

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1969-70)**

(FOURTH LOK SABHA)

FIFTY-FOURTH REPORT

**Action taken by Government on the Recommendations
contained in the Fifty-first Report of the Committee on
Public Undertakings (Fourth Lok Sabha) on State Trad-
ing Corporation of India, New Delhi.**

(MINISTRY OF FOREIGN TRADE & SUPPLY (DEPART-
MENT OF FOREIGN TRADE)



**LOK SABHA SECRETARIAT
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COMMITTEE ON PUBLIC UNDERTAKING

(1969-70)

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Shri S. C. Mookerjee—*Deputy Secretary.*

Shri M. N. Kaul—*Under Secretary.*

*Appointed w. e. f. 10. 12. 69

STUDY GROUP VI ON ACTION TAKEN REPORTS (1969-70)

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Shri S. C. Mookerjee—*Deputy Secretary.*

Shri M. N. Kaul—*Under Secretary.*

INTRODUCTION

I, the Chairman, Committee on Public Undertakings, having been authorised by the Committee to submit the Report on their behalf, present this Fifty-fourth Report on the action taken by Government on the recommendations contained in the Fifty-first Report of the Committee on Public Undertakings (Fourth Lok Sabha) on the State Trading Corporation of India Ltd.

2. The fifty-first Report of the Committee on Public Undertakings was presented to Lok Sabha on the 30th April, 1969. Government furnished their replies indicating the action taken on the recommendations contained in the Report on the 29th October, 1969. Further replies were received on the 24th November, 1969.

3. The replies of Government to the recommendations in the aforesaid Report were considered and approved by the Committee on the 15th and 25th November, 1969. The Committee authorised the Chairman to finalise the Report on the basis of the decision of the Committee and present it to Parliament.

4. The Report has been divided in the following five Chapters:—

- (i) Report.
- (ii) Recommendations that have been accepted by Government;
- (iii) Recommendations which the Committee do not desire to pursue in view of Government's reply;
- (iv) Recommendations in respect of which replies of Government have not been accepted by the Committee.
- (v) Recommendations in respect of which final replies of Government are still awaited.

5. An analysis of the action taken by Government on the recommendations contained in the Fifty-first Report of the Committee on Public Undertakings (Fourth Lok Sabha) is given in Appendix I. It would be observed therefrom that out of 35 recommendations made in the Report, 80 per cent have been accepted by Government, the Committee do not desire to pursue 8.57 per cent of the recommendations in view of Government's replies and replies to 11.43 per cent of the recommendations are still awaited.

M. B. RANA,
Chairman,

Committee on Public Undertakings.

NEW DELHI;

December 15, 1969.

Agrahyana 24, 1891 (S).

CHAPTER I

REPORT

The Committee would like to record that replies of Government to the recommendations contained in the 51st Report of the Committee on Public Undertakings (Fourth Lok Sabha) on State Trading Corporation of India, New Delhi were received in time and to the satisfaction of the Committee.

2. The Committee would like to stress that final replies of Government to recommendations at Serial Nos. 15, 26, 29 and 34 may be furnished to the Committee without any further delay.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 1)

The Committee agree that in a mixed economy the State Trading Corporation would best discharge its role as an 'efficient catalyst, a developer, and pace setter'. The Corporation should also conduct its affairs as to earn the confidence of trade. Whether in public or in private sector, by adopting a helpful attitude towards all engaged, in common endeavour of boosting up India's developing economy. The Committee note the assurance given by the Secretary, Ministry of Foreign Trade and Supply that 'STC has not, cannot and will not overstep its functions'. The Committee would also like the STC to examine carefully the criticism made by various interests about its working. (Paragraph No. 2.12)

Reply of Government

The recommendation has been noted. The Corporation has been associating the trade in all important matters connected with exports and imports. It is now giving special attention to this aspect and trying to evolve a formalised system of communication at the level of Chambers of Commerce, commodity and industry associations. Its relationship with trade and industry will be one of constant consultation and communication, and will eventually cover the entire area of export marketing, exchange of information regarding marketing opportunities, capacity and quality of manufactures, problems of production of such manufactures for export, costing, pricing and marketing strategies. This will enable the Corporation to take into account the views of the trade and industry in its operations and thus generate mutual trust and goodwill.

(Min. of F.T. & S.O.M. No. 24(3)|69-ST dated 29-10-1969).

Recommendation (Serial No. 2)

3.7. The Committee find that the STC is satisfied with its present trading activities, a view that they (Committee) are unable to share. Considering the large organisational set up of the Corporation and the capital employed by it, the present share of STC in the country's trade is only 3 to 4 per cent. Moreover the value of exports made by the Corporation in 1967-68 has fallen by Rs. 7.5 crores in comparison to the exports of the previous year (1966-67).

3.8. The Committee are of the view that the Corporation should enlarge its share in country's export trade. Apart from making concerted efforts to protect its past level of export, the Corporation should try to boost it up and give preference to develop new fields of exports. The Corporation should fix up an annual export budget for itself and strive to adhere to the target. The Committee note that the Corporation has introduced a regular and continuous consultation with trade backed by re-organised foreign offices to provide as service bases to Indian Industry and hope that they would continue a sustained effort to increase export of new items and to new areas.

3.9. The Committee note that a trend in the improvement of the STC export effort is in evidence (as per provisional figures of 9 months) and hope it will be followed up. (Paragraph Nos. 3.7, 3.8 & 3.9).

Reply of Government

The recommendation has been noted.

The Corporation's exports have more than doubled from Rs. 23.6 crores in 1967-68 to Rs. 48.5 crores in 1968-69. The Corporation has fixed a target of Rs. 60 crores for 1969-70 and taking into account the export orders received by it, it appears that the target of Rs. 60 crores in the current year will be met. The Corporation is thinking of higher targets of exports in the coming years.

The Corporation is already in the process of re-structuring its foreign offices, organising regional bases and developing new market strategies to maximum exports.

(Min. of F.T. & S. O.M. No. 24(3)/69-ST dt. 29-10-69).

