

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1978-79)**

(SIXTH LOK SABHA)

SEVENTEENTH REPORT

[Action Taken by Government on the recommendations contained in the Fourth Report of the Committee on Public Undertakings (Sixth Lok Sabha)]

ON

**EXTRAORDINARILY HIGH EXPENDITURE ON
PUBLICITY BY PUBLIC UNDERTAKINGS**

*Presented in Lok Sabha and
Laid in Rajya Sabha on 15-3-1979*



**LOK SABHA SECRETARIAT
NEW DELHI**

March, 1979/Phalguna, 1900 (S)

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(SIXTH LOK SABHA)**

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COMMITTEE ON PUBLIC UNDERTAKINGS
(1978-79)

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PUBLIC UNDERTAKINGS
(1978-79)**

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2. Shri O. V. Alagesan—*Convener*
3. Shri Tridib Chaudhuri
4. Shri Hitendra Desai
5. Shri L. L. Kapoor
6. Shri K. Lakkappa
7. Shri Bhanu Kumar Shastri
8. Dr. Subramaniam Swamy
9. Shri K. N. Dhulap
10. Shri Era Sezhiyan
11. Shri Viren J. Shah

INTRODUCTION

1. The Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Seventeenth Report on Action Taken by Government on the recommendations contained in the Fourth Report of the Committee on Public Undertakings (Sixth Lok Sabha) on Extraordinarily High Expenditure on Publicity by Public Undertakings.

2. The Fourth Report of the Committee on Public Undertakings was presented to Lok Sabha on the 18th April, 1978. The replies of Government to all recommendations contained in the Report were received in two batches on 21st and 26th December, 1978. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings and this Report adopted by them at their sitting held on the 7th March, 1979. The Report was finally adopted by Committee on Public Undertakings on the 12th March, 1979.

3. An analysis of the Action Taken by Government on the recommendations contained in the Fourth Report of the Committee is given in Appendix IV.

4. In this Report the Committee have urged that the expenditure on Publicity by the Public Sector Enterprises should be regulated within limits as Government have tried to over-simplify the issue by talking in terms of averages and percentage of turn-over. Elimination of middlemen is a must. The expertise as well as the assistance of the DAVP should be drawn upon. The DAVP should be adequately expanded. The present arrangement for engaging private advertising agencies is unsatisfactory and is breeding corruption, nepotism and other malpractices besides wasteful expenditure. The Committee have further pointed out that Radio, a mass media in the Public Sector, can render better service than the printed media, especially in the remote inaccessible rural areas. They have called upon the Bureau of Public Enterprises and the DAVP to lay down suitable guidelines from time to time on the basis of a critical review of the efficacy of publicity matters.

5. The Government would do better if they do not lose sight of the fact that in a democracy the recommendations of a Committee of Parliament should be weighed with utmost care.

NEW DELHI;

March 13, 1979

Phalguna 22, 1900 (S)

JYOTIRMOY BOSU,

Chairman,

Committee on Public Undertakings.

REPORT

This Report of the Committee deals with the Action Taken by Government on the recommendations contained in the Fourth Report of the Committee on Public Undertakings (1977-78) on "Extraordinarily High Expenditure on Publicity by Public Undertakings", which was presented to Lok Sabha on the 18th April, 1978.

2. Action Taken notes have been received from Government in respect of all the fifteen recommendations contained in the said Report. These have been categorised as follows:—

- (i) *Recommendations/Observations that have been accepted by the Government.*

Serial Nos. 7, 13 and 14.

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

Serial Nos. 1 and 15 (1)

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

Serial Nos. 2, 3, 4, 5, 6, 10, 11, 12 and 15 (3).

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

Serial Nos. 8, 9 and 15 (2).

3. The Committee will now deal with the action taken by Government on their recommendations.

A. Delay in Receipt of Information

Recommendation (Sl. No. 1, Paragraph 23 to 24)

4. Commenting on the non-receipt of information called for by them from as many as 72 Public Undertakings the Committee observed as follows:—

"The Committee are shocked and concerned to note that out of 172 public undertakings which were asked on 23rd December, 1977, to furnish information to the Public Undertakings Committee on various aspects of the working of public undertakings by 22nd January, 1978, only 100 undertakings furnished information upto 20th March, 1978. As many as 72 public undertakings have not furnished information even after about

three months of the calling of the information. The Committee see no valid reasons why the requisite information could not be collected by these public undertakings so long. In their First Report on Extravagant and Infructuous Expenditure on Entertainment by Public Undertakings presented to Lok Sabha on 3rd April, 1978, the Committee have made the following observations in this regard:—

“The Committee considered that deliberate non-supply of information even after a period of three months amounts to withholding of information which is very vital for accountability of undertakings to Parliament. This may amount to a contempt of the Committee. This, in the opinion of the Committee, is reprehensible.”

