

# **CUSTOMS—ACCOUNTING STORAGE, PRICING AND DISPOSAL OF CONFISCATED GOODS**

**MINISTRY OF FINANCE  
(DEPARTMENT OF REVENUE)**

**ESTIMATES COMMITTEE  
1990-91**

**NINTH LOK SABHA**



**LOK SABHA SECRETARIAT**

**FIFTH REPORT  
ESTIMATES COMMITTEE  
(1990-91)**

**(NINTH LOK SABHA)**

**MINISTRY OF FINANCE (DEPARTMENT OF REVENUE) —  
CUSTOMS—ACCOUNTING, STORAGE, PRICING AND  
DISPOSAL OF CONFISCATED GOODS**

[Action Taken by Government on the  
recommendations contained in the  
Seventy-Fifth Report of Estimates  
Committee (Eighth Lok Sabha)]



सत्यमेव जयते

*Presented to Lok Sabha on 23.8.90*

**LOK SABHA SECRETARIAT  
NEW DELHI**

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(1990-91)**

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3. **Shri S.M. Mehta — *Senior Financial Committee Officer***

**STUDY GROUP ON ACTION TAKEN REPORT OF  
ESTIMATES COMMITTEE  
(1990-91)**

1. Shri           Jaswant           Singh           —           *Chairman*
2. Shri Hannan Mollah
3. Dr. Thambi Durai
4. Shri Chiranji Lal Sharma
5. Shri Yamuna Prasad Shastri
6. Shri Anantrao Deshmukh
7. Shri Kailash Nath Singh Yadav

## INTRODUCTION

I, the Chairman of the Estimates Committee having been authorised by the Committee to submit the Report on their behalf present this 5th Report on action taken by Government on the recommendations contained in the 75th Report of the Estimates Committee (Eighth Lok Sabha) on the Ministry of Finance—Department of Revenue—Customs—Accounting, Storage, Pricing and disposal of confiscated goods.

2. The 75th Report was presented to Lok Sabha on 27th April, 1989. Government furnished their replies indicating action taken on the recommendations contained in that Report in January, 1990. The draft Report was adopted by the Committee on 12th June, 1990.

3. The Report has been divided into following Chapters:—

- I. Report
- II. Recommendations/Observations which have been accepted by Government
- III. Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies.
- IV. Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee.
- V. Recommendations/Observations in respect of which final replies of Government are still awaited.

4. An analysis of action taken by Government on the recommendations contained in Seventy-Fifth Report of—Estimates Committee (Eighth Lok Sabha) is given in Appendix. It would be observed that out of 47 recommendations made in the Report, 27 recommendations *i.e.* 57.5% have been accepted by Government and the Committee do not desire to pursue 6 recommendations *i.e.* about 13% in view of Government's replies. Replies have not been accepted in respect of 10 recommendations *i.e.* about 21%. Replies in respect of 4 recommendations *i.e.* 8.5% have not been furnished by the Government.

NEW DELHI;  
July 20, 1990

Asadha 29, 1912(S)

JASWANT SINGH,  
*Chairman,*  
*Estimates Committee.*

## CHAPTER I

### REPORT

1.1 This Report of the Estimates Committee deals with action taken by Government on the recommendations contained in their 75th Report (8th Lok Sabha) on Customs—Accounting, Storage, Pricing and Disposal of Confiscated goods which was presented to Lok Sabha on 27th April, 1989.

1.2 Action Taken Notes have been received in respect of 43 out of a total of 47 recommendations contained in the Report. These Notes have been categorised as follows:—

- (i) Recommendations/Observations which have been accepted by the Government:

Sl. Nos. 2, 3, 5, 6, 7, 8, 9, 10, 11, 13, 16, 17, 18, 19, 20, 24, 30, 31, 36, 37, 38, 40, 41, 44, 45, 46, 47.

(Total 27 — Chapter II)

- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies;

Sl. Nos. 22, 23, 28, 29, 32, 33.

(Total 6 — Chapter III)

- (iii) Recommendations/Observations in respect of which Government's replies have not been accepted by the Committee;

Sl. Nos. 1, 4, 12, 15, 25, 26, 27, 34, 39, 42.

(Total 10 — Chapter IV)

- (iv) Recommendations/Observations in respect of which final replies are still awaited;

Sl. Nos. 14, 21, 35, 43.

(Total 4 — Chapter V)

1.3 The Committee will now deal with action taken by Government on some of the recommendations.

#### *Quantum of Smuggling*

##### **Recommendation**

(Sl. No. 1 Para No. 1.19)

1.4 In their original report the Committee had noted that while intensification of anti-smuggling drives, during the last few years had made an impact on seizure of contrabands no exercise had been undertaken to establish the extent of smuggling in the country. Unless a thorough



examination of smuggling activity was conducted by the Department, the Committee was not reassured that this malady could be checked. While the Committee appreciate that it would not be possible to arrive at any precise figures, they nevertheless, felt that the Department ought to have an assessment of the totality of the problem. In the opinion of the Committee, unless the quantum of smuggling was assessed realistically, it would not be possible to devise appropriate corrective measures. Where after to assess the adequacy or otherwise of infrastructural support needed and to correctly evaluate the impact of smuggling on the national economy. The Committee therefore, urged the Government to give thought to the issue, and to conduct the needed study, if necessary by associating experts in the field.

1.5 In its reply, the Ministry of Finance (Department of Revenue) stated that the recommendation was noted.

1.6 Observing that the amount of seized goods, though on increase, was not the only, or even a correct index of the Department's endeavour to curb smuggling, the Committee had recommended a more detailed study. It is self evident that smuggling has synergetic economic, social and political consequences; and therefore, a study must prove to be a useful input in combating them.

The Committee, however, note with dismay that the Department of Revenue, Ministry of Finance has merely "noted the above recommendation". It has made no efforts whatsoever to undertake such an exercise.

This is not acceptable to the Committee, while disapproving of such an approach, the Committee reiterate their earlier recommendation and desire that the Department of Revenue ought to take urgent steps to conduct a study about the totality of this problem. The Committee would like to be informed of the action taken.

### *Staff Strength*

#### **Recommendation**

*(Sl. No. 3 Para 1.26)*

1.7 The Committee had felt that with an obvious increase in smuggling activities adequate steps ought to have been taken, simultaneously, to enhance the manpower needed.

1.8 In its action taken reply, the Department of Revenue stated that the Cadre Review Committee had submitted its report in this regard and action had since been initiated.

1.9 The Committee hope that the Cadre Review Committee has taken into account the earlier recommendation made by the Committee.

The Committee would wish to be informed of the action taken in the matter.

### *Setting up of Collectorates*

#### **Recommendation**

*(Sl. No. 4 Para No. 1.27)*

1.10 The Committee had recommended that each of the existing preventive collectorates located at Bombay, Trichy, Calcutta, Patna and Ahmedabad should be strengthened early. Proposals regarding the setting up of Collectorates/Sub-Collectorates at Lucknow, Imphal and Amritsar ought also to be considered urgently and expeditious action taken to establish them. Sub-Collectorate at Jodhpur, sanction for which had already been accorded by the Cabinet, should also be set up at the earliest.

1.11 In its action taken reply the Department of Revenue stated that the recommendations of the Committee were noted and action had been initiated. Sub-Collectorate at Amritsar, for the Punjab Sector of Indo-Pak border had already been sanctioned.

**1.12 The Committee note with disappointment that the above reply of the Department does not inform about the action taken in regard to the setting up of Collectorates/Sub-Collectorates at other places mentioned in the recommendation. The Committee desire that the Department should take urgent steps to strengthen/set up the Collectorates/Sub-Collectorates within a time-bound programme and apprise the Committee about specific action taken in the matter.**

### *Construction of Warehouses*

#### **Recommendation**

*(Sl. No. 12 Para No. 3.15)*

1.13 In their original report, the Committee had noted that to overcome a shortage of storage capacity, the Department had planned, at the outset, to construct warehouses in all major metropolitan cities. However, subsequently, the proposal for construction of warehouses in Delhi and in Calcutta was dropped. The Committee were constrained to observe that even though a proposal for construction of godowns, Sales offices-cum-guards dormitory was mooted in 1982, it took almost 6 years before the expenditure was sanctioned by the Ministry of Finance. The Committee are of the view that this delay in obtaining of the sanction, from its own parent ministry, can only be attributable to insufficient concern on the part of all concerned. Even after sanction had been issued by the Ministry of Finance, construction of godowns at Bombay had not started on account of objections raised by the CPWD, Municipal Corporation, Maharashtra. The Committee were of the opinion that approach of the Department had been rather casual on this issue.

1.14 In its action taken reply, the Department of Revenue stated that the estimates of expenditure, for construction of three godowns, for Customs Department at Suleman Shah Plot, Bombay, was received from the CPWD in January, 1985. The proposal was considered in consultation with the Director General (Works), CPWD, Ministry of Urban Development Finance Unit. As the proposal involved expenditure of more than

Rs. 3 crores. it was placed before the Committee on Non-Plan Expenditure. The expenditure sanction was issued on 5.5.87. The CPWD authorities were pursuing the matter with the State Government for permission to construct the Godowns. For various reasons, progress had, no doubt, been not satisfactory. Vigorous efforts were continuing for expediting the work.

**1.15** The Committee note that it took almost 2½ years, for the expenditure sanction to be issued after the receipt of estimate of expenditure, for construction of three godowns for Customs Department at Bombay in January, 1985. The Committee do not find it possible to condone this inefficient delay. They would like the Department of Revenue to investigate this entire matter and to take effective remedial measures to prevent their recurrence in future.

**1.16** The Committee also urge the Ministry to ensure that all impediments in the construction of godowns are removed with despatch. Progress in this regard must be monitored periodically at an appropriately higher level, so that all necessary actions are taken in time. The Committee would wish to know urgently:—

- (a) As to by when an investigation into this delay is going to be investigated;
- (b) What new target date has been set, by the Department, for completion of godowns at Bombay; and
- (c) What monitoring mechanism is going to be set up.

#### *Storage Capacity of the International Airports*

##### **Recommendation**

*(Sl. No. 15 Para No. 3.19)*

**1.17** The Committee had noted that store rooms at Indira Gandhi International Airport, where seized goods were kept were not fit for proper storage of such goods. It apprehended that a similar situation might prevail at other airports also. They had desired the Department of Revenue to pursue the matter with International Airports Authority of India, for an augmentation of the space allotted for this purpose at all the major airports in the country.

**1.18** In its action taken reply, the Department of Revenue stated that the observations of the committee were noted and suitable action had been initiated in that regard.

**1.19** The Committee would wish to know:—

- (a) What exactly is the "suitable action" that has been initiated?
- (b) When? And with what results? Finally.
- (c) Exactly what has been done to implement the recommendation of the Committee, other than merely noting it?

## *Selection Committee*

### **Recommendation**

*(Sl. No. 25 Para No. 4.36)*

1.20 The Committee had observed that apart from the time taken in the process of selection and appointment of Judicial and Technical members of CEGAT, an important factor for delay in these appointments had been the non-existence of a Selection Committee for the purpose. The Committee were disappointed to note that after the completion of the tenure of the Selection Committee, headed by Shri Justice D.A. Desai, on 30.6.85, another Selection Committee was constituted only on 11.8.86, i.e. after a lapse of more than one year. The Committee had recommended that in future the process of constitution of Selection Committee should be started well in advance so as to avoid the recurrence of such delays.

1.21 In its action taken reply, the Department of Revenue stated that the observation of the Committee had been noted.

**1.22 The Committee are not satisfied with the reply of the department that the observation of the Committee has been noted. This is standard bureaucretaise for in action. The Committee are constrained to note that their recommendations are being treated casually.**

The Committee would therefore, like to be apprised of the specific reasons due to which the formation of selection Committee was delayed, and also about the remedial steps being taken to avoid the recurrence of such delays in future.

### *Sanction for CEGAT*

### **Recommendation**

*(Sl. No. 26 Para No. 4.43)*

1.23 The Committee had noted that sanction of two additional benches served no useful purpose as the benches remained non-operational, due to delay in Selection of Members, and their appointment, thus a number of vacancies remaining unfilled.

1.24 The Department of Revenue merely noted the above observations of the Committee.

**1.25 The Committee are not satisfied with the above reply of the Department and would like it to ensure that in future there is no delay in the selection of members and expeditious steps are taken to fill the vacancies in Benches. They would like to be apprised of what precise steps are being taken to avoid such delays, in future.**

### *Formation of a new Tribunal*

### **Recommendation**

*(Sl. No. 27 Para No. 4.44)*

1.26 The Committee had been informed that as the law creating the new tribunal, namely, Customs and Excise, Revenue Appellate Tribunal (CERAT), was passed in December, 1986 and as most matters arising from the new tariff system, after 28.2.1986, were to be referred to the new

Tribunal, a need was not felt to continue with these two special benches. The Committee deprecated that neither were the two special benches operated during their tenure, nor was any need felt to renew them by the Ministry on the expectation that new tribunal would be formed by that time. Disappointingly, the new Tribunal has not been set up so far.

1.27 In its reply, the Department of Revenue stated that the Government had all along been concerned to review the structure of the appellate machinery. However, due to certain reasons the new Tribunal could not be established so far.

1.28 It is disquieting to find that the matter of Formation of new Tribunal is still unsettled. The Department has not even spelt the precise reasons for this inaction. The Committee would like to be apprised of the circumstances leading to the non-formation of the aforesaid Tribunal; and the steps the Department of Revenue intends to take to rectify the situation now. They deprecate the casual manner of the Department in dealing with important recommendations of the committee. The committee would like to know what action is taken in this regard.

#### *Computerisation*

##### **Recommendation**

(Sl. No. 34 Para No. 4.65)

1.29 The Committee had noted that the Customs Department had resorted to extensive computerisation to bring about uniformity in classification and valuation procedures, and to reduce disparity in settlement procedures. The Department also proposed to extend the Central Excise computerisation into all major centres. The Committee had desired that the Department should vigorously pursue the matter. It was desirable that a time-bound progress plan was formulated in this regard and was periodically monitored. The procedure, practice and organisation involved in the field collectorate and the Board / Ministry needed to be suitably streamlined to make computerisation successful.

1.30 In its action taken reply, the Department of Revenue stated that the recommendations of the Committee were noted and that suitable action had already been initiated.

1.31 The Committee would like to be apprised of the concrete action taken in this matter and the actual progress made thereupon.

#### *Disposal of Items*

##### **Recommendation**

(Sl. No. 39 Para No. 5.18)

1.32 The Committee had noted that difficulties were being faced by the Custom Authorities in disposing of items such as snake skins, skins of other wild animals, rough and uncut diamonds, rough and uncut precious and semi-precious stones. The Department was stated to have taken up the issue with the concerned Ministry, for appropriate remedial measures. The committee had desired expeditious action. The committee also desired to

determine other outlets for disposal of rough and uncut diamonds, precious and semi-precious stones so that the financial interests of the Government were properly secured.

1.33 In its action taken reply, the Department of Revenue stated that the recommendations of the Committee were noted and action had been initiated.

**1.34 The Committee are not satisfied with the above reply of the Department as it does not indicate precisely what the action taken in the matter is, and the exact position regarding the disposal of such items. The Committee would also wish to know what is the loss caused to the exchequer by not selling items like rough and uncut diamonds precious and semi-precious stones intime.**

### *Disposal of Vehicle*

#### **Recommendation**

*(Sl. No. 42 Para No. 4.31)*

1.35 The Committee had noted that 191 seized vehicles were lying in various Collectorates for disposal. Out of the 191, Delhi Customs alone accounted for 78 vehicles. The Committee were concerned to note that in Delhi Customs, a large number of vehicles had been lying for disposal, for more than 10 years; that some of them had been seized 25 years ago: obviously, a very unsatisfactory position. What was even more disturbing was that although 10 vehicles had been declared ready for disposal, in 1985, yet none of them had been actually sold till September, 1988. The Committee had desired that the vehicles should be disposed of without any further delay. As the time taken in the finalisation of adjudication/prosecution proceedings was inordinately long, the Committee had also desired that the Department should consider the feasibility of disposing these vehicles, pending legal proceedings, so as to obtain their maximum value, to reduce expenditure on maintenance, storage and proper upkeep. The Committee also recommended a necessary modification in rules, if considered necessary, to watch the financial interests of the Government.

1.36 In its reply, Department of Revenue stated that the recommendations of the Committee were noted and that after the visit of the Estimates Committee, a special drive was launched to dispose of the confiscated vehicles which were ripe for disposal that presently only 48 seized/confiscated vehicles were pending for disposal in Delhi Collectorate. All attempts were being made to dispose of those vehicles also. Applications were also being filled in the Courts seeking permission for pre-trial disposal.

**1.37 The Committee would like to be apprised of the specific action taken to dispose of confiscated vehicles in various other Collectorates.**

*Implementation of Recommendations*

**1.38 The Committee wishes to emphasise that their recommendations are for action; they have to be implemented by Government. They will, therefore, advise the government that it should keep a monitoring watch on the recommendations made by the Committee. Such recommendations, as are not possible to implement must be reported to the Committee, in time, and an explanation provided for inaction.**

**It is the desire of the Committee that replies in respect of the recommendations contained in Chapter V of the Report may be furnished expeditiously. The Committee also reiterate their expectation about constructive responses from the Government.**

## CHAPTER II

### RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

#### **Recommendation**

(S. No. 2, Pára No. 1.25)

The Committee are constrained to note that while the work of Department of Revenue and Customs has increased manifold due to increase in the smuggling activities over the years the expansion of organisational set-up of the Department of Revenue and Customs Houses has not kept pace with the same. There is a shortage of manpower, arms, and equipments like telecommunication network, etc. which is hampering the functioning of the Customs Department to a great extent. Smugglers gangs are hard to fight and are in possession of modern equipment and have a formidable intelligence net work. The committee accordingly recommend that to counteract the nefarious activities of such gangs emphasis should be given on the modernisation of the department and equipment like speed boats, vehicles and motorcycles which have improved mobility, special metal detectors, night-vision binoculars, X-ray machines for baggage checks, closed circuit TVs and walkie-talkie etc. should be provided to the Department.

#### **Ministry's Reply**

The Committee has recommended modernisation of the Customs Department by providing equipments like speed boats, vehicles and motorcycles which have improved mobility, special metal detectors, night-vision binoculars, X-ray machines for baggage checks, closed circuit TVs and walkie-talkie etc. to counteract the nefarious activities of smugglers.

The recommendations of the Committee already form the cornerstone of Government's policy in this regard and continuous re-appraisal of anti-smuggling equipment is undertaken by the Directorate of Preventive Operations which is headed by an Officer of the rank of Joint Secretary. Based on these recommendations, modern equipment is made available to the Customs formations. In recent years, X-ray machines for screening baggage, metal detectors both of door-frame and hand-held types, closed circuit television monitors, night-vision binoculars and goggles and search lights have been supplied to anti-smuggling formations. The personnel deployed on the anti-smuggling work have been provided fire arms like self-loading rifles. Officers are in addition provided with pistols/revolvers.

Recently, 10 Customs Patrol launches built indigenously have been acquired and deployed along the coastline. The Customs fleet gets



support from the Coast Guard fleet which consists of modern and well-equipped vessels.

Further, 39 cars, 43 jeeps, 3 Mini buses, 2 Trucks and 3 Vans (90 in all) have recently been provided from the Special Fund as replacements for condemned vehicles and 35 additional vehicles have been sanctioned for preventive work.

The recommendations of the Committee for modernising the equipments provided to the anti-smuggling units are noted.

[F.No.715/2/89-CUS(AS) October, 1989]

#### **Recommendation**

*(Sl. No. 3 Para No. 1.26)*

The Committee feel that with the increase in the smuggling activities adequate steps ought to have been taken simultaneously to create requisite man-power.

