refused to permit test and analysis of oil in their custody which some of the purchasers have claimed had been adulterated. These factors in their turn again led to the holding up of stocks in shortage which also accounted for the lowering of the quality and consequent financial loss. While it is not denied that as mentioned in para 78 of the Estimates Committee's Report the Corporation had entered this business without adequate previous knowledge of this trade, this is the unfortunate handicap a public sector undertaking has to content against every time it is called upon to enter a new item of business. However, shortcom-

ings if any on the part of the S.T.C. were I would assert not the result of any *mala fide* intentions or misconduct calling for any further investigation.

7. In this connection, it is noteworthy that the position was fully recognised that groundnut oil could not be exported without some suitable compensation to meet the losses in such exports. For, in November 1962, groundnut oil was brought within the purview of an incentive scheme which permitted import of such high profit items as copra, palm oil, mutton tallow and certain other commodities to the extent of 50 per cent of the f.o.b., value of the groundnut oil exported, so that the losses on such exports could be made good by the profit on the imported items. Sometime thereafter, since the space of exports slackened the incentive was raised to 60 per cent in April 1963, and again to 70 percent in October 1963. These incentives were for crude oil and for refined oil a further 10 per cent or 80 per cent of the f.o.b. value was given. That is the position as it exists today and if the figures of the operations undertaken by the S.T.C. are scrutinised it will be seen that in effect the STC has done no more than operate an incentive scheme not very different from the scheme as it exists today. In this context, it would not be correct to say that the S.T.C.'s exports incurred unwarranted or unjustifiable losses. The fact that, provided the losses could be met by some such assistance, there was considerable potential for exports of groundnut oil is proved by the fact that in the year 1963-64 about 90,000 tonnes of oil has been exported. It is a matter of some satisfaction that out of these All-India exports the S.T.C. actually exported over 23,000 tonnes. It may be added that on these exports worth about Rs. 3.5 crores the S.T.C. is not likely to incur any losses since the transactions were undertaken by the Corporation just like any other exporter taking advantage of the incentive scheme.

8. Coming now to the question of losses incurred by the Corporation in these operations, it is a matter of some surprise that the point that these were planned losses incurred not *inadvertently* but in order to promote exports so as to earn foreign exchange, would seem to have been altogether overlooked. While it may be arguable that the quantum of loss could have been more or less than what was actually incurred, it can be stated without any fear of contradiction that it was never contemplated that these exports could be undertaken without losses—and substantial losses at that. Right from the beginning when the very idea of the S.T.C. undertaking exports of groundnut oil was mooted it had been assumed that these operations would lead to losses which would have to be

compensated in some way; and the conclusion arrived at was that the only way in which this could be done was to allocate to the S.T.C. certain commodities for import and sale in the country on which the Corporation could make enough profit to meet the losses on the export of groundnut oil. From the record notes of the discussions on the 5th July and 3rd August 1961 (attached—Annexures II and III) * this position will be abundantly clear. This intention was repeatedly and invariably reiterated in practically every communication on the subject addressed to the Corporation, as will be seen from the copies of the communications attached (Annexures V, VI and VIII). * This will also be clear from a record note of the discussions held on the 21st September 1961 regarding the import of copra by the S.T.C. where it was clarified by the Deputy Economic Adviser that the import of copra worth Rs. 2,000 crores by the S.T.C. was being arranged on the understanding that the c.i.f., value of the total imports of copra would be 75 per cent of the total f.o.b., value of groundnut oil to be exported by S.T.C. against this import, and that the question of debit to foreign exchange ceiling was only a notional one against the additional foreign exchange earning. A copy of the record note of this discussion is also attached (Annexure VIII). *

9. From what is stated in the foregoing paragraphs it would be seen that there was no question at any time of the S.T.C. undertaking the export of groundnut oil and incurring losses without at the same time undertaking the import of copra and the other items so as to compensate for those losses. In fact but for these parallel arrangements whereby the losses on exports would be met by the profit on the imports there would have been no question of the S.T.C. undertaking these operations which have to be viewed and treated as a single and integrated operation. It is possible that the counter-valling imports took place actually after the financial year in which the exports were effected. This is a matter of accounting procedure and should not lead to the conclusion that the losses on the exports are not losses. A statement is attached giving in detail the commodities imported together with their respective quantities and prices and the margin of profits that accrued to the S.T.C. from these transactions (Annexure IV) Comparing the figures in the statement of exports (Annexure II) and in this statement of imports (Annexure IV) it will be seen that against the over-all losses of Rs. 216.68 lakhs the Corporation has made a total profit of Rs. 210.11 lakhs thereby very nearly wiping out the losses. To segregate the losses on the exports and to hold the Corporation responsible for the same, while ignoring the profits on the imports will be altogether incorrect not only in principle but even in

accounting procedure. It is unfortunate that the report of the Estimates Committee should contain no reference at all to the imports and the profits derived therefrom by the Corporation. No report on this transaction can be complete without taking into account the totality of the parallel export as well as import operations. It is not denied that with greater freedom to operate in the market uninhibited by socio-economic considerations like encouragement and building up of the Co-operative movement, the overall expenditure on the procurement and other operations undertaken by the Corporation could have been somewhat lower which would have in all probability eliminated the losses altogether.