Recommendation (Serial No. 3)

The Committee agree that canalisation is no doubt a question of policy which Government was only competent to decide. They would, however, suggest that the canalisation of import of a commodity through STC may be done if it serves the public interest. They would also stress that before canalisation of import or export of commodities was decided upon all the important factors including the capacity of the Corporation should be taken into consideration. They recommend that after canalisation is decided upon, the Government must exercise vigilance to see that it served the purpose for which it was undertaken. The Committee would also like that the reasons leading to the decision for canalisation of import or export should be made public so that the traders belonging to Public and Private sectors were fully informed of the Government's intention and no room for misunderstanding was left in the minds of public. The Committee feel that after canalisation through STC has been decided by the Government, greater responsibility devolves on STC to ensure that users requirements were met satisfactorily, regularly, promptly and at competitive rates. (Paragraph 3.21).

Reply of Government

The observations made by the Committee have been noted. Government have recently set up an Inter-Ministerial Committee under the Chairmanship of the Chief Controller of Imports and Exports for reviewing periodically the working of the canalisation of import and export of commodities through the STC and MMTC and to find expeditious solutions to procedural problems. The Committee will take/recommend such action as it found necessary from time to time to ensure that the canalisation system works smoothly.

(Min. of FT & S.O.M. No. 24(3)69/ST, dt. 29-10-1969).

Recommendation (Serial No. 4)

During evidence before the Committee it was mentioned that Indian goods exported to certain East-European countries got diverted to West European countries. The Committee trust that Government would take necessary steps to ensure that this type of re-export is 'limited to the extent that is incidental to international trade' and is carried out with the knowledge of Government. (Paragraph No. 3.27)

Reply of Government

The Government accepts the recommendation. Various preventive measures have been taken by the Government to keep such diversions to the minimum, if not to eliminate them altogether.

(Min. of F.T. & S. O.M. No. 24(3)/69-ST dt. 29-10-69).

Recommendation (Serial No. 6)

The Committee note that State Trading Corporation has been able to explore markets for the export of Railway Wagons, but they are concerned to find that supplies in respect of Hungarian and South Korean orders were delayed. Non-adherence to time schedule for delivery of goods may affect international goodwill affecting the Corporation's exports to new markets. (Paragraph No. 3.43)

Reply of Government

The recommendation has been noted. Every effort is being made by the STC to adhere to delivery schedules.

(Min. of FT & S.O.M. No. 24(3)69-ST, dt. 29-10-69).

Recommendation (Serial No. 6)

The Committee feel that till such time as the manufacturers have acquired adequate experience of manufacture of sophisticated engineering equipments, it would be advisable to keep some margin of time in reserve for future contracts. For existing commitments, the Corporation should

spare no pains to honour the existing time schedule, consistent with the required standard and specifications. They also feel that markets of developing countries in Africa and Middle East need be tapped to step up export of engineering products. (Paragraph No. 3.44).

Reply of Government

The recommendation has been noted by Government and the State Trading Corporation.

[Min. of FT & S.O.M. No. 24(3)/69-ST, dated 29th October 1969.]

Recommendation (Serial No. 7)

The Committee suggest that the State Trading Corporation should enlist the assistance of the Export Promotion Councils, leading manufacturer organisations and make greater use of the field services available to them through their show-rooms and foreign offices and draw up a concrete programme for increasing exports. The emphasis should be to increase the exports in non-traditional items particularly, engineering goods, in which the country has developed impressive capacity. Servicing facilities, particularly for engineering goods, should also be arranged so as to assure the customers of after sale service. (Paragraph No. 3.51).

Reply of Government

The Corporation is a member of several Export Promotion Councils and actively participates in their activities. The Corporation enlists the assistance of manufacturer organisations; many of the leading manufacturer organisations are the State Trading Corporation's business associates in the export of goods. Further efforts to enlist the assistance of Export Promotion Councils and leading manufacturer organisations will also be made as recommended by the Committee.

The Corporation is presently organising its foreign offices and drawing up a concrete programme for increasing exports. It has already set a target of Rs. 60 crores for 1969-70 against its exports of about Rs. 48 crores during the year 1968-69. Its target for export of engineering goods for the year 1969-70 is Rs. 8 crores. It has already secured orders for a variety of non-traditional items like finished leather to U.S.A., shoe uppers and garment leather to Europe, radiator fittings, hand tools, cycle parts, valves, compressors, bulb holders, bars and coils, M.S. Ingots, steel wire ropes, steel tubes, etc., to various countries. The Corporation is planning to afford all facilities to its customers including after sales service by posting its own sales engineers in its Foreign Offices.

[Min. of F.T. & S., O.M. No. 24(3)/69-ST, dated 29th October 1969.]

Recommendation (Serial No. 8)

The Committee note that the complaints of the Russian users were to the effect "that leather of the Indian shoes was not waterproof, stitching and workmanship was poor." As far as quality of leather and the water proofing are concerned, the Committee suggest that the assistance of the Central Leather Research Institute may be elicited. The Committee see no reason why it should not be possible to improve the quality of workmanship with the experience that the STC and its suppliers had gathered over the years. The Committee feel that since Russia offers a potentially promising market for export of shoes, no effort should be spared to organise the exports on sound basis to ensure supply according to specified quality so as not only to reduce to the minimum the rejection of shoes but also to win larger orders.

(Paragraph No. 3.63)

Reply of Government

The Government accept the recommendation. Every effort will be made to organise exports of shoes on sound basis. The Corporation is endeavouring to effect technical improvements in the units engaged in production against its export contracts through rigid in-process control through its field staff. Through a joint programme with organisations such as National Small Industries Corporation (NSIC), Organisation of the Development Commissioner for Small Scale Industries and the D.G.T.D., the STC has been able to undertake a programme of semi-mechanisation for the hand made sector. The NSIC is gradually offering Hire Purchase facilities to the export oriented units for mechanisation under this scheme on a priority basis.

The STC has also been successful in grouping the small units into larger and economic operations who are in a position to take various measures towards development such as mechanisation, process improvement etc.

Water proof leather was not available in the Indian Tanneries. However with the assistance of Central Leather Research Institute, and also with cooperation of the private tanneries, it has now been possible for the STC to develop water proof leathers as per requirements of the foreign buyers.