They, however, find that nothing concrete has been done in the past to strengthen the organisational set-up and it is only now that the reorganisation of the Customs Department has been taken up for the first time and the necessity to create suitable machinery for supervision and control of inland customs work and to restructure the preventive machinery has been considered. The committee cannot but deprecate the laxity shown by the Department in this regard.

#### **Ministry's Reply**

The Cadre Review Committee has submitted its report in this regard. Action has since been initiated.

[F.No.715/2/89-CUS(As) October, 1989]

#### **Recommendation**

*(Sl. No. 5 Para No. 1.34)*

The Committee are amazed to note that the Department of Revenue does not have any information regarding the number of vacancies of staff in the Preventive Collectorates at Ahmedabad, Bangalore and Patna. The contention of the Ministry that the staff are on deployment from the respective Excise Collectorates and hence only existing/deployed figures can be given indicates that there is no co-ordination between the Ministry and the respective Collectorates. This is all the more astonishing because both the Cadre Controlling authority and utilising department function under the same Ministry. In the absence of any information regarding the number of vacancies the Committee cannot comprehend as to how the Ministry can exercise an adequate control over the man-power requirements of the various Collectorates. The Committee desire that the Ministry should undertake the necessary exercise expeditiously. For efficient and smooth functioning of the Collectorates it is imperative that not only adequate staff is sanctioned but is also actually in

position. The work relating to manpower requirement of the Preventive Collectorates located at Bombay, Trichy, Calcutta, Patna and Ahmedabad, which is being looked into by a Cadre Review Committee, should be expedited and commensurate staff provided. The Committee would like the Department to take immediate steps in this regard.

#### **Ministry's Reply**

The Committee has recommended that work relating to manpower requirement of the Preventive Collectorates located at Bombay, Trichy, Calcutta, Patna and Ahmedabad, which is being looked into by a Cadre Review Committee should be expedited and commensurate staff provided.

Proposals for augmentation of staff in the Preventive Collectorates are under consideration. However, Preventive Sub-Collectorates have already been set up at Jodhpur and Amritsar. Proposals for setting up Preventive Collectorates at Imphal and Lucknow are also under examination.

[F. No. 715/2/89-Cus (AS) March, 1990]

#### **Recommendation**

*(Sl. No. 6 Para 1.35)*

The Committee are of the considered opinion that an adequate complement of staff in all the Preventive Collectorates will go a long way in helping them perform their work efficiently. It has to be appreciated that this Department is an unusual one as it pertains to an area where much needed revenue can be augmented by intensifying preventive and operational measures. All efforts in this direction would be greatly hampered by inadequacy of staff. The Committee expect the Ministry to specially take into account these special characteristics while working out and providing manpower requirements in this Department.

#### **Ministry's Reply**

The Committee has recommended adequate complement of staff in all the Preventive Collectorates and has observed that efforts to augment revenue by intensifying preventive and operational measures would be hampered by inadequacy of staff.

Proposals for augmentation of staff have been made keeping in view the need for adequate strength.

[F. No. 715/2/89-Cus (AS) March, 1990]

#### **Recommendation**

*(Sl. No. 7 Para 1.41)*

The Committee note that actual working strength of staff for disposal work in warehouses/godowns is more than the sanctioned strength and the extra staff is deployed for the management of the warehouses/godowns by diversion of staff from other formations, which, as admitted by the Department affects their overall functioning. The Committee find that the Department of Revenue, on the request of various Collectorates

regarding inadequacy of staff for management of warehouses/godowns, examined their proposals in 1987. They regret to note that even after a lapse of almost 2 years a final decision regarding the sanctioning of additional staff has not been taken. The Committee highly deplore the lackadaisical attitude of the Ministry/Collectorates in this regard and desire that the Department of Revenue should urge all the Collectorates to furnish the complete data regarding the staff requirement for the management of warehouses/godowns in their respective Collectorates, fix proper norms and arrange to get the vacancies filled up on regular basis so that staff for this work is not diverted from other formations.

### **Ministry's Reply**

The Committee has noted that extra staff is deployed for the management of the warehouses/godowns by diversion of staff from other formations and it affects overall functioning. It has been recommended that staff requirement for the management of warehouses/godowns in the respective Collectorates should be worked out and vacancies filled up on regular basis so that staff for this work is not diverted from other formations.

On completion of Cadre Review of Groups 'B', 'C' & 'D' and consequential augmentation of manpower, the need for diversion of staff may not arise.

[F. No. 715/2/89-Cus. (AS) March, 1990]

### **Recommendation**

*(Sl. No. 8 Para No. 2.8)*

The Committee note that in the absence of owners of seized goods, panchnamas are prepared in the presence of independent witnesses. However, the Department does not maintain any written record of cases wherein the veracity of panchnamas' have been questioned. The Committee do not agree with the reasons advanced by the Department that the accused may question the veracity of these witness during court proceedings. They are of the opinion that in order to ensure the correctness of the panchnamas, the Department should keep a record of all such cases, analyse them, and take corrective measures accordingly.

### **Ministry's Reply**

The Committee has recommended that in order to ensure the correctness of the Panchnamas, the Department should keep a record of all such cases, analyse them and take corrective measures accordingly.

The directions of the Committee are noted and suitable instructions have been issued to the field formations (copy enclosed).

[F.No. 715/2/89-CUS(AS) October, 1989.]

**F.No. 715/2/89-CUS (AS)**  
**Government of India**  
**Ministry of Finance**  
**CENTRAL BOARD OF EXCISE & CUSTOMS**  
**(Anti-smuggling Unit)**

New Delhi, the 11th October, 1989.

To

All Principal Collectors of Customs  
 & Central Excise  
 All Collectors of Customs  
 All Collectors of Customs & Central Excise  
 All Collectors of Customs (Prev.)  
 Additional Collectors of Customs Goa/Vizag

Sir,

**SUBJECT:** *Keeping a record of cases wherein the veracity of the Panchnamas have been challenged-reg.*

The Estimates Committee in its 75th report on Ministry of Finance (Department of Revenue) - Customs : Accounting, Storage, Pricing and Disposal of Confiscated Goods has observed that the Department should keep a record of cases wherein the veracity of Panchnamas have been challenged, analyse them and take corrective measures in appropriate cases. To ensure the above, it has been decided that every anti-smuggling unit under the charge of Superintendent/Inspector must maintain a register in the enclosed proforma. This register must be submitted once in a month for scrutiny to the Assistant Collector incharge. The Assistant Collector should look into each case and take corrective measures wherever necessary.

A copy of the standing order issued by the Collectorate on this subject should be submitted to the Board for its information.

Yours faithfully,

Sd/-

(R. VENKATARAMAN)

*Under Secretary to the Central Board of Excise & Customs*

**Register of Cases Wherein the Veracity of Panchnamas  
 have been Challenged**

Date and time of seizure	Name and address of the witnesses	Brief description and nature of the cases wherein the veracity of panchnamas have been challenged	Corrective/ Remedial measures taken	Signature of Inspector/ Superintendent incharge
-				

**Recommendation**

*(Sl. No. 9 Para No. 2.9)*

The Committee have also noted that the values of goods appraised at the time of seizure are not realistic and there are differences between the valuation of seized goods at the time of their seizure and at the time of disposal because the values appraised at the time of seizure were not realistic. When such goods were offered for sale these goods could not be sold due to high prices and had to be revalued. It is necessary to ensure correct appraisal of the market value of goods at the time of seizure of goods and the tendency to overvalue/undervalue the seized goods on account of extraneous considerations should be strictly curbed. The Committee, therefore, desire that the officers of Customs engaged in the job of appraising the seized goods should acquaint themselves with the prevailing market prices of important goods so that the valuation of seized goods is done on a realistic basis.

**Ministry's Reply**

The observations of the Committee are noted and the Collectors have been instructed that due care should be taken while the values of the goods are being appraised at the time of their seizures.

[F.No. 715/2/89-CUS (AS) October, 1989.]

**Recommendation**

*(Sl. No. 10 Para No. 2.13)*

The Committee note with regret that no records are maintained of the cases wherein necessary reports about the seizure are not made to the superior officer/Directorate Revenue Intelligence within the stipulated time. The Committee do not agree with the reasons advanced by the Department that since cases of delay are rare no separate record is maintained for such cases. On the other hand they feel that if a proper record of cases of breach of these instructions is maintained it will act as a deterrent against the officials who do not adhere to the prescribed time limit for reporting the seizure to the immediate superior officer and sending DRI-2 report to the Directorate of Revenue Intelligence. The Committee, therefore, recommend that the Ministry should ensure that not only necessary reports about the seizures are made within the stipulated time and all delays are avoided but also in all cases where this is not done a proper record is kept including investigation record of cases when the stipulated time limit is not adhered to. The Ministry should initiate necessary action in this regard promptly.

**Ministry's Reply**

The Committee has recommended that the Ministry itself should initiate action to ensure that proper records are maintained wherein necessary reports about seizures are not made to the superior officers/DRI within the time limits prescribed.

The instructions of the Committee are noted and suitable instructions have been issued to the field formations (copy enclosed).

[F.No. 715/2/89-CUS(AS) October, 1989.]

**F.No. 715/2/89-CUS(AS)**

**Government of India**

**Central Board of Excise & Customs**

New Delhi, the 5th October, 1989.

To

All Principal Collectors of Customs  
& Central Excise

All Collectors of Customs

All Collectors of Customs (Prev.)

All Collectors of Customs &

Central Excise

All Additional Collectors of

Customs, Goa/Vizag

Directorate of Revenue Intelligence.

SUBJECT: Non-compliance of time limits for reporting seizure to superior authorities—Regarding.

Sir,

The Estimates Committee of Parliament has in its 75th Report on the Ministry of Finance (Department of Revenue) — Customs: Accounting, Storage, Pricing and Disposal of Confiscated Goods has observed that delays in the submission of DRI reports to the DRI/Collectorate Head-quarter/Divisional Office are escaping the notice of the superior officers. They have, therefore, recommended that DRI I&II reports should invariably be sent within the stipulated time and all delays on this score be avoided. To ensure the above, it has been decided that every anti-smuggling unit under the charge of Superintendent or Inspector must maintain a register in the enclosed proforma. This register must be submitted once in a month for scrutiny to the Assistant Collector incharge. The Assistant Collector should look into each case of delay in sending the DRI I and DRI II reports and make appropriate remarks in the register.

In addition, it may be ensured that the Board's instruction prescribing the time limits for each stage in the investigation, adjudication and other follow-up action is strictly adhered to. In this connection, 335-J register should be kept updated in all respects.

Yours faithfully,

Sd/-

(R. VENKATARAMAN)

*Under Secretary to the Central Board of Excise & Customs.*

### Register for Monitoring the Sending of DRI Reports

Date of recording information if any	Date and time of despatch of DRI-I	Date and time of seizure	Date and time of despatch DRI-II	Signature of Inspector/Supdt. incharge
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**Government of India  
Ministry of Finance  
Department of Revenue  
(Anti-Smuggling Unit)**

**SUBJECT:** *Action taken by the Government of the 75th Report of the Estimates Committee on the Ministry of Finance (Department of Revenue)—Customs: Accounting, Storage, Pricing and Disposal of Confiscated Goods—Regarding.*

#### Recommendations

(Sl. No. 11 Para No. 3.14)

The Committee note that there is an acute paucity of space for storage of seized goods in most of the Collectorates in the country and that in a number of places due to non-availability of departmental warehouses for storage of detained/seized/confiscated goods such goods are kept in hired godowns.

#### Action Taken

Instructions have been issued to the Collectors of Customs and Central Excise to take the following steps:

- (i) Periodical review of disposal of seized goods;
- (ii) Expeditious disposal of goods absolutely confiscated or unclaimed; and
- (iii) Shifting of seized/confiscated goods to departmental premises.

Efforts are being made to acquire warehouses to the maximum extent possible.

[F.No. 715/2/89-Cus (AS) January, 1990]  
Approved by the Additional Secretary to the Govt. of India.

**Government of India  
Ministry of Finance  
Department of Revenue  
(Anti-Smuggling Unit)**

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**SUBJECT:** Action taken by the Government on the 75th Report of the Estimates Committee on the Ministry of Finance (Department of Revenue)—Customs: Accounting, Storage, Pricing and Disposal of Confiscated Goods—Regarding.

**Recommendations**

*(Sl. No. 13 Para 3.16)*

The Committee would like the Department to give utmost importance to the construction of warehouses/godowns in various Collectorates as the Committee find that heavy amount is being paid by the Government by way of rent for hired godowns. The Government of Maharashtra should be approached for giving their clearance so that work of construction of godowns can be started at Bombay without any further delay. The proposal regarding the construction of an Annexe, building of Madras Customs for which there is a provision for additional space for godown, is stated to be under consideration of the Ministry. This proposal should also be finalised soon and appropriate action be taken for the construction of the Annexe building. The Committee would also like to be apprised of the actual position of Annexe building under construction within the office premises of Madras Central Excise Collectorate. The delay in the execution of construction works of huge financial value is clearly indicative of faulty planning and inadequate monitoring which results in cost and time over runs and is detrimental to the overall financial interests of the Government. The planning, implementing and monitoring machinery involved in this work needs to be revamped and activated so that situations of this type do not recur in future.

**Action Taken**

Utmost priority is being given to the construction of warehouses and godowns in various Collectorates as evident from progress made in Metropolitan cities as under:

- (i) **Madras:** There is no shortage of storage capacity in Madras Custom House. There is nevertheless, a proposal to construct Annexe building to meet any future requirement. The proposal has been cleared by the Ministry of Urban Development. It is now being placed before the Committee on Non-Plan Expenditure.



As for Annexe building within the premises of Madras Central Excise Collectorate, it was completed and occupied on 16/8/89.

The Planning, implementing and monitoring apparatus has been revamped.

- (ii) **Delhi:** About 3000 sq. mtrs. of area will be available for storage of goods in the basement of the building under construction to house new Custom House and Indira Gandhi International Airport. Terminal-II.
- (iii) **Calcutta:** There are six Departmental warehouses in the Custom House at Calcutta. Besides, there are two hired warehouses.  
Preliminary proposals to acquire land from IAAI for constructing a godown in the vicinity of Airport and Air cargo Complex and for constructing a godown with an area of 20,000 sq.ft. at a central place are under consideration.
- (iv) **Bombay:** Permission from the Govt. of Maharashtra has been sought for construction of three warehouses/godowns at Suleman Shah Plot at Wadala, Bombay.

[F.No. 715/2/89-Cus(AS) January, 1990]

Approved by the Additional Secretary to the Govt. of India.

**Government of India**  
**Ministry of Finance**  
**Department of Revenue**  
**(Anti-Smuggling Unit)**

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SUBJECT: *Action taken by the Government on the 75th Report of the Estimates Committee on the Ministry of Finance (Department of Revenue)—Customs: Accounting, Storage, Pricing and Disposal of Confiscated Goods—Regarding.*

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#### **Recommendations**

(Sl. Nos. 16, 17 & 18 Para Nos. 3.30, 3.31 & 3.32)

The Committee note that instructions regarding the inspection for stock verification of seized and confiscated goods kept in departmental godowns, provide that an Assistant Collector nominated by the Collector should conduct complete stock-taking of all valuables in the custody of Department once in every six months. Similarly, the Superintendent incharge of

the godown or any other officer nominated by the Collector has to conduct a complete stock-taking of all the packages containing articles other than valuables once in every six months. The internal audit parties of major Custom Houses also inspect the records.

*(Para No. 3.31)*

The Committee are, however, constrained to note that despite all these provisions for inspection, a loss of goods worth Rs. 46.52 lakhs kept in Motihari godown No. 1 took place between the period 1972 and 1984 and it came to the notice of the Department only after special stock taking of Customs godowns was conducted in 1985. During all these years the misappropriation could not be detected as no proper accounts and stock in the godowns were maintained and the goods decomposed and got damaged due to long storage. The Department is also not aware as to when the loss of Rs. 4.52 lakhs took place in Forbesganj which came to the notice of special audit held in 1986. The Committee thus feel that either the procedure of inspections followed was not foolproof or the inspections were not carried out regularly and in the right earnest.

*(Para No. 3.32)*

The Committee desire that the Ministry should vigorously pursue all the cases referred to above to their logical conclusion and safeguard Governmental revenue. It is imperative that all departmental failures which led to the occurrence of these losses are investigated and a system of regular monitoring is established. The Committee would like to have a detailed report on the follow-up action taken in respect of improvement in system and final position relating to losses.

#### **Action Taken**

The recommendations of the Committee are noted. The Directorate of Preventive Operations has already circulated a checklist on Receipt, Custody and Disposal of seized and confiscated goods (copy enclosed) to all the Collectorates for appropriate action. The final position of the losses suffered by the exchequer on account of theft, damage etc. and the action taken by the Department thereon are annexed separately.

[F.No.715 / 2 / 89-Cus (AS) January, 1990]

Approved by the Additional Secretary to  
the Govt. of India.

#### **Recommendation**

*(Sl. No. 19 Para No. 4.11)*

The Committee find that as a result of extending the summary procedure to the adjudication of cases, the pendency in adjudication was reduced from 8072 as on 1-4-84 to 6442 cases as on 1-4-85. However, the number of adjudication cases again increased to 7642 cases and 8921 cases as on 31-3-86 and 31-3-87 respectively. The number of cases however, come down to 6399 in March, 1988. The increase in the number

**Annexure**

**Collectoratewise Action Report on Paras 3.31, 3.32, 5.21 & 5.22 (Regarding Loss of Goods due to Theft, Damage etc. and Action Taken against the Defaulting Officers, if any)**

S. No.	Period	Value of Goods Damaged (In Rs.)	Lost /	Nature and Reasons of Loss	Action taken by the Department
1	2	3	4	5	5
<i>I. Bombay Custom House</i>					
1	1982-83 1983-84 1984-85	71,958 /- 41,299 /- 27,166 /-		Perishable goods like film rools, food stuffs & liquor etc. detained in baggage with miscellaneous other goods, were damaged due to long storage. Consequently these goods were disposed of by destruction.	In these cases, baggage containing small quantities of film rools, food stuff & liquor were detained pending clearance and payment of duty etc. by the passengers. Most of these goods were found subsequently damaged, time expired & unfit for marketing at the time of departmental disposal, which was taken up when the passengers failed to clear the goods. Hence there was no other alternative but to destroy them. Investigation to fix responsibility is still in progress.
2	1985-86	56,078 /-		The perishable goods like cigarettes, Beer & Cream Sherry Bottles were detained in damaged condition at the time of scrapping of a vessel.	The goods were received in totally damaged condition at the time of scrapping of the vessel. Hence, there was no other alternative but to destroy the goods. No officer is responsible for this loss.

2. Patna Preventive Collectorate

3 1986-86

46,52,000/-

The loss of seized & confiscated goods stored in Motihari godown occurred during the period from 1972 to 1984 due to improper maintenance of records, delay in disposal, lack of proper & timely stock-taking, stock verification & failure to handover the full charge by godown officers who were transferred.

In a thorough enquiry caused into the losses 6 Supdts. & 3 Inspectors were found responsible for dereliction of duty in this case

1. All the three Inspectors were charge-sheeted. On completion of disciplinary proceedings, the following penalties and punishments were awarded to them by the disciplinary authority:

(i) One Inspector was demoted to the lowest stage of pay in the grade of Inspector (i.e. Rs. 1640/-). He will not get any increment for the next five years.

(ii) The second Inspector, who was involved in the case & charge sheeted, died during the proceedings. Hence, the case against him was dropped.

