

FIFTY-THIRD REPORT
ESTIMATES COMMITTEE
(1987-88)

(EIGHTH LOK SABHA)

MINISTRY OF DEFENCE

Action Taken by Government on the recommendations contained in the Thirty-Ninth Report of Estimates Committee (8th Lok Sabha) on the Ministry of Defence—Defence Canteen Stores.



सत्यमेव जयते

Presented to Lok Sabha on 11th April, 1988

LOK SABHA SECRETARIAT
NEW DELHI

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CONTENTS

COMPOSITION OF THE COMMITTEE	iii
COMPOSITION OF THE STUDY GROUP ON ACTION TAKEN REPORT OF ESTIMATES COMMITTEE 1987-88.	v
INTRODUCTION	vii
CHAPTER I Report	1
CHAPTER II Recommendations/Observations which have been accepted by Government	10
CHAPTER III Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies	31
CHAPTER IV Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee	35
CHAPTER V Recommendations/Observations in respect of which final replies of Government are awaited	37
APPENDIX Analysis of Action Taken by Government on the recommendations contained in the Thirty-ninth Report of Estimates Committee (Eighth Lok Sabha)	39

ESTIMATES COMMITTEE
(1987-88)

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- *3. Shrimati M. Chandrasekhar
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29. Shri Madhusudan Vairale
30. Shri Ram Singh Yadav.

* Elected on 6th August, 1987 *vice* Prof. Narain Chand Parashar resigned from the Committee w e.f. 3rd June, 1987.

** Ceased to be Members of the Committee on 14.2.1988 on being appointed Ministers of State in the Union Council of Ministers.

SECRETARIAT

1. Shri K.H. Chhaya—*Joint Secretary.*
2. Shri J.C. Malhotra—*Chief Financial Committee Officer.*
3. Shri A. Subramanian—*Senior Financial Committee Officer.*

**STUDY GROUP ON ACTION TAKEN REPORTS OF
ESTIMATES COMMITTEE
(1987-88)**

1. Smt. Chandra Tripathi—*Chairman*
2. Shri Bipin Pal Das—*Convener*
3. Shri Hannan Mollah
4. Shri Hussain Dalwai
5. Smt. Jayanti Patnaik
6. Shri P.M. Sayeed
7. Shri V.S. Krishna Iyer
8. Shri Shantaram Naik
9. Shri A. Charles.

INTRODUCTION

I, the Chairman of the Estimates Committee having been authorised by the Committee to submit the Report on their behalf present this Fifty third Report on action taken by Government on the recommendations contained in the Thirty-ninth Report of the Estimates Committee (8th Lok Sabha) on the Ministry of Defence—Defence Canteen Stores.

2. The Forty-fourth Report was presented to Lok Sabha on 1st April, 1987. Government furnished their replies indicating action taken on the recommendations contained in that Report on 8th January, 1988. The replies were examined by the Study Group on Action Taken Reports of Estimates Committee at their sitting held on 3rd March, 1988.

The draft report was adopted by the Estimates Committee on

3. The report has been divided into following Chapters 23rd March, 1988.

- (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 Thirty-ninth Report of Estimates Committee (Eighth Lok Sabha) is given in Appendix. It would be observed that out of 35 recommendations made in the Report, 26 recommendations i.e. about 74 per cent have been accepted by Government and the Committee do not desire to pursue 5 recommendations i.e. about 12 per cent in view of Governments replies. Replies of Government in respect of two recommendations i. e. 7% have not been accepted by the Committee. Replies of Government in respect of 2 recommendations i. e. about 7 per cent are still awaited.

NEW DELHI ;
March, 18 1988
Phalguna 28 1909 (S)

CHANDRA TRIPATHI,
" 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 Thirty-ninth Report (8th Lok Sabha) on the Ministry of Defence—Defence Canteen Stores presented to Lok Sabha on 1st April, 1987.

1.2 Action Taken Notes have been received in respect of all the recommendations contained in the Report.

1.3 Action Taken Note on the recommendations of the Committee have been categorised as follows :—

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

Sl. Nos. 1, 2, 3, 4, 5, 8, 9, 10, 11, 12, 14, 16, 17, 19,
20, 21, 22, 23, 24, 26, 29, 30, 31, 32, 33, 34.

(Total 26 Chapter II)

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

Sl. Nos. 6, 7, 8, 13, 18.

(Total 5 Chapter III)

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

Sl. Nos. 27, 28.

(Total 2 Chapter IV)

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

Sl. Nos. 15, 25.

(Total 2 Chapter V)

1.4 The Committee will now deal with the Action Taken by Government on some of the recommendations.

Procurement of tinned food

Recommendation Sl. No. 2 (Para 1.10)

1.5 The Committee did not see the rationale behind the transfer of responsibility regarding procurement and supply of tinned and processed food items for free issue to troops to CSD in 1982-83 from the Army Purchase Organisa-

tion, then under the Ministry of Agriculture, which imposed additional burden on the CSD, affected its profitability, and created administrative complications because of contradictory procedures involved in the procurement of these two different sets of items—one on the trading side and the other on the Government side. As the Army Purchase Organisation had since come under the Ministry of Defence itself, the Committee hoped that the procurement and supply of tinned and processed food items would be reverted back to Army Purchase Organisation as early as possible which according to the Ministry themselves would be 'appropriate and convenient'.

1.6 In their reply the Ministry has informed the Committee that it has been decided to transfer the responsibility for procurement of the tinned and processed food items for ASC from the Canteen Stores Department to the Army Purchase Organisation. The re-transfer will be effective as soon as the required staff is made available to the Army Purchase Organisation.

1.7 The Committee do not foresee any difficulty in acquiring the required staff by the Army Purchase Organisation for handling the procurement of tinned and processed food items for ASC from the Canteen Stores Department. The Committee would expect the Ministry to initiate necessary action in the matter immediately.

Staff strength in C.S.D.

Recommendation Sl. No. 8 (Para 2.36)

1.8 The Committee had observed that due to deficiencies in staff strength, the Canteen Stores Department could not function at the optimum level of efficiency as the staff recruited to fill the gaps on casual basis could not be expected to work with the same zeal and efficiency as is displayed by the regular staff. The Committee found it strange that Government was still engaged with the fundamental question about the future set up of the organisation and had not paid adequate attention to tide over the difficulties being faced by the C.S.D. on account of deficiencies in the staff. Now that the ban on recruitment for operational requirements had been lifted, the Committee expected that necessary steps to fill the gaps would be taken urgently.

1.9 The Ministry has stated in reply that action is being taken to fill the Group 'A' vacancies in consultation with the UPSC. Action is also being taken to convene D.P.C. for filling the Group 'B' vacancies. As regards Group 'C' vacancies, there are 410 daily rated employees in the C.S.D. A proposal has been submitted to the Department of Personnel and Training to regularise these employees against the Group 'C' vacancies. GM, CSD, being the appoi-

ning authority for Group 'D' posts, is taking action to fill the Group 'D' vacancies.

1.10 The Committee are unhappy to find that a large number of vacancies still continue to exist in various categories of posts affecting the level of efficiency expected of an organisation like the CSD. The Committee recommend that a time bound programme may be drawn up to ensure that the vacancies are filled up without any further loss of time so that the working of the CSD does not suffer for want of regular staff to man the posts.

Training Facilities

Recommendation Sl. No. 9 (Para 2.47)

1.11 The Committee had noted that whereas for lower level staff i.e. lower division clerks, cadre courses had been organised regularly during the last three years to familiarise them with secretarial work and management concepts to broaden their horizon and approach to work, only one course of one month duration was organised in 1983 for Assistant Managers and only 4 batches of Store Keepers, 5 batches of Assistant/Accountants were given training course of about one month from 1982 to 1984. The Committee had pointed out that the posts of Assistant Managers, Assistant Accountants and Store Keepers being quasi-technical in nature are very crucial for the operations of the CSD in general and for its Base and Area Depots in particular and therefore, the incumbents of these posts should be exposed to modern techniques of handling the work on a regular and systematic basis. The Committee had recommended that the Ministry/Department should review entire training programme so that the requirements of the Department could be fully met. The Committee further suggest that Material Management being the basic function of the CSD, the Ministry should examine the possibility of arranging more material management training courses of large number of managers at regular intervals.

1.12 The Ministry has stated in reply that action is being taken by General Manager, Canteen Stores Department to review the training programme in its entirety, keeping in view the suggestions made by the Estimates Committee. A report would be submitted by the CSD for consideration of the Board of Control Canteen Services in due course.

1.13 The Committee would like to be furnished with the recommendations regarding the training programme and action taken thereon.