10. A part of the losses could also be ascribed to the fact that the oil left with the S.T.C. had to be disposed of in the internal market at comparatively lower prices due to the general fall in internal prices and lowering of quality. It is again a matter of some regret that an influential and powerful section of the private trade took advantage of the situation in which the Corporation was placed in this matter to make things even more difficult. For instance, a decision was taken that the internal disposal of the oil should be effected through a Consortium consisting of four of the leading members of the private trade in this line viz., M/s. Hindustan Lever Ltd., M/s. Tata Oil Mills Co. Ltd., M/s. Swastik Oil Mills Ltd., and M/s. Godrej Soaps Pvt. Ltd. This Consortium at first entered into a contract in Decemer 1962 to purchase whatever stocks were with the S.T.C. at a price of Rs. 1:75 per tonne f.o.r. Bombay subject to certain qualitative and other conditions. The stocks at that time were 9,209 tonnes. The Consortium however lifted only 1,370 tonnes whereafter they refused to accept further deliveries on the ground that the quality of the oil was not acceptable. It is noteworthy in this connection that for several months the Consortium did not even intimate to the Corporation in what precise respects the oil differed from the quality contracted for but only intimated that the oil was unacceptable. The fact was that in view of the substantial fall in the price of groundnut oil, the Consortium wriggled out of their commitment by resorting to wholesale rejection of the oil on grounds of quality. But it is significant that they offered to purchase this very oil at substantially lower prices. In this situation the Corporation had to find other buyers, and most of the remaining oil was sold at prices substantially higher than what the members of the Consortium were prepared to pay. For instance for the oil rejected by them, the offers made by some of the members of the Consortium itself ranged between Rs. 1,175 and Rs. 1,275 per metric ton whereas the Corporation was able to effect

sales of the same oil to other parties in the trade at prices varying from Rs. 1,350 to Rs. 1,650 per metric ton on "AS IS" basis.

11. Another factor that has been ignored but which deserves to be emphasised is that the large quantities of copra imported by the S.T.C. under these arrangements were made available to the actual users at prices substantially below the prevailing prices in the country. In fact the mark up on the imported prices of copra was so adjusted by the Corporation as to ensure that the actual users would have to pay for the copra supplied by the S.T.C. a price which was generally 10 per cent below the prevailing market price of copra. But for this concession the profits derived by the Corporation from the imported copra would have been substantially large and would have been more than adequate not only to wipe out the entire losses on the groundnut oil operations but even to give some marginal profit in the net result.

12. In these operations the three conditions stipulated by the Government (as set out in para 2 of this Report) have also been largely fulfilled, except the condition regarding bringing in foreign exchange earning to the extent of 25 per cent net of the export value. Whereas in view of the readjustment of the operations under Government instructions it was not possible to realise the stipulated 25 per cent of foreign exchange earnings, we actually imported for meeting the internal requirements of the country enough quantities of copra/coconut oil, i.e., 32,337 tonnes of copra estimated to yield 19,079 tonnes of oil 5,431 tonnes of coconut oil, which was more than equivalent to the quantity of groundnut oil exported. The losses on the exports were almost entirely met by the facilities afforded, viz., the import of high profit margin items, except for a very small margin.

13. It is humbly submitted that if the facts and circumstances explained at some detail in this Report and its various annexures had been fully and clearly before the Estimates Committee, the Committee might not have come to the conclusion that they have done and recommended an enquiry into this transaction and the circumstances leading to the losses; and it is requested that if necessary the position may be explained in detail to the Committee. If after examining this Report Government still feels that any further enquiry is called for the S.T.C. will have no objection and will fully co-operate in any such enquiry and make available whatever information and records are required.

9th August, 1964.

ANNEXURE I

Internal and International prices for Groundnut Oil from June 1961 to June 1962

(Prices in Rupees per Tonne
on FOB basis)

Month	Internal Price	I nterna- tional Price
1961 June	2262	1487
July	2262	1458
August	2132	1442
September	2015	1289
October	1862	1241
November	1871	1269
December	1915	1326
1962 January	1940	1412
February	1967	1284
March	1930	1215
April	1902	1218
May	1832	1181
June	1851	1112

5. CLOSING STOCK

G. N. Oil	293	3.85
G. N. Cake	23	0.08
		3.93
		216.69*
		<u>647.60</u>

6. LOSS

647.60

TOTAL .