(iii) The third Inspector was censured. The disciplinary authority did not consider the alleged lapses as of serious nature.

2. As regards the six Supdts. who were involved, the following action was taken:

(i) Two Supdts. who were involved could not be proceeded against as both of them retired four years prior to detection of the loss.

- (ii) The third Supdt., who was found prima facie involved had retired on 28.2.83, again before the detection of the case. Besides, he held the charge of Mothari Customs godown only for a period of 10 months and the Enquiry Officer, went into the lapses, reported that there was no direct involvement or any serious lapses on the part of that Supdt. Hence no action was taken against him.
- (iii) The fourth Supdt. involved in the case retired on 30.6.82. However, a charge sheet for imposing major penalty, was issued to him. The Enquiry Officer in the disciplinary case, recommended action against him under the CCS (Pension) rules. Collector of Customs(P) Patna vide his letter C.No.Con-3 / 4 / 82 / PAT-II / 6330 dt. 26.19.87 has written to the Ministry. The Ministry is considering action for stoppage of pensionary benefits, in this case.
- (iv) The fifth Supdt., who was involved in the case retired on 31.1.86. Enquiry revealed that he held charge of the godown for seven months from 19.7.82 to 14.2.83 and it was found on enquiry that during this period, he committed no serious lapse and hence no action was taken against him.

(v) The sixth Supdt. who was involved in the case expired before any disciplinary action could be initiated against him.

On preliminary enquiry held in this connection, two Inspectors were found responsible for causing the loss in question. Disciplinary action has been initiated and departmental enquiry is in progress. Suitable action would be taken against them as soon as the enquiry report is received.

The Police have filed criminal complaint against the Sepoy on duty, in the Court of Law. Disciplinary proceedings have also been initiated. Three Sepoys were suspended in this case.

The matter was investigated by the Addl. Collector of Customs Gorakhpur, who has since written off the value of the damaged goods amounting to Rs. 257 /-. Since the loss could not be attributed to negligence on the part of the officers-in-charge of the godown, no action was taken against any officer.

The matter was investigated by the Addl. Collector of Customs Gorakhpur who has written off the shortage of goods amounting to Rs. 145 under the powers vested in him in terms of Ministry's Ir.NO.3 / 10 / 68-LCI dt. 21.6.89 as loss could not be attributed to negligence of officers incharge of godown. Since spirit is highly volatile the shortage which occurred during its storage is natural.

These losses are attributed to negligence on the part of two Inspectors, who held charge of the godown, at Forbesganj.

Theft took place on the night of 31.3.84 / 1.4.84 at Lucknow Division & goods worth Rs. 69,502 /- were stolen. However, goods worth Rs. 26,407 /- were later recovered.

At the time of stock taking at Varanasi Customs Godown 2 pkts. No. 33 / 75 containing Alcoholic Liquor valued at Rs. 257 /- were found in broken condition.

One case of shortage of 45 litres of Motor spirit totally valued at Rs. 145 /- was noticed in respect of case No. 5 / 73 of LCS Jarwa.

4,51,800 /-  
(Forbesganj Godown)

43,095 /-  
Lucknow Division

257 /-  
Varanasi Customs  
Godown

145 /-  
Jarwa LCS Godown

1986-87

1984-85

1986-87

7

**Collectorate of Customs(P), West Bengal, Calcutta**

8	1983-84	7,52,900 /-	<p>The plastic bodied wrist watches could not be sold in time as the same were locked up in Court cases as Court exhibit and no permission was granted to dispose of the same earlier and also in view of unrealistic valuation of the cheap wrist watches at the time of seizure.</p>	<p>In both these cases the total number of such cheap wrist watches comes to 20,300 pcs. These were very cheap type of wrist watches made in Hongkong and in fact the seizure value which was given at Rs. 45 to Rs. 47 per piece was highly inflated. These watches have a very short life span and in fact, are rather in the nature of toy watches for children. Even after the short period these watches stop functioning and become useless. The wrist watches in question were seized in November 1983 and May 1984, and the Court proceedings were concluded quickly and the watches were ready for disposal in February &amp; March, 1985. However, neither N.C.C.F. nor any other cooperative were interested in lifting these watches seeing their condition and nature. However, subsequently, in tender these watches were sold at a price ranging from Rs. 4 to Rs. 4.50 per piece. All the wrist watches in respect of both the cases of financial year 1983-84 and 1984-85 were sold by tender for Rs. 91,350 on 1.9.86. This itself shows that seizure value given to the watches was highly inflated. In fact, most of the watches must have become damaged much before these were ready for disposal and in view of the Court's proceedings these could not be disposed of immediately after seizure. However, enquiries to fix the responsibility are still in progress.</p>
9	1984-85	1,76,000 /-		

10	1982-83	1,150 /- Siliguri Division	Misc. goods worth Rs. 1,150 were stolen from Chandrabandha under Siliguri Division.	The amount of Rs. 1,150/- was recovered from the salary of the concerned Inspector on 9.3.84 under TR 6 chalan as the theft had occurred due to his negligence. After payment of the said amount, the Inspector had resigned from the Department and therefore, no other action was contemplated against him.
		6,500 /-	10 bottles of whisky and watches, valued at Rs. 6,500/-. Whisky bottles were found unfit for human consumption and, therefore destroyed. Wrist watches were damaged.	10 whisky bottles were seized in damaged condition and had no commercial value. The damage to the wrist watches could not be avoided since these were the left-over watches out of the goods seized and sold from the period 1981 to 1983. No officer was found responsible in all these cases.
11	1983-84	8,374 /-	Old and used ready-made garments valued at Rs. 2298/- were stolen from Lalgola Custom House. FIR was filed with the Police, who, in turn, enquired. From the investigation conducted by the Police, no custom officer was found involved in the case.	Theft case was investigated by the police. Police report did not indicate any lapse on the part of the departmental officer and therefore, no action was contemplated against the Customs Officer.
			Old and used ready-made garments valued at Rs. 6,076/- were stolen. FIR was filed with the Police. It was established by the police that it was a clear case of theft & there was no involvement of any departmental officer.	FIR in respect of the subject theft was lodged with Ranigarh Police Station on 5.8.1983. Police investigated the case & submitted their final report on 3.9.83. Neither the stolen goods were recovered nor any persons were arrested. Police also reported that as no involvement of any Customs Officer was there in this Case, no action was initiated against the Cus. Offr.



1	2	3	4	5
		228/-	200 bottles of beer valued at Rs. 228/- were found unfit for human consumption and hence destroyed.	This liquor could not be sold on account of the prohibition imposed by the State Excise Authorities on sale of beer in West Bengal and had to be destroyed. No officer was found responsible for this loss.
12	1984-85	98,433/-	<i>Theft:</i> Elec. goods, Syn. fabrics, luxury and consumer goods, cameras & other misc. goods together valued at Rs. 2,42,403/- were stolen from a privately hired Customs Godown in Calcutta. A watchman of the landlord was arrested by the police & goods worth Rs. 1,43,970/- were recovered from the room of the watchman. However, goods worth Rs. 98,433/- could not be recovered.	FIR was lodged in the case with Hare Street Police Station. Police arrested the watchman of the landlord. After investigation, Police filed a criminal case against the watchman. Charges were framed against the said watchman Sh. Ram Naresh Pande. Since the accused Sh. Pande is absconding, a warrant of arrest against him has been issued by the Court which is still pending execution. Investigations conducted by the police revealed that the watchman of the bldg. who was residing on the roof of the bldg. where the customs godown was situated made a hole to enter into the godown and committed the said theft. Apart from handing over the theft case to the police, a vigilance enquiry was also instituted by the department to ascertain as to whether the involvement of any custom officers or sepoy posted on guard duty, was there or not. From the enquiry, it was established that no custom officers or sepoys were involved, in this theft case. Hence no action was contemplated against the departmental officers.
		9,600/-	<i>Damage:</i> 15 bottles of flouride water, 8 Kgs. of milk powder and 4 dozens of ball point pens valued at Rs. 9,600/- were found damaged.	These goods were of very small value and got damaged during storage. Records of the Customs Wing of the Preventive Collectorate, West Bengal, Calcutta, could not indicate the dates of seizures as also the reasons for delay in timely disposal of goods. Hence, no responsibility could be fixed against any departmental officers for the said loss.

1	2	3	4	5
<b>COCHIN CUSTOMS</b>				
13	1984-85	9,000/-	76 bottles of liquor deteriorated due to long storage.	Collector has reported that liquor in question was of 37 cases of seizures starting from 1972. The liquor included open bottles, leaking bottles, unknown brands and bottles with or without labels at the time of seizure. Since there were no buyers for such bottles, there was no other alternative but to destroy the said liquor. There was, therefore, no lapse on the part of any officer.
<b>CCE INDORE</b>				
14	1983-84	676/-	The goods of perishable nature deteriorated and were destroyed.	<p>The Break-up of the goods worth Rs. 676 destroyed during the year 1983-84 is as follows.</p> <ol style="list-style-type: none"> <li>1. Obscene literature worth Rs. 210 which would not have been disposed off in any other manner.</li> <li>2. Goods worth Rs. 254 of perishable nature were seized during the years 1974 to 76 and were received from Nagpur Collectorate on creation of M.P. Collectorate in August 1977 in totally deteriorated condition.</li> <li>3. Other goods of perishable nature worth Rs. 212 were destroyed as the goods could not be sold out in spite of repeated efforts.</li> </ol> <p>Enquiries to fix responsibility are still in progress.</p>

## CCE MADURAI

15 1982

12,374 /-

i) The goods worth Rs. 68,223 /- were stolen at Rameshwaram. However, the goods valued at Rs. 55,849 /- were later recovered. Complaint has been filed in the Court against the accused.

FIR was lodged with the Rameshwaram Police Station. Police investigations revealed that the miscreants had gained entry into the bldg. through the ventilator after removing the iron rods. The Customs godown at the time of theft was situated adjacent to another private bldg. where a dismissed customs sepyo was residing. Suspecting that it could be an act engineered by him, efforts were made to track him down but he was found missing. Later on, this ex-sepyo of customs had surrendered himself before the sub-Magistrate, Uttampalayam on 27.2.82 and was remanded to judicial custody. Thereafter, the police succeeded in eliciting the information from him regarding the parties to whom the stolen goods were sold which resulted in the recovery of goods worth Rs. 55,849 /- leaving a balance of only goods worth Rs. 12,374. This sepyo had admitted to have committed the said theft by himself and his associate. The criminal complaint has been filed by the police against Sh. Kamal, Ex-divisional Judicial Magistrate, Remand and the case is pending in the said court.

Since the police did not implicate any Customs officer or sepyo, no action was initiated against the deptl. officers.

ii) 9 Radio cassette recorders and one cassette recorder were stolen.

The goods were stolen and recovered. The accused was convicted and all the goods were received from the Court during the year 1984. The theft was committed by an expert gang and no departmental officer was found responsible.

1	2	3	4	5
<b>CCE VISAKHAPATNAM</b>				
16	1982 1983 1984 1985	530 /- 4,284 /- 5,814 /- 12,450 /-	All these goods were liquors except gas regulators valued at Rs. 1805 /-. They were destroyed as they were unfit for human consumption / use.	The liquor was seized in open condition and was found to be spurious and hence could not be disposed of. There was no other alternative but to destroy it. This was not due to negligence on the part of any officer. Similar was the case for regulators also. Six gas regulators without balls and without switches valued at Rs. 1800 and one gas regulator without knob valued at Rs. 50 were destroyed on 24.9.83 under the supervision of the then Assistant Collector (Preventive) basing on the order of the then Joint Pricing Committee of the Custom House. The order states that it is dangerous to sell these regulators which are defective and as such fit to be destroyed.
<b>DELHI CUSTOMS</b>				
17	1983-84	12,96,377 /-	Gold & gold jewellery, Indian / foreign currency, watches etc. were stolen on 4.1.84. FIR was lodged. The lost goods valued at Rs. 12,92,609 /- were recovered by the Police. 11 persons arrested.	FIR was lodged on 4.1.84 with the police. Police had arrested 11 persons and recovered goods worth Rs. 12,92,609 /-. Hence there was a loss of only Rs. 3,768 worth of goods. These 11 culprits are being prosecuted in the court of Addl. Chief Metropolitan Magistrate. The police report did not indicate the involvement of any Custom Officer in the theft case and therefore, no action was contemplated against the Custom Officers.

1	2	3	4	5
	1984-85:	2,48,720/-	VCR/RCR, Watches etc. were stolen on 20.12.84. FIR was lodged. Goods worth Rs. 1.50 lakhs were recovered by the Police and two persons were arrested.	FIR was lodged on 20th Dec. 84 with the Police. Police investigations revealed that the theft was done by breaking open the asbestos roof of the Customs godown. Police had apprehended two persons from whom goods worth Rs. 1,50,000/- were recovered. In this case, the loss due to theft was only Rs. 98,720/- Police investigation did not involve any custom officer in the instant case. The criminal complaint has been filed in the court and the proceedings are in progress against the said two persons.
	<b>BHUBANESHWAR</b>			
18	1987-88	57,459/-	Theft took place on 25.8.87 in Customs godown, room no. 1, Bldg. No. 6, Lewis Road, Bhubaneshwar and goods like calculators, stereo cassette recorders, recorded video cassettes, cassette tapes, wrist watches, liquor and other misc. goods valued at Rs. 57,459/-.	In this case, FIR was lodged with the Police. Disciplinary proceedings against the persons on guard duty and the custodian of the goods were also initiated. The findings are yet to be arrived at. Final report from Police is still awaited.
	<b>BANGALORE CUSTOMS</b>			
19	1986-87	45,517/-	197.25 mtrs. of fabrics & 3600 Elec. watches valued at Rs. 45,517/- were damaged in storage by white ants.	After the investigations, it has been decided to initiate disciplinary action against Asst. Collector / Supdt. inspector concerned, chargebeets are under preparation.

1	2	3	4	5
<b>MADRAS C. EX</b>				
20	1986-87	4,355 /-	Photo-films were damaged due to expiry of life period and non-working / leaking cosmetic items had to be destroyed.	The value of damaged goods is very nominal. Action has been initiated to fix responsibility on the concerned officers.
<b>GUNTUR</b>				
21	1986-87	8,537 /-	Damaged Electronic watch cells worth Rs. 8,537 /- were destroyed as the same were discharged / damaged.	The small quantity of cells had to be destroyed since they outlived their shelf life. Even at the time of the receipt of the goods, many of the cells were found to be of no commercial value. Value of the cells is nominal and there is apparently no lapse on the part of any officer.
<b>KANDLA</b>				
22	1986-87	21,350 /-	Pilfered from port custody.	Since no Custom Officer was responsible because the pilferage was of cargo which was in port custody. No action against Customs Officers was initiated.

of adjudication cases during 1985-86 and 1986-87 over the preceding years is stated to be due to increase in the number of cases detected. The Committee feel that steps taken by the deptt. to reduce the pendency of adjudication cases and to expedite their disposal are not adequate and constant and continuous monitoring is considered imperative at a central level in the Board/Ministry so that the number of such outstanding cases is reduced.

In this context, the Committee also feel that since all the cases of appeal by the parties who are not satisfied with the decision of the proper officer adjudicating the cases go to the Collector of Customs (Appeal), an officer of the level of Additional Collector should be appointed solely to deal with the adjudication cases in the Collectorates where number of pending cases is too large.

#### **Ministry's Reply**

The recommendation of the Committee is noted. It may be mentioned that the pendency of adjudication cases is watched through the monthly master reports received from the Collectorates. Where necessary, instructions are issued to the Collectors by the Board that the pending cases should be disposed of. In the quarterly conferences held by the Members of the Board with the Collectors a review of the pendency of adjudication cases is carried out as part of a general review of the pendency of various important items of Collectorate work. In some Collectorates the status of the Deputy Collectors has been raised to that of Additional Collectors to enable a larger disposal of those cases which otherwise would have fallen within the competence of the Collectors only.

[F.No. 715/2/89-Cus (AS) October, 1989]

#### **Recommendation Sl. No. 20**

*(Para No. 4.12)*

From the statement regarding number of adjudication cases taken up with show cause notice waived, the Committee observe that the summary procedure is not being applied for adjudication of cases by many of the Collectorates, e.g. Bombay, Delhi, Madras etc. The Committee desire that all attempts should be made to extend the summary procedure for adjudication of cases by all the Collectorates. The Directorate of Preventive Operations should monitor the progress in adjudication cases periodically and issue suitable guidelines for their early disposal.

#### **Ministry's Reply**

The recommendations of the Committee are noted. Suitable instructions have been issued in this regard (copy enclosed).

[F.No. 715/2/89-Cus(AS) October, 1989]

**F.No. 715/2/89-Cus(AS)**  
**Government of India**  
**Central Board of Excise & Customs**  
**(Anti-smuggling Unit)**

New Delhi, the 18th October, 1989.

To

All Principal Collectors of Customs  
& Central Excise  
All Collectors of Customs  
All Collectors of Customs & Central Excise  
All Collectors of Customs (Prev.)

Sir,

**SUBJECT:—***Action taken by the Government on the 75th report of the Estimates Committee on the Ministry of Finance (Department of Revenue)—Customs: Accounting, Storage, Pricing and Disposal of Confiscated Goods—regarding.*

Attention is invited to Board's letter No. 394/233/84-Cus (AS) dated 6.9.85 (copy enclosed) wherein Board had decided to extend the summary adjudication procedure to cases other than baggage cases as well provided the facility of the procedure was sought in writing by the parties and the cases did not involve questions of tariff classification, valuation, etc. or complex points of fact or law. Despite these instructions, the position is such that the Estimates Committee in its aforesaid report has observed that the summary procedure is not being used for adjudication of cases by many of the major Collectorates.

The Board desires that the observations of the Estimates Committee be carefully noted by the Collectors and that the summary adjudication procedure be applied in all suitable cases, in accordance with the guidelines prescribed in Board's letter, cited on para 1 above, with a view to expeditious disposal of adjudication cases and bringing down the number of such cases; particularly those simple enough to be decided in a summary way.



Receipt of this letter may please be acknowledged.

Yours faithfully,

(R. VENKATARAMAN)  
 UNDER SECRETARY TO THE CENTRAL BOARD  
 OF EXCISE & CUSTOMS

Copy to:

Directorate of Preventive Operations—They should monitor the progress in adjudication cases periodically and issue suitable guidelines for their early disposal. Report should be sent to the Ministry within a month from the date of receipt of this letter.

*Board's letter F.No. 394/233/84-CUS(AS) dated 6.9.'85*

The Estimates Committee have recommended that the summary procedure of adjudication presently adopted in Baggage cases should be extended to even other cases where the parties agree to dispensing with the requirement of Show-Cause Notice. After careful consideration of the recommendation made by the Committee, it has been decided to extend the summary procedure, where the parties so desire in writing, to other similar simple cases besides baggage cases, if they do not involve determination of any question having a relation to the tariff classification and rate of duty or the value of goods for the purposes of assessment or frauds prosecution or preventive detention or complex points of fact or law, etc. It may however, be emphasised that in every case of summary adjudication proceedings adopted, the waiver of Show-Cause Notice should be only on the basis of a written request received in this behalf from the concerned party.