*Financial Set-up of CSD***Recommendation Sl. No. 15 (Para 3.29)**

1.14 The Committee were constrained to observe that the recommendations of the Public Accounts Committee made in their Report after Report for bringing the receipts and expenditure of the CSD under the purview of the Consolidated Fund of India had been implemented by the Ministry in form only and not in letter and spirit and the same had been circumvented through a financial legerdemain of allowing the Department to maintain a grand imprest upto rupees two crores in the State Bank of India and Punjab National Bank with the proviso to deposit its receipts in excess of rupees two crores in the Reserve Bank of India—a stage that was never allowed to be reached as payments become due and receipts and expenditure were “quarterly balanced.” While receipts and expenditure of the Department were reflected in the Budget and Consolidated Fund of India on a notional and *ex post facto* basis only, the profits of the Department still did not form a part of it. The excuse given by the representative of the Ministry of Defence during evidence that compromise had to be made between the requirement of the Constitution and the Cabinet decision of 1976, did not, according to the Committee, absolve the Ministry of infringement of the provisions of Article 266 of the Constitution ever since CSD (I) had come under the Government of India. The Committee had further observed that the contention of the representative of the Ministry that the basic question whether the organisation should continue as a Government Department was about to be resolved had lost its credibility because the Ministry's representative had linked the issue of accounting procedures of the Department with the future set-up of the CSD in 1954-55 also while tendering evidence before the Public Accounts Committee. The Committee were of the firm view that had the Ministry been serious about restructuring the organisational set-up of the CSD, they would surely have done something in this regard during the last 32 years. The Committee had therefore deplored that right from 1947, the Ministry of Defence had been less than sincere in bringing the financial set up of the CSD in conformity with the relevant provision of the Constitution. This could be gauged from the two simple facts that all along these years the Ministry had not been able to prescribe even a format for the commercial Accounts of the CSD and had allowed the Department to indulge in another stratagem of adjustment of dues payable to the Government by the CSD with the dues payable to the Government by the CSD and remittance by CSD to the Government of only net dues at the end of a year in violation of General Financial Rules. The Committee had therefore strongly recommended that the Ministry should come to a decision at the earliest with regard to the financial-cum-admini-

strative set-up of the CSD so that its procedures and practices were brought in conformity with the relevant provisions of the Constitution and the Financial Rules.

1.15 In its reply the Ministry has finally informed the Committee that the case is still under discussion with the office of C&AG and a final view was expected to be arrived at very shortly.

1.16 The Committee are not satisfied with the interim reply given and that too after getting extensions on more than two occasions. As the present practice is violative of provisions of Article 266 of the constitution, Ministry ought to have taken up the issue seriously over the years and finalised it long back.

1.17 The Committee hope that the Ministry would now come to a decision at the earliest with regard to the financial-cum-administrative set up of the Canteen Stores Department with a view to bring its procedures and practices in conformity with Article 266 of the Constitution and the relevant General Financial Rules, introduce a format duly approved by the competent authority for commercial accounts of the C.S.D. and ensure payments of dues by the C.S.D. to the Government and of dues by Government to the C.S.D. in accordance with the relevant Financial Rules.

1.18 The Committee further hope that final decisive action will be taken by the Government on the recommendation contained in paragraph 3.29 of the Report and that the transactions will be merged in the consolidated fund of India without fail.

Concessional Railway Transportation

Recommendation Sl. No. 25 (Para 4.57)

1.19 The Committee regretted to note that the Ministry had found it "extremely difficult to quantify the concession" enjoyed by the Canteen Store Department from the railways for transportation of CSD Stores. They recommended that the Ministry should compile the requisite information so that the impact of these concessions on profits could be worked out.

1.20 In reply the Ministry has stated that the concessions enjoyed by the CSD from transportation of stores through Military Credit Notes have been

worked out for the period 1983-84 to 1986-87. The details are indicated below :—

Year	MC notes rates for wagon load per Km. (Rs)	Actual payment made by CSD to Railways against MC notes. (Rs in lakhs)	Average rate for wagon load per Km. (Rs)	Estimated payment at average civil rates (Rs in lakhs)	Benefit accrued to CSD (Rs in lakhs)
1983-84	1.62	150.71	3.74	347.93	197.22
1984-85	1.93	172.88	3.74	335.01	162.13
1985-86	2.10	192.10	4.74	433.59	241.49
1986-87	2.44	185.95	5.12	390.19	204.24

1.21 As the observation of the Committee would clearly indicate, the Committee expect that the impact of the concessions on profit will be worked out and the results intimated to the Committee immediately.

Role of unit-run Canteens

Recommendation Sl. No. 27 (Para 5.21)

1.22 The Committee had felt that the method of distribution of stores by URCs was very much off-the-gear as evidenced by the detection of the CSD field force that some of the Unit run Canteens invested their trading profits in fixed deposits for as small periods as 15 days rather than in ploughing them back into CSD Stores where the returns are substantial, and following the standard stocking pattern i.e. one month working stock, one month reserve stock and one month in the pipeline. The Committee had observed that the Unit-run-Canteens might not be under the jurisdiction of Canteens Stores Department but the Ministry of Defence certainly had jurisdiction over the Units and the Commanders managing these Canteens and the Ministry should appropriately discipline the canteen managers. The Committee, there, fore recommended that the stocking pattern/distribution methods and utilisation of profits by the Unit-run canteens should be gone into fully and streamlined so that the URCs could meet the demands of each consumer satisfactorily.

1.23 In its reply the Ministry has contended :—

“The Unit Run Canteens are managed with the help of Regimental Funds of the Unit concerned. These Regimental Funds are non-public funds and are meant for the welfare of existing and past members of the Unit. Their investment is generally controlled by the Commanding Officer and, for bigger investments, the approval of the Col./Col. Commandant of the Regiment is taken. The investment in a Unit canteen is not made with the motive of profit making as neither the clientele of the Unit canteen can be increased nor can the Commanding Officer encourage his troops to buy more than a percentage of their monthly earnings. The earnings from the sale of canteen stores are only incidental and merge into the Regimental Funds of the Unit. Their investment in Fixed Deposits or any other saving devices is best left to the discretion of the Commanding Officers or the Cols/Cols Comdt. of the Regiment. In fact the very establishment of an URC as well as its operation is a purely voluntary and unofficial decision of the members of the Unit. How they manage the URC and the investments therein from their Regimental Funds is entirely a matter of their private judgement.”

1.24 The Committee do *not* agree with the Ministry's contention that the very establishment of a Unit Run Canteen as well as its operation is a purely voluntary and an official decision of the Members of the Unit and that how they manage the URCs and investments therein from Regimental Funds is “entirely a matter of their private judgement.” Had that been so, the Government would not have been running a full fledged Department in the Ministry for whole-sale procurement of stores and distribution thereof to Unit run canteens for concessional sale to the troops and their families as an obligatory *official* welfare activity and even providing soft loans to new URCs at 4% and 6% rates of interest. The Committee therefore reiterate that stocking pattern/distribution methods and utilisation of profits by URCs should be examined fully and streamlined by the Ministry so that the canteens could meet the demands of consumers i.e. the troops to their maximum satisfaction.

Loans advanced to Unit-run-Canteens

Recommendation Sl. No. 28 (Para 5.27)

1.25 The Committee had observed that while Unit run Canteens continued to be managed by officers commanding the units under their own arrangements it should not normally be the responsibility of the Canteen Stores Department to provide loans for raising new URCs. The responsibility for providing the necessary *wherewithal* for raising new URCs should

appropriately be that of the respective headquarters of Army, Navy or Air Force. The Committee had recommended that the Ministry of Defence should examine this anomaly of CSD with no administrative and managerial jurisdiction over the URCs having acquired the obligation of financing the raising of new URCs by providing them with soft loans at 4% and 6% rates of interest, repayable in 10 half yearly instalments commencing a year after disbursement i.e. in effect with in six years. As the level of loans so granted by the CSD to URCs had risen from rupees 40 lakhs in 1981-82 to the level of almost rupees 99 lakhs in 1985-86, and was likely to rise further in the subsequent years, the Committee had recommended that the Ministry of Defence should also re-examine the rates of interest and terms of repayment of these loans with a view to ensuring a fair return on the capital so invested by the CSD taking into consideration the essentially trading and commercial nature of the Organisation. The Committee had further observed that the Ministry should also ensure that loans in any form are not granted by CSD to such Unit run Canteens which misused their resources in profiteering by investing them in fixed deposits rather than in maintaining the stocking pattern suggested by the CSD.

1.26 The Ministry has argued in its reply :—

“CSD exists for providing consumer goods, as a welfare oriented function, to the troops of the three Services and their families. The increase in the capital of CSD has been made possible only from the profits generated by the sale of goods to the troops. As it is, the profits of the CSD are distributed to the three Services as grant-in-aid. Therefore there is no justification for holding back the loans to units or increasing the rate of interest as all the profits generated by increasing this would go back to the troops. Since the main aim of the CSD is not to generate profits but to look after the welfare of the troops, it is not considered necessary to increase the rates on loans provided by the CSD to the URCs. The existing rates are sufficient to cover the costs of CSD on this account. Further, since the URCs are managed from the regimental funds of the units the Commanding Officers are free to use these funds in the best interest of the troops. It is also not necessary to stop grant of loans to URCs which invest their resources in Fixed Deposits rather than in maintaining the stocking pattern.”