[Min. of F.T. & S., O.M. No. 24(3)/69-ST, dated 29th October 1969.]

Recommendation (Serial No. 9)

The Committee are concerned to learn that the State Trading Corporation propose to go in for a manufacturing unit for shoes. The Committee feel that the main objective of the Corporation, as its name suggests, is trade and normally it should not on its own undertake manufacturing activities unless they were operating in exceptional circumstances. Moreover, the State Trading Corporation has been claiming over the years that it provided a much needed channel for small and medium scale manufacturers of shoes to market their products. The Committee would, therefore, suggest that the State Trading Corporation should enlist the support of Central Leather Research Institute and also of small scale service centres and other related organisations in order to bring about the desired improvement in the quality of manufacture. If the Soviet customers insist on having machine made shoes, the State Trading Corporation should examine how far the existing units who have experience of exporting quality shoes to Soviet Russia could be assisted to mechanise their production through the assistance of other Government organisations.

The Committee would like Government to give the matter serious consideration. As pointed out by the Committee later in the report the experience of State Trading Corporation in manufacturing line has not been a happy one.

(Paragraph Nos. 3.68, 3.69.)

Reply of Government

The recommendation has been noted for consideration.

[Min. of FT & S, O.M. No. 24(3)/69-ST, dated 29th October, 1969.]

Final Reply of Government

The matter has been considered further. The Government accepts the recommendation.

[Min. of F.T., U.O. No. 24(3)/69-ST., dated 24-11-69]

Recommendation (Serial No. 10)

The Committee regret that the wig trade suffered set backs and its export performance was no where near the estimates. The quality of exported product and the performance of the foreign firms as distributing agents were far from satisfactory and the firm went into liquidation. The Committee feel the proper assessment of the firms' financial standing and capacity to handle the business was obviously not made before the agreement was signed. The Committee also feel that the background

under which agreement with the firm was signed, needs to be investigated. Moreover, S.T.C. is a trading Corporation which should normally refrain from indulging in the manufacture of products.

The Committee recommend that:—

- (i) the working of the wig factory should be revitalized with a view to explore the possibility of utilising its full capacity and diversification should be in a related line with assured market and without too much capital investment and overstaffing;
- (ii) strict inspection of quality of goods for export be enforced;
- (iii) assessment of financial stability and reputation of distributing agents abroad be effectively made before entrusting the distribution work in future.

The Committee note that the Corporation has attempted to find new markets by holding exhibitions etc., in Finland and hope they would succeed.

(Paragraph No. 3.78)

Reply of Government

The position regarding the above points is indicated below seriatim:

- (i) After the marketing arrangements with M/s. Fashion Tress of Miami, U.S.A., were terminated in 1968, discussions have been held by the State Trading Corporation with leading American companies for marketing hair products manufactured by Wig India in the U.S.A. and for securing technical assistance aimed at further refinement of hair processing as well as wig manufacturing techniques. With a view to strengthening marketing arrangements and utilising available capacity to the maximum extent, attempts have been made to introduce the products of Wig India in new markets and the Corporation is now selling these products in ten different countries in North America, Europe and the Middle East. New markets have been developed in West Germany and goods valued at U.S. \$37,512 have already been shipped and further orders valued at U.S. \$1,69,063 are being executed. Shipments have also been made to Rotterdam, Brussels, Helsinki, Vienna and Montreal. Business with Yugoslavia has also been built up.

With a view to diversifying production, Wig India is considering the possibilities of entering into collaboration arrangement with an English firm, viz., M/s. Eylure Ltd., London for the manufacture of eye lashes. This will enable them to utilise short

length hair and to employ labour already available for producing a minor beauty aid which has great possibilities of development.

- (ii) Wig India has tightened the quality control measures at each stage of production such as sorting, washing, hackling, acid treatment, bleaching, dyeing, wig making etc. The checks are exercised while the work is in progress and inspections are carried out by supervisory staff.
- (iii) The recommendation has been noted. The Corporation is making a careful assessment of the financial stability and reputation of the firms before entrusting distribution work to them.

[Ministry of F.T. & S., O.M. No. 24(3)/69-ST., dated 29-10-1969.]

Recommendation (Serial No. 11)

The Committee note the efforts made to export bananas by way of 'Commercial Research' but are concerned over the heavy losses (Rs. 24 lakhs) this venture has suffered. They agree with the present thinking of the Government that canalisation of this item need not be undertaken for the present. For the existing trade, it would be advisable for the corporation to bring down packing and freight expenses and ensure export of bananas of specified quality.

(Paragraph No. 3.85)

Reply of Government

The recommendation has been noted. The Corporation is not at present exporting bananas. It would undertake export of bananas on a commercial basis when it becomes a workable proposition as a result of effecting economies in packaging and ocean freight.

[Min. of F.T. & S., O.M. No. 24(3)/69-ST, dated 29th October 1969.]

Recommendation (Serial No. 12)

The Committee feel that losses ranging from Rs. 5 lakhs to Rs. 11 lakhs on a single item of export cannot possibly be passed over as just 'promotional developmental' losses. They would like the Corporation and the Ministry to investigate into the losses on the export of 15 items mentioned under para 3.86 of the Report to find out real reasons behind them. They should also devise suitable measures to minimise, if not eliminate such losses in future.

(Paragraph No. 3.93)

Reply of Government

The recommendation is noted. The reasons which led to the losses on the export of the commodities referred to in this recommendation have

been examined by the Corporation and by this Ministry. In certain commodities, e.g., coir yarn, cotton belting and tyres and tubes, the losses can be attributed largely to unforeseen circumstances which arose out of the devaluation of the rupee. In these cases contracts were entered into before devaluation. The abolition of cash assistance and export incentives and the increase in cost of imported components/raw materials which followed immediately after devaluation contributed to the losses in the execution of these contracts.