*Loss met by imports of copra,
betelnuts and spices

Rs. 210.11 lakhs
Rs. 6.57 lakhs

Rs. 216.68 lakhs

NOTE : As GN cakes are exported on the basis of gross weight, which is app. 1% more than net weight, there is an excess of 235 tonnes in cakes

ANNEXURE III

No. 19/12/61-ST

GOVERNMENT OF INDIA

MINISTRY OF COMMERCE & INDUSTRY

New Delhi, the 4th October, 1962

From

Shri A. G. V. Subramaniam,
Under Secretary to the Government of India.

To

Shri Nagendra Bahadur,
Director,
State Trading Corporation of India Ltd.,
Express Building,
NEW DELHI.

SUBJECT:—Export of “Difficult to Sell” Items at International Prices—
Groundnut Oil.

Dear Sir,

I am directed to refer to your letter No. STC/DIR/NB/62/2949 dated the 21st September, 1962, on the above subject and to convey the *ex-post-facto* approval of the Government of India to the State Trading Corporation undertaking exports of groundnut oil at a loss, which may be recouped to the extent possible from profits arising out of the import of copra, betelnuts and spices. The balance of the loss, if any may be debited to the Trade Development Reserve. This decision is applicable only to the procurement commitments already entered into by the State Trading Corporation up to 27th September, 1962. The Corporation may complete the exports of material procured or covered by procurement commitments made up to 27th September, 1962.

Yours faithfully,

Sd/-

A. G. V. SUBRAMANIAM,

Under Secretary to the Government of India.

ANNEXURE IX

Statement of Quantities & Value of high profit items imported by STC during 1961-62 and 1962-63 to Offset losses on export of Groundnut Oil.

Quantities — In Tonnes
Value — In lakh Rupees.

IMPORTS				SALES				STC's Gross Profit—After excluding expenses											
1961-62		1962-63		1961-62		1962-63		1961-62		1962-63		TOTAL							
S. No.	Item	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value	(Lakh Rs.)	(Lakh Rs.)						
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16				
1.	Copra	2270	18.46	30067	265.05	32337	283.51	644@	14.53	263@	56.60	26617	368.44	71.13	3330@	32.05	3.44	106.18	109.62
							51*	0.19	9616*	31.86	9667*	5369	234.80	10.77	35.41	46.18			
2.	Betelnut	1078	5.84	4318	18.84	5396	24.68	1050	50.25	4319	184.55	5369	234.80	10.77	35.41	46.18			
3.	Spices	1074	0.22		1074	10.22	1074	56.69	..	..	1074	56.69	6.36	..	6.36				
4.	Cassia	..	..	84	2.03	84	2.03	..	..	84	14.03	84	14.03	..	1.73	1.73			

@Copra Oil

*Copra cake

**Copra

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
5. Cloves				825	32.72	825	32.72			825	198.04	825	198.04	..	36.04	36.04
6. Coconut Oil				5431	61.58	5431	61.58			5431	103.62	5431	103.62		6.78	6.78
				<u>34.52</u>	<u>380.22</u>		<u>414.74</u>		<u>121.66</u>		<u>957.14</u>		<u>1078.80</u>	<u>20.57</u>	<u>186.14</u>	<u>206.71</u>

Note : App. 1705 Tonnes of Copra Cake obtained from the imported copra was exported after 31-3-63, the estimated profit on which is Rs. 3 40 lakhs.

The total profit from the above imports would thus be Rs. 206.71 + Rs. 3.40 lakhs + 210.11.

APPENDIX V

(Vide Para 4 of Introduction)

Analysis of action taken by Government on the recommendations contained in the 49th Report of the Estimates Committee (Third Lok Sabha)

I. Total No. of Recommendations made	51
II. Recommendations that have been accepted by Government (<i>vide</i> recommendations at S. No. 2 to 9, 11, 12, 16, 17, 19, 21 to 23, 25, 26, 28, 30, 34, 35, 36, 38, 39, 41, 43, 45, 46, 48, 49 and 51.)	
Number	32
Percentage to total	62.7%
III. Recommendations which the Committee do not desire to pursue in view of Government's reply (<i>vide</i> recommendations at S. No. 1, 10, 13, 14, 15, 18, 24, 29, 32, 33, 37, 40, 42 and 47.)	
Number	14
Percentage to total	27.4%
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee (<i>vide</i> recommendations at S. No. 20, 27, 31 and 50)	
Number	4
Percentage to total	7.8%
V. Recommendation in respect of which final reply has not been received from the Government (<i>vide</i> recommendation at S. No. 44)	
Number	1
Percentage to total	1.9%