1.27 The Committee reiterate that as Unit run Canteens are managed by officers commanding the units from their regimental funds, the responsibility for providing wherewithal for raising new URCs should appropriately be that

of the respective regiments or their headquarters concerned and not that of Canteen Stores Department which has no administrative or managerial jurisdiction over the Canteens. In exceptional circumstances, the CSD may grant such loans to URCs which undertake to maintain the stocking pattern prescribed by CSD. The Committee further reiterate that Ministry of Defence should re-examine the rates of interest and terms of repayment of these loans with a view to ensure a fairer return to the CSD on the capital so invested. The Committee also recommend that the matter may be reviewed in consultation with the Ministry of Finance as well.

Implementation of recommendations

1.28 The Committee would like to emphasise that they attach the greatest importance to the implementation of the recommendations accepted by the Government. They therefore, urge that Government should take appropriate steps in this regard. In cases where it is not possible to implement the recommendation in letter and spirit for any reason the matter should be reported to the Committee in time with reasons for non-implementation.

1.29 The Committee also desire that final replies in respect of the recommendations contained in Chapter V of this Report may be furnished to the Committee expeditiously.

CHAPTER II

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation Sl. No. 1 (Para. 1.9)

The Committee consider the aims and objectives set forth for the Canteen Stores Department (CSD) of great importance and need hardly point out that earnest efforts are needed to achieve the same in letter and spirit with minimum strains on the resources available and maximum satisfaction to the consumers.

Reply of Government

All efforts are being made to ensure that the aims and objectives set forth for the CSD are achieved in letter and spirit with minimum strain on the resources available and maximum satisfaction to the consumers.

[No. 8(4)/87/D (Mov)]

Recommendation Sl. No. 2 (Para 1.10)

The Committee do not see the rationale behind the transfer of responsibility regarding procurement and supply of tinned and processed food items for free issue to troops to CSD in 1982-83 from the Army Purchase Organisation, then under the Ministry of Agriculture, which imposed additional burden on the CSD, affected its profitability, and created administrative complications because of contradictory procedures involved in the procurement of these two different sets of items—one on the trading side and the other on the Government side. Now that the Army Purchase Organisation has come under the Ministry of Defence itself, the Committee hope that the procurement and supply of tinned and processed food items would be reverted back to Army Purchase Organisation as early as possible which according to the Ministry themselves would be 'appropriate and convenient'.

Reply of Government

It has been decided to transfer the responsibility for procurement of tinned and processed food items for ASC from the Canteen Stores Department

to the Army Purchase Organisation. "The re-transfer will be effective as soon as the required staff is made available to the Army Purchase Organisation.

[No. 8/(4)/87/D(Mov)]

Recommendation Sl. No. 3 (Para 2.9)

The Committee do not see any reason for not inducting the Chairman, Board of Administration, CSD as a fulfilled and regular member in Executive Committee, even though all the decisions of the Executive Committee relate to his Department. The Committee consider his participation in all the meetings of the Executive Committee as a fulfilled and regular member necessary so as to make the deliberations of the Executive Committee more meaningful as he can pinpoint in advance the impact of various proposals on which the Executive Committee is to take decisions.

Reply of Government

The Chairman, Board of Administration, CSD has been inducted as a regular member of the Executive Committee *vide* Ministry of Defence letter No. 7(11)/87/D(Mov) dated the 12th Oct., 87.

[No. 8(4)/87/D(Mov)]

Recommendation Sl. No. 4 (Para 2.10)

The Committee would also like the Government to review whether the meetings of the Executive Committee, which are held once in every quarter, are sufficient in view of the fact that many of the decisions of the Executive Committee have far reaching financial and administrative implications.

Reply of Government

The existing guidelines provide that the Executive Committee will meet at least once a quarter to review the functioning of the CSD for the preceding quarter and take decision on the cases put up to them. There is no bar to the Executive Committee meeting more than once a quarter. To ensure that no important matters are neglected, instructions have been issued to GM/CSD to circulate every month, to all the members of the Executive Committee, a list of items which would require Executive Committee decision and also indicate the ones on which urgent decision would be required. This would enable the Executive Committee members to remain abreast of items awaiting their decision and to convene early/emergent meetings, if warranted.

[No. 8 (4)/87/D(Mov)]

Recommendation Sl. No. 5 (Para 2.15)

The Committee are firmly of the opinion that for the efficient day to day functioning of a commercial organisation like the CSD, adequate financial and administrative powers should be vested in the Chairman, Board of Administration. The Committee, therefore, recommend that the case for the revision of the financial powers submitted by the General Manager-Cum-Chairman, Board of Administration should be considered urgently, keeping in view the objectives of the CSD and the special nature of its clientele.

Reply of Government

The proposal for revision of financial powers of the General Manager and Chairman Board of Administration Canteen Stores Department has been considered. Keeping in view of the objectives of the CSD, special nature of its clientele, and other relevant considerations the financial powers of the Chairman Board of Administration/General Manager Canteen Stores Department have been enhanced vide Ministry of Defence corrigendum No. 8(30)/87/D(Mov). dated 12.11.1987. (Copy reproduced below)

[No. 8(4)/87/D(Mov)]

No. 8(30)/87/D(Mov)

Government of India

Ministry of Defence

New Delhi, the 12th Nov. '87

CORRIGENDUM

In the Annexure to the Ministry of Defence letter No. B/00054/I/Q/CAN/313/S/D(Mov) dated the 21st March, 1979 regarding duties of Board of control/Executive Committee/Secretariat Board of Control/Board of Administration and General Manager of the Canteen Stores Department as amended from time to time, the following amendments are made :

POWERS

Item No. of the Annexure	Board of Administration		Chairman Board of Administration/General Manager CSD	
	Existing power	Revised power	Existing powers	Revised power
3. Purchase/ hiring/re- pairs of equipment, furniture etc.	NIL	Upto Rs. 1.00 lakh	Rs. 25,000	Upto Rs. 50,000
10. To incur contingent expenditure	Rs. 25,000	Upto Rs. 50,000	Rs. 10,000	Upto Rs. 25,000
16. Write of losses due to causes other than theft, fraud or neglect	Rs. 30,000	Upto Rs. 1.00 lakh	Rs. 10,000	Upto Rs. 20,000
In other cases i.e. caused by theft, fraud or neglect.	Rs. 3,000	Upto Rs. 10,000	Rs. 1,000	Upto Rs. 3,000

2. This issues with the concurrence of the Ministry of Defence (Fin/QB) vide their ID No 3239/QB dated 9-11-1987.

Sd/-

(S. NARENDRA)

Under Secretary to the Government of India

The Secretary, Board of Control Canteen Services, L-II Block, Church Road, New Delhi.

Recommendation Sl. No. 8 (Para 2.36)

The Committee understand that due to deficiencies in staff strength, the Canteen Stores Department could not function at the optimum level of efficiency as the staff recruited to fill the gaps on casual basis could not be

expected to work with the same zeal and efficiency as is displayed by the regular staff. The Committee find it strange that Government is still engaged with the fundamental question about the future set up of the organisation and has not paid adequate attention to tide over the difficulties being faced by the C.S.D. on account of deficiencies in the staff. Now that the ban on recruitment for operational requirements has been lifted, the Committee expect that necessary steps to fill the gaps will be taken urgently.

Reply of Government

Action is being taken to fill the Group 'A' vacancies in consultation with the UPSC. Action is also being taken to convene D.P.C. for filling the Group 'B' vacancies. As regards Group 'C' vacancies, there are 410 daily rated employees in the C.S.D. A proposal has been submitted to the Department of Personnel and Training to regularise these employees against the Group 'C' vacancies. GM, CSD, being the appointing authority for Group 'D' posts, is taking action to fill the Group 'D' vacancies.

[No. 8(4)/87/D(Mov)]

Recommendation Sl. No. 9 (Para 2.42)

The Committee note that whereas for lower level staff i.e. lower division clerks, cadre courses have been organised regularly during the last three years to familiarise them with secretarial work and management concepts to broaden their horizon and approach to work, only one course of one month duration was organised in 1983 for Assistant Managers and only 4 batches of Store Keepers, 5 batches of Assistant/Accountants were given training course of about one month from 1982 to 1984. The Committee need hardly point out that the posts of Asstt. Managers, Asstt. Accountants and Store Keepers being quasi-technical in nature are very crucial for the operations of the CSD in general and for its Base and Area Depots in particular and, therefore, the incumbents of these posts should be exposed to modern techniques of handling the work on a regular and systematic basis. The Committee recommend that the Ministry/Department should review entire training programme so that the requirements of the Department could be fully met. The Committee further suggest that Material Management being the basic function of the CSD, the Ministry should examine the possibility of arranging more material Management training courses of large number of managers at regular intervals.

Reply of Government

Action is being taken by General Manager, Canteen Stores Department to review the training programme in its entirety, keeping in view the suggestions

made by the Estimates Committee. A report would be submitted by the CSD for consideration of the Board of Control Canteen Services in due course.

[No. 8(4)/87/D(Mov)]

Recommendation Sl. No. 10 (Para 2.43)

The Committee further recommend that the Ministry should also examine the feasibility of establishing a training institute within the Department itself for imparting in-house training to CSD personnel at both cadre and managerial levels.