In the case of most other commodities losses arose because of the fact that internal prices were higher than international prices. However, STC decided to bear the losses involved in the export of these commodities, as part of its export promotion efforts. Some of these items have since been exported by STC without any loss, e.g. Deoiled groundnut cake, Raw Petroleum coke, cotton textile and cotton yarn. In the case of figured and wired glass, art silk fabrics; B. Twills, jute twin and jute bags, STC has been able to reduce the losses in subsequent exports. Exports of walnuts have been given up as the circumstances necessitating their exports by STC no longer exist. No export of Gum Rosin was undertaken by STC during 1968-69 and the current year as the indigenous prices were very high compared to international prices. Export of bananas is not being made at present and will be resumed after economics have been effected in packaging and ocean freight.

[Min. of FT & S O.M. No. 24(3)/69-ST, dated 29th October, 1969.]

Recommendation (Serial No. 13)

The Committee note that by and large the Corporation has been able to supply the items imported by it (canalised and non-canalised) at prices not more than the ruling prices.

(Paragraph No. 3.100).

Reply of Government

The conclusion has been noted.

[Min. of F.T. & S., O.M. No. 24(3)/69-ST, dated 29th October 1969.]

Recommendation (Serial No. 14)

The Committee are not satisfied with the explanation given by the Corporation for the loss of Rs. 28.73 lakhs suffered on the import of mercury in 1966-67. They are unable to understand that when mercury was needed to meet urgent requirements in the country, its import was delayed as the funds could not be released in time. The Committee is of

the view that the agreement for such heavy imports should not have been agreed to without assuring the availability of required foreign credit/exchange. The Committee also feel that the STC should have explored all means to see how best they could retrieve the position in order to reduce the losses to the minimum. The Committee suggest that:—

- (i) The provision of this agreement should be thoroughly examined and defects or lacuna noticed should be noted to avoid recurrence of such a situation in future;
- (ii) The foreign exchange in such imports of urgently needed items should be allocated on priority basis and no delay should be allowed in importing the goods after a contract has been signed;
- (iii) Price variation clause may be incorporated in the contracts with international firms which may be invoked in the event of sharp variation in price;
- (iv) Timely supply of such imported items should invariably be ensured by the Corporation.

[Paragraph No. 3.109.]

Reply of Government

The recommendation has been noted.

[Min. of F.T. & S. O.M. No. 24(3)/69-ST, dated 29th October 1969.]

Recommendation (Serial No. 16)

The Committee are concerned to note the widespread criticism about STC handling of the import of Nylon yarn and that there were also complaints about the quality of imported yarn. The Committee suggested that the commodities imported to supplement the indigenous production should only be imported after taking into account the indigenous production.

[Paragraph No. 3.125.]

Reply of Government

It is submitted that some of the criticism against S.T.C.'s handling of import of nylon yarn should be viewed in the background of the conflict of interests between spinners and weavers. While the spinners were not interested in import of nylon yarn, the weavers were keen about its import and in its availability at reasonable prices. The STC's operation contributed to bringing down the prices to a reasonable level. The STC, however, curtailed and later stopped imports when supplies became available at reasonable prices.

The qualities of yarn imported by the Corporation were determined in consultation with a Consultative Committee consisting of both spinners

and weavers set up by the Corporation and there have been no complaints from the actual users of yarn, namely, the weavers about quality.

Government accept the Committees recommendation that imports to supplement indigenous production should be made only after taking into account indigenous production.

[Min. of F.T. & S., O.M. No. 24(3)/69-ST, dated 29th October 1969.]

Recommendation (Serial No. 17)

The Committee are unable to appreciate the Corporation's view that 'since there is a high margin of profit available' on tallow, with reference to the prevailing market prices for substitute oil, its release price was fixed 'with a view to ensure that while the allottees receive the material at reasonable prices the surplus profit available is mopped up by a governmental agency' for stepping up exports of difficult-to-sell items. The Committee feel that one of the objects of canalising imports through STC is to ensure supply of raw materials at reasonable price so that the consumer is not adversely affected. They think that in this case interest of the consumer has not been protected, as the high release price of tallow to soap manufacturers was bound to be reflected in the ultimate product. The Committee recommend that the Government/STC should keep its pricing policy of imported items under periodical review with a view to avoid overburdening the concerned industry and consumer.

[Paragraph No. 3.1361

Reply of Government

The recommendation that Government/STC should keep its pricing policy of imported items under periodical review with a view to avoid overburdening the concerned industry and consumer has been noted. Tallow imported by the Corporation is released to the actual users at prices fixed on the basis of recommendation of a Committee set up by Government. The Committee while fixing the release price of tallow takes into account the various factors involved, for instance, the internal ruling prices of indigenously produced substitutes, and the necessity of mopping up the margin available on the imported material etc. The Committee periodically reviews the price at which tallow to the actual users should be released.

[Min. of F.T. & S., O.M. No. 24(3)/69-ST, dated 29th October 1969.]

Recommendation (Serial No. 18)

The Committee feel that it is essential for the Corporation to have a sound distribution policy, which should be subject to continuous review,

to see that it is working satisfactorily. There should be a closer liaison between the Ministry/Departments, users and representatives of association. The Committee suggest that the Corporation should make sustained efforts:—

- (i) to ensure timely supplies of requisite quantities of goods;
- (ii) to bring down prices, particularly for basic raw materials for industries working in key sections; and
- (iii) to gather information primarily about market condition etc. so that distribution policy could be modified when necessary.

[Paragraph No. 4.6]

Reply of Government

The Corporation has noted the recommendation for guidance. The Corporation has developed a formalised system of communication with the industry and trade, and as a result, it is hoped that the Corporation will be able to improve its services significantly.

[Min. of F.T. & S. O. M. No. 24(3)/69-ST, dated 29th October, 1969].

Recommendation (Serial No. 19)

The Committee note that a regular and well established quality control department did not exist in the Corporation. STC can earn a name and win standing as an exporter only by ensuring export of guaranteed quality of goods. The STC being a State owned Corporation, owes greater responsibility for enforcing quality both in exports and imports. The Committee note that the Corporation has since set up a special quality control department. They would, however, suggest that the STC should take advantage of the experience of industry and trade associations and other statutory Government agencies in taking decision with regard to quality etc. of the goods to be exported and imported.