In this instance also, the Committee are positive that the intention is to withhold the information sought for. In the opinion of this Committee this may also constitute a clear contempt of the Committee. The Committee seriously suspect that this information has been withheld because there is a lot to hide.”

5. In reply to the observation of the Committee Government stated as under:—

“Material from 72 enterprises, which could not furnish it by the 20th March, 1978, has since been collected and transmitted to the Lok Sabha Secretariat. Reasons for not submitting the information by these 72 enterprises within the time indicated by the Lok Sabha Secretariat have also been obtained from the Heads of the respective enterprises and furnished to the Committee’s Secretariat *vide* BPE’s letter No. 2(106)/77-BPE (GM-I) dated the 23rd April, 1978. As the information called for from the Public Enterprises was for three years and on a number of points it had to be collected by the Public Sector Enterprises from their respective units/offices located throughout the length and breadth of the country, it took some time for the Public Enterprises to submit the information complete in all respects. The delay in submission of the same has been highly regretted by them.”

[BPE O.M. No. 2(36)/78-BPE(GM-I) dt. 19.12.78]

6. The Committee cannot but take a serious view of the reprehensible delay on the part of the 72 undertakings. The explanations tendered display a sense of irresponsibility and non-cooperation for reasons not understandable, which is not conducive to proper accountability to Parliament and ought therefore to be curbed. Assuming there were genuine difficulties, in furnishing the entire information called for, they should

have at least tried to cover a good part of it in time and on their own come up with the explanation well before the stipulated date. It should not have been left to the Committee to seek and obtain an explanation. The matter should be brought to the notice of Cabinet Minister concerned.

As the Committee could not go into the details of expenditure on publicity, donations etc. by these 72 undertakings owing to their belated submission they desire that the BPE should critically examine them in the light of their observations in the 4th Report as well as in this Report and ensure that suitable action is taken wherever warranted.

B. Extraordinary Expenditure on Publicity through private agencies

Recommendations (Sl. Nos. 2 to 5—Paragraphs 25 to 28)

7. Dealing with the extraordinarily high expenditure on Publicity by a number of Undertakings including those incurring cumulative losses and the advertisements being routed through private agencies, the Committee made the following comments:—

“The Committee are astonished to note that out of the 100 public undertakings from whom information has been received regarding the expenditure on Advertisement and Publicity, 92 undertakings have incurred an expenditure on Advertisement and Publicity to the tune of Rs. 963.48 lakhs during the few years of 1974-75, 1975-76 and 1976-77.

The Committee understand there is an usual practice of giving a commission between 15 and 20 per cent to private Advertising Agencies. This may well work out to about Rs. 193 lakhs. The Committee are unable to probe as to how much of this amount and in which undertakings part of this amount found its way in the pockets of private individuals, since the study is only on the basis of written replies. The Committee is positive that there is serious scope for corruption and nepotism in this sphere of business.

What is more shocking is the fact that 39 undertakings which have been incurring huge cumulative losses, or losses during any of the years 1974-75 to 1976-77 have also incurred considerable expenditure on Advertisement and Publicity through privately owned associates by passing Government agencies. The Committee are fully aware of the fact that many of the Public Undertakings do not require to publicise anything at all excepting statutory notices, etc. For example Bharat Aluminium Co. Ltd. with a cumulative loss of Rs. 1858 lakhs at the end of 1977 spent Rs. 6.96 lakhs on advertisement and publicity during 1976-77. Scooters India Ltd., with cumulative loss of Rs. 638 lakhs till 1976-77 spent Rs. 5.37 lakhs