Reply of Government

It is not feasible to establish a training institute within the existing infra-structural facilities of the Canteen Stores Department. The training programme is, however, being reviewed in its entirety to consider inter-alia the feasibility of providing in-house training facilities for the CSD personnel.

[No. 8(4)/87/D(Mov)]

Recommendation Sl. No. 11 (Para 2.53)

The Committee are unhappy to note that even though a decision was taken to establish an Area Depot at Port Blair as far back as 1982, it has not yet been established for want of completion of certain formalities. The Committee feel that opening of an Area Depot at Port Blair is necessary on account of the strategic importance of the place and would like the Government to complete all formalities expeditiously so that the Depot starts functioning there at an early date.

Reply of Government

Sanction for staff for the new Area Depot at Port Blair has been accorded vide Government letter No. BOCCS/01088/PB/DDGCS(Vol. 1)/130/S/D(Mov)/87 dated 12.3.1987. Some temporary accommodation has been offered by Commander FORTAN which will be utilised initially for starting the Depot. The Depot will start functioning as soon as possible. A permanent site for the Depot has also been identified at Port Blair and further action to get the land transferred to CSD is in hand.

[No. 8(4)/87/D(Mov)]

Recommendation Sl. No. 12 (Para 2.54)

The Committee consider the proposal to set up new area Depots at

Jodhpur, Brahmana-Di-Bari (Jammu), Cochin, Chandi Mandir and Bikaner as well thought out in view of Jaipur area depot being loaded with 238 Unit-run-canteens and a turn over of Rs. 2222 lakhs Udhampur area depot being over loaded with 277 URCs and a turn over of Rs. 2238 lakhs, Bangalore area depot catering to 89 URCs but with an annual turnover of Rs. 2290.32 lakhs and Ambala area depot covering 253 URCs and having a turnover of Rs. 2705 lakhs, apart from the long distances involved in carrying stores to the places where new depots are suggested to be opened. The Committee suggest that the Ministry should accord an inter-se priority to the opening of new depots at Jodhpur, Jammu, Cachin, Chandi-Mandir and Bikaner and accordingly strive to establish the new depots as early as possible.

Reply of Government

Efforts are on to establish the new depots at Jodhpur, Jammu, Cochin, Chandi-Mandir and Bikaner at the earliest. Land has been acquired at Jammu and Cochin and construction work is already in progress at Jammu. The estimates for construction of the depot at Cochin have been finalised and construction is going to be started soon. Action for selection and acquisition of suitable land for the depots at Jodhpur, Chandimandir and Bikaner is in hand.

[No. 8(4)/87/D(Mov)]

Recommendation Sl. No. 14 (Para 2.65)

The Committee are glad to note that computerisation has been introduced by the CSD in its management activities covering sales analysis, forecasting and ordering and it is proposed to be introduced later in financial and personnel management disciplines, with the intention not to effect savings in manpower requirements but to increase the efficiency of management. In view of the steadily increasing expenditure incurred by the Department on computerisation since 1983-84, and the initial resistance of the staff to computerisation, the Committee would like to emphasise upon the Department, to proceed with caution in this regard, so that the resultant need for "redeployment of its existing manpower" arises within manageable limits.

Reply of Government

The Computerisation plan of CSD takes into account redeployment of the existing manpower in a few areas where normal work will be replaced by computerised processing of data. Since the entire computerisation work is being carried out inhouse, such redeployment of staff will be minimal and no problem is foreseen in this regard.

[No. 8(4)/87/D(Mov)]

Recommendation Sl. No. 16 (Para 3.33)

The Committee are not at all convinced with the arguments advanced by the representative of the Ministry of Defence for the huge variations in Budget Estimates, Revised Estimates and Actual Expenditure incurred with regard to Canteen Stores Department during the last five years. The excuse of "certain additional purchases as per policy decision" with regard to the variation for 1983-84 and that of obligatory purchase of ASC items during 1985-86 does not stand the test of scrutiny in view of the fact that the responsibility of procurement & supply of tinned and processed food was transferred from the Ministry of Agriculture to Canteen Stores Department in 1982-83. The Committee therefore stress that the Budget estimates with regard to CSD should be computed in future on a more realistic basis by the Ministry of Defence taking into consideration the actuals of preceding three years, the cash flow trend during the current year and projected operations of the Department, etc.

Reply of Government

All efforts are being made to ensure that variations in the Budget Estimates, Revised Estimates and Actual expenditure of the CSD are minimum. However, because of the highly commercial nature of the CSD and the changing commercial environment changing consumer preferences, fluctuating inflation and movement of units etc. in which it has to function, it may not always be possible to completely avoid such variations.

[No. 8 (4)/87/D(Mov)]

Recommendation Sl. No. 17 (Para 3.42)

The Committee are unhappy to note the continuous high percentage of operational expenditure to total expenditure in Head Office of C.S.D. Base and Area Depots at Bombay and Area Depots at Delhi, Lucknow, Ambala and Bangalore. During evidence the representatives of the Ministry of Defence attributed the high percentage of operational expenditure at Bombay, Delhi and Lucknow to the location of Regional Managers also at these Stations. However the material placed before the Committee indicates that Regional Manager for Bombay Region is based at Pune and not Bombay. Even if the Operational Expenditure with regard to Regional Manager at Pune has been included in that of Area Depot at Bombay, its percentage of the operational expenditure at 2.72 with 100 dependant unit-run-canteens and a turn-over of Rs. 1909 lakhs only in 1985 is very much on the high side when compared with the corresponding percentage of 2.33 in an over-loaded area depot at Udhampur where also a Regional Manager is based & which catered to the maximum

of 277 Unit-run-canteens with a turnover of Rs. 2238 lakhs during the same year. Similarly the Area Depots at Delhi and Lucknow, where also respective Regional Managers are based, stand poorly in comparison with Udhampur area Depot with higher corresponding percentage of operational expenditure at 3.25 and 3.29, dependant unit run canteens numbering 101 and 142 and with turnovers of Rs. 2178 lakhs and Rs 2402 lakhs respectively. In the Area Depot at Bangalore where no Regional Manager is based, the Operational Expenditure percentages of 2.64 with only 89 Unit Run Canteens to cater to, and turn-over of Rs. 2290 lakhs is also relatively excessive in comparison with Area Depot at Udhampur.

Reply of Government

The operational expenditure consists of salaries, wages, overtime, medical charges, travelling allowances, LTC, subsidy to staff canteen, cost of uniforms, staff welfare expenses, rent and repair of buildings and motor vehicles, lighting, telephone and trunk calls, telex charges, postage, telegrams, transportation charges bank charges etc. Expenditure on certain items like repairs to buildings and vehicles varies from Depot to Depot and from year to year. Some of the Depots also procure stores locally and despatch the same to other Depots to avoid levy of CST. The Delhi Depot has also to account for the miscellaneous expenditure incurred by the office of the Deputy Director General, Canteen Services. Expenditure at Depots located in the bigger cities on salaries, wages and overtime is comparatively higher than in Depots located in the town and smaller cities. During 1984-85 extensive repair work was carried out on buildings at Bangalore (Rs 3.32 lakhs) and Delhi (Rs 5.54 lakhs). For the Lucknow Depot, the rental for the hired buildings is higher than in the case of other Depots. However, a detailed study is proposed to be carried out for minimising the operational expenditures of the Department. The observations made by the Estimates Committee shall be duly kept in view, while considering the outcome of the proposed analysis, which shall be carried out on a time bound basis.

[No. 8(4)/87/D(Mov)]

Recommendation Sl. No. 17 (Para 3,43)

The Committee are of the firm view that maintenance of both the percentage of operational expenditure to total expenditure and cost operation ratio at optimum levels is very essential for a commercial organisation like the CSD. The Committee therefore suggest that the Ministry should entrust the examination of operational expenditure and cost operation ratio of Head Office of

CSD, its Base Depot and Area Depots to a groups of experts with a view to suggesting, on a time bound basis, effective measures to reduce the operational expenditure in the Department and its Depots and to modernise its operations commensurate with its commercial nature.

Reply of Government

Instructions have been issued to the General Manager, Canteen Stores Department, Bombay to constitute a group to examine the operational expenditure and cost operation ratio of CSD and suggest measures to reduce them and modernise its operations, keeping in view its commercial nature. A professional adviser from outside will also be associated with the study.

Recommendation Sl. No. 19 (Para 4.20)

The Committee are unhappy to note that in the procurement policy for stores, the Ministry/CSD seems to be obsessed with the yardstick of "popularity (of an item) in the open market" disregarding the fact that standard quality stores of a number of categories like electric gadget, crockery, cutlery, utensils, plastic ware, luggage items, tobacco, matches, biddies etc. can be easily procured by the CSD from small scale/cottage industries, ex-servicemen's cooperatives/enterprises and other cooperative societies. The Committee would like the CSD that, other things being equal, such organisations should be given preference in the procurement of stores as compared to the established large scale manufacturers.