[Paragraph No. 5.9]

Reply of Government

The recommendation is accepted. The Corporation has already set up a quality control Department. The Corporation is making every effort to maintain close liaison with trade, industry and various Government and private organisations in order to take advantage of their experience and knowledge in taking decisions about quality etc. of the goods to be exported and imported.

[Min. of F.T. & S. O. M. No. 24(3)/69-ST, dated 29th October, 1969].

Recommendation (Serial No. 21)

The Committee find that the Corporation appoints its associates/agents for its indirect trade after satisfying itself about their standing, experience

etc. They would, however, like to draw the attention in this regard to the following recommendation of the Public Accounts Committee, contained in para 1.80 of their 4th Report (Fourth Lok Sabha):—

“The Committee consider that as far as possible, the State Trading Corporation should invite public offers so as to get most experienced and reliable distributors at the least margin of profit for the import and distribution of their goods”.

(Paragraph No. 6.12)

Reply of Government

The recommendation is accepted. The STC Reviewing Committee has gone into the question of the appointment of agents for what the Corporation imports. The Committee has recommended that the Corporation in its commercial transactions has to be flexible in the use of Agents but it must make sure that:—

- (i) it uses agents only when they can do a more effective and cheaper job than the Corporation itself;
- (ii) agency arrangements do not affect adversely the interest of users and consumers of the product; and
- (iii) fair prices, requisite quality and equitable distribution are safeguarded.

[Min. of F.T. & S., O.M. No. 24(3)/69-ST, dated 29th October 1969.]

Recommendation (Serial No. 23)

The Committee are unhappy with the decision of the Government to hand-over such an important operation (price support operation) to STC without assessing its capacity and experience. They note that the Government have realised the need of a separate organisation to deal with the problem and have appointed a Committee to go into the matter. It is hoped that the Government would expedite the decision of the Committee for setting up of a separate organisation at an early date.

(Para 7.7)

Reply of Government

The recommendation is noted. Government have agreed in principle that separate corporations may be set up for dealing with jute and cotton, respectively. Necessary action to implement this decision is being taken.

[Min. of F.T. & S., O.M. No. 24(3)/69-ST, dated 29th October 1969.]

Recommendation (Serial No. 24).

The Committee are unable to appreciate why the Handlooms and Handicrafts Exports Corporation and the State Trading Corporation were saddled

with the responsibility for carrying out price support operations for Bleeding Madras which have resulted in a loss of over Rs. 61.42 lakhs so far. The Committee consider that if Government felt that there was a case for affording relief to the Handloom industry engaged in the manufacture of Bleeding Madras, it would have been better to come forward with a well considered scheme before Parliament and taken approval to the grant of subsidy in the special circumstances of the case.

The Committee need hardly point out that if the trade and Government had shown vigilance and assessed properly the trends of demand in the foreign market, they would not have found themselves in the unhappy position of accumulation of large stocks with hardly any export demand.

The Committee would like Government to derive the necessary lesson from this costly lapse and ensure that the STC or its subsidiary are not saddled with financial burdens against their better commercial judgment.

[Paragraphs 7.9, 7.10, 7.11]

Reply of Government

The Handicrafts & Handlooms Export Corporation of India Limited was the largest exporter of these fabrics. It was also concerned with organising production of these fabrics for export. It was anticipated that as in the past there may be a revival of the demand for Bleeding Madras in the U.S.A. as a result of promotional efforts undertaken by the HHEC. It was in these circumstances, that the HHEC was entrusted with the responsibility.

The observations of the Committee have been noted.

[Min. of F.T. & S., O.M. No. 24(3)/69-ST, dated 29th October 1969.]

Recommendation (Serial No. 25)

The Committee note that the Corporation has effected latest improvements in the sale of imported cars by allowing more facilities to the customers. They would suggest that the Corporation should introduce better auctioning arrangement to draw more bidders from all over the country and should attempt to reduce the time lag in the disposal of the imported vehicles. STC may consider raising its percentage of commission on the sales of such vehicles from 10 per cent to a higher figure to enable it to raise more margin of profits to be diverted to the sale of 'difficult to sell' items.

[Paragraph No. 7.21.]

Reply of Government

The State Trading Corporation has reported that monthly auctions have been introduced, with a view to avoiding locking up of capital for long

periods. The announcements about auctions are released to all the newspapers in India approximately two weeks in advance and repeated twice or thrice to attract more bidders. The market guide of prices obtained by cars in previous auctions is also put up on a Notice Board of the STC to enable the public to have a realistic estimate of the price at which a particular make and model might be sold in the auction. The Corporation's 10 per cent margin applies only to priority categories, like Tourism, Rashtrapati Bhawan, Raj Bhawan, Ministers of Cabinet rank in the Central Government and Chief Ministers of State Governments. As regards other government departments, public undertakings, etc., the cars are released only at Reserve Market Price. In auction also vehicles are not released below 12½ per cent margin in normal cases unless it is felt that a particular car, because of its condition or make is not likely to be sold for a better price in subsequent auctions.

[Min. of F.T. & S., O.M. No. 24(3)/69-ST, dated 29th October 1969.]

Recommendation (Serial No. 27)

The Committee feel that export aid to small scale industry scheme should continue to be with State Trading Corporation as 'it is better financially equipped to provide assistance to small scale industry and has developed an expertise in the promotion of exports'. The Committee are of the view that a closer coordination and concerted efforts between STC and NSIC are needed to increase the exports of small scale industry. They feel that the reorganisation of EASI division of the STC undertaken recently is a step in the right direction.

[Paragraph No. 9.8]

Reply of Government

The recommendation of the Committee has been noted. The State Trading Corporation are now working in close coordination with NSIC and also Development Commissioner for Small Scale Industries for organising exports of small scale industries' products.

[Min. of F.T. & S., O.M. No. 24(3)/69-ST., dated 29th October 1969.]

Recommendation (Serial No. 28)

The Committee hope that the association of representatives of industry and trade with all the major trading activities of the State Trading Corporation as is proposed to be done, would help the Corporation to take advantage of views and experience of the private bodies and thus serve the interests of both private and public sectors industry effectively.