**Reccomendation Sl. No. 24**

*(Para No. 4.32)*

The Committee note that as against the sanctioned strength of 22 (11: Technical Members, & 11: Judicial Members), working strength of Members of CEGAT at present is 14, out of which 10 are from technical side and 4 from judicial side. The Committee are shocked to note that the vacancies of judicial members have been lying vacant for periods ranging from 1 to 4 years. The Committee deprecate the laxity shown in filling up the vacancies of judicial members, even though a penal of 8 candidates for the existing and anticipated vacancies of judicial members in the CEGAT was recommended by the Selection Committee headed by Shri Justice O. Chinnapa Reddy in May, 1987 yet after a lapse of 2 years, the Department is still waiting for the approval of ACC. The Committee are of the view that the matter of filling up of the posts of judicial members has not been

given the attention it deserved. The Committee desire that the Department of Revenue should vigorously pursue the matter of filling up of vacancies of judicial members with ACC and take urgent steps to fill up these vacancies as the Committee feel that full complement of Members in the CEGAT is necessary for expediting the work of the Tribunal. The Committee recommend that the Ministry and other agencies involved in appointment of members of the CEGAT should do a bit of advance planning cut red-tape and ensure that the posts of members in the above Tribunal are filled up in due time and vacancies in any case do not remain unfilled beyond 3 months.

#### **Ministry's Reply**

It is submitted that 7 posts of Judicial Members have since been filled up. However, the observation of the Committee that the posts of Members should not be kept vacant for long, has been noted.

[F.No. 715/2/89-CUS(AS) October, 1989]

#### **Recommendation**

(Sl. No. 30 Para No. 4.53)

The Committee find that the process of filling up of vacancy of President of CEGAT started only on 24.6.87 *i.e.* just 3 months before the expiry of tenure of the President and till September, 1988 *i.e.* after a gap of more than one year and 3 months the vacancy had not yet been filled up. The Committee, feel that the process of filling up of vacancy of President of CEGAT should have been started well in advance. The Committee also note that present process of filling up the post of President is fairly time-consuming as firstly the selection of the incumbent to the post is made and then his approval is sought. If the offer is rejected by the person selected then the whole process has to be restarted. The Committee, therefore, desire that before considering the names of candidates for the post of President of CEGAT, their willingness to hold the post be ascertained.

#### **Ministry's Reply**

The observation of the Committee has been noted. In this connection it is also submitted that before considering the name of a retired Judge of the High Court for the post of President, CEGAT and making reference to the ACC for approval, his willingness to hold the post is first got ascertained.

[F.No. 715/2/89-CUS(AS) October, 1989]

#### **Recommendation**

(Sl. No. 31 Para No. 4.54)

The Committee also note that delay in filling up the post of President of CEGAT is affecting the functioning of Tribunal adversely as, in accordance with the provisions contained in Section 129(C) (5) of the Customs Act matter regarding hearing of cases of difference of opinion in special bench matters where the Members of two-Members Branches differ

in opinion can be heard by the President only; and in the absence of the President, such matters are pending to be heard. The Committee recommend that the Customs Act should be amended so as to enable the President to nominate another member to hear such cases so that the number of outstanding cases could be reduced.

### **Ministry's Reply**

As per the existing provisions, 'Difference of opinion' cases can be heard only by the President in his statutory capacity. However, lest such cases remain pending in the absence of the President, suitable amendment in the Customs Act, 1962 is under consideration.

[F.No. 715/2/89-CUS (AS) October, 1989]

**GOVERNMENT OF INDIA**  
**MINISTRY OF FINANCE**  
**DEPARTMENT OF REVENUE**  
**(ANTI-SMUGGLING UNIT)**

**SUBJECT:—***Action taken by the Government on the 75th Report of the Estimates Committee on the Ministry of Finance (Department of Revenue) - Customs: Accounting, Storage, Pricing and Disposal of confiscated goods....Regarding...*

### **Recommendation**

(Sl. No. 36 Para No. 5.9)

The Committee note that there is a wide gap between the values of seized goods, confiscated goods and the goods ripe for disposal. The Committee find that while there has been a considerable increase in the value of seized goods between the period 1.4.1987 and 1.4.1988, the increase in the value of confiscated goods and the goods ripe for disposal is not all commensurate with the value of seized goods in this period. The Committee feel that unless drastic steps are taken to reduce the time factor involved in the legal adjudication, the gap between the stocks of seized and confiscated goods will keep on increasing which will not only increase extra burden on the Department in terms of their storage, proper upkeep and maintenance but the corresponding revenues will also be blocked up. The Committee commend the steps taken by Bombay Customs which disposed of the stock of goods which became ripe for disposal, in the same year. The Committee desire that the same *modus operandi* should be followed by other Collectorates.

### **Action Taken**

The recommendations of the Committee are noted. Instructions have been issued to all Collectors to speed up the process of adjudication of cases so that the seized goods can be disposed of expeditiously. The

Collectors have been instructed to follow the Bombay Custom House procedure to enable disposal of confiscated goods in the same year in which they became ripe for disposal.

It would, however, not be out of place to mention that completion of adjudication formalities does not necessarily mean that the goods confiscated in the adjudication proceedings can be disposed of immediately thereafter. Their disposal could be linked to Court proceedings. Also the confiscation could be challenged in appellate proceedings. However, seized goods have been divided into four categories for enabling quicker disposal especially in the case of perishable goods. A copy of the related instructions is enclosed. Recently, gold and silver bullion and patent and proprietary medicines too have been notified under Section 110(1-A) of the Customs Act, 1962 to render possible their disposal even prior to the completion of Court proceedings in which they may be involved.

F.No. 715/2/89-CUS(AS)

January, 1990

Approved by Additional Secretary to the  
Government of India.

F.No. 715/2/89-CUS(AS)

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

CENTRAL BOARD OF EXCISE & CUSTOMS  
(ANTI-SMUGGLING UNIT)

New Delhi, the 25th January, 1990.

To

All Collectors of Customs

All Collectors of Customs (Preventive)

All Collectors of Customs & Central Excise

Directorate of Preventive Operations

SUBJECT : *Action taken by the Government on the 75th Report of the Estimates Committee on the Ministry of Finance (Department of Revenue) Customs: Accounting, Storage, Pricing and Disposal of Confiscated Goods.*

Sir,

Estimates Committee in its 75th Report has noted that there is a wide gap between the values of seized goods, confiscated goods and goods ripe for disposal. In this context, the Committee has noted that unless drastic steps are taken to reduce the time factor involved in the adjudication, not only would the stocks of seized goods would go on increasing, thereby burdening the department with expense on their storage and proper upkeep but the revenue would be blocked as well.

In the light of the above, Board desires that steps be taken to speed up

the adjudication of cases. There should be a vigilant watch on an early disposal of confiscated goods with the object of effecting their disposal in the same year in which they were confiscated, to the extent this is feasible.

Yours faithfully,

(R. VENKATARAMAN)

UNDER SECRETARY TO THE CENTRAL BOARD OF EXCISE  
& CUSTOMS.

F.No. 711/8/83-LC(AS)

Government of India

Ministry of Finance

Department of Revenue

New Delhi, the 22nd May, 1984.

To

All Collectors of Customs and Central Excise

SUBJECT:—*Seized/confiscated goods-review of the list of perishable goods-Supplementary instructions regarding.*

Sir,

The undersigned is directed to refer to this Department's letter No. 2/1656/LC I dated 16.11.1956, F.No. 8/1/61-LC I dated 11.7.1961, F.No. 80/43/64-LC I dated 15.4.1968 and F.No. 71514/81-LC (AS) dated 14.10.1981 regarding disposal of perishable goods in the custody of the department (copies enclosed).

2. The matter has been considered afresh in the light of the recommendations of the Collectors' conference held in June, 1983. On a review of the existing instructions issued by the department, it is found that the list of perishable goods approved by the Board covers goods which are prone to rapid deterioration like vegetables, fruits, foodstuffs, etc. as well as certain other goods having a limited storage life such as medicines, photographic goods, etc. The instructions do not, however, cover items which become obsolete due to prolonged storage. Rapid changes in technology, changing consumer preferences influenced by change in fashions and designs, introduction of new models incorporating new features, etc. diminish the marketability of such products and have a depressing effect on their prices. It has therefore, been decided to broaden the existing list of perishable and other items which could be disposed of early.

3. The entire stock of seized/confiscated goods in the custody of the Department has been grouped under four different heads and for each category a maximum period for retention in departmental custody has

been prescribed. Steps for early disposal of goods falling under the first three categories may be taken by the Collectorate as prescribed therein.

(a) **CATEGORY-I:** Goods to be disposed of immediately after seizure.

The goods available under this Category are prone to rapid decay and may also require special arrangements for their preservation and storage. These goods may, therefore, be disposed of immediately after seizure by the custodian of the goods after issue of notice to the owners and obtaining orders from the competent authority.

The following goods are listed under the above head:

- (i) Fresh fruits and vegetables, meat, fish, poultry, eggs and other fresh uncanned/unprocessed food materials;
- (ii) Salt and hygroscopic substance (other than in sealed containers);
- (iii) Raw (Wat and salted hides and skins);
- (iv) Livestock;
- (v) Medicinal herbs;
- (vi) Molasses;
- (vii) Newspapers and periodicals;
- (viii) Confectionery;
- (ix) Cigarettes, biris, biri-leaves and tobacco, which are liable to deterioration due to dryage or humidity;
- (x) Menthol, Campher, Saffron;
- (xi) Cells, batteries and re-chargeable batteries;
- (xii) Creals, Sugar and other grocery items;
- (xiii) Tea and Coffee;
- (xiv) Re-fills for ball-point pens;
- (xv) Lighter fuel, including lighters with gas, not having arrangement for re-filling;
- (xvi) Beer

(b) **CATEGORY-II:** Goods to be disposed of within six months from the date of seizure or where the date of expiry is indicated; well before that date.

These articles have a short span of life and deteriorating in quality starts after a few days of storage and the risk/expenses for storage/maintenance of these goods are expected to be heavy. These goods may be disposed of within six months of their seizure or, where the date of expiry is indicated, well before that date.

The following goods would fall under this category:

- (i) Medicines and drugs which remain efficacious only for a limited period;

- (ii) Photographic goods such as films, photographic chemicals and papers;
- (iii) Spices;
- (iv) Resin;
- (v) Catechu;
- (vi) Hides and skins, feathers and products thereof;
- (vii) Rubber goods and erasers;
- (viii) Paper and articles made of paper;
- (ix) Perfume, toilet waters and essential oils;
- (x) Raw Jute
- (xi) Tinned and preserved provisions, condensed milk and milk powder;
- (xii) Liquors, other than beer;
- (xiii) VNE Oils;
- (xiv) Petroleum products;
- (xv) Pre-recorded cassettes (Audio/Video);
- (xvi) Electronic watches, time pieces and clocks and parts thereof.

(c) **CATEGORY III:** Goods to be disposed of immediately after adjudication, if unclaimed/abandoned.

Items which are liable to rapid depreciation in value on account of the fast change in technology or designs or introduction of new models, etc. are included in this list. Such goods, if unclaimed/abandoned should be disposed of immediately after adjudication.

- (i) Electronic goods such as TV Sets, V.C.Rs, V.C.Ps, Tape Recorders and their combinations, music systems, Calculators, etc.
- (ii) Electronic components like Diodes, transistors, integrated circuits light emitting diodes etc.
- (iii) Wrist watches, Time-pieces and Clock movements and part thereof (other than electronic)
- (iv) Hypodermine needles and syringes;
- (v) Costums-Jewellery;
- (vi) Textiles and ready-made garments.

(d) **CATEGORY IV:** All other goods

All other goods not listed under the above three categories are brought under this category. Disposal of goods falling under this category may be effected after completion of all due formalities.

The list of goods included in the first three categories above is not

exhaustive but only illustrative. Collectors of Customs/Central Excise may forward their suggestions for additions, if any, to these lists to the Ministry.

No doubt, as at present, in cases where prosecution proceedings are contemplated/pending, permission for early disposal of the goods involved has to be obtained from the competent court. In this connection, attention is invited to the Ministry's letter No. 711/30/83-LC(AS) dated the 16th July, 1983 (copy enclosed). Every efforts should be made for obtaining the Court's permission for early disposal of goods in such cases.

As regards delegation of powers to various officers of Customs regarding disposal of perishable goods, Ministry's instructions contained in F.No. 715/14/8-LC(AS) dated 14.10.1981 would *mutadis mutandis* apply in regard to the disposal of above mentioned three categories of goods.

If any further problems with regard to disposal of goods arises, Collectors may please refer such matter to this Ministry for orders.

The receipt of these instructions may please be acknowledged.

Yours faithfully,  
sd/-

(ASHOK MEHTA)

UNDER SECRETARY TO THE GOVT. OF INDIA

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

DEPARTMENT OF REVENUE

(ANTI-SMUGGLING UNIT)

**SUBJECT:** *Action taken by the Government on the 75th Report of the Estimates Committee in the Ministry of Finance (Department of Revenue) — Customs, Accounting, Storage, Pricing and Disposal of Confiscated Goods..... Regarding.....*

**Recommendation**

(Sl. No. 37 Para No. 5.10)

The Committee also note that the Ministry has asked Directorate of Preventive Operations to conduct a study on "Systems Approach" in regard to old stocks lying in Customs godowns, to ensure the best inventory control possible through shortest storage, quickest possible disposal, deterioration owing to long holding, prevention of loss on account of price fluctuations in the market, etc.

The Committee desire that the Department of Preventive Operation should give utmost importance for early completion of this study, so that appropriate remedial measures could be taken to clear the pendency of older stocks of goods lying in godowns.



### Action Taken

To ensure speedier disposal of confiscated goods by improved inventory control, watch on storage etc., a check-list (copy enclosed) on Receipt, Custody and Disposal of seized and confiscated goods to improve the system has been prepared and circulated to all the Collectors for appropriate action.

F. No. 715/2/89-CUS(AS)

January, 1990

Approved by the Additional Secretary  
to the Government of India.

#### *Check-list on Receipt, Custody and Disposal of Seized and Confiscated goods*

All Goods, conveyance and vessels seized under the Customs Act, 1962 and other allied Acts become normally ripe for disposal only after completion of adjudication, appeal and court proceedings. The Government of India, however, evolved a policy of disposal of certain categories of seized goods which are perishable, hazardous and liable to depreciation in value and quality even before completion of post seizure formalities like adjudication etc. Thus all disposals are broadly processed under two heads viz.

- i. Disposal of perishable, hazardous and quality depreciating seized goods as notified from time to time for this purpose

and

- ii. All other confiscated goods ripe for disposal after completion of post seizure formalities.

The Government of India have declared the following as perishable, hazardous and value depreciating goods:

- i. Cigarettes, food stuff, live-stock, perfumes, soap toilet requisites, etc.
- ii. Liquor
- iii. Primary batteries and batteries including re-chargeable batteries, button cells.
- vi. All electronic goods including TV Sets, VCR, Tape Recorders, Calculators, computers, components and spares thereof including diodes, transistors, integrated circuits etc.
- v. Wrist watches including electronic wrist watches, watch movements, parts and components thereof.
- vi. Dangerous drugs and psychotropic substances.

Perishable items (ii) to (vi) above were specially notified for disposal before post seizure formalities by an amendment of Sec. 110 of the Customs Act, 1962 on 5.2.86 in order to clear congestion in the Department's godowns.

Under the amended provisions of Sec. 110(a) and (b) these specially notified seized goods are to be disposed of after seizure by getting the inventory of the seized goods duly authenticated by 'any' magistrate, to be approached for this purpose by the seizing officer.

Whether the disposal is that of seized perishable goods or other confiscated goods ripe for disposal those are to be disposed of in accordance with the instructions given by the Ministry from time to time.

For the convenience of the officers and staff connected with receipt, custody and disposal of seized and confiscated goods, a chart containing the channels/modes, terms and conditions is attached.

*Checklist for Custodians in charge of Customs Godowns*

**i. RECEIPT**

Ensure is the package to be received are properly sealed with Customs Seal and with the seal of the owner or his representative and that the seals are intact.

ii. Ensure that all sealed packages brought for receipt and custody are entered with full inventory of the goods.

iii. Ensure that packages with broken seals or without seals are checked with the inventory before the Supdt. and then received.

iv. Ensure that difference if any noticed in the contents in respect of packages without seal, broken seal has been reported to the Asstt. Collector through the Supdt.

v. Check that the valuables, perishables, unclaimed goods and goods covered under Section 110 of the Customs Act, 1962 for the purpose of disposal has been properly segregated and stored separately. Where there is no separate arrangement for storage of goods ripe for disposal, the custodian should ensure that such classification is done immediately after seizure and the goods are stacked on separate racks.

*Maintain separate register in respect of (A) valuables and (B) other than valuables.*

1. Ensure that on receipt of the goods, details as in the inventory and value are entered in the register of seized and detained goods (Form 2).

2. Ensure that separate entries for each seizure/inventory is made.

3. Make entries according to descriptions of the goods as entered in the inventory submitted by the seizing officer.

4. Give details of quantity description and value where separate register has been opened for different items like valuables, perishables, etc.

5. Ensure that stocks are chronologically arranged on the stocks and coloured stock card/tag is fixed to each package with each colour

indicating separately (i) stock under seizure but not confiscated, (ii) stock confiscated but not ripe for disposal, (iii) stock ripe for disposal or stock of unclaimed seizure.

6. Ensure acknowledgement of receipt of the goods in duplicate and triplicated of the inventory and return of the triplicate copy to the seizing unit or detaining unit.

7. Before issuing acknowledgement ensure that discrepancy in respect of packages with broken seal or without seal has been reconciled or goods re-inventorised by Supdt. incharge of godown and officer depositing the goods.

8. Ensure that all packages are carefully stored and protected against ravages of nature, insects and rodents.

9. Ensure that the place of storage is safe against theft and fire and that goods are not likely to suffer avoidable deterioration of damage.

10. If any such defects and insecure conditions of the godown are noticed, ensure that the same is immediately reported to the Asstt. Collector through the Supdt.

11. Ensure that no hazardous/highly inflammable goods are received and stored in the warehouse where general goods are stored.

12. Ensure that all perishable goods and goods otherwise ripe for disposal and commodities specified under Section 110 of the Customs act, 1962. and unclaimed goods are listed promptly within a week for disposal and submitted to the AC through the Supdt. for disposal orders and valuation if required.

13. If the valuation is already available in respect of these goods as per the list circulated by the JPC, Bombay, ensure whether the said valuation has been indicated in the list prepared for order of disposal and submitted to the AC through the Supdt.

14. Ensure that immediately on receipt of goods ripe for disposal with order of disposal, such goods are straightaway handed over to the disposal officer where the custodian is not himself the disposal officer.

15. Check that disposal under Section 110 are of items specified in Notfn. No. 31/86 dt. 5.2.86 and that such goods are disposed of only after authentication of inventory by a Magistrate.

16. Check that there is no delay in transfer of goods ripe for disposal to the disposal unit on flimsy reasons.

17. Check that all goods ripe for disposal are listed for disposal after valuation of trade and auction goods within 7 days of receipt in the warehouse.

### **CHECK LIST FOR SUPERVISORY AND INSPECTING OFFICERS**

1. Ensure whether all the valuables have been kept in safe storage in the Custom House Strong Room or lockers of RBI or SBI taken for this purpose.

2. Check that the godown is free from rodents, insects and safe from fire, theft, and pilferage.

3. Check that the custodian of CWC and IAI warehouses have executed necessary bonds under Section 45 of the Customs Act, 1962 and the said warehouses are safe and secure and proper accounts are maintained.

4. Check that the register of warehoused goods have been properly maintained and all the relevant columns particularly that column for cross reference to the seizure file No., value, quantity and categorisation of goods for the purpose of disposal have been filled.

5. Check that the keys are kept in the personal custody of the departmental custodian.

6. Check that private entry to the warehouse/godown is prohibited.

7. Check that the goods have been stacked categorywise with coloured stock-cards and tags indicating the entry No. of the warehouse and stage at which the goods have been pending.

8. Check whether damaged packages/baggage under storage have been sorted out and brought to the notice of the AC for appropriate order of disposal or action.