Reply of Government

Other things being equal, preference is being given by CSD to the products of small scale/cottage industries, ex-servicemen's cooperatives and other cooperatives wherever the quality of these products is upto the mark.

[No. 8(4)/87/D(Mov)]

Recommendation Sl. No. 20 (Para 4.25)

The Committee are distressed to note that during each of the last five years huge amounts in foreign exchange ranging from Rs. 9 lakhs to Rs. 31 lakhs have been spent by the Ministry of Defence on the import of liquor and Sports goods for sale through the CSD despite the fact that almost comparable brands of liquor and many of the sports goods so imported are manufactured and are available in India. The assurance of the Quarter Master General during evidence that imports of liquor would be stopped with effect from the year 1989-90 is a post dated cheque. In order to save foreign exchange as also to develop habit for preference for indigenous goods among our Armed Forces, the Committee recommend that the troops should be motivated to gradually curb their "marked preference" for the foreign liquor and imported

sports goods and opt for the Swadeshi stuff with effect from 1987-88 so that there is no change in the target for stopping the imports from 1989-90. The Committee would in fact appreciate if the import of liquor could be stopped forthwith.

Reply of Government

The allotment of foreign exchange for import of liquor during 1987-88 has been reduced to Rs. 4 lakhs. It has been decided to completely stop the import of foreign liquor from 1988-89.

As regards import of Sports goods, Rs. 9 lakhs have been allotted for 1987-88. In the meantime a thorough review is being undertaken of all the existing items of import and their availability in the home market. This review will be completed by 31.3.1988 and in future only essential items of import will be permitted. While the Government respect the advice of the Estimates Committee for complete stoppage of import, it is also necessary to provide the wherewithal for Sports promotion in the Services, which also enables gain to the country's sports image/achievement.

[No. 8(4)/87/D(Mov)]

Recommendation Sl. No. 21 (Para 4.35)

The Committee are convinced that the procedure of Inspection of Stores by CSD at procurement stage introduced in 1978 is not adequate and effective in so far as it relies exclusively on Agmarks and ISI marks etc. in a few cases, and post-procurement, periodic and random testing of samples taken from the selected depots of CSD in some others, leaving stores like Medicines without any inspection arrangements alongwith durable goods like table fans, scooters sewing machines etc. in respect of which the matter is taken up with the suppliers only when complaints are received from the users. The Committee feel that time has come when the Ministry/Department, having acquired its own expertise, should thoroughly review the procedure of Inspection of stores of all categories at procurement stage, with a view not only to plug the loopholes in the existing Inspection system but also to prescribe their own standard specifications which should be available to the suppliers at the introduction stage.

Reply of Government

A study is being undertaken by the CSD of the entire inspection procedure of various items procured by the CSD. This study shall be completed on a time limit basis. Thereafter, the Ministry of Defence will ensure that there

is no delay in the processing of the Report. While arriving at decisions in respect of the recommendations contained in the Report, the Ministry shall duly keep in mind the recommendation of the Committee.

[No. 8(4)/87/D(Mov)]

Recommendation Sl. No. 22 (Para 4.45)

The Committee find that out of 21,35,000 sq. ft. of storage space required for Base Depot and Area Depots under the CSD, the Department has only 12,41,318 sq. ft. of space, some of which appears to be uncovered. The Committee are concerned to note that during the last ten years storage space of 5,06,340 sq. ft. could only be constructed, acquired, augmented or rented by the Canteen Stores Department, while the gap between the storage space available and required has reached the figure of 8,93,690 sq. ft. The deficiencies of storage space at the area depot level of about 82,000 sq. ft. at Delhi, 64,000 sq. ft. at Lucknow, 57,000 sq. ft. at Madras, 54,000 sq. ft. at Jabalpur, 47,000 sq. ft. at Meerut, 45,000 sq. ft. at Udhampur, 42,000 sq. ft. at Bangalore and 39,000 sq. ft. each at Arunachal, Khadki and Ramgarh, are particularly staggering. Now that the Ministry appears to have got a clearance to entrust construction works to agencies other than MES also, and is inclined to examine the question of transfer of some of the storage accommodation owned by MES to CSD, the Committee Strongly recommend that high priority should be accorded by the Ministry to the construction and augmentation of more storage space for the CSD, so that the deficiency in this regard is reduced to the minimum in the shortest possible time.

Reply of Government

Construction and augmentation of storage accommodation is being undertaken according to a phased programme. The feasibility of entrusting the construction work to agencies other than the MES and the transfer of some of the storage accommodation owned by MES to CSD is under examination.

[No. 8(4)/87/D(Mov)]

Recommendation Sl. No. 23 (Para 4.45)

The Committee are convinced that the Ministry's contention that 'All concessions enjoyed by the Department are obtained from suppliers/manufacturers only and no subsidy (meaning concession) is given by the Government', is not borne out by facts. The Department does enjoy certain concessions from the Government side also, namely, (i) the full or partial exemption from

local/sales taxes granted by eleven State Governments and two Union Territory Administrations on purchases of stores by the Canteen Stores Department, (ii) concessional rates charged by the Railways in the form of Military Credit Notes on transportation of Stores by the CSD and (iii) concessional rates of rent being paid by the CSD on their major portion of storage space hired from Military Engineering Service at various stations where area depots of the CSD are located and from the Bombay Port Trust etc.

Reply of Government

It is correct that the following concessions are enjoyed by the CSD from the Government side :—

- (i) The full or partial exemption from local/sales taxes granted by eleven State Governments and two Union Territory Administrations on purchases of stores by the CSD.
- (ii) Concessional rates charged by the Railways in the form of Military Credit Notes on transportation of stores by the CSD.
- (iii) Concessional rates of rent being paid by the CSD on their major portion of storage space hired from Military Engineering Service at various stations where area depots of the CSD are located and from the Bombay Port Trust etc.

Exemptions from taxes/levies granted by the State/Central Government are directly passed on to the troops and not retained by the department. Concessional rates charged by the Railways in the form of Military Credit Note on transportation of CSD stores and the concessional rates of rent charged for the storage space hired from MES do provide some advantages to the CSD but these are offset by the amounts allocated as grant-in-aid by the CSD to the three Services.

[No. 8(4)/87/D(Mov)]

Recommendation Sl. No. 24 (Para 4.55)

The Committee find that over the years since the inception of Canteen Stores Department, the Ministry of Defence has been able to obtain for CSD stores full exemption from local/sales tax from the Governments of 8 States and 1 Union Territory only, namely, Andhra Pradesh, Bihar, Gujarat, Jammu and Kashmir, Karnataka, Kerala, Nagaland, Punjab and Chandigarh and partial exemption of the said tax from 3 States namely, Madhya Pradesh, Maharashtra and Uttar Pradesh and the Union Territory of Delhi. Full exemption is stated to be still awaited from Tamil Nadu Government also. The

Committee are, however, distressed to note that not only rest of the States and Union Territories but even the Central Government themselves have lagged behind in according this privilege, so rightly deserved by our armed forces defending round the clock the territorial integrity of our entire country. The Committee feel that the Ministry of Defence has not been doing all they could to persuade the Union Government and remaining State Governments and Union Territories to fall in line with the States and Union Territory which have granted full exemption. The testimony of the Additional Secretary in the Ministry during evidence that army-civil liaison meetings take place once a year for the purpose with the State Governments and Union Territories concerned leads the Committee to the conclusion that these meetings have in fact been more ritualistic than fruitful in so far as the States and Union Territories which are not willing to grant the concession to the Canteen Stores Departments are concerned.

Reply of Government

The Governments of three more states namely, Madhya Pradesh, Tamil Nadu and Haryana have since accorded full exemption from local/Sales Tax on goods procured by the CSD. The matter is being pursued with the remaining States and Union Territories

[No. 8(4)87/-D(Mov)]

Recommendation Sl. 24 (Para 4.56)

4 56 Now that it has been assured that the matter will be taken up at ministerial level with the State Governments and Union Territories concerned the Committee recommend that Union Government should themselves also set an example by granting exemption to CSD Stores from Central Sales Tax and the Ministry of Defence should take more vigorous steps in this regard to bring round more States and Union Territories in granting this exemption to the Canteen Stores Department.

Reply of Government

Raksha Mantri has addressed a letter to the Finance Minister requesting him to grant exemption from Central Sales Tax on goods procured by the C.S.D. He has also addressed letters to the Chief Ministers of all the States which have not yet granted full exemption from local Sales Tax on goods procured by the C.S.D. A similar request has been made to the Home Minister for exemption by the concerned Union Territory Administrations.

[No. 8(4)/87-D(Mov)]

Recommendation, Sl. No. 26 (Para 5.20)

The Committee are distressed to note that while many items demanded by the end users, namely, the troops at Unit Run Canteens are denied to them even though these are available at the area depots, some newly introduced items are foisted by the C.S.D. on these Canteens even though they have difficulties in stocking them without demand. This clearly shows that arrangements for the basic objective of consumer satisfaction and *inter se* coordination at the Departmental Depot and Unit Canteen levels as reported to the Committee are impressive only on paper, but leave much to be desired. The Committee are unhappy to note the wide communication and coordination gap between Canteens Stores Departments and its Depots on the one hand and the Unit Run Canteens on the other. The Committee strongly recommend that the Ministry of Defence should evolve a more effective and adequate machinery for coordination between the Department, its Depots and Unit Run Canteens with a view to eliminating denials of items in URCs which are available in the area Depots and to rationalise introduction of new items in URCs without straining their financial and stocking capacity so that the CSD's objective of consumer satisfaction becomes a reality and does not remain a platitude on paper only.