[Paragraph No. 10.2]

Reply of Government

The Recommendation is noted. The State Trading Corporation has been increasingly consulting Associations of Representatives of various industries and trade in respect of all major trading activities undertaken by it with a view to taking advantage of their advice and experience. It has also been maintaining close liaison with the various advisory committees set up at different ports in regard to quality of material to be imported, time of shipment, etc. The Corporation has recently introduced a system of regular consultations and discussions with various business associates, chambers of commerce, etc. on a more formal basis periodically. The measures, it is hoped would enable the Corporation to serve the interests of both private and public sector industries effectively.

[Min. of FT & S. O.M. No. 24(3)/69-ST. dated 29th October, 1969.]

Recommendation (Serial No. 30)

The Committee are happy to learn that the Corporation has recently introduced a system of preparing monthly and quarterly report of the activities of the Corporation and propose to introduce 'performance budgeting system'. Results of the periodical activities would enable the Corporation to spot out the areas of weakness and suggest prompt remedial measures. Such Reports, the Committee feel, should serve as a model to other Public Undertakings and they should adopt 'management accountability' in their undertakings also to direct their activities. Apart from this, STC have enunciated more delegation of powers and have decided to bring younger managers into 'decision making functions'. This is a welcome feature.

[Paragraph No. 10.14]

Reply of Government

The recommendation is noted. Apart from the monthly and the quarterly reports the Corporation has introduced Performance Budgeting System. Copies of monthly and quarterly reports are sent to the Bureau of Public Enterprises regularly. The Bureau has already written to various Ministries regarding adoption of a system of monthly and quarterly reporting.

[Min. of F.T. & S. O.M. No. 24(3)/69-ST., dated 29th October 1969.]

Recommendation (Serial No. 31)

The Committee hope that with the implementation of the suggestions of the Reviewing Committee the Regional Offices and foreign offices would be organised into efficient units of the Corporation. The foreign offices should serve as centres of information and service agency for the Indian exports.

[Paragraph 10.21]

Reply of Government

The recommendation is noted.

[Min. of F. T. & S. O.M. 24(3)/69-ST., dated the 29th October 1969.]

Recommendation (Serial No. 32)

The Committee are highly disappointed to find that stores worth Rs. 40.87 crores have been locked up in the 1967-68 involving loss of interest amounting to Rs. 3.67 crores (approximately) per annum, excluding additional cost of storage, deterioration, supervision, etc. The Committee urge on the Corporation and the Government to take some remedial measures without any more loss of time.

[Paragraph 11.6]

Reply of Government

The recommendation has been noted. Every care is being taken by the STC to plan and phase purchases according to needs and to maintain the stocks at the minimum level.

Stocks were reduced to the level of Rs. 30.66 crores on 31st March 1969. The position of stocks held on 31st March, 1968 and on 31st March, 1969 was as follows:—

	(Rs. crores)	
	31-3-1968	31-3-1969
A. Stocks in hand and with handling agents/selling agents	36.62	25.44
B. Goods in transit	4.25	5.22
	<hr/>	<hr/>
	40.87	30.66
	<hr/>	<hr/>
Turnover	141.23	167.2

[Min. of F. T. & S. O.M. 24(3)/69-ST., dated the 29th October 1969.]

Recommendation (Serial No. 33)

The Committee are perturbed to note that the value of doubtful debts has gone up from Rs. 8.7 lakhs on 31st March, 1967 to Rs. 18.97 lakhs on 31st March, 1968. They are also concerned to find that the percentage of debtors to sales has gone up in the years 1966-67 and 1967-68 as compared to the year 1965-66. They would urge upon the Corporation to take effective measures to recover the outstanding debts.

[Paragraph No. 11.10]

Reply of Government

The Corporation has reported that Rs. 18.97 lakhs represented doubtful debts as on the 31st March, 1968. Out of the above amount, a sum of Rs. 5.97 lakhs has been recovered/adjusted during the year 1968-69. In some cases legal proceedings have been instituted to recover the dues.

The position has since improved and the percentage of debts to sales has come down as will be seen from the following statistics :—

Year	Debts	Sales	Rs. Crores Percentage
31-3-67	27.8	101.5	27%
31-3-68	33.3	141.2	22%
31-3-69	32.8	167.2	20%

[Min. of F. T. & S. O.M. 24(3)/69-ST., dated the 29th October 1969.]

Recommendation (Serial No. 35)

The Committee appreciate the efforts of the Corporation to improve its financial position by issue of bonus shares and by capitalising reserves. The Corporation have been able to enhance the percentage of dividend from 10 per cent to 15 per cent in 1967-68 and has declared interim dividends in current year, which are welcome features. The Committee hope the Corporation's financial position will continue to improve.

[Paragraph No. 11.16.]

Reply of Government

The financial position of the Corporation has shown further improvement in the year 1968-69. The net profit before tax for this year was Rs. 12.09 crores as against Rs. 7.66 crores for the previous year. The Corporation has also paid dividend @ 20 per cent for 1968-69 as against 15 per cent paid for 1967-68.

[Min. of F. T. & S. O.M. 24(3)/69-ST., dated the 29th October 1969.]

CHAPTER III

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

Recommendation (Serial No. 5)

The Committee note that the imports from East European countries have increased from Rs. 46.19 lakhs in 1965-66 to Rs. 115.83 lakhs in 1967-68 and exports to those countries have gone down from Rs. 30.99 lakhs in 1966-67 to Rs. 23.57 lakhs in 1967-68. The Committee feel that this sudden setback in STC's trading activity with East European countries has produced considerable imbalance in the imports and exports and deserves prompt investigation by the Corporation. More vigorous and concerted efforts are needed on the part of STC to increase Indian exports to East European countries and also to explore new markets in that area for the various semi-manufactured and manufactured Indian goods. The Committee suggest that the Corporation should ensure that the country obtains the appropriate price for its exports and does not have to pay higher price for imports from East European countries.

They appreciate the setting up of a 'Buying Committee' for the purpose of taking decision in respect of purchases of the Corporation with reference to available resources, price, timing, etc., and hope that this Committee would also ensure that the country gets best price for exports and makes purchases of standard quality and specifications at the most competitive rates.