on advertisement and publicity during 1976-77. Mining and Allied Machinery Corporation Ltd. with a cumulative loss of Rs. 3516 lakhs at the end of 1976-77 spent Rs. 9.39 lakhs on this account during the period 1974-75 to 1976-77. Cochin Shipyard Ltd. with a cumulative loss of Rs. 20.72 lakhs till 31st March, 1977 spent Rs. 4.28 lakhs during 1976-77. Central Inland Water Transport Corporation Ltd., with a cumulative loss of Rs. 2143 lakhs spent Rs. 1.31 lakhs during 1976-77. Bharat Gold Mines Ltd. with a cumulative loss of Rs. 767 lakhs spent Rs. 1.05 lakhs on this account during 1976-77. Jessop & Co. Ltd. with a cumulative loss of Rs. 1247 lakhs as on 31st March, 1977 spent Rs. 1.02 lakhs during 1976-77. Bharat Heavy Plates & Vessels Ltd., with a cumulative loss of Rs. 704 lakhs spent Rs. 6.05 lakhs on this account during the years, 1974-75 to 1976-77.

The Committee find from the analysis of the expenditure on advertisement and publicity that in 1974-75 as many as six undertakings, namely Life Insurance Corporation of India, Bharat Heavy Electricals Ltd., Hindustan Machine Tools Ltd., Hindustan Photo Films Manufacturing Co. Ltd., Indian Airlines and Madras Fertilizers Ltd. had spent more than an amount of Rs. 10 lakhs on advertisement and publicity alone and the total amount spent by them was Rs. 159.45 lakhs. The Committee are deeply concerned to observe that in 1975-76 though the number of undertakings which had spent more than Rs. 10 lakhs was the same *i.e.* six, namely, Bharat Heavy Electricals Ltd., Hindustan Machine Tools Ltd., Life Insurance Corporation of India, Hindustan Photo Films Manufacturing Co. Ltd., Engineers India Ltd. and the Electronics Corporation of India Ltd., the total amount spent by them increased by Rs. 24.08 lakhs to Rs. 183.53 lakhs. It is noteworthy that during 1976-77 the number of undertakings which have spent more than Rs. 10 lakhs increased to eight namely Bharat Heavy Electricals Ltd., Hindustan Machine Tools Ltd., Life Insurance Corporation of India, Hindustan Photo Films Manufacturing Co. Ltd., Indian Airlines, Electronics Corporation of India Ltd., Engineers India Ltd. and Garden Reach Shipbuilders and Engineers Ltd., and the total amount spent on advertisement and publicity by these undertakings shot up to Rs. 254.53 lakhs.

The Committee note with utter dismay that the amount spent on advertisement and publicity by three undertakings, *viz.*, Bharat Heavy Electricals Ltd., Hindustan Machine Tools and Hindustan Photo Films Manufacturing Co. Ltd., has not only been more than Rs. 10 lakhs continuously during each of the three years 1974-75, 1975-76 and 1976-77 but their expenditure has also shown-upward trend over these years. The Bharat Heavy Electricals Ltd., have, in their written note submitted to the Committee, stated that "52 per cent of our products are in the competitive sector where BHEL has to compete with private sector parties for the market

share". The Committee are unable to appreciate this argument inasmuch as Bharat Heavy Electricals Ltd. have already built up considerable stature and enjoy monopoly in the production of certain specified items for which they need not have to compete much with private sector Parties. The Committee are under the impression that they have always enough orders to feed them and their customers do not go by advertisement in mass media and cheap brochures."

8. The Government stated the following in reply to the comments of the Committee :—

"The broad components of the publicity expenditure show that a substantial part relates to publication of tender notices, vacancy notifications, etc. which arise out of operational needs and are directly related to the volume of operations. Intensive publicity through various media have also to be undertaken by enterprises which have a substantial volume of goods competing with those of the manufacturers in the private sector. Publicity is also necessary for obtaining a foothold in foreign markets and for enlarging the exports. Institutional publicity to project the role of the public enterprises in national economic development and the part each of them plays is also necessary to supplement the Government's communication programme to inform the general public.

A study of 147 enterprises has shown that they have incurred an expenditure of Rs. 18.57 crores on advertisement and publicity during the 3 years ended 1976-77. During the corresponding period, the aggregate turnover of these 147 enterprises amounted to Rs. 36.913 crores. The aggregate expenditure on publicity by public enterprises in absolute figures may seem to be high. The publicity expenditure, however, works out to one-twentieth of 1 per cent of the sales income (0.05 per cent). Considering the various objectives of the public enterprises and the environment in which they operate the quantum of average expenditure on publicity may not be unreasonable.