9. Check that unwanted, unauthorised persons are not allowed entry into the warehouse and check that the hamals/loaders handle the fragile goods with adequate care in the presence of the custodian only.

10. Check that whenever sealed packages are opened, under authorisation from the AC incharge, the same is done in the presence of the Supdt. and the authorised representative of the owner and the seizing officer whose seals have been affixed. Packages should be re-sealed and suitable endorsement to the effect kept on the tag as well as the register.

11. Check that on re-examination if any discrepancy is noticed, the same is noted in the register/inventory against the particular entry.

12. Ensure that the said discrepancy is brought to the notice of the AC for necessary orders.

13. Check whether stock challenge have been conducted according to the periodicity prescribed both for valuables and other goods in custody.

14. Check whether annual stock-taking has been conducted in all the godowns of the Customs House/Collectorate.

### **CHECK LIST FOR GODOWN OFFICER**

All seized vehicles are to be stored insheds and/or covered with

tarpaulins. Engines are periodically checked and run. In appropriate cases, vehicles should be kept on jacks when any inordinate delay in disposal of the vehicles is anticipated.

1. Ensure that where garage facilities are not available, temporary sheds have been erected. Absence of these facilities should be reported to the Collector for necessary orders.

2. Ensure that the seized/confiscated vessels and vehicles are maintained with necessary care within the monetary sanctions of expenditure given in this behalf.

3. Ensure that cars/vehicles, vessels are enlisted for disposal promptly on expiry of appeal period on conclusion of the court case.

#### **CHECK LIST FOR SECURITY IN STORAGE AND DISPOSAL**

1. All the sales or disposal should be closed after specific office hours and the godown should be locked and sealed with the seal of the custodian every day.

2. The godowns should be operated for receipt, auction or sale only within specified office hours and in special cases under written orders of the Collector beyond office hours.

3. Strong rooms where the valuables are kept should be maintained under double lock system with one lock and with one key with the custodian of the warehouse and the other key with the custodian of the valuables.

4. Ensure that handing over and taking over of charges by godown officers has been done over a full stock list and physical verification of the stock by the incoming officer.

#### **CHECKS REGARDING STOCK-TAKING & INSPECTION (FOR SUPERVISORY OFFICERS AND INSPECTING OFFICERS)**

1. Check whether the six-monthly as well as annual stock verification has been conducted by the AC as nominated by the Collector.

2. Check whether the Supdt. incharge of the godown has conducted the 6 monthly or annual stock-taking as specified and nominated by the Collector.

3. Check whether random stock challenge and verification by the AC and Supdt. incharge has been conducted.

4. Check whether the report regarding stock-taking and stock challenges has been submitted to the Collector within a week's time after completion of stock-taking.

5. Check whether annual and 6 monthly inspection of the books of account and records maintained in respect of receipt, accountal and disposal, closing balance of stock in the godowns has been conducted by the Collector, Dy. Collector and Asstt. Collector as per the periodicity.

6. Check whether all the objections raised have been fully rectified. Also check whether any major objection was pointed out in the inspection or stock-taking report.

7. If so, check whether proper action has been taken on the objections to rectify the defects pointed out and in fixing responsibility on the defaulting officer/custodian.

8. Check whether token number of packages were opened during stock verification and packages have been re-sealed by the stock-taking officer or officers making surprise/stock verification.

9. Check whether periodical audit or concurrent audit is being conducted in respect of receipt, storage, accountal and disposal of goods, with reference to the godown register/records maintained.

10. Check if the stock register is maintained properly with the prescribed columns.

11. Check whether the monthly stock position with break-up of opening balance, receipt, disposal and closing balance and No. of packages pending disposal are being submitted to the AC through the Supdt. every month.

12. Check if the AC incharge of the warehouse/disposal is making critical review of the stock pending disposal every month.

13. Ensure that a monthly return in respect of goods ripe for disposal is prepared and submitted to the Supervisory Officer incharge before 5th of every month in Form V for valuation and disposal.

#### **CHECK LIST REGARDING VALUATION AND DISPOSAL**

1. After receipt of orders of confiscation by the custodian, ensure that an enquiry is made from the seizing unit whether any appeal has been filed against the order of confiscation. Enquiry may be initiated after the expiry of the appeal period.

2. Ensure that as soon as an order for conviction has been passed by a court, whether steps have been initiated to dispose of the goods/vehicles. In such cases, the custodian should be in touch with the prosecution cell to verify progress of prosecution in each case where the goods are involved and are in custody.

3. Ensure that for valuation of trade goods, the file is processed and submitted promptly to the appropriate committee or authority. In respect of other goods covered by JPC price list, the files should be straightaway submitted to the Supdt. for disposal order.

4. Ensure that the goods are handed over promptly to the disposal officer where there is arrangement for separate disposal unit as in major Custom Houses.

5. Check whether the valuation at the time of final disposal of goods, compares favourably with the value at the time of seizure and if not,

whether special report on the difference is being prepared and submitted to the Ministry through the D.P.O.

6. Ensure that upto date check list containing the various channels modes, terms and conditions and commissions has been while disposing of the goods.

7. Check that in respect of drugs, medicines and pharmaceutical preparations, the disposal is made after obtaining a certificate regarding the shelf life of the drugs and its fitness for human consumption from the Asstt. Drug Controller.

8. Ensure expeditious disposal of medicines and drugs in consultation with the drug controller.

9. Ensure that auction is not withdrawn on flimsy reasons.

#### **CHECK LIST FOR CONDUCTING AUCTION OF CONFISCATED GOODS**

1. All sales by action, should be at periodic intervals, say at least once in every month. If it becomes necessary with reference to stocks required to be sold or for other reasons, auctions may be held even at shorter intervals.

2. Ensure that due publicity is given in the local and regional papers where the goods to be auctioned are normally in demand.

3. Ensure that sufficient notice is given before the date of auction so that the bidders have enough time for attending the auction.

4. Ensure that the disposal unit takes due precaution and satisfies itself that each bidder present at the auction is bonafide or an actual user eligible to participate in the auction.

5. Ensure that in respect of disposal of sensitive items, a senior officer, Addl. Collector or a Dy. Collector is associated with the pricing and sale committee.

6. Ensure that all sales/disposal particulars have been properly recorded in the godown register.

7. Correlate and reconcile the entries in the master sheet, inventory register and cash memos of disposed goods.

#### **CHECK LIST FOR SUPERVISORY OFFICER LIKE COLLECTOR, D.C., A.C. AND SUPERINTENDENT ON AUDIT REPORT**

1. Check whether the internal audit party has inspected the records maintained by the custodian of the godowns to ensure that goods seized are properly accounted for and are disposed of in accordance with the orders in force and the sale proceeds have been credited to the government.

2. Check whether the audit party has perused all the sale lists, sale vouchers together with related case files, disposal section registers, etc.

and if so what are their observations and objections and how these have been rectified.

3. Check whether periodical inspection of warehouses and godowns are being conducted by the officers of the Directorate of Preventive Operations and whether any deficiencies in the system/procedures, have been pointed out to the Collector for appropriate remedial action. Check whether action has been taken to rectify these defects.

#### **CHECK LIST FOR SUPERVISORY OFFICERS IN RESPECT OF RECEIPT, STORAGE, CUSTODY, ACCOUNTAL AND DISPOSAL**

1. Check whether custodian is maintaining the register properly.
2. Check whether all receipts have been recorded in the register as per inventory with cross reference to seizure file.
3. Check whether goods have been properly received and accounted for in the register.
4. Check whether the goods have been handled carefully, stacked and stored properly in the warehouse/godown.
5. Check whether the seals are intact.
6. Check whether all the contents of the inventories have been properly acknowledged and one copy kept in the custodian's file.
7. Check whether stock cards have been maintained and stacking of goods is made.
8. Check whether categorywise entries have been made properly in the godown register and disposal register in all respects.
9. Check whether list of goods ripe for disposal is being prepared every month, or as per frequency prescribed by the Collector.
10. Check whether goods ripe for expeditious disposal under Sec. 110 or perishable goods are being put up for disposal within 7 days of receipt.
11. Check whether the custodian of CWC/IAAI/NAI has executed necessary bonds for custodianship of seized goods.
12. Check whether taking over, handing over is done based on the latest stock position. Check whether stock verification has been conducted.
13. Check whether monthly surprise checks and stock challenges are being conducted by supervisory officers like AC, DC etc.
14. Check whether Annual stock verification has been completed and report submitted promptly or not.
15. Check whether all the objections, irregularities and defects pointed out have been acted upon.
16. Check whether action has been initiated against officers responsible for serious irregularities pointed out.



17. Check whether periodical and concurrent audit is being carried out in respect of receipt, custody and disposal of seized and confiscated goods.

18. Check if sale vouchers are being issued with full description of the goods sold and the address of the buyer is being given in full and countersigned by the customer.

19. Check whether the sale vouchers are properly filed in the inventory file and are being regularly reviewed by the Supdt. incharge of the disposal.

20. Check how many such inventory files are pending to be closed after completion of disposal in full.

21. Ensure that packages received from the airport and outstation seizure cases indicate the register and seizure case No. also and the same is entered in the warehouse register to facilitate cross verification of actual receipt of the seized goods with the relevant inventories.

22. Ensure that for all undue and unexplained delays in disposal, defaulting officers have been called up to explain.

23. Ensure that in unclaimed cases, disposal action has been initiated immediately.

24. Ensure that vehicles and vessels are kept in proper custody, properly accounted and maintained. Apart from the entry in the godown Register, against the cases in which they are involved, maintain a separate list of vehicles and vessels for quick reference, disposal and replies to Estimates Committee.

#### **Recommendation**

*(Sl. No. 38 Para No. 5.14)*

The Committee find that a large number of cordless telephone sets are lying for disposal in many Collectorates due to restrictions imposed under the existing law for their disposal. In regard to Delhi Customs a reference for disposal of 960 cases of cordless telephone sets/walkie-talkie sets etc. is pending with the ITI, Bangalore. In Cochin Customs also a large number of cordless telephones are stated to be lying for disposal. The Committee desire that the Department of Revenue should approach the Department of Telecommunications/Indian Telephone Industries, Bangalore to allow the disposal of cordless telephones/walkie-talkie sets to various Government agencies (including Nationalised Bank) engaged in security work.

The Committee find that the Ministry of Science and Technology, Department of Atomic Energy, Electronics, Ocean Development and Space are contemplating manufacture of cordless telephones in the country and 27 letters of intent (LOIs) have been issued for the manufacture of cordless telephones. In view of the development, the Committee find no reason for the non-disposal of cordless telephones seized by Customs and are of the view that the position needs re-appraisal. The Committee desire -

that the Department should take urgent steps to dispose of the cordless telephones for augmenting its revenues.

**Ministry's reply**

The recommendations of the Committee are noted. After taking the concurrence of the Department of Telecommunications necessary instructions have been issued to all Collectors of Customs for the disposal of cordless telephones (copy enclosed.)

[F. No. 715/2/89-Cus(AS) October, 1989]

F.No. 715/2/89-CUS(AS)  
**GOVERNMENT OF INDIA**  
 Ministry of Finance  
**CENTRAL BOARD OF EXCISE & CUSTOMS**

.....

New Delhi, the 5th October, 1989.

To

All Principal Collectors of Customs & Central Excise  
 All Collectors of Customs  
 All Collectors of Customs (Prev.)  
 All Collectors of Customs & Central Excise

Sir,

**SUBJECT:** *Action taken by the Government on the 75th report of the Estimates Committee on the Ministry of Finance (Department of Revenue) — Customs: Accounting, Storage, Pricing and Disposal of Confiscated Goods—regarding.*

The Estimates Committee in the aforesaid report has observed that there is tardiness in the disposal of seized/confiscated cordless telephone sets. In this connection, instructions under F. No. 398/56/DPO(AS)/89 dated 4th August, 1989 (copy enclosed) has already been issued by the Directorate of Preventive Operations for the disposal of cordless telephone sets.

In the light of the above, you may please undertake review of the seized/confiscated cordless telephone sets lying undisposed of in your collectorate and take urgent steps to dispose of them without further delay.

Your urgent report in the matter is requested.

Yours faithfully,  
Sd/-

(R. VENKATARAMAN)

UNDER SECRETARY TO THE CENTRAL BOARD OF  
EXCISE & CUSTOMS

Encl: as above.

Copy to: Directorate of Preventive Operations

— They should monitor and review the position of cordless telephone sets lying in the Customs godown and ensure that the same are disposed of in the light of the DPO's instructions without further delay. The consolidated report may be sent to the Ministry within a fortnight from the date of receipt of this letter. Further, they may also intimate steps for the disposal of walkie-talkie sets in consultation with Deptt. of Telecommunications. Action taken in this regard may be intimated to Ministry urgently.

F.No. 398/56/DPO(AS)/89  
COMMUNICATION DIVISION (Dte. of Prev. Ops)  
Customs & Central Excise  
Shopping Centre, 7th Street,  
Shanti Niketan, New Delhi-21

Dated, the 4th August, 1989

To

All Collectors of Customs  
All Collectors of Customs (Preventive)  
All Collectors of Customs & Central Excise

Sir,

**SUBJECT:** *Disposal of cordless telephones — regarding.*

The matter regarding disposal of cordless telephones lying with various Customs Houses and Collectorate had been engaging the attention of this Directorate for quite sometime past. The issue was taken up with the Department of Telecommunications under the Ministry of Communications and it has now been decided that the cordless telephones conforming to the following technical specifications can be disposed off through sales counters to the general public.

**Frequencies / power output:****For remote units.**

1. 26.375 MHz, 26.475 MHz, 26.575 MHz, 26.625 MHz, 49.830 MHz, 49.845 MHz, 49,860 MHz and 49,875 MHz.

(Maximum output power permitted : 100 milli Watt (mW)).

2. 150.350 MHz, 150.750 MHz, 150.850 MHz and 150.950 MHz.

(Maximum output power permitted) 50 milli watt (mW):

**For Base Units.**

1600.0 KHz, 1640.0 KHz, 1675.0 KHz and 1690.0 KHz.

(Maximum output power permitted : 500 milli Watt (mW))

The maximum deviation permitted is 5.0 KHz.

2. The cordless telephones not conforming to the above permitted frequencies and the maximum power output will not be disposed off but will be listed and details of their frequencies and power output and also manufacturers (including brand name) etc. should be intimated to this Directorate as early as possible. Necessary action for their disposal would be intimated by this Directorate after receipt of the details from you.

3. If the above frequencies are not marked on the sets the communication officers attached to your Collectorate can certify the frequency.

4. The telecommunication authorities i.e. Chief General Manager in the case of M.T.N.L. Bombay and Delhi and General Managers at Madras and Calcutta should be informed of the sales of the cordless telephones to individuals so that they be able to keep record of the users of cordless telephone in their areas. A copy of this intimation should also be endorsed to ASTT. DIRECTOR (GEN) (PHB), Ministry of Communications, Department of Telecommunications, Sanchar Bhavan, 20, Ashok Road, New Delhi-110003. The format of sending the intimation to the Telephone authorities is enclosed at Annexure to this letter.

5. The Telecommunication Department have tested and evaluated the Sanyo Model No.-CLT 354 and they have found it to conform to the technical parameters as enunciated in paragraph-1 above. However, various sub-models under this model bearing channels A1, A2, A3, A4 and A5 which indicate the frequency of remote and base units separately with a sticker pasted on the bottom of the base unit' separatel with a sticker pasted on the bottom of the base unit as also the carton, are available. Only the models conforming to the frequencies as indicated in paragraph-1 above may be released without testing by telecommunication units. The sub-model with Channel 5A has unauthorised frequencies and is not permitted to be sold.

6. Please acknowledge receipt.

Yours faithfully,

Sd/-  
(S. MUKHOPADHYAY)  
DIRECTOR PREVENTIVE OPERATIONS .

Copy to:—

1. Shri Pardeep Kumar, Director Phones (E) for information please.  
Ministry of Communications, New Delhi.
2. Deputy Director (Comns.)  
Bombay/Ahmedabad/Patna/Bangalore
3. Assistant Director (Comns.) For Information  
Bombay/Chandigarh/Lucknow/Madras/Madurai/ and  
Cochin/Bangalore/Pune/Trichy necessary action
4. Communication Officer, Goa/Calcutta/Jaipur

Sd/-  
(S. MUKHOPADHYAY)  
DIRECTOR PREVENTIVE OPERATIONS

Chief General Manager/General Manager/  
Divisional Engineer (Telephones)

SUBJECT: *Sale of cordless telephones — intimation regarding.*

Sir,

One cordless telephone model \_\_\_\_\_ having radiating frequency (for base unit \_\_\_\_\_ Mhz and remote unit \_\_\_\_\_ Mhz) has been sold to Shri \_\_\_\_\_ of \_\_\_\_\_ (Telephone No. \_\_\_\_\_ ) vide retail shop receipt No. \_\_\_\_\_ dated \_\_\_\_\_ .

Yours faithfully,  
ASSISTANT COLLECTOR (CUSTOMS)

Copy to:

Assistant Director (General) (PHB)  
Ministry of Communication  
Deptt. of Telecommunication,  
20, Ashok Road, Sanchar Bhavan,  
New Delhi.

for information

**Government of India**  
**Ministry of Finance**  
**Department of Revenue**  
**(Anti-smuggling Unit)**

SUBJECT : *Action taken by the Government on the 75th Report of the Estimates Committee on the Ministry of Finance (Department of Revenue) — Customs : Accounting, Storage, Pricing and Disposal of confiscated goods—regarding.*

**Recommendations**

*(Sl. No. 40 Para No. 5.21)*

The Committee are pained to note that in Bombay Customs, goods worth Rs. 71,958, Rs. 42,299, and Rs. 27,166 were damaged due to long storage in 1982-83, 1983-84 and 1984-85 respectively. 1985—96, also perishable goods worth Rs. 56,078 were destroyed. The Committee are unable to understand as to why the plastic-bodied electronic wrist watches valued at Rs. 7,52,900/- and Rs. 1.76 lakhs were allowed to get damaged in Calcutta Customs in 1983-84 and 1984-85 respectively when there are clear-cut instructions that electronic watches can be disposed of pending legal proceedings.

*(Sl. No. 41 Para No. 5.22)*

The Committee would like the Department to ascertain the reasons as to why the goods which were of perishable nature remained lying for long and why were they not disposed of pending the legal proceedings. In cases where the loss was clearly due to lapses necessary action may be initiated against the concerned officers for dereliction of duty.

**Action Taken**

The reasons for the non-disposal of the seized/confiscated perishable goods and consequent follow-up action initiated by the Department in this regard are annexed.

[F.No. 715/2/89-CUS (AS) January, 1990]

Approved by the Additional  
Secretary to the Govt. of India

Collectorate-wise Action Report on Paras 3.31, 3.32, 5.21 & 5.22 (Regarding Loss of Goods due to Theft, Damage etc. and Action Taken Against the Defaulting Officers, if any)

1. Bombay Custom House

S.No.	Period	Value of Goods Lost/Damaged (In Rupees)	Nature and Reasons of Loss	Action Taken by the Department
1	2	3	4	5
1	1982-83	71,958/-	Perishable goods like film rolls, food stuffs & liquor etc. detained in baggage with miscellaneous other goods, were damaged due to long storage. Consequently these goods were disposed of by destruction	In these cases, baggage containing small quantities of film rolls, foods stuff & liquor were detained pending clearance and payment of duty etc. by the passengers. Most of these goods were subsequently found to be damaged, time expired and unfit for marketing at the time of departmental disposal, which was taken up when the passengers failed to clear the goods. Hence there was no other alternative but to destroy them. Enquiries to fix responsibility are still in progress.
2	1983-84	41,299/-		
3	1984-85	27,166/-		
4	1985-86	56,078/-	The perishable goods like cigarettes, Beer & Cream Sherry Bottles were detained in damaged condition at the time of scrapping of a vessel.	The goods were received in totally damaged condition at the time of scrapping of the vessel. Hence, there was no other alternative but to destroy the goods. No Officer is responsible for this loss.