[Paragraphs 3.35 and 3.36.]

Reply of Government

The figures of imports and exports in the first sentence of the recommendation represent the total imports and exports of the STC. Exports of the Corporation to East European countries alone during 1967-68 and 1968-69 were valued at Rs. 10.31 crores and Rs. 13.52 crores, respectively and thus exports in the year 1968-69 showed an increase of Rs. 3.21 crores over the exports in the previous year. The Corporation is constantly looking for and exploring new markets for Indian goods in the East European countries for various semi-manufactured and manufactured goods. As a result of the intensive efforts made by it, it has been possible for it to introduce a number of new items in this market. In GDR, the STC has been able to introduce items like batteries, torches, radiator valves and fittings, machine tools, wire ropes and hand knitting machin-

es. In Czechoslovakia, Poland and Hungary, the STC has been successful in introducing HMT machines, sanitary fittings and dry batteries. In Bulgaria, wire ropes, and in the USSR, wire ropes, machine tools, refrigerators and hand tools have been introduced. Besides, the Corporation has secured an order for the export of 1000 wagons valued at Rs. 5.08 crores to Hungary and expects to get further orders for export of rolling stock to East Germany, Poland and Czechoslovakia. Consumer items like vacuum flasks, sports goods and paper, valued at about Rs. 69 lakhs, are also likely to be exported to East European countries during the current year.

The STC has set up a Management Services Division (International Trade Department) to make a thorough study of the items to be exported and imported by the Corporation and it is hoped that the Buying Committee of the Corporation, in collaboration with its International Trade Department, will achieve the objective of ensuring that appropriate price is obtained for its exports and that we do not have to pay higher prices for the imports.

[Min. of F. T. & S. O.M. 24(3)/69-ST., dated the 29th October 1969.]

Further information Called for by the Committee

Figures shown in the recommendations may be checked again and a factual note giving the correct figures may be furnished for the consideration of the Committee.

Further reply of Government

The error in figures of imports and exports shown in the recommendations (S. No. 5) could not be detected at the time the report was sent to this Ministry for factual verification before it was presented to the Lok Sabha due to oversight.

The figures of imports and exports handled by the STC from 1965-66 to 1968-69 and imports from and export to the East European countries are as follows:

Total Imports and Exports by the STC

	Imports	Exports
	(Crores of Rs.)	(Crores of Rs.)
1965-66	46.2	13.1
1966-67	67.9	31.0
1967-68	115.8	23.6
1968-69	114.1	48.5

Imports and Exports to East European Countries

	Imports (Crores of Rs.)	Exports (Crores of Rs.)
1965-66	11.34	9.98
1966-67	26.12	15.50
1967-68	36.58	10.31
1968-69	34.85	13.5

[Min. of F.T. & S., O.M. No. 24(3)/69-ST., dated 29th October 1969.]

Recommendation (Serial No. 20)

The Committee note that the Corporation is functioning as an intermediary licencing agency with a view to control distribution of goods at fair and reasonable prices. The role played by the Corporation in actual practice should not stand in the way of speedy clearance of goods and their distribution and lead to excessive profits. The committee therefore suggest that instead of engaging in indirect trade as an intermediary agency, the Corporation should enlarge its own independent channel of trade and allow the small traders to carry on independently.

(Paragraph No. 6.11)

Reply of Government

The recommendation has been noted.

In regard to engineering goods, the role played by the Corporation in indirect imports handled through its business associates does not stand in the way of speedy clearance of goods and their distribution and does not lead to excessive profits. The State Trading Corporation is, however, endeavouring to enlarge its activities of direct imports to the extent possible.

In the case of raw materials and other commodities the Corporation generally releases the imported items to the actual users directly by endorsing the shipping documents in their favour and thus avoid any intermediary. But where goods are released through distributors or associations, thorough control is kept on the distribution arrangements. The Corporation also ensures that the distributing agency is fully experienced in the line. The goods are released by these agencies on the specific recommendations of the competent authorities like the D. G.T.D., Chief Controller of Imports & Exports, Director of Industries etc. In the case of cinematographic films the distribution is done through the Indian Motion Pictures Export Corporation.

Imports of chemicals are arranged by the S.T.C. directly against import licences issued in its favour and distribution is done departmentally in a number of cases.

[Min. of FT & S, O.M. No. 24(3)/69-ST, dated 29th October, 1969.]

Recommendation (Serial No. 22)

The Committee regret that the price support operations (Lemon grass oil, jute, tobacco etc.) were entrusted to the Corporation for which it was neither equipped nor had the requisite experience. This was one of the fields where Government had been experimenting through an *ad hoc* Organisation like STC. The Corporation not only suffered heavy loss Rs. 63.40 lakhs on lemon grass oil and cotton) in those operations but also failed to give satisfactory service to the trade.

(Paragraph No. 7.6)

Reply of Government

The matter is being examined and a further reply will be submitted to the Committee as early as possible.

[Min. of F.T. & S., O.M. No. 24(3)/69-ST., dated 24-11-69]

Final Reply of Government

The price support operations have been undertaken in respect of commodities which are valuable export earners or constitute raw material for export industries. The need for price support operations arose because of sudden decline in export demand in foreign markets, accumulation of stocks with growers and sudden fall in internal prices. In order that this may not act as disincentive in maintaining production at optimum level, the State Trading Corporation which has export promotion as one of its important functions had been entrusted with the price support operations. The STC undertook such operation in respect of lemongras oil, jute tobacco etc. and though the Corporation suffered losses in the beginning, it was able to stabilise prices and to make profits later. The main objective of ensuring minimum economic price to the grower/producer was achieved through these operations.

[Min. of F.T. & S., O.M. No. 24(3)/69-ST., dated 29th October 1969.]

CHAPTER V

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

NIL.

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation (Serial No. 15)

The Committee are unhappy to note that simultaneous import of muriate of Potash by two Government agencies without proper co-ordination led to heavy accumulation (1.90 lakhs tons) of the items value at Rs. 7.60 crores besides storage expenses. They regret that the Ministry of Food and Agriculture did not curtail its imports in spite of representations made by STC about the accumulation of stocks.