The public enterprises do not pay the advertising agencies any commission on advertisements placed through them in newspapers."

[BPE O.M. No. 2(36)/78-BPE (GM-I), dt. 19.12.78]

9. While the Committee are not averse to a measure of minimum publicity that may be warranted on commercial considerations, what intrigued them was extraordinarily high expenditure on publicity possibly entirely through private channels by a number of public undertakings. It may be that as Government has argued the expenditure on an average is of

the order of 0.05 per cent of the sales income of 147 enterprises studied by them. But talking in terms of average in the context of what the Committee had pointed out in specific cases seems quite absurd. They would therefore urge that the expenditure should in future be regulated within limits by each undertaking and should conform to some norms. Middlemen should be eliminated and dealings should be through DAVP only.

10. As regards the Committee's apprehension that there was serious scope for corruption and nepotism in advertisements being put through private commission agents, the Government have remained content with merely stating that "the public enterprises do not pay the advertising agencies any commission on advertisement placed through them in newspapers."

The Committee understand that there is hardly any instance where even in the private sector the advertiser pays commission to advertising agents for their advertisements. The media which receive the advertisements pays the commission to the middlemen and sometimes a little more than that. In fact, the reply is an attempt to mislead the Committee. They would therefore require that in future there should be no occasion to approach a private agency and that the expertise as well as the assistance of DAVP should instead be drawn upon by the public enterprises. The DAVP should expand suitably to meet this increase in requirement.

C. High rate of expenditure on advertisement and publicity by the L.I.C. largely through private media

Recommendation (Sl. No. 6—Paragraph 29)

11. Deploring the high rate of expenditure on advertisement and Publicity by the L.I.C. largely through Private media the Committee commented as follows:—

"In so far as insurance business is concerned, the Committee are at a loss to understand why the Life Insurance Corporation of India, which has got complete monopoly in this business, has incurred an expenditure which is as high as Rs. 70.66 lakhs during 1976-77. Although, the Committee feel that Life Insurance Corporation of India do require to advertise through different mass media, preferably through Government mass media, for reaching the prospective insurers yet they fail to understand why Life Insurance Corporation of India has not make use of Radio and T.V. sufficiently. This creates strong suspicion of malpractice and the Committee disapproves it thoroughly. It is an admitted fact that radio is much more effective as a mass media as compared to newspapers and other

similar media. Out of Rs. 70.66 lakhs a trifling sum of Rs. 5.82 lakhs, has been spent by the Life Insurance Corporation of India on advertising through A.I.R. and T.V. The Life Insurance Corporation should only go for generic promotion. The Committee deplore this high rate of expenditure on advertisement and publicity by the Life Insurance Corporation through private sector advertising agencies and private mass media."

12. In reply the Government stated as under:—

"LIC does not operate in monopoly situation as it has to compete with other forms of savings like bank and company deposits, unit Trust, stocks and shares, real estate etc. Radio and TV have certain practical limitations since audience exposure depends on Radio/TV sets being 'on' at the given time and the number of listeners/viewers; message impact time is very short, and the advertisements are clustered, the succeeding ones wiping out the earlier advertisement's effect, except subliminally.

LIC has not only to promote the basic concept of Life Insurance (generic promotion) but also promote and sell the several schemes and plans to cater to the requirements and needs of individual insurers. Corporate image has also to be built up through publicity of business achievements, settlement of claims and contribution to the national economy through investment in socially important schemes.

The special nature of life insurance selling requires continuous liaison between the LIC and the advertising agency since the advertising strategy and campaigns have to be frequently revised/modified to suit the changing environment and market conditions. The DAVP is located in Delhi and does not maintain offices at other centres. The Corporation has a panel of advertising agencies (selected from among those on the approved list of the DAVP). The LIC commands better answerability from these agencies, since it has the freedom of choice on the basis of performance.

Expenditure on publicity has to be related to the business procured/expected quantum of marketing effort. LIC has to carry the message of insurance to the nook and corner of the country and with other attractive forms of savings, life insurance is becoming less attractive and more effort is necessary to emphasise the benefits of risk cover, tax concessions, etc. New

business done during the three years ending 1976-77 is approximately Rs. 5,000 crores per year. Premium income has risen from Rs. 511.24 crores in 1974-75 to Rs. 653.30 crores in 1976-77. The publicity expenditure thus works out to 0.015 per cent of new business or 0.128 per cent of premium income and this is not considered excessive."