## 2. Collectorate of Customs (P), West Bengal, Calcutta

1	2	3	4	5
5	1983-84	7,52,900/-	The plastic bodied wrist watches could not be sold in time as the same were locked up in Court cases as Court exhibit and no permission was granted to dispose of the same earlier and also in view of unrealistic valuation of the cheap wrist watches at the time of seizure	In both these cases the total number of such cheap wrist watches comes to 20,300 pcs. These were very cheap type of wrist watches made in Hongkong and in fact the seizure value which was given at Rs. 45 to Rs. 47 per piece was highly inflated. These watches have a very short life span and in fact, are rather in the nature of toy watches for children. Even after a short period these watches stop functioning and become useless. The wrist watches in question were seized in November 1983 and May 1984, and the Court proceedings were concluded quickly and the watches were ready for disposal in February and March 1985. However, neither N.C.C.F. nor any other co-operative were interested in lifting these watches seeing their condition and nature. However, subsequently, in tender these watches were sold at a price ranging from Rs. 4 to Rs. 4.50 per piece. All the wrist watches in respect of both the cases of financial year 1983-84 and 1984-85 were sold by tender for Rs. 91,350 on 1.9.86. This itself shows that seizure value given to the watches was highly inflated. In fact, most of the watches must have become damaged much before these were ready for disposal and in view of the Court's proceedings these could not be disposed of immediately after seizure. However, enquiries to fix responsibility are still in progress.
6	1984-85	1,76,000/-		

**Recommendation**

(S.No. 44 Para No. 5.38)

To enable the staff and officers of Customs engaged in the job of anti-smuggling activities to carry out their duties efficiently and effectively, availability of adequate number of vehicles at their disposal is of paramount importance. The Committee, however, feel that there is an acute shortage of vehicles at the disposal of all the Collectorates of Customs which is causing an adverse effect on their speedy operations. The Committee note that the present criteria for sanctioning of vehicles to the Collectorates are inadequate, and that, on account of shortage of funds and instructions of economy in expenditure the Department is unable to revise these norms. The Department of Revenue should be rather broad and liberal in this regard.

The Committee desire that the Department of revenue should impress upon the Government the imperative need of revising the criteria for sanctioning of vehicles/equipments to Collectorates of Customs. The Committee also hope that an equipment fund which is stated to have been set up in the Department of Revenue will also help in overcoming the problem of shortage of vehicles.

**Ministry's Reply**

The Committee have recommended the sanction of additional vehicles for being deployed for anti-smuggling work and if there are financial constraints in this regard to draw upon the Equipment Fund.

The recommendation is noted. Recently 39 cars, 43 jeeps, 3 mini buses, 2 trucks and 3 vans (90 in all) have been provided from the Special fund as replacements for condemned vehicles and 35 additional vehicles have been sanctioned for preventive work.

The Committee's recommendation that the Department of Revenue should adopt a broad and liberal approach in the criteria for sanctioning vehicles to the Collectorates is noted.

[F.No. 715/2/89-Cus (AS) October, 1989.]

**Recommendation**

(S. No. 45 Para No. 5.39)

For a Department like Customs, experience all over the world is that any investment made in that area for reasonably improving the infrastructure would be much more rewarding and this aspect should be duly kept in view by the Government while sanctioning funds for the Department to fight the nefarious activities of smugglers who are resourceful and better equipped. It is imperative that this Department is modernised and kept abreast of latest technological advancements so that the menace of smuggling is countered effectively.

**Ministry's Reply**

The Committee has recommended modernisation of the Customs Department and improvements to be made in the infrastructure as this would go a long way in fighting threats from the smugglers.

The recommendations of the Committee already forms the corner-stone of Government's policy in this regard and continuous re-appraisal of anti-smuggling equipment is undertaken by the Directorate of Preventive Operations which is headed by an officer of the rank of Joint Secretary. Based on his recommendations, modern equipment is made available to the Customs formations. In recent years, X-Ray machines for screening Baggage, metal detectors both of door-frame and handheld types, closed circuit television monitors, night vision binoculars and goggles and search lights have been supplied to anti-smuggling formations. The personnel deployed on the anti-smuggling work have been provided modern fire arms like self-loading rifles. Officers are in addition provided with pistols/revolvers.

Recently, 10 Customs patrol launches built indigenously have been acquired and deployed along the coastline. The Customs fleet gets support from the Coast Guard fleet which consists of modern and well equipped vessels.

The recommendation of the Committee for modernising the equipment provided to anti-smuggling units and for keeping abreast of the technological advances in such equipments to suppress smuggling are noted.

[F.No. 715/2/89-Cus (AS) October, 1989]

**Government of India  
Ministry of Finance  
Department of Revenue  
(Anti-smuggling Unit)**

**SUBJECT:** *Action taken by the Government on the 75th Report of the Estimates Committee on the Ministry of Finance (Department of Revenue) — Customs : Accounting, Storage, Pricing and Disposal of confiscated goods regarding.*

**Recommendations**  
(Sl. No. 46 Para No. 5.44)

The Committee would like the Department to find the causes of irregularities noticed by the Directorate of Preventive Operatives/Internal Audit Party and take appropriate action so as to avoid the recurrence of such irregularities.

They also feel that Internal Audit which is an effective tool of management control in checking of Customs revenue should be adequately strengthened. The Committee would like to be apprised further developments in this regard.

**Action Taken**

The recommendations of the committee are noted.

The irregularities noticed by the Directorate of Preventive Operations/Internal Audit Party were mainly on account of the following factors.

- (i) Deterioration of the goods or damage to them from long storage or in-sufficient care in storage.
- (ii) Theft in the Customs Godown.
- (iii) Misappropriation by the staff manning the godown.

In so far as loss on account of deterioration/damage of the goods from long storage or insufficient care in storage is concerned, it may be observed that instructions have already been issued grouping the stock of seized/confiscated goods under 4 different heads depending on the perishable nature, rapid changes in technology, changing consumer preferences influenced by changes in fashions and designs obsolescence due to prolonged storage, etc. Time limits have been prescribed for the goods falling under first 3 categories to enable early disposal (copy enclosed).

Recently, gold and silver bullion and patent and proprietary medicines too have been notified under Section 110 (1A) of the Customs Act, 1962 to render possible their disposal even prior to the completion of the Court proceedings in which they may be involved.

In so far as the loss on account of theft/misappropriation are concerned, not only have the officers/ staff found involved been punished, but the system of inspection by supervisory and inspecting officers has been improved by the issuance of a checklist on Receipt, Custody and Disposal of seized/confiscated goods. (copy enclosed). Furthermore, in order to strengthen not only the Internal Audit system, but the entire Customs Department itself, proposals for increasing the staff in Group 'B', 'C' and

'D' have already been formulated and are pending final decision. Once these proposals are accepted, the Internal Audit Department will be adequately strengthened by providing additional staff.

[F.No. 715/2/89-Cus (AS) January, 1990]

Approved by the Additional  
Secretary to the Govt. of India

**F.No. 711/8/83-LC (AS)**  
**Government of India**  
**Ministry of Finance Department of Revenue**  
New Delhi, the 22nd May, 1984

To

All Collectors of Customs and Central Excise

**SUBJECT :** *Seized/confiscated goods-review of the list of perishable goods —  
Supplementary instructions regarding.*

Sir,

The undersigned is directed to refer to this Department's letter No. 2/1656/LC I dated 16.11.1956, F.No. 8/1/61-LC I dated 11.7.1961, F.No. 30/43/64-LC I dated 15.4.1968 and F.No. 71514/81-LC (AS) dated 14.10.1981 regarding disposal of perishable goods in the custody of the department (copies enclosed).

2. The matter has been considered afresh in the light of the recommendations of the Collectors' conference held in June, 1983. On a review of the existing instructions issued by the department. It is found that the list of perishable goods approved by the Board covers goods which are prone to rapid deterioration like vegetables, fruits, foodstuffs, etc. as well as certain other goods having a limit storage life such as medicines, photographic goods, etc. The instructions do not, however, cover items which become absolute due to prolonged storage. Rapid changes in technology, changing consumer preferences influenced by change in fashions and designs, introduction of new models incorporating new features etc. diminish the marketability of such products and have a depressing effect on their prices. It has, therefore, been decided to broaden the existing list of perishable and other items which could be disposed of early.

3. The entire stock of seized/confiscated goods in the custody of the Department has been grouped under four different heads and for each category a maximum period for retention in departmental custody has been prescribed. Steps for early disposal of goods falling under the first three categories may be taken by the Collectorates as prescribed therein.

(a) **CATEGORY-I** : Goods to be disposed of immediately after seizure.

The goods available under this Category are prone to rapid decay and may also require special arrangements for their preservation and storage. These goods may, therefore, be disposed of immediately after seizure by the custodian of the goods after issue of notice to the owners and obtaining orders from the competent authority.

The following goods are listed under the above head :

- (i) Fresh fruits and vegetables, meat, fish, poultry, eggs and other fresh uncanned/unprocessed food materials;
- (ii) Salt and hygroscopic substance (other than the sealed containers);
- (iii) Raw (Wat and salted hides and skins);
- (iv) Livestock;
- (v) Medicinal herbs;
- (vi) Molasses;
- (vii) Newspapers and periodicals;
- (viii) Confectionery;
- (ix) Cigarettes, biris, biri-leaves and tobacco, which are liable to deterioration due to dryage or humidity;
- (x) Menthol, Campher, Saffron;
- (xi) Cells, batteries and re-chargeable batteries;
- (xii) Cereals, Sugar and other grocery items;
- (xiii) Tea and Coffee;
- (xiv) Re-fills for ball-point pens;
- (xv) Lighter fuel, including lighters with gas, not having arrangement for re-filling;
- (xvi) Beer.

(b) CATEGORY-II : Goods to be disposed of within six months from the date of seizure or where the date of expiry is indicated; well before that date.

These articles have a short span of life and deteriorating in quality starts after a few days of storage, and the risk/expenses for storage/maintenance of these goods are expected to be heavy. These goods may be disposed of within six months of their seizure or, where the date of expiry is indicated, well before that date.

The following goods would fall under this category :

- (i) Medicines and drugs which remain efficacious only for a limited period;
- (ii) Photographic goods such as films, photographic chemicals and papers;
- (iii) Spices;
- (iv) Resin;
- (v) Catechu;
- (vi) Hides and skins, feathers and products thereof;
- (vii) Rubber goods and erasers;
- (viii) Paper and articles made of papers;

- (ix) Perfume, toilet waters and essential oils;
  - (x) Raw Jute;
  - (xi) Tinned and preserved provisions, condensed milk and milk powder;
  - (xii) Liquors, other than beer;
  - (xiii) VNE Oils;
  - (xiv) Petroleum products;
  - (xv) Pre-recorded cassettes (Audio/Video);
  - (xvi) Electronic watches, time pieces and clocks and parts thereof.
- (c) CATEGORY-III : Goods to be disposed of immediately after adjudication, if unclaimed/abandoned.

Items which are liable to rapid depreciation in value on account of the fast change in technology or designs or introduction of new models, etc. are included in this list. Such goods, if unclaimed/abandoned should be disposed of immediately after adjudication.

- (i) Electronic goods such as TV Sets, V.C. Rs, V.C. Ps, Tape Recorders and their combinations, music systems, Calculators, etc.
  - (ii) Electronic components like Diodes, transistors, integrated circuits light emitting diodes etc.
  - (iii) Wrist watches, Time-pieces and Clock movements and part thereof (other than electronic).
  - (iv) Hypodermine needles and syringes.
  - (v) Costumes-Jewellery.
  - (vi) Textiles and ready-made garments.
- (d) CATEGORY-IV : All other goods.

All other goods not listed under the above three categories are brought under this category. Disposal of goods falling under this category may be effected after completion of all due formalities.

The list of goods included in the first three categories above is not exhaustive but only illustrative. Collectors of Customs/Central Excise may forward their suggestions for additions, if any, to these lists to the Ministry.

No doubt as at present, in cases where prosecution proceedings are contemplated/pending, permission for early disposal of the goods involved has to be obtained from the competent court. In this connection, attention is invited to the Ministry's letter No. 711/30/83-LC (AS) dated the 16th July, 1983 (copy enclosed). Every efforts should be made for obtaining the Court's permission for early disposal of goods in such cases.

As regards delegation of powers to various officers of Customs regarding disposal of perishable goods, Ministry's instructions contained in F.No. 715/14/8-LC(AS) dated 14.10.1981 would *mutadis mutandis* apply in regard to the disposal of above mentioned three categories of goods.

If any further problems with regard to disposal of goods arises, Collectors may please refer such matter to this Ministry for orders.

The receipt of these instructions may please be acknowledged.

Yours faithfully,  
sd/-

(ASHOK MEHTA)

*Under Secretary to the Govt. of India*

### **Check-list on Receipt, Custody and Disposal of Seized and Confiscated Goods**

All goods, conveyance and vessels seized under the Customs Act, 1962 and other allied Acts become normally ripe for disposal only after completion of adjudication, appeal and court proceedings. The Government of India, however, evolved a policy of disposal of certain categories of seized goods which are perishable, hazardous and liable to depreciation in value and quality even before completion of post seizure formalities like adjudication etc. Thus all disposals are broadly processed under two heads viz.

- (i) Disposal of perishable, hazardous and quality depreciating seized goods as notified from time to time for this purpose  
and
- (ii) All other confiscated goods ripe for disposal after completion of post seizure formalities.

The Government of India have declared the following as perishable, hazardous and value depreciating goods :

- (i) Cigarettes, food stuff, live-stock, perfumes, soap toilet requisites, etc.
- (ii) Liquor
- (iii) Primary batteries and batteries including re-chargeable batteries, button cells.
- (iv) All electronic goods including TV Sets, VCR, Tape Recorders, Calculators, Computers, Components and spares thereof including diodes, transistors, integrated circuits etc.
- (v) Wrist watches including electronic wrist watches, watch movements, parts and components thereof.
- (vi) Dangerous drugs and Psychotropic substances.

Perishable items (ii) to (vi) above were specially notified for disposal before post seizure formalities by an amendment of Sec. 110 of the Customs Act, 1962 on 5.2.86 in order to clear congestion in the Departments's godowns.

Under the amended provisions of Sec. 110(a) and (b) these special specially notified seized goods are to be disposed of after seizure by getting the inventory of the seized goods duly authenticated by 'any' magistrate, to



be approached for this purpose by the seizing officer.

Whether the disposal is that of seized perishable goods or other confiscated goods ripe for disposal those are to be disposed of in accordance with the instructions given by the Ministry from time to time.

For the convenience of the officers and staff connected with receipt, custody and disposal of seized and confiscated goods, a chart containing the channels/modes, terms and conditions is attached.

#### **Check-list for Custodians in Charge of Customs Godowns**

##### **(i) RECEIPT**

Ensure is the package to be received are properly sealed with Customs Seal and with the seal of the owner or his representative and that the seals are intact.

(ii) Ensure that all sealed packages brought for receipt and custody are entered with full inventory of the goods.

(iii) Ensure that packages with broken seals or without seals are checked with the inventory before the Supdt. and then received.

(iv) Ensure that difference if any noticed in the contents in respect of packages without seal, broken seal has been reported to the Asstt. Collector through the Supdt.

(v) Check that the valuables, perishables, unclaimed goods and goods covered under Section 110 of the Customs Act, 1962 for the purpose of disposal has been properly segregated and stored separately. Where there is no separate arrangement for storage of goods ripe for disposal, the custodian should ensure that such classification is done immediately after seizure and the goods are stacked on separate racks.

#### **Maintain Separate Register in Respect of (A) valuables and (B) Other than Valuables.**

1. Ensure that on receipt of the goods, details as in the inventory and value are entered in the register of seized and detained goods (Form 2).

2. Ensure that separate entries for each seizure/inventory is made.

3. Make entries according to descriptions of the goods as entered in the inventory submitted by the seizing officer.

4. Give details of quantity description and value where separate register has been opened for different items like valuables, perishables, etc.

5. Ensure that stocks are chronologically arranged on the stocks and coloured stock card/tag is fixed to each package with each colour indicating separately (i) stock under seizure but not confiscated, (ii) stock confiscated but not ripe for disposal, (iii) stock ripe for disposal or stock of unclaimed seizure.

6. Ensure acknowledgement of receipt of the goods in duplicate and

triplicate of the inventory and return of the triplicate copy to the seizing unit or detaining unit.

7. Before issuing acknowledgement ensure that discrepancy in respect of packages with broken seal or without seal has been reconciled or goods re-inventorised by Supdt. incharge of godown and officer depositing the goods.

8. Ensure that all packages are carefully stored and protected against ravages of nature, insects and rodents.

9. Ensure that the place of storage is safe against theft and fire and that goods are not likely to suffer avoidable deterioration or damage.

10. If any such defects and insecure conditions of the godown are noticed, ensure that the same is immediately reported to the Asstt. Collector through the Supdt.

11. Ensure that no hazardous/highly inflammable goods are received and stored in the warehouse where general goods are stored.

12. Ensure that all perishable goods and goods otherwise ripe for disposal and commodities specified under Section 110 of the Customs Act, 1962, and unclaimed goods are listed promptly within a week for disposal and submitted to the AC through the Supdt. for disposal orders and valuation if required.

13. If the valuation is already available in respect of these goods as per the list circulated by the JPC, Bombay, ensure whether the said valuation has been indicated in the list prepared for order of disposal and submitted to the AC through the Supdt.

14. Ensure that immediately on receipt of goods ripe for disposal with order of disposal, such goods are straightaway handed over to the disposal officer where the custodian is not himself the disposal officer.

15. Check that disposal under Section 110 are of items specified in Notfn. No. 31/86 dt. 5.2.86 and that such goods are disposed of only after authentication of inventory by a Magistrate.

16. Check that there is no delay in transfer of goods ripe for disposal to the disposal unit on flimsy reasons.

17. Check that all goods ripe for disposal are listed for disposal after valuation of trade and auction goods within 7 days of receipt in the warehouse.

#### **Check List for Supervisory & Inspecting Officers**

1. Ensure whether all the valuables have been kept in safe storage in the Custom House Strong Room or lockers of RBI or SBI taken for this purpose.

2. Check that the godown is free from rodents, insects and safe from fire, theft, and pilferage.

3. Check that the custodian of CWC and IAI warehouses have executed necessary bonds under Section 45 of the Customs Act, 1962 and the said warehouses are safe and secure and proper accounts are maintained.

4. Check that the register of warehoused goods have been properly maintained and all the relevant columns particularly the column for cross reference to the seizure file No., value, quantity and categorisation of goods for the purpose of disposal have been filled.

5. Check that the keys are kept in the personal custody of the departmental custodian.

6. Check that private entry to the warehouse/godown is prohibited.

7. Check that the goods have been stacked category-wise with coloured stock-cards and tags indicating the entry No. of the warehouse and stage at which the goods have been pending.

8. Check whether damaged packages/baggage under storage have been sorted out and brought to the notice of the AC for appropriate order of disposal or action.

9. Check that unwanted, unauthorised persons are not allowed entry into the warehouse and check that the hamals/loaders handle the fragile goods with adequate care in the presence of the custodian only.

10. Check that whenever sealed packages are opened, under authorisation from the AC incharge, the same is done in the presence of the Supdt. and the authorised representative of the owner and the seizing officer whose seals have been affixed. Packages should be re-sealed and suitable endorsement to the effect kept on the tag as well as the register.