Reply of Government

Issue of newly introduced items to Unit Run Canteens is made to ascertain consumer opinion with regard to saleability of the item, its price, demand etc. However, considering the difficulties, which the URCs might face in stocking them, such items are given to URCs on credit for 30 days and the URCs are allowed the option to either return an item within 30 days, or to make payment for the item on expiry of 30 days, and to return the item if it cannot be sold within a period of another 30 days.

All efforts are being made to ensure that there are no denial of items in demand with the URCs. It is expected that introduction of computerisation in CSD will bring about further improvement in the Stores Management activities of the CSD and enable greater consumer satisfaction being achieved.

[(No. 8(4)/87/D(Mov)]

Recommendation, Sl. No. 29 (Para 6.10)

The Committee are concerned to note the huge deficiencies in stocks of CSD Depots to the tune of Rs. 161,600 and Rs. 74,100 revealed during stock verification in 1984-85 and 1985-86 out of which deficiencies to the extent of Rs. 1,27,700 and Rs. 69,500 respectively are still under investigation

alongwith the defeciencies of Rs. 5,700 and Rs. 26,400 pertaining to the years 1981-82 and 1982-83. Equally staggering are the surplus items valued at Rs. 1,09,300, Rs. 1,90,500 and Rs. 105,000 revealed during the years 1983-84, 1984-85 and 1985-86 out of which surplus items valued at Rs. 50,700, Rs. 152,800 and Rs. 9,300 respectively are still under investigation alongwith Rs. 2,700 pertaining to 1981-82. The Committee do not at all agree with the contention of the representative of the Ministry of Defence that the defeciencies or surpluses revealed in course of stock verification during the last five years are minimal in view of the annual turn-over of the CSD running into several hundred crores of rupees because the defeciencies and surpluses so revealed should, in the Committee's view, be judged in relation to the value of purchases made during the year and not in relation to the turn-over which includes the value of sales also. The Committee are of the firm view that the values of defeciencies and surpluses revealed during stock verification during the last five years are very substantial in absolute terms and in relation to the purchases of stores made by the CSD during the corresponding years and recommend that the Ministry should review the procedures of store accounting arrangements for augmenting the storekeeping staff wherever necessary, and the procedures for investigating and following up surpluses and defeciencies revealed, with a view to minimising the discrepancies in stock verification as also to speed up the investigations conducted in this regard.

Reply of Government

The suggestion of the Estimates Committee that the defeciencies and surpluses revealed should be judged in relation to the value of purchases made during the year, has been taken into account. Even on the basis of the value of purchases made during the year, the defeciencies and surpluses are minimal, as would be seen from the following figures :—

Year	Value of purchases (Rs. in crores)	Deficiencies		Surpluses	
		Rs. in thousand	As % of purchases	Rs. in thousand	As % of purchases
1	2	3	4	5	6
1981-82	157.20	23.60	0.0015	39.20	0.0024
1982-83	187.62	46.10	0.0024	78.90	0.0040
1983-84	295.58	41.60	0.0016	109.30	0.0042
1984-85	296.77	161.60	0.0054	190.50	0.0064
1985-85	325.80	74.10	0.0022	105.00	0.0032
Average for the above 5 years.		Av=0.0028		Av=0.0042	

However, efforts are being made to minimise to the maximum extent possible the discrepancies in stock verification.

As regards the Committee's observations regarding the investigation of pending cases, cases sometimes get delayed due to the procedural formalities involved. However, a special drive has been launched to speed up all such investigations for timely finalisation.

[No. 8(4)/87/D(Mov)]

Recommendation, Sl. No. 30 (Para 6.18)

The Committee regret that even after acquiring considerable expertise in procurement and import of stores over the years since 19 2, the Department had to declare obsolete during 1985-86 imported golf balls of 1.62 mm size and tamarind concentrate which had cost the Government Rupees 1.63 lakhs (in foreign exchange) and Rs. 1.36 lakhs respectively. While the tamarind concentrate is reported to have been since disposed off by the Deptt. after reducing the price by 50%, the Ministry has not intimated whether the golf balls could be disposed off even after reducing the sale prices thereof and if so, to what extent. It is difficult for the Committee to condone the loss of precious foreign exchange involved in the import of the aforesaid golf balls, as the Committee are not convinced at all about the necessity of importing such sports goods. Even if the golf balls of the 1.62 mm size were not available in India at the time they were imported, the number thereof imported should not have been so large as could not be disposed of till the National and International standards of these balls were raised rendering the costly imports obsolete. The Committee are at a loss to understand why the tamarind concentrate was procured at all in the first instance by the CSD when there was virtually no demand for the stuff amongst the troops. The Committee therefore strongly recommend that stores like sports goods the sale of which depends on variable national/international standards and tamarind concentrate which are not in sizeable demand amongst the troops should be imported or procured in very limited quantities after taking the likely changes in their specifications and the scale of demand into consideration.

Reply of Government

In regard to the Golf balls imported it may be clarified that the change in size from 1.62 mm to 1.68 mm was advised to CSD only after its procurement. Out of 1870 dozen 1.62 mm balls imported by the CSD, 1850,5 dozen have already been sold and efforts are on to sell the remaining stock of balls. An exercise is also being carried out to identify the items of sports goods, the

import of which could be discontinued. This exercise will be completed by 31.3.88.

As regards items like tamarind concentrate, it may be appreciated that the CSD is dealing with over 3000 items with different sale potentials. Although such items are procured after giving due consideration to the scale of demand, the possibility of an odd item not moving as anticipated cannot be altogether eliminated.

[No. 8(4)/87/D(Mov)]

Recommendation, Sl. No. 31 (Para 6.29)

From the details furnished by the Ministry regarding the loss of stores worth Rupees 3.71 lakhs incurred by CSD during 1981-82 on account of thefts at Baghdogra and Meerut Depots, the Committee are convinced that the thefts could not have been committed without the connivance and/or criminal negligence of some of the employees of the Department and Depots concerned. While the matter in respect of both the cases is *subjudice* in courts of law, the Committee wonder why the departmental enquiry against the three employees of the Departments is still pending finalisation since 1981-82. The Committee strongly recommend that the Departmental enquiry going on in the matter since 1981-82 should be finalised quickly and exemplary punishments accorded to the culprits who have caused heavy loss to the Department.

Reply of Government

Departmental enquiries into both the cases of theft have been completed. In respect of the theft at Meerut Depot, disciplinary/administrative action against the persons found responsible has been taken. As regards the theft at Baghdogra, as some of the persons involved were Group 'A' officers, the matter was referred to the Union Public Service Commission for their concurrence to the penalties proposed against those officers. The UPSC have asked for certain documents/information which are being collected and furnished. The matter shall be vigorously followed up, to ensure urgent conclusion.

[No. 8(4)/87/D(Mov)]

Recommendation, Sl. No. 32 (Para 6.30)

The Committee are distressed to note that during each of the last five financial years from 1981-82 to 1985-86, the Department has been incurring losses to the tune of Rs. 33.31 lakhs, Rs. 41.29 lakhs, Rs. 37.77 lakhs, Rs. 44.97 lakhs and Rs. 62.02 lakhs respectively. The Committee feel that

these losses and the amounts written off each year therefrom may appear small in terms of percentages of annual purchases of the CSD, but are quite heavy in absolute terms. The Departments' practice of covering the losses by "creating an insurance fund by charging 1/4% of stores in price structure" should not make the Ministry under play and disown responsibility for these losses which merit urgent attention of the Ministry to bring them to the minimum by not only arranging to plug the administrative loopholes leading to thefts or fraud in godowns or in transit but also to provide adequate facilities for transit, handling and storage of stores so as to prevent, losses due to damage and natural calamities like flash floods, earthquakes and lightning etc.

Reply of Government

A major portion of the losses suffered by the CSD have related to losses suffered in transit while transporting stores through the Railways. Since Railway tally clerks were not posted at the main loading points of the CSD, the receipts issued by the Railways from such loading points were endorsed with the remarks "not supervised by the Railway staff" or "said to contain etc.". As a result, a large number of Railway claims lodged by CSD got rejected due to such conditional Railway Receipts. Consequently, necessary action is being taken to position tally clerks at the CSD loading points so that "Unconditional Railway Receipts" could be obtained. The procedure for sealing the wagons has also been changed and one time usable special seals have been introduced, on an experimental basis, to prevent tampering of seals enroute.