[BPE O.M. No. 2(36)/78-BPE (GM-1) dt. 19-12-78]

13. The Committee find that instead of critically examining the efficacy of publicity by the LIC having regard to the means employed and the amount spent in absolute terms, the Government have again tried to oversimplify the issue by talking in terms of percentage of business or income. This is nothing but an attempt to mislead the Committee. That in rural areas the Radio has come to dominate more than other mass media seems to have been lost sight of. The newspaper readership ratio per thousand population in India is one of the lowest in the world. But radio has become cheaply available and its use could be seen in the remotest and inaccessible areas too in the country. The Committee are firmly of the opinion that Radio can render better service than the printed media especially in the remote inaccessible areas as well as those areas where communication is not easy. There is clear case for LIC and for that matter other public enterprises to make more use of Radio, T.V. and films division. Further the Committee require that there should be no option but to go through the DAVP for advertisements by public sector organisations in order to curb mal-practices and under hand methods. Wherever there are middlemen they are commission cutters. The Committee strongly recommend to the Ministry of Information and Broadcasting that DAVP should now gear up and proliferate itself to meet the growing needs of Government and public sector undertakings.

D. Justification for the Expenditure of the order of Rupees 20.73 lakhs by the I.A.C.

Recommendation (Sl. No. 7—Paragraph No. 30)

14. Dealing with the expenditure on Publicity by the IAC the Committee observed:—

"In the same category comes the Indian Airlines whose total expenditure during 1976-77 amounted to Rs. 20.73 lakhs. The I.A.C. is required to publicise new routes and changes in time schedules. The Committee would like a fuller justification of the rationale of the extraordinarily high expenditure by this undertaking."

15. To the above observation the Government furnished the following reply:—

"Indian Airlines is a highly consumer oriented undertaking whose large clientele are literally spread all over the world. The

Airlines expects to carry five million passengers in the current year—25 to 30 per cent of the traffic originating outside India through Air India and other International Airlines who in turn pass on this business to Indian Airlines for the domestic flights in India. The Airlines also caters to a large passenger traffic from the neighbouring countries in which it operates. Its business interests and growth cannot be sustained without adequate communication with its potential markets. The Airlines has to stimulate, maintain and improve traffic demand, through promotional advertising.

A substantial part of the total publicity expenditure relates to statutory and allied advertisements like printing of schedules, tariffs and advertising of schedule changes etc. These are essential and unavoidable. Eight lakh copies of schedules are printed for distribution to passengers, the travel trade, Air India and India Tourism offices abroad. The schedules have also to be printed abroad in two leading Airlines Guides to facilitate IATA carriers in finalising itineraries of tour groups and tourists visiting the country.

Promotional advertising has also been done in leading travel trade magazines in the world to attract foreign tourists and earn foreign exchange. Such advertising is a commercial necessity in tourist originating countries like USA, Western Europe, and Japan. Such advertising has enabled the Airlines to earn Rs. 41.23 crores of foreign exchange in 1977-78. Attractive folders in different languages for distribution all over the world is also part of business promotion; short films of tourists interest are screened abroad through PATA, the travel trade etc. On special occasions institutional publicity is also undertaken. For instance in 1976-77, the induction of airbus to the fleet had to be adequately publicised to build up the Indian Airlines image as a modern and progressive airline offering the best service to its passengers.

Besides, the promotional expenses, the Airlines also bring out an in-house journal for internal communication with its employees. Publication of Annual Reports is a legal and commercial necessity.

Advertising expenditure as a percentage of the total revenue works out only to 0.18, 0.12 and 0.23 per cent respectively for years 1974-75, 1975-76 and 1976-77. Considering the nature of the Airlines' operations, and the need for publicity by this industry, the Government consider that the expenditure may not be unreasonable."

[BPE O.M. No. 2(36)/73-BPE (GM-I) dt. 19-12-78].

16. The Committee find that as against average expenditure of 0.05 per cent of revenue by 147 enterprises in 1976-77, the IAC's expenditure on Publicity worked out to 0.23 per cent which is more than four times the average. Although IAC enjoys a total monopoly in the sphere of airlines business within the country, for an ordinary man to get tickets particularly on trunk routes is very difficult. It is therefore necessary that amounts spent on publicity is brought to a minimum. For internal business promotion hardly any advertisement is necessary except publishing of time-tables etc. For publicity outside the country the minimum amount should be spent because the travel agents abroad when they prepare an itinerary for tourists, they in their own interest, because they are paid substantially, obtain the time tables from the airlines concerned that are circulated to them. In any case private advertising agencies within the country for internal publicity should be done away with in order to eliminate malpractices and underhand dealing. They desire that the Corporation should rationalise its publicity and bring down the expenditure considerably in the coming years.