The Committee hope that the decision to import through one agency, namely STC, and with introduction of Appraisal System for demand evaluation evolved by the Corporation will obviate unnecessary accumulation and avoid such a situation in future.

[Paragraph 3.115, 3.116.]

Reply of Government

The matter is being examined in consultation with the Department of Agriculture and the State Trading Corporation and a further reply will be submitted to the Committee as early as possible.

[Min. of F.T. & S., O.M. No. 24(3)/69-ST., dated 29-10-1969.]

Further Reply of Government

The arrangements for further imports of muriate of Potash have since been considered at a meeting held in the Ministry of Food and Agriculture in July, 1969 under the Chairmanship of the Secretary of that Ministry and it was decided that the S.T.C. and the Indian Potash Supply Agency should be entrusted with the entire distribution of muriate of potash and imports by the Ministry of Food and Agriculture should also be handled by the S.T.C. and the Indian Potash Supply Agency. Import by a single agency should obviate any under accumulation of stocks in the future.

As regards the lack of co-ordination which led to accumulation of stocks in the past, a further note will be submitted in consultation with the Department of Agriculture.

[Min. of F.T., O.M. No. 24(3)/69-ST., dated 24-11-1969]

Recommendation (Serial No. 26)

The Committee understand that the recommendations of the Reviewing Committee, on the pricing policy are still awaited. They hope that the Reviewing Committee would give its best attention to this subject and formulate its opinion as early as possible. It need hardly be stressed that on the pricing policy depends the result of the trading activities of the Corporation.

(Paragraph No. 8.3)

Reply of Government

The Reviewing Committee on State Trading Corporation has submitted their report. The Committee has made certain recommendations regarding the STC's pricing policy which are under Government's consideration.

[Min. of F.T. & S., O.M. No. 24(3)/69-ST., 29-10-1969].

Further Reply of Government

The Report of the S.T.C. Review Committee is still under Government's consideration.

[Min. of F.T. O.M. No. 24(3)/69-ST, dated 24-11-69].

Recommendation (Serial No. 29)

The Committee are happy that the Government have taken such urgent steps to assess the functioning of the Corporation with a view to reorganise its activities and its organisational set-up and hope that the Reviewing Committee will produce very fruitful results.

(Paragraph No. 10.11)

Reply of Government

The recommendation is noted. The final report of the Reviewing Committee has been received by the Government and is under examination.

[Min. of F.T. & S. O.M. No. 24(3)/69-ST, dated 29-10-69].

Further Reply of Government

The report of the Review Committee is still under Governments' consideration.

[Min. of F.T. U.O. No. 24(3)/69-ST, dated 24-11-68].

Recommendation (Serial No. 34)

The Committee suggest that the Ministry of Foreign Trade and Supply should have a Cell for undertaking a meaningful analysis of the periodical reports which are received from the public undertakings under their charge

with a view to focus attention on significant developments requiring Government direction. This would enable Ministry to keep not only contemporaneous watch over the working of the undertakings, but also initiate corrective action, where called for.

(Paragraph No. 11.14.)

Reply of Government

The recommendation is noted. At present, the performance and periodical reports of the public undertakings are watched by the Ministry through its concerned branches. The question of setting up a Cell as recommended by the Committee is under examination.

[Min. of F.T. & S. O.M. No. 24(3)/69-ST., dated 29-10-69.]

Further reply of Government

The State Trading and Barter Deals Section of the Ministry deals with the work relating to the State Trading Corporation and its subsidiaries, (*viz.* Handicrafts and Handlooms Exports Corporation and Indian Motion Pictures Export Corporation) and the Minerals and Metals Trading Corporation. Similarly, the work relating to the National Textile Corporation is looked after by the Textile (G) Section and the work relating to the Export Credit and Guarantee Corporation by the EAC Section. These Sections are responsible for the analysis of the periodical reports of the public undertakings under their charge.

The question of strengthening these Sections to enable them to undertake this work more effectively, as recommended by the Committee, is currently under examination.

[Min. of Foreign Trade O.M. No. 24(3)/69-ST., dated 24-11-69.]

M. B. RANA,

NEW DELHI;

December 15, 1969
Agrahyana 24, 1891 (S)

Chairman,
Committee on Public Undertakings.

APPENDIX

(*Vide* para 5 of Introduction)

Analysis of the action taken by Government on the recommendations contained in the Fifty-first Report of the Committee on Public Undertakings (Fourth Lok Sabha).

I.	Total number of recommendations	35
II.	Recommendations that have been accepted by Government (<i>vide</i> recommendations at Sl. Nos. 1, 2, 3, 4, 6, 7, 8, 9, 10, 11, 12, 13, 14, 16, 17, 18, 19, 21, 23, 24, 25, 27, 28, 30, 31, 32, 33 and 35)	
	Number	28
	Percentage to Total	80%
III.	Recommendations which the Committee do not desire to pursue in view of Government's reply (<i>vide</i> recommendations at Sl. Nos. 5, 20 & 22)	
	Number	3
	Percentage to total	8.57%
IV.	Recommendations in respect of which final replies of Government have not been accepted by the Committee.	
	Number	Nil
	Percentage to total	Nil
V.	Recommendations in respect of which final replies of Government are still awaited (<i>vide</i> Sl. Nos. 15, 26, 29, & 34)	
	Number	4
	Percentage to total	11.43%

Sl No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
DELHI					
24.	Jain Book Agenc , Connaught Place, New Delhi.	11	33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.	68
25.	Sat Narain & Sons, 141, Mohd. Ali Bazar, Mori Gate, Delhi.	3	34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
26.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9	35.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
27.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11	36.	Hind Book House, 82, Janpath, New Delhi.	95
28.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15	37.	Bookwell, 4, Sant Narakari Colony, Kingsway Camp, Delhi-9.	96
MANIPUR					
29.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20	38.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal.	77
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23	AGENTS IN FOREIGN COUNTRIES		
31.	Bahree Brothers, 188, Lajpatrai Market, Delhi-5.	27	39.	The Secretary, Establishment Department, The High Commission of India, 'India House', Aldwych. LONDON W.C.—2.	59
32.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.	66			

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