11. Check that on re-examination if any discrepancy is noticed, the same is noted in the register/inventory against the particular entry.

12. Ensure that the said discrepancy is brought to the notice of the AC for necessary orders.

13. Check whether stock challenge have been conducted according to the periodicity prescribed both for valuables and other goods in custody.

14. Check whether annual stock-taking has been conducted in all the godowns of the Customs House/Collectorate.

#### **Check List for Godown Officer**

All seized vehicles are to be stored in sheds and/or covered with tarpaulins. Engines are periodically checked and run. In appropriate cases, vehicles should be kept on jacks when any inordinate delay in disposal of the vehicles is anticipated.

1. Ensure that where garage facilities are not available, the temporary sheds have been erected. Absence of these facilities should be reported to the Collector for necessary orders.

2. Ensure that the seized/confiscated vessels and vehicles are maintained with necessary care within the monetary sanctions of expenditure given in this behalf.

3. Ensure that cars/vehicles, vessels are enlisted for disposal promptly on expiry of appeal period on conclusion of the court case.

**Check List for Security in Storage and Disposal**

1. All the sales or disposal should be closed after specific office hours and the godown should be locked and sealed with the seal of the custodian every day.

2. The godowns should be operated for receipt, auction or sale only within specified office hours and in special cases under written orders of the Collector beyond office hours.

3. Strong rooms where the valuables are kept should be maintained under double lock system with one lock and with one key with the custodian of the warehouse and the other key with the custodian of the valuables.

4. Ensure that handing over and taking over of charges by godown officers has been done over a full stock list and physical verification of the stock by the incoming officer.

**Checks Regarding Stock-taking & Inspection (for Supervisory Officers and Inspecting Officers)**

1. Check whether the six-monthly as well as annual stock verification has been conducted by the AC as nominated by the Collector.

2. Check whether the Supdt. incharge of the godown has conducted the 6 monthly or annual stock-taking as specified and nominated by the Collector.

3. Check whether random stock challenge and verification by the AC and Supdt. incharge has been conducted.

4. Check whether the report regarding stock-taking and stock challenges has been submitted to the Collector within a week's time after completion of stock-taking.

5. Check whether annual and 6 monthly inspection of the books of account and records maintained in respect of receipt, accountal and disposal, closing balance of stock in the godowns has been conducted by the Collector, Dy. Collector and Asstt. Collector as per the periodicity.

6. Check whether all the objections raised have been fully rectified. Also check whether any major objection was pointed out in the inspection or stock-taking report.

7. If so, check whether proper action has been taken on the objections to rectify the defects pointed out and in fixing responsibility on the defaulting officer/custodian.

8. Check whether token number of packages were opened during stock verification and packages have been re-sealed by the stock-taking officer or officers making surprise/stock verification.

9. Check whether periodical audit or concurrent audit is being conducted in respect of receipt, storage, accountal and disposal of goods, with reference to the godown register/records maintained.

10. Check if the stock register is maintain properly with the prescribed columns.

11. Check whether the monthly stock position with break-up of opening balance, receipt, disposal and closing balance and No. of packages pending disposal are being submitted to the AC through the Supdt. every month.

12. Check if the AC incharge of the warehouse/disposal is making critical review of the stock pending disposal every month.

13. Ensure that a monthly return in respect of goods ripe for disposal is prepared and submitted to the Supervisory Officer incharge before 5th of every month in Form V for valuation and disposal.

#### **Check List Regarding Valuation and Disposal**

1. After receipt of orders of confiscation by the custodian, ensure that an enquiry is made from the seizing unit whether any appeal has been filed against the order of confiscation. Enquiry may be initiated after the expiry of the appeal period.

2. Ensure that as soon as an order for conviction has been passed by a court, whether steps have been initiated to dispose of the goods/vehicles. In such cases, the custodian should be in touch with the prosecution cell to verify progress of prosecution in each case where the goods are involved and are in custody.

3. Ensure that for valuation of trade goods, the file is processed and submitted promptly to the appropriate committee or authority. In respect of other goods covered by JPC price list, the files should be straightaway submitted to the Supdt. for disposal order.

4. Ensure that the goods are handed over promptly to the disposal officer where there is arrangement for separate disposal unit as in major Custom Houses.

5. Check whether the valuation at the time of final disposal of goods, compares favourably with the value at the time of seizure and if not, whether special report on the difference is being prepared and submitted to the Ministry through the D.P.O.

6. Ensure that uptodate check list containing the various channels modes, terms and conditions and commissions has been while disposing of the goods.

7. Check that in respect of drugs, medicines and pharmaceutical preparations, the disposal is made after obtaining a certificate regarding the shelf life of the drugs and its fitness for human consumption from the Asstt. Drug Controller.

8. Ensure expeditious disposal of medicines and drugs in consultation with the drug controller.

9. Ensure that auction is not withdrawn on flimsy reasons.

**Check List for Conducting Auction of Confiscated Goods**

1. All sales by auction, should be at periodic intervals, say at least once in every month. If it becomes necessary with reference to stocks required to be sold or for other reasons, auctions may be held even at shorter intervals.

2. Ensure that due publicity is given in the local and regional papers where the goods to be auctioned are normally in demand.

3. Ensure that sufficient notice is given before the date of auction so that the bidders have enough time for attending the auction.

4. Ensure that the disposal unit takes due precaution and satisfies itself that each bidder present at the auction is bona fide or an actual user eligible to participate in the auction.

5. Ensure that in respect of disposal of sensitive items, a senior officer, Addl. Collector or a Dy. Collector is associated with the pricing and sale committee.

6. Ensure that all sales/disposal particulars have been properly recorded in the godown register.

7. Correlate and reconcile the entries in the master sheet, inventory register and cash memos of disposed goods.

**Check List Supervisory Officer Like Collector, D.C., A.C., and Superintendent on Audit Report**

1. Check whether the internal audit party has inspected the records maintained by the custodian of the godowns to ensure that goods seized are properly accounted for and are disposed of in accordance with the orders in force and the sale proceeds have been credited to the government.

2. Check whether the audit party has perused all the sale lists, sale vouchers together with related case files, disposal section registers, etc. and if so what are their observations and objections and how these have been rectified.

3. Check whether periodical inspection of warehouses and godowns are being conducted by the officers of the Directorate of preventive Operations and whether any deficiencies in the system/procedures, have been pointed out to the Collector for appropriate remedial action. Check whether action has been taken to rectify these defects.

### **Check list for Supervisory Officers in Respect of Receipt, Storage, Custody, Accountal and Disposal**

1. Check whether custodian is maintaining the register properly.
2. Check whether all receipts have been recorded in the register as per inventory with cross-reference to seizure file.
3. Check whether goods have been properly received and accounted for in the register.
4. Check whether the goods have been handled carefully, stacked and stored properly in the warehouse/godown.
5. Check whether the seals are intact.
6. Check whether all the contents of the inventories have been properly acknowledged and one copy kept in the custodian's file.
7. Check whether stock cards have been maintained and stacking of goods is made.
8. Check whether category wise entries have been made properly in the godown register and disposal register in all respects.
9. Check whether list of goods ripe for disposal is being prepared every month, or as per frequency prescribed by the Collector.
10. Check whether goods ripe for expeditious disposal under Sec. 110 or perishable goods are being put up for disposal within 7 days of receipt.
11. Check whether the custodian of CWC/IAAI/NAI has executed necessary bonds for custodianship of seized goods.
12. Check whether taking over, handing over is done based on the latest stock position. Check whether stock verification has been conducted.
13. Check whether monthly surprise checks and stock challenges are being conducted by supervisory officers like AC, DC etc.
14. Check whether Annual stock verification has been completed and report submitted promptly or not.
15. Check whether all the objections, irregularities and defects pointed out have been acted upon.
16. Check whether action has been initiated against officers responsible for serious irregularities pointed out.
17. Check whether periodical and concurrent audit is being carried out in respect of receipt, custody and disposal of seized and confiscated goods.
18. Check if sale vouchers are being issued with full description of the goods sold and the address of the buyer is being given in full and countersigned by the customer.
19. Check whether the sale vouchers are properly filed in the inventory file and are being regularly reviewed by the Supdt. incharge of the disposal.

20. Check how many such inventory files are pending to be closed after completion of disposal in full.

21. Ensure that Packages received from the airport and outstation seizure cases indicate the register and seizure case No. also and the same is entered in the warehouse register to facilitate cross verification of actual receipt of the seized goods with the relevant inventories.

22. Ensure that for all undue and unexplained delays in disposal, defaulting officers have been called up to explain.

23. Ensure that in unclaimed cases, disposal action has been initiated immediately.

24. Ensure that vehicles and vessels are kept in proper custody, properly accounted and maintained. Apart from the entry in the godown Register, against the cases in which they are involved, maintain a separate list of vehicles and vessels for quick reference, disposal and replies to Estimates Committee.

**Government of India  
Ministry of Finance  
Department of Revenue  
(Anti-smuggling Unit)**

**SUBJECT:** *Action taken by the Government on the 75th report of the Estimates Committee on the Ministry of Finance (Department of Revenue)—Customs: Accounting, Storage, Printing and disposal of confiscated goods-regarding.*

**Recommendations**

*(Sl. No. 47: Para No. 5.50)*

To enable the Superintendents, Inspectors and Preventive Officers working in Customs, Central Excise and Narcotics Department to perform their duties efficiently and effectively, it is necessary that proper training is imparted to them regularly and frequently. The Committee, however, find that training at present being imparted to these officers is of very short duration i.e. just for 5-7 days. They are also of the opinion that to counteract the smuggling activities a special type of training is considered imperative so that the officers are kept aware of the nature of crime, the scenario in regard to which is fast changing day-by-day. This will enable the Department to effectively meet the challenge posed by smugglers and also acquaint them with latest trends in smuggling and special efforts that are needed to counteract them.



### **Action Taken**

The observation of the Committee that the training at present being imparted to the officers is of very short duration and to counteract smuggling activities a special type of training is considered imperative to keep them aware of the nature of the crime and the fast changing scenario thereof are noted. The National Academy of Customs, Excise and Narcotics is now conducting specialised courses on Anti-smuggling of two weeks' duration. The comprehensive coverage of various aspects of anti-smuggling work in these training courses is shown by the attached copies of the statement of the course contents. The training is designed to mentally equip the trainees with detailed information on the latest trends in smuggling and the modus operandi employed by smugglers and with needed knowledge of the provisions of various relevant laws, detection techniques, methods of investigation, the mode of handling prosecution work etc. The Academy draws on the rich experience of seasoned field officers engaged in the Anti-smuggling work for conducting these training courses.

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[F.No. 715/2/89-CUS(AS) January, 1990]

Approved by the Additional Secretary  
to the Govt. of India

### *COURSE ON ANTI-SMUGGLING*

Duration 2 weeks

#### *COURSE OBJECTIVES*

The objective of the course is to motivate the officers of Customs in such a way that at the end of the course, they acquire the knowledge and confidence essentially required for anti-smuggling work. Accordingly, the course is intended:

- (i) To impart an understanding about the concept of smuggling;
- (ii) To impress upon the trainee officers the growing importance of anti-smuggling work;
- (iii) To acquaint them with the knowledge of various provisions of laws to contain smuggling;
- (iv) To familiarise the officers with the various modus operandi of smuggling;
- (v) To emphasise the need for effective and purposeful coordination among different enforcement agencies engaged in anti-smuggling work; and

(vi) To instil in them a sense of public service, courtesy and behaviour.

*COURSE CONTENTS*

DAY	SESSION	TOPIC
1st	I	Reporting & Registration Briefing on the Course  I N A U G U R A T I O N
	II	Public service—Importance of courtesy and behaviour—Qualities of a good anti-smuggling Officer
1st	III	Smuggling—Meaning—Definition—Prohibited goods—Concept of illegal imports/exports
	IV	Powers of investigation—Search, seizure, summons, arrest under Customs Act
2nd	I	Notified goods—procedures about them—Implications
	II	Specified goods—Procedures about them—Implications
	III	Goods notified under Section 123 of Customs Act—Implications—Procedures about them
	IV	Discussions & recapitulation
3rd	I	Powers of search under Customs Act—Some questions in their application
	II	Search—Procedures there of
	III	Search list—Ingredients—How to prepare
	IV	Workshop on drawing up of a search lists
4th	I	Powers of seizure under Customs Act—Some questions in their application
	II	Powers to examine a person by the officers of Customs—Import of the provisions of Sections 107 and 108 of Customs Act.
	III	Panchanama—Its features—Its use in anti-smuggling work—How to draw up
	IV	Workshop on drawing up of a Panchanama
5th	I	Modus operandi of smuggling of goods
	II	Smuggling of goods by air—Modus operandi—Checks that are applied

<i>DAY</i>	<i>SESSION</i>	<i>TOPIC</i>
5th	III	Rummaging of vessels/vehicles/aircrafts—procedures and techniques
	IV	Carnet/Triptide—Purpose—Procedure—Provisions of laws—Checks that are applied
6th	I	Disposal of seized and confiscated goods—Provisions under Customs Act
	II	Disposal of seized and confiscated goods—Procedures
	III & IV	Visit to Docks/Airport for practical knowledge about rummage of vessels/vehicles etc.
7th	I	Collection of intelligence—Role of information in anti-smuggling work—How to deal with an informer
	II	Interrogation and statement recording—Their application in anti-smuggling work
	III & IV	Presentation of papers on modus operandi of smuggling and Discussions on the papers presented
8th	I	Adjudication of offences under Customs Act—Points that are to be kept in mind by Customs Officers
	II	Prosecution under Customs Act
	III	Smuggling trends—Organisation, aids and equipments for anti-smuggling work
	IV	Anti-smuggling work—Co-ordination among wings of Customs, Central Excise, Police & Other Government Departments
9th	I	Criminal Procedure Code—Indian Evidence Act—Their relevance and application in anti-smuggling work
	II	COFEPOS—Aims—Provisions—Procedures

DAY	SESSION	TOPIC
	III	Narcotics—Punishment provision under Narcotic Drugs & Psychotropic Substances Act
	IV	Motivation—Norms of behaviour
10th	I	T E S T
	II	Evaluation/ Film show on smuggling
	III	Discussions on answer scripts
	IV	Valediction Relieving formalities

*COURSE ON INTELLIGENCE, INVESTIGATION  
AND PROSECUTION*

Duration: 2 weeks

*COURSE OBJECTIVES*

Investigation into cases being an important and normal work which the officers of Customs & Central Excise perform, the objective of the course is to motivate the trainee officers in such a way that at the end of the course they acquire the knowledge and confidence essentially required for investigation work. Accordingly, the course is intended:

- (i) To give the trainee officers a fair idea about integrated investigation covering its various aspects;
- (ii) To impart a better understanding about collection of intelligence—ways and means;
- (iii) To familiarise them about role of informers and ways of handling them;
- (iv) To acquaint them about the methods of interrogation of witnesses as well as suspects;
- (v) To enlighten them about types and methods of surveillance;
- (vi) To make them aware about the various scientific aids of investigation;
- (vii) To explain the legal provisions relating to prosecution;
- (viii) To instil in them a sense of public service, courtesy and behaviour.

*COURSE CONTENTS*

DAY	SESSION	TOPIC
1st	I	Reporting & Registration. Briefing on the course I N A U G U R A T I O N

DAY	SESSION	TOPIC
	II	Public service—Importance of courtesy and behaviour.
	III	Outlook and attitude in investigation work—Qualities of an investigating officer.
	IV	Powers of investigation under Customs Act.
2nd	I	Powers of investigation under Central Excises & Salt Act.
	II	Intelligence and information—Collection of intelligence—Sources—Methods.
	III	Information—Role of informers—Sources—Motives of informers—How to develop an informer.
	IV	Informers—Their registration—Recording of information—Handling of informers—Communication with them—Weaning away of informers.
3rd	I	Planning and development of investigation—Interrogation in aid of it.
	II	Interrogation of witnesses—Procedures & norms.
	III	Interrogation of suspects—Procedures & norms.
	IV	Film show on interrogation.
4th	I	Surveillance and shadowing—Uses—Qualities required of a surveillant officer—Preparations that are necessary—Types of surveillance.
	II	Surveillance and shadowing—Methods and norms required to be observed in different types of surveillance—Safeguards.
	III	International co-operation in detection and investigation—Role of INTERPOL and CCC.
	IV	Recording of statement—Method and norms.
5th	I	Scientific aids of investigation—Role of forensic science.
	II	Scientific aids of investigation—Role of finger prints & Finger Print Bureau
	III	Scientific aids of investigation—Role of Government Examiner of Questioned Documents.
	IV	Discussions & recapitulation.

DAY	SESSION	TOPIC
6th	I	Investigation of Customs cases—Case studies.
	II	Investigation of Central Excise cases—Case studies.
	III	Investigation of cases involving documents—Scrutiny of documents about valuation frauds—Under invoicing/over invoicing.
	IV	Investigation of cases involving documents—Scrutiny of Price Lists and Classification Lists filed by assesseees.
7th	I	Investigation report writing—Methods and norms.
	II	Collection and development of intelligence—Role of D.R.I.
	III & IV	Visit to Forensic Science Laboratory.
8th	I	Burden of proof—Importance of circumstantial evidence in confiscation of goods.
	II	Evidence—Oral evidence—Proof of contents—Signature, handwriting etc.—Presumption of documents.
	III	Motivation & Norms of behaviour
	IV	Reward to the officers and informers
9th	I	Prosecution under Customs Act
	II	Prosecution under Central Excise & Salt Act
	III	Complaint—Procedure of prosecution under Customs Act & Central Excise & Salt Act.
	IV	Discussions and recapitulation
10th	I	TEST
	II	Evaluation Film Show on investigation
	III	Discussions on the answer scripts
	IV	Valediction Relieving formalities

### CHAPTER III

## RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENTS REPLIES

### Recommendations

( Sl. No. 22 and 23 Para No.4.24)

The Committee would like to be apprised of the action taken by the Department of Revenue as regards the measures taken to liquidate prosecution cases pending in various courts for more than 3 years. The specific action taken by the Department of Revenue in regard to the Committee's recommendation for modification of the Customs Act to provide for closure/withdrawal of dormant prosecution cases which were hanging on for years together where the accused persons were absconding or were foreigners who had left the country, should also be intimated to them.

*Para No.4.25:* The Committee would in this connection like to observe that they attach the greatest importance to the implementation of their recommendations. They are dissatisfied with the evasive approach of the Ministry in this particular case. Even though the Committee's Report in which original recommendation was made to close dormant cases for want of accused persons or evidence by modifying the law, was presented in the Lok Sabha on 30th April, 1987 final action in the matter has not been taken so far. This is unfortunate, to say the least, and is indicative of their lack of concern for financial interests of the Government. The Committee would like the Ministry to explain the circumstances under which this matter was treated so casually.

### MINISTRY'S REPLY

The progress in the disposal of prosecution cases mainly depends on the trial courts concerned. Over these courts the Department has no control. Efforts are being made to create special courts in some places for dealing exclusively with economic offences but how quickly these courts would dispose of the cases would depend on them. Instructions have, however, been issued to all the field formations to vigorously pursue all the pending prosecution cases in the trial courts concerned.