E. Need to Make Use of the DAVP

Recommendation (Sl. Nos. 8 to 9—Paragraph 31 to 35)

[Sl. No. 15(2)—Paragraph 41(2)]

17. Stressing the necessity to route the advertisements through the DAVP, the Committee observed as follows:—

“The Committee note that out of the 100 Undertakings, only 29 undertakings have used the agency of the Directorate of Advertising and Visual Publicity and their expenditure on advertisement and publicity through this agency during the three years 1974-75, 1975-76 and 1976-77 was about Rs. 14.12 lakhs, representing a trifling 1.4 per cent of the overall expenditure of Rs. 963.48 lakhs incurred on advertisement and publicity during the relevant period. This gives rise to serious suspicions. The Indian Airlines have stated that they use advertising consultants from the approved panel of the Directorate of Advertising and Visual Publicity. The Committee also note that only 7 undertakings, viz., (1) Bharat Heavy Electricals Ltd., (2) Hindustan Organic Chemicals Ltd., (3) Life Insurance Corporation of India, (4) Jute Corporation of India, (5) Cement Corporation of India, (6) Madras Fertilizers Ltd. and (7) Rehabilitation Industries Corporation Ltd. have used the media of AIR/TV for advertisement and publicity and the total amount spent by them during the three years was about Rs. 15.33 lakhs, i.e. 1.59 per cent only of the overall expenditure.

It is also seen that major portion of the expenditure incurred by the undertakings on advertisement and publicity has been on payments made to private advertising agencies which makes one very suspicious) and the expenditure on advertisements through DAVP and AIR/TV has been next to nothing.

The Committee would like to express their deep anguish about the tendency which is manifest among the public undertakings for favouring the private advertising agencies at the expense of the government agency, viz., Directorate of Advertising and Visual Publicity. In this connection, the Committee would like to draw the attention of the Government to the recommendations made in their 47th Report (4th Lok Sabha) wherein they observed *inter alia* that all commercially non-competitive public undertakings should route their advertisements through the DAVP to get the benefit of the Concessional Rates. The Committee had also stressed that the commercially competitive public undertakings should also as far as possible and practicable use the agency of DAVP for their advertisements.

The Public Accounts Committee had also in their 173rd Report (1974-75) (Fifth Lok Sabha) made the following observations in this regard:—

“Government have not shown any earnestness in implementing, in letter and spirit, the accepted recommendations of the Committee on Public Undertakings. In fact, the Ministry of Information and Broadcasting should have taken full advantages of the recommendations of the Committee on Public Undertakings and pursued with the administrative Ministries concerned and Public Undertakings in order to secure ever larger share of advertisements being routed through DAVP.”

The Committee would require the Government to take concerted action to implement the recommendations of the Public Undertakings Committee and Public Accounts Committee made in their 47th Report (4th Lok Sabha) and 173rd Report (5th Lok Sabha), respectively.

Their advertisements for newspapers should be routed through DAVP only.

Advertisements should be given to private agencies only in a very few instances (calling for a very exceptional treatment) and that too with the express approval of the Board of Directors.

18. The Government stated:

"The Ministry of Information & Broadcasting who have been apprised of the Committee's above recommendation, are considering this."

[BPE C.M. No. 2(36)/78—BPE (GM-I) dt. 19-12-78]

19. It is unfortunate that although the report was presented to Parliament in April last year no concrete action has been taken as yet on the recommendation of the Committee which was essentially in the nature of reiterating their earlier recommendation contained in the 47th Report (Fourth Lok Sabha) and the recommendation of the PAC contained in their 173rd Report (Fifth Lok Sabha) in regard to making use of DAVP for advertisements by Public Undertakings. The Committee apprehend that in the DAVP itself there are friends of private advertising agencies who are delaying matters in order to benefit the private advertising agencies. The matter should be brought to the notice of Minister of Information and Broadcasting.

The Committee require that no further time should be lost in implementing the recommendation which was calculated to bring down a wholesome practice with advantages all its own.