2. Transit losses in respect of stores despatched to the Eastern region used to be very high. The despatches to this region are now being made through road transport. The losses have reduced as a result of this measure as would be seen from the following figures of losses written off in the Eastern Region :—

Despatches

<i>Year</i>	<i>No. of wagons despatched by Base Depot</i>	<i>No. of trucks despatched by Base Depot</i>	<i>Losses written off (Rs.)</i>
1982-83	416	Nil	93,404
1983-84	225	183	40,000
1984-85	294	161	42,732
1985-86	90	622	16,352
1986-87	142	589	6,615

3. All possible efforts are continuing in other areas as well as with a view to preventing the occurrence of losses to the extent possible.

[No. 8(4)/87/D(Mov)]

Recommendation Sl. No. 33 Para 7.10)

The Committee are distressed to note that not only profits are not allowed to the Canteen Stores Department on the procurement of tinned and processed foodstuffs for supply to Army Service Corps for free distribution among the troops, but the Department is not even allowed any margin on account of administrative expenses incurred by the Department on this account. The Committee agree with the Ministry that this is adversely affecting the profitability and liquidity position of the Department as CSD procurements for ASC during 1983-84, 1984-85 and 1985-86 amounted to Rs. 16 crores, Rs. 39.27 crores and Rs. 50 crores respectively. The Committee therefore strongly recommend that as far as the very sizeable and rapidly increasing volume of the procurement of tinned and processed foodstuffs for ASC remains with the CSD, the Ministry should allow the Department a margin on these procurements to cover at least the administrative and infrastructural expenses incurred thereon, till such time final decision is taken about the transfer of this item from the CSD to APO.

Reply of Government

In view of the Committee's observations, it has been decided to re-transfer the work relating to procurement of tinned and processed food items for ASC supplies to the APO. This decision shall be implemented shortly, as soon as necessary posts are created and staff is provided to the APO.

[No. 8(4)/87/D(Mov)]

Recommendation Sl. No. 34 (Para 7.18)

The Committee have noted the detailed nature of the infrastructural and other facilities for troops and their families that are not fully supported by Government funds and on which Grants-in-Aid provided in bulk by the C.S.D. are utilised. The details sent by the Ministry after evidence have not, however, dispelled the Committee's doubt that the benefits of these facilities do not by and large percolate down to jawans and their families. The Committee therefore strongly recommend that all these schemes/facilities should be reviewed afresh by a competent team of the Ministry of Defence including the representatives of the jawans of the three Services, with a view to ensuring that

the benefits of these facilities actually reach and are availed of by the jawans and their families to the maximum possible extent.

Reply of Government

There are well established practices in the Services whereby the welfare needs of the jawans and their families are discussed with their representatives. The welfare of the troops being one of the prime concerns of the Services, necessary care is taken by them to ensure that the benefits of the facilities provided by the three Services, from the grants-in-aid provided to them from CSD profits, percolate down to the jawans and their families. It may not be beneficial to set up a separate Committee in this regard. However, guidelines to be followed by the three Services for utilisation of grants-in-aid are under consideration of the Board of Control Canteen Services.

CHAPTER III

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

Recommendation Sl. No. 6 (Para 2.20)

The Committee feel that the present tenure of the office of the Chairman of C.S.D. does not give him adequate time to acquaint himself with the ins and outs of the problems faced by the Department and for solving them to an appreciable extent. The Committee therefore, are of the opinion that keeping in view the commercial and trading nature of the Department and in the interest of greater involvement of the incumbent in the progress of the Organisation the tenure of the Chairman, CSD needs upward revision and the appointee should, as far as possible, perform the functions of the Chairman for the full term. The Committee also consider that the suggestion for the creation of an honorary post of "Adviser—CSD" whose term of appointment may range from 5 to 10 years merits favourable consideration in the interest of continuity and generating a sense of confidence among the staff. The Committee agree that the functions of the Chairman CSD is "overwhelmingly a material management job" and recommend that due weightage should be given to this requirement at the time of selection of an incumbent for the post.

• Reply of Government

The Recruitment Rules for the post of General Manager CSD provide that the tenure of the officer selected for the post will ordinarily be three years and would not in any case exceed four years or upto the age of superannuation prescribed for civil posts, whichever is less. For a trading organisation like the CSD, this tenure is considered to be adequate. In normal circumstances, the General Managers are allowed to complete the tenure provided for in the rules.

Appointments to the post are made having due regard to the job requirements as well as the individual aptitudes of the candidates and due weightage is being and will be given, inter-alia, to the "material management" aspect of the job content while making future selections.

The Committee's suggestion for the creation of an honorary post of

"Adviser—CSD", has been dully considered. Taking all functional aspects in view, it is felt that such a post is not required in the CSD.

[No. 8 (4)87D (Mov.)]

Recommendation Sl. No. 7 (Para 2.21)

The Committee note that the proposal to upgrade the post of the Chairman cum-General Manager, CSD to the rank of Lt. General did not find favour with the UPSC while framing recruitment rules for the post as far back as 1978. The Committee, however, regret that the Ministry did not find it necessary to review the rank of this post also in course of the recent cadre reviews of the three services which culminated in the upgradation of the other posts equivalent to the post of Chairman, CSD. Keeping in view the increasing turnover of the CSD, specialised managerial and administrative experience required of its incumbent, and the schemes of modernisation like computerisation envisaged to improve the efficiency of the operation of the Department, the Committee recommend that the Ministry should review the rank of the Chairman CSD as had already been done recently in the case of equivalent posts in the three Services.

Reply to Government

The matter has been reviewed. Even though the turnover of the CSD has increased over the years, it is primarily a trading organisation which procures and sells items which have well established brand names in the market. The inventory of the Department, at any point of time, is not more than Rs. 60.00—Rs 70.00 crores, which is not very high. Further, as the General Manager, Canteen Stores Department functions under the control of QMG who is a Lt. Gen. rank officer, upgrading the rank of the General Manager to that of Lt. Gen. would not be administratively feasible. The chain of command and control in the Defence Services is vertical and hierachical levels may not be interfered with, except under exceptional considerations. It has therefore, been decided not to disturb the rank of the GM, CSD, for the present.

[No. 8 (4)/87/D (Mov)]

Recommendation Sl. No. 8 (Para 2.37)

The Committee consider the demand of the Board of Administration of the C.S.D that the task of the review of the staff strength vis-a-vis the working of organisation should be handled by a Specialist Agency for a Systems Study as justifiable as in opinion of the Board of Administration the recommendations made by the Staff Inspection Unit regarding man-power have woefully fallen short of the actual requirements and a Specialist Agency would be in a better position to appreciate the work peing done by this Department.

Reply of Government

It has been decided that in future proposals relating to the requirement of manpower for the CSD Head Office and its Area Depots will be examined by the Executive Committee. The recommendations of the Executive Committee will be considered by the Government for sanction. In view of this, the opinion of a Specialist Agency is not considered necessary at this stage.

[No. 8(4)/87/D (Mov)]

Recommendation Sl. No. 13 (Para 2.60)

The Committee feel that the management and staffing pattern of Unit-Run-Canteens seems to be more geared towards the exigencies of soldiering than that of an efficient retail service of consumer goods to the personnel of the three services. This is evident from the fact that combatants of "low medical" and "battle casualties" categories and other serving personnel are deployed by rotation to run the URCs for limited periods. Under these circumstances it is difficult to expect a modicum of professional efficiency from the management and staff of these canteens as they are hardly physically and mentally equipped to pick of the requisite competence to run these establishments competently. The Committee therefore recommend that the Ministry of Defence should get immediately the management and staffing pattern of Unit-Run Canteens reviewed by a Committee of experts with a view to providing management and staff of competent calibre for reasonably long periods (in peace-time), as also to review the service conditions of civilian employees with a view to inculcating among them a greater stake in the efficient running of these canteens.

Reply of Government

A Unit Run Canteen is not run like a full-time retail store. The working hours of URCs depend on when the troops are free to do their shopping. Accordingly the personnel engaged to run these canteens are employed on part-time basis. Their service conditions are settled mutually between the Units and the employees and consequently vary from Unit to Unit. A review of the management and staffing pattern of the URCs and the service conditions of civilian employees by a Committee of experts is not considered beneficial for the following reasons :—

- (a) Most URCs are with field Units who keep changing their locations. Hence, no civilian employee can be assured permanence of employment.
- (b) Since URCs are welfare oriented, expenditure on staff, if employed full-time, would eat into the meagre profits of the canteens and consequently the amount available for the welfare of troops and their families would get reduced.

- (c) Employment of military personnel in URCs enables maintenance of good rapport with the customer, i.e. the troops.
- (d) Running of canteens with full-time civilian employees can cause administrative and disciplinary problems, which do not arise when the canteens are run with the help of soldiers.

[No. 8 (4)/87/D (Mov)]

Recommendation Sl. No. 18 (Para 4.19)

The committee are constrained to find that the local purchase authority delegated to the area depots was being misused for all these years and it was only towards the end of October, 1985 that some corrective steps were initiated to stop this mal-practice. Had the policy and procedures for the procurement of CSD Stores been kept under constant review, such a situation would not have surfaced. The Committee therefore, recommend that for the up-keep of healthy business practices, the Ministry should immediately arrange to conduct a formal review of the policy and procedures for the procurement of stores so as to streamline the same.