The recommendations of the Committee for modification of the Customs Act to provide for closure/withdrawal of dormant prosecution cases which were hanging on for years where the accused persons were absconding or were foreigners who had left the country has been considered by the Ministry and a suitable reply on the earlier committee's report has already been submitted in this regard. It is once again reiterated that prosecutions have been ordered and launched under Section 135 of the Customs Act in

cases primarily on account of the fact that the department has felt that the adjudication proceedings involving confiscation of goods as well as imposition of fine and penalty by themselves are not sufficient deterrent to deal with the grave contraventions/offences committed by the individuals concerned. The fact that considerable time has elapsed and prosecution has to drag on or to lie dormant due to various factors, most important of which being that, the offenders are absconding does not alter the fact that the offender does deserve to suffer punishment for his economic crime. It is possible that by absconding, the offender is trying to escape from the clutches of the Law. Once the prosecution is withdrawn, the offender would feel free to come out in the open and begin his illegal activities all over again. Further, the likelihood of reappréhension of the same offender later in some other cases cannot be ruled out. Once the prosecutions are withdrawn, the department will have no scope for revival of the cases. Withdrawal of prosecutions would also amount to grant of amensty and would encourage other offenders to abscond also in the hope of getting similar amensty. Smuggling is a serious offence which adversely affects the national economy and as such no leniency should be shown while dealing with economic offenders. Under the circumstances, the Ministry feels that, it is not advisable to withdraw prosecutions launched against smugglers and other economic offenders and if any provision should be made for withdrawal of prosecution in cases where the accused are absconding or have left the country, the result is likely to be that in all serious prosecution cases the accused would continue to abscond, get the prosecution withdrawn and then return to the scenes of their crimes to walk openly before the enforcement authorities whose clutches they were able to escape through the withdrawal of the prosecution cases against them.

[F.No. 715 / 2 / 89-CUS(AS) October, 1989]

#### **Recommendation**

*(Sl. No. 28 Para No. 4.45)*

The Committee also observe that owing to shortage of judicial members only 2 special Benches out of total of 4 are functioning at Delhi and the West regional Bench at Bombay and the East Regional Bench at Calcutta and Delhi Regional Bench have been operating below par. As already recommended, the Committee would like the Department to take urgent steps to fill up the vacancies of members, so that all the Benches function at par. They would like the Ministry to take expeditious steps to set up the new Tribunal so that the financial interests of the Government are properly secured.

The Committee can not help but remarking that the Ministry has shown



indifferent and casual approach in the instant case by not operating two additional benches, not filling the vacancies of Special and Regional benches, and abnormally delaying the formation of a new Tribunal. There has been no advance planning in regard to these matters which are of considerable importance. At this stage, the Committee only hope that adequate care would be taken by Government in future in handling such important issues, involving financial interests of the Government.

#### **Ministry's Reply**

The observation of the Committee has been noted. It is, however, submitted that since then 7 posts of Judicial Members have been filled in the CEGAT. Steps are also being taken to consider setting up of a Tribunal with comprehensive jurisdiction. A proposal is also under consideration to absorb the CEGAT in the new Tribunal.

[F.No. 715 / 2 / 89-CUS(AS) October, 1989]

#### **Recommendation**

*(Sl. No. 29 Para No. 4.48)*

The Committee note that in order to cope up with the increasing number of appeals and stay applications received by the Bombay Regional Bench, the need for a second Bench at Bombay was discussed at the meeting held on 30-10-86. However, no further action was taken for creation of additional Bench at Bombay and the matter was kept in abeyance till 8-1-88, when the proposal made by Sr. Vice President, CEGAT was considered in consultation with the CBEC. The Committee note that on a suggestion made by CBEC for creation of additional Bench in the Eastern region to cope up with the pendency of cases, the Department is considering the matter of setting up of additional Bench either at Bombay or Ahmedabad and Sr. Vice President, CEGAT has been requested to send his comments and views. The Committee, however, feel that there is a need for opening of additional Benches at both the places (i.e. at Bombay & Ahmedabad.)

The Committee, therefore, recommend that the feasibility of creation of additional bench at Bombay as also setting up of a Bench at Ahmedabad should be considered by the Department on a priority basis. The Sr. Vice President of CEGAT should be urged to send his views at the earliest and further action should be taken by the Ministry for creation of Benches expeditiously.

#### **Ministry's Reply**

In this context it is submitted that Government is considering restructuring of the appellate machinery in relation to customs and excise cases. A proposal is under consideration to absorb the existing CEGAT in the proposed new Tribunal.

[F. No. 715 / 2 / 89-CUS(AS) October, 1989]

**Recommendations**

(Sl. No. 32 and 33 Para No. 4.63)

The Committee note that classification and valuation of seized goods is one of the major areas of dispute between the assesseees and the Department. To cope up with this aspect of litigation, Government decided to constitute a high powered Tribunal under Article 323B of the Constitution and the enabling legislation, named by, the Customs and Excise Revenue Appellate Tribunal Act, 1986 was passed by Parliament in December, 1986. The Committee are, however, distressed to note that even though the legislation was enacted in December, 1986, it has not been notified and the Tribunal has not come into existence so far.

*Para No. 4.64:* The Committee regret to observe that the main causes for delay in the setting up of the Tribunal are the posting of the staff and fixing its headquarters. The Department is stated to have taken up the matter of setting up of the headquarters of the Tribunal at Delhi with its sister Department. The Committee desire that a decision should be taken on this issue expeditiously and Tribunal be set up without any further delay. Once the Tribunal is set up / the question of creation of its regional benches at important places should also be considered expeditiously.

**Ministry's Reply**

It is submitted that the High Court, Bombay has passed an interim order against setting up of the CEGAT till the ratio of Supreme Court's judgement in the *Sampat Kumar* case is complied with. Government is also considering restructuring of CEGAT and creating a Tribunal with wide and more comprehensive jurisdiction. A proposal is also under consideration to set up benches of the proposed new Tribunal at several places, depending upon the volume of work and other considerations.

[F. No. 715 / 2 / 89-CUS(AS) October, 1989]

## CHAPTER IV

### RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT'S REPLIES HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

#### **Recommendation**

*(Sl. No. 1 Para No. 1.19)*

The Committee note that intensification of anti-smuggling drives has made a perceptible impact on the seizure of contrabands during the last few years. However, they note with concern that no exercise has ever been undertaken to know precisely the extent of smuggling going on in the country. In the opinion of the Committee the amount of seized goods though on increase is not a correct index of the Department's endeavour to curb the menace of smuggling. The Department has not done any sample survey for assessing the magnitude of smuggling. The Committee have a nagging feeling that like the proverbial tip of the ice-berg it conceals more than what it reveals. Unless and until a thorough study of overall smuggling activity is carried out by the Department the Committee don't see any reason as to how they can effectively control this malaise. Possibly the increase in quantum of seized goods may also be indicative of logical manifestation of proportional increase in overall smuggling activity. While they appreciate that it would not be possible to arrive at precise figure, they feel that the Department should make some endeavour to have a realistic assessment of the Quantum of smuggling going on in the country. In the opinion of the Committee, unless the quantum of smuggling is assessed realistically, it would not be possible to devise appropriate corrective measures, assess the adequacy of infrastructure needed to check smuggling and correctly evaluate the impact of smuggling on national economy. Indeed, a beginning in this direction has to be made to fight ferociously the menace of smuggling which has vast ramifications on the industrial and economic growth of the country. The Committee urge the Government to give a deep thought to this issue and have a necessary study done by associating experts in the field so that it may be possible to assess the quantum of smuggling realistically and also to take steps needed to adequately strengthen the organisations concerned with combating smuggling.

#### **Ministry's Reply**

The recommendation is noted.

[F.No. 715/2/89-CUS (AS) October, 1989]

### Recommendation

(Sl. No. 4 Para No. 1.27)

The Committee recommend that each of the existing Preventive Collectorates located at Bombay, Trichy, Calcutta, Patna and Ahmedabad should be strengthened immediately, proposals regarding setting up of Collectorates/Sub-Collectorates at Lucknow, Imphal and Amritsar should be considered early and expeditious action taken to get them finalised. Sub-Collectorates at Jodhpur, Sanction for which has already been accorded by the Cabinet, should also be set up at the earliest.

### Ministry's Reply

The recommendations of the Committee are noted and action has been initiated. Sub-Collectorate at Amritsar for Punjab Sector of Indo-Pak border has already been sanctioned.

[F.No. 715/2/89-CUS (AS) October, 1989]

Government of India  
Ministry of Finance  
Department of Revenue  
(Anti-Smuggling Unit)

SUBJECT: *Action taken by the Government on the 75th Report of the Estimates Committee on the Ministry of Finance (Department of Revenue)—Customs: Accounting, Storage, Pricing and Disposal of Confiscated Goods—Regarding.*

### Recommendation

(Sl. No.12 Para No. 3.15)

To overcome the shortage of storage capacity, Department had planned at the outset to construct warehouses in all major metropolitan cities. However, subsequently proposal for construction of warehouses in Delhi and Calcutta was dropped. The Committee are dismayed to note that even though the proposal regarding construction of godowns, Sales offices-cum-guards dormitory was mooted in 1982, it took almost 6 years when the expenditure sanction was issued by the Ministry of Finance. The Committee visualise that the delay in the issuance of sanction by the Ministry of Finance might be due to laxity shown by the Department of Revenue in not vigorously pursuing the matter with them. Even after the sanction was issued by the Ministry of Finance the work of construction of godowns at Bombay has not been started due to objections raised by CPWD, Municipal Corporation, Maharashtra and the matter has been held in

abeyance. The Committee are thus of the opinion that approach of the Department has rather been casual on the important issue of construction of warehouses.

#### **Action Taken**

The estimate of expenditure for construction of three Godowns for Customs Department at Suleman Shah Plot, Bombay was received from the CPWD in January, 1985. The proposal was considered in consultation with the Director General (Works), CPWD, Ministry of Urban Development and Integrated Finance Unit. As the proposal involved expenditure of more than Rs. 3 crores, it was placed before the Committee on Non-Plan Expenditure. The expenditure sanction was issued on 5/5/87.

The CPWD authorities are pursuing the matter with the State Government for permission to construct the Godowns. For various reasons, progress has, no doubt, been not satisfactory. Vigorous efforts are continuing for expediting the work.

[F.No. 715/2/89-CUS(AS) January, 1990]

Approved by the Additional Secretary  
to the Govt. of India.

#### **Recommendation**

*(Sl. No. 15 Para No. 3.19)*

The Committee note that store rooms at Indira Gandhi International Airport where the seized goods are kept are not conducive to proper storage of such goods and apprehend that similar situation may be existing in other airports also. The Committee would like the Department of Revenue to pursue vigorously the matter with International Airports Authority of India for augmentation/allocation of space for storage of seized goods at the major airports in the country.

#### **Ministry's Reply**

The observations of the Committee are noted and suitable action has been initiated in this regard.

[F.No. 715/2/89-CUS(AS) October, 1989]

#### **Recommendation**

*(Sl. No. 25 Para 4.36)*

The Committee observe that apart from the time taken in the process of selection and appointment of Judicial and Technical members of CEGAT, another important factor for delay in these appointments has been the non-existence of Selection Committee to select these members. The Committee are highly distressed to note that after the completion of the tenure of the Selection Committee headed by Shri Justice D.A. Desai on 30-6-85, another Selection Committee was constituted only on 11-8-86, i.e. after a lapse of more than one year. The Committee fail to understand as to why necessary action was not taken by the Department well in advance so that a new Selection Committee could have been constituted immediately or before the tenure of the earlier

Selection Committee had expired. The Committee recommend that in future the process of constitution of Selection Committee should be started well in advance so as to avoid the recurrence of such delays.

**Ministry's Reply**

The observation of the Committee has been noted.

[F.No. 715/2/89-CUS(AS) October, 1989]

**Recommendation**

*(Sl. No. 26 Para 4.43)*

The Committee note that the original sanction for CEGAT was 4 special Benches located at Delhi having All-India Jurisdiction, and 4 regional benches located at Delhi, Bombay, Calcutta and Madras. With a view to expediting disposal of special Bench matters which have revenue implications, 2 additional benches were sanctioned by the Government in 1984 and sanction for these benches expired in October, 1986 and October, 1987 respectively. The Committee are highly constrained to note that the sanction of additional benches served no useful purpose as the benches remained non-operational due to delay in selection of members and appointments and a number of vacancies remaining unfilled.

**Ministry's Reply**

The observation of the Committee has been noted.

[F.No. 715/2/89-CUS(AS) October, 1989]

**Recommendation**

*(Sl. No. 27 Para No. 4.44)*

The Committee have been informed that as the law creating the new Tribunal, namely Customs and Excise, Revenue Appellate Tribunal (CERAT), was passed in December, 1986 and since most of matters arising from the new tariff system after 28-2-1986 were to be referred to the new Tribunal, no need was felt to continue with these two special benches. The Committee deprecate that neither the two special benches were operated during their tenure nor was any need felt to renew them by the Ministry on the expectation that new tribunal would be formed by that time. Disappointingly, the new Tribunal has not been set up so far.

**Ministry's Reply**

It is submitted that the Government has all along been concerned to review the structure of the appellate machinery. However, due to certain reasons the new Tribunal could not be established so far.

[F.No. 715/2/89-CUS(AS) October, 1989]

**Recommendation***(Sl. No. 34 Para No. 4.65)*

The Committee note that Customs Department has resorted to massive computerisation to bring about uniformity in classification and valuation procedure and to reduce disparity in settlement procedure which will help the existing CEGAT and proposed CERAT to perform, their duties with speed and accuracy. The Department also propose to extend the Central Excise computerisation into all the major places and matter is being pursued. The Committee would like the Department to vigorously pursue the matter so that Central Excise computerisation could be extended in other places also. It is desirable that a time-bound progress plan is formulated in this regard and is periodically monitored at an appropriately higher level so that programme is completed in accordance with the plan framed. The procedure, practice and organisation involved in the field Collectorate and the Board/Ministry need to be suitably streamlined to make computerisation successful.

**Ministry's Reply**

The recommendations of the Committee are noted. Suitable action has already been initiated.

[F.No. 715/2/89-CUS(AS) October, 1989]

**Recommendation***(Sl. No. 39 Para No. 5.18)*

The Committee note that certain difficulties are being faced by the Custom Authorities to dispose off items such as snake skins, skins of other wild animals, rough and uncut diamonds rough and uncut precious and semi-precious stones. The Department is stated to have taken up the issue of disposal of items of snake skins, and skins of other wild animals with the concerned Ministry for appropriate remedial measures. The Committee desire that matter should be pursued vigorously so that remedial measures could be taken with promptitude and it becomes possible to dispose of these items. The Department should also find out other ways and means for disposal of rough and uncut diamonds, precious and semi-precious stones so that the financial interests of the Government are properly secured.

**Ministry's Reply**

The recommendations of the Committee are noted and action has been initiated.

[F.No. 715/2/89-CUS(AS) October, 1989]

**Government of India  
Ministry of Finance  
Department of Revenue  
(Anti-Smuggling Unit)**

New Delhi, the 26th January, 1990.

**SUBJECT :** *Action taken by the Government on the 75th Report of the Estimates Committee on the Ministry of Finance (Department of Revenue) — Customs : Accounting, Storage, Pricing and Disposal of Confiscated Goods — Regarding....*

**Recommendations**

(Sl. No. 42 Para No. 5.31)

The Committee note that 191 seized Vehicles are lying in various Collectorates for disposal. Out of 191, Delhi Customs alone accounts for 78 vehicles. The Committee are distressed to note that in Delhi Customs a large number of vehicles have been lying for disposal for more than 10 years and some of them were seized 25 years before; which, the Committee feel, by now must have become obsolete, outdated and non-operational. What is more distressing is that although 10 vehicles had been declared ripe for disposal as early as December, 1985 in Delhi Customs, Yet none of them had been disposed of till September, 1988. The Committee desire that the vehicles should be disposed of without any further delay. As the time taken in the finalisation of adjudication/ Prosecution proceedings is too long, the Committee desire that Department should consider the feasibility of disposing of these vehicles pending the legal proceedings so as to fetch their maximum value and to reduce the expenditure which has to be incurred for their maintenance, storage and proper upkeep. They may also consider bringing about necessary modification in rules, if considered necessary to watch the financial interests of the Government.

**Action Taken**

The recommendations of the Committee are noted. After the visit of the Estimates Committee, a special drive was launched to dispose of the confiscated vehicles which had become ripe for disposal and now only 48 seized/confiscated vehicles are pending for disposal in Delhi Collectorate. All attempts are being made to dispose of these vehicles also. Applications are also being filed in the Courts seeking permission for pre-trial disposal.

[F. No. 715/2/89-CUS(AS) January, 1990]  
*Approved by the Additional Secretary  
to the Government of India.*



## CHAPTER V

### RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF GOVT. ARE AWAITED.

**Government of India  
Ministry of Finance  
Department of Revenue  
(Anti-Smuggling Unit)**

.....

**SUBJECT:** *Action taken by the Government on the 75th Report of the Estimates Committee on the Ministry of Finance (Department of Revenue)—Customs: Accounting, Storage, Pricing and Disposal of Confiscated Goods—Regarding.*

#### **Recommendations**

*(Sl. No. 14 Para 3.17)*

The Committee also desire that the additional requirement of all the Collectorates; and Delhi & Calcutta Customs in particular, be ascertained and appropriate measures taken to augment the storage capacity of all the Collectorates in the country, so that expenditure on payment of rent of private godowns is avoided.

#### **Action Taken**

The Department already has its own warehouses/godowns at Madras, Bangalore, Vishakhapatnam, Coimbatore, Trichy, Hyderabad, Guntur, Goa, Nagpur, Rajkot, Ahmedabad, Indore and Amritsar.

Calcutta Custom House has six Departmental Godowns.

Central Excise Collectorate, Delhi is acquiring a godown with 1000 sq.mt. from CWC at Nangloi.

All the Custom Houses, Central Excise Collectorates, etc. are being asked to determine their immediate and future requirements, locate land available and formulate plans for construction of godowns.

[F. No. 715/2/89-Cus (AS) January, 1990]

Approved by the Additional Secretary  
to the Govt. of India.

### **Recommendation**

*(S. No. 35 Para No. 4.76)*

The Committee also find that the Collectorates of Customs are dependent on the panel of lawyers of Ministry of Law whereas the opposite parties engage lawyers on payment of higher fee than that paid to panel lawyers engaged by Government, which results in the lack of adequate enthusiasm and interest in their work. The Committee are of the considered view that to induce enthusiasm and interest in the panel lawyers of the Ministry of Law who appear on behalf of Collectorates of Customs their fees should be enhanced suitably. It is also the considered view of the Committee that officers of Revenue Department should be given powers to engage lawyers of competence in cases of huge financial value and having far-reaching legal implications.

### **Ministry's Reply**

The Committee's recommendation that the fees of the panel lawyers should be suitably enhanced and that the officers of the Revenue Department should be given powers to engage competent lawyers in cases which have large revenue or legal implications are noted. These recommendations are being taken up with the Ministry of Law for implementation.

[F.No.715/2/89-CUS (AS) October, 1989]

## APPENDIX

(Vide Introduction of the Report)

### Analysis of Action Taken by Government on the 5th Report of Estimates Committee (8th Lok Sabha)

I.	Total number of Recommendations	47
II.	Recommendations/Observations which have been accepted by Government (Nos. 2, 3, 5, 6, 7, 8, 9, 10, 11, 13, 16, 17, 18, 19, 20, 24, 30, 31, 36, 37, 38, 40, 41, 44, 45, 46, 47)	
	Total	27
	Percentage	57.5%
III.	Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies	
	(Nos. 22,23,28,29,32,33)	
	Total	6
	Percentage	13%
IV.	Recommendations/Observations in respect of which Government's replies have not been accepted by the Committee	
	(Nos. 1,4,12,15,25,26,27,34,39,42)	
	Total	10
	Percentage	21%
V.	Recommendations/Observations in respect of which final replies are still awaited	
	(Sl. Nos. 14,21,35,43)	
	Total	4
	Percentage	8.5%