F. System of Appointment of Private Advertising Agencies

Recommendation (Sl. No. 10—Paragraph 36)

20. Commenting on the practice of employing private advertising agencies the Committee observed as under:—

"The Committee are perturbed to note that some of the public enterprises have been patronising particular firms of advertising agencies for reasons not difficult to understand. For example, the Hindustan Photo Films Mfg. Co. Ltd. releases advertisements through M/s. R. K. Swamy Advertising Associates (P) Ltd., Madras. The Committee feel that M/s. R. K. Swamy Advertising Associates are very influential and seem to have spread their tentacles in the appropriate quarters as this Company got special treatment from the Government in getting conditions of accreditation waived which was the subject matter of discussion by the P.A.C. in their 173rd Report (5th Lok Sabha). Other advertising agencies through whom advertisements are being given by some of the public undertakings are (1) M/s. New Fields Advertising Pvt. Ltd., New Delhi, (2) M/s. Jaisons, Bombay, (3) M/s. Dacunha Associates (P) Ltd., Bombay, (4) M/s. Times, New York, (5) Rediffusion Advertising (P) Ltd., Madras and (6) M/s. Redeus Advertising Pvt. Ltd., Bombay. The Committee strongly deprecate the practice of farming out almost entire advertisements to particular ad-

vertising agencies only. The Committee are not aware as to how these private advertising agencies are selected by these Public Undertakings. They cannot lose sight of the fact that arbitrary selections are bound to generate corruption, nepotism and malpractices. The Commission that is at present given to the private advertising firms is around 15 per cent which amounts to payment of considerable sum of money to these advertising agencies."

21. The Government have furnished the following reply to the observations of the Committee:—

"Public enterprises are required to select private advertising agencies for handling their publicity work out of the panel of the approved advertising agencies maintained by the DAVP. Advertising agencies are empaneled by the DAVP on the basis of their professional competence, business standing and financial soundness.

Public enterprises have set up procedures, methods for evaluating and selecting advertising agencies out of the DAVP's panel most suited to their publicity needs. Enterprises which have a large publicity budget generally make selection of advertising agencies through the recommendations of a Committee. Generally, such Committees are composed of top managerial personnel from the Commercial/Sales/Marketing, Finance and the PR Departments. The criteria for selection of advertising agencies are: competence and standing in the advertising profession, goodwill among its clientele, volume and extent of business handled in recent years, network of offices, reliability and quality of the creative and design work, etc. The advertising agencies are required to make their presentations and furnish such other details to the Committee so as to enable it to make a comparative assessment as between the different agencies to determine their suitability as to the type of work to be entrusted to them. On the basis of this assessment, an adequate number of agencies are included in the panel which is valid for a specific period normally for a year. The enterprises distribute the advertisement and publicity work to the various agencies on the panel on the basis of their competence to handle the particular work and also ensure that no one agency secures the bulk of the work."

[BPE O.M. No. 2(36)/78-BPE (GM—G) dt. 19-12-78]

22. The Committee are of the view that DAVP is not at all free from malpractices as will be seen from 173rd Report of PAC (1974-75) especially in the matter of appointment of private advertising agencies. The

P.A.C. had then specifically pointed out that M/s. Aiyars Pvt. Ltd. were recognised in spite of the fact that they were not eligible for DAVP accreditation.

The Committee strongly feel that the present arrangement for engaging private advertising agencies is unsatisfactory and is breeding corruption, nepotism and other malpractices. They would therefore stress that as recommended earlier in this Report public undertakings should only function through the DAVP. Only in special cases with the permission of Secretary, Ministry of Information and Broadcasting, business could be given to private advertising agencies where DAVP express their inability in writing showing reasons.

23. The Committee regret that their observations regarding the seven advertising agencies patronised by some public undertakings have been deliberately left unnoticed which gives rise to serious suspicion and calls for an explanation. They would want that the selection of these agencies by the undertakings concerned should be critically gone into to see whether there was any malpractice. This should be done forthwith under advice to the Committee within 30 days of presentation of this Report.

G. Need for Broad Guidelines Governing Publicity measures
Recommendation (Sl. No. 11—Paragraph No. 37)

24. Recalling an earlier recommendation suggesting broad guidelines to regulate publicity the Committee observed:—

“In their 47th Report (4th Lok Sabha), the Committee on