Reply of Government

A beginning has already been made, towards the end of 1985, to switch over from earlier manual ordering system to one based on computerisation so as to make it more objective. The ordering system is being refined on the basis of feed back received from different quarters. The ordering system was also looked into during a study undertaken by the Tata Consultancy Services in 1986, which indicated that the change over to computerisations was on the right lines. It is proposed to allow the present system to function for some time before its efficacy is reviewed and such further modifications introduced as may appear necessary.

[No. 8 (4)/87-D (Mov)]

CHAPTER IV

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

Recommendation Sl. No 27 (Para 5.21)

The Committee feel that the method of distribution of stores by URCs appears to be very much off-the-gear as evidenced by the detection of the CSD field force that some of the Unit run Canteens invest their trading profits in fixed deposits for as small periods as 15 days rather than in ploughing them back into CSD Stores where the returns are substantial, and following the standard stocking pattern i.e. one month working stock, one month reserve stock and one month in the pipeline. The Unit-run-Canteens may not be under the jurisdiction of Canteens Stores Department by the Ministry of Defence certainly have the jurisdiction over the Units and the Commanders managing these Canteens and the Ministry should appropriately discipline the canteen managers. The Committee, therefore, recommend that the stocking pattern/distribution methods and utilisation of profits by the Unit run canteens should be gone into fully and streamlined so that the URCs could meet the demands of each consumer satisfactorily.

Reply of Government

The Unit Run Canteens are managed with the help of Regimental Funds of the Unit concerned. These Regimental Funds are non-public funds and are meant for the welfare of existing and past members of the Unit. Their investment is generally controlled by the Commanding Officer and, for bigger investments, the approval of the Col./Col. Commandant of the Regiment is taken. The investment in a Unit canteen is not made with the motive of profit making as neither the clientele of the Unit canteen can be increased nor can the Commanding Officer encourage his troops to buy more than a percentage of their monthly earnings. The earnings from the sale of canteen stores are only incidental and merge into the Regimental Funds of the Unit. Their investment in Fixed Deposits or any other saving devices is best left to the discretion of the Commanding Officers or the Cols/Cols Comdt. of the Regiment. In fact the very establishment of an URC as well as its operation is a purely voluntary and unofficial decision of the members of the Unit. How they manage the URC and the investments therein from their Regimental Funds is entirely a matter of their private judgement.

[No. 8(4)/87/D(Mov)]

Recommendation Sl. No 28 (Para 5.27)

The Committee are of the considered view that while Unit run Canteens continue to be managed by officers commanding the units under their own arrangements it should not normally be the responsibility of the Canteen Stores Department to provide loans for raising new URCs. The responsibility for providing the necessary wherewithal for raising new URCs should appropriately be that of the respective headquarters of Army, Navy or Air Force. The Committee recommend that the Ministry of Defence should examine this anomaly of CSD with no administrative and managerial jurisdiction over the URCs having acquired the obligation of financing the raising of new URCs by providing them with soft loans at 4% and 6% rates of interest, repayable in 10 half yearly instalments commencing a year after disbursement i.e. in effect within six years. As the level of loans so granted by the CSD to URCs has risen from rupees 40 lakhs in 1981-82 to the level of almost rupees 90 lakhs in 1985-86, and is likely to rise further in the coming years, the Committee recommend that the Ministry of Defence should also re-examine the rates of interest and terms of repayment of these loans with a view to ensuring a fair return on the capital so invested by the CSD taking into consideration the essentially trading and commercial nature of the Organisation. The Ministry should also ensure that loans in any form are not granted by CSD to such Unit run Canteens which misuse their resources in profiteering by investing them in fixed deposits rather than in maintaining the stocking pattern suggested by the CSD.

Reply of Government

CSD exists for providing consumer goods, as a welfare oriented function, to the troops of the three Services and their families. The increase in the capital of CSD has been made possible only from the profits generated by the sale of goods to the troops. As it is, the profits of the CSD are distributed to the three Services as grant-in-aid. Therefore, there is no justification for holding back the loans to units or increasing the rate of interest as all the profits generated by increasing this would go back to the troops. Since the main aim of the CSD is not to generate profits but to look after the welfare of the troops, it is not considered necessary to increase the rates on loans provided by the CSD to the URCs. The existing rates are sufficient to cover the costs of CSD on this account. Further, since the URCs are managed from the regimental funds of the units the Commanding Officers are free to use these funds in the best interest of the troops. It is also not necessary to stop grant of loans to URCs which invest their resources in Fixed Deposits rather than in maintaining the stocking pattern.

[No. 8(4)/87/D(Mov)]

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES ARE STILL AWAITED

Recommendation Sl. No 15 (Para 3.29)

The Committee are constrained to observe that the recommendations of the Public Accounts Committee made in their Report after Report regarding bringing the receipts and expenditure of the CSD under the purview of the Consolidated Fund of India have been implemented by the Ministry in form only and not in letter and spirit and the same have been circumvented through a financial legerdemain by allowing the Department to maintain a grand imprest upto rupees two crores in the State Bank of India and Punjab National Bank with the proviso to deposit its receipts in excess of rupees two crores in the Reserve Bank of India—a stage that is never allowed to be reached as payments become due and receipts and expenditure are “quarterly balanced”. While receipts and expenditure of the Department are reflected in the Budget and Consolidated Fund of India on a notional and *ex post facto* basis only, the profits of the Department still do not form a part of it. The excuse given by the representative of the Ministry of Defence during evidence that a compromise had to be made between the requirement of the Constitution and the Cabinet decision of 1976, does not absolve the Ministry of infringement of the provisions of Article 266 of the Constitution ever since CSD (I) came under the Government of India. Further the contention of the representative of the Ministry that the basic question whether the organisation should continue as a Government Department, was about to be resolved has lost its credibility because the Ministry’s representative had linked the issue of accounting procedures of the Department with the future set-up of the CSD in 1954-55 also while tendering evidence before the Public Accounts Committee. The Committee are of the firm view that had the Ministry been serious about restructuring the organisational set up of the CSD, surely they would have done something during the last 32 years. The Committee therefore cannot but deplore that right from 1947, the Ministry of Defence has been less than sincere in bringing the financial set up of the CSD in conformity with the relevant provisions of the Constitution. This can be gauged from the two simple facts that all along these years the Ministry has not been able to prescribe even a format for the commercial Accounts of the CSD and has allowed the Department to indulge in another stratagem of adjustment of dues payable to the Government by the CSD with the dues payable to the Government by the CSD and remittance by

CSD to the Government of only net dues at the end of a year in violation of General Financial Rules. The Committee therefore strongly recommend that the Ministry should come to a decision at the earliest with regard to the financial-cum-administrative set-up of the CSD so that its procedures and practices are brought in conformity with the relevant provisions of the Constitution and the Financial Rules.

Reply of Government

The case is under discussion with the office of C&AG and a final view is expected to be arrived at very shortly.

[No. 8(4)/87/D·Mov]

Recommendation Sl. No 25 (Para 4.57)

The Committee regret to note that the Ministry has found it "extremely difficult to quantify the concession" enjoyed by the Canteen Stores Department from the railways for transportation of CSD Stores. They recommend that the Ministry should compile the requisite information so that the impact of these concessions on profits could be worked out.

Reply of Government

The concessions enjoyed by the CSD from transportation of stores through Military Credit Notes have been worked out for the period 1983-84 to 1986-87. The details are indicated below :—

<i>Year</i>	<i>MC notes rates for wagon load per Km. (Rs.)</i>	<i>Actual payment made by CSD to Railways against MC notes. (Rs. in lakhs)</i>	<i>Average rate for wagon load per Km. (Rs.)</i>	<i>Estimated payment at average civil rates (Rs. in lakhs)</i>	<i>Benefit accrued to CSD (Rs. in lakhs)</i>
1983-84	1.62	150.71	3.74	347.93	197.22
1984-85	1.93	172.88	3.74	335.01	162.13
1985-86	2.10	192.10	4.74	433.09	241.49
1986-87	2.44	185.95	5.12	390.19	204.24

[No. 8(4)/87/D(Mov)]

APPENDIX

(Vide Introduction)

Analysis of action taken by Government on thirty-ninth Report of Estimates Committee (8th Lok Sabha)

I. Total number of Recommendations	...	35
II. Recommendations which have been accepted by Government (Sl. Nos. 1, 2, 3, 4, 5, 8, 9, 10, 11, 12, 14, 16, 17, 19, 20, 21, 22, 23, 24, 26, 29, 30, 31, 32, 33, 34)	• ∴	26
Percentage to total	...	74%
III. Recommendations which the Committee do not desire to pursue in view of Government's replies (Sl. Nos. 6, 7, 8, 13, 18)	...	5
Percentage to total	...	12%
IV. Recommendations in respect of which Government's replies have not been accepted by the Committee (Sl. Nos. 27, 28)	...	2
Percentage to total	...	7%
V. Recommendations in respect of which final replies are still awaited (Sl. Nos. 15, 25)	...	2
Percentage to total	...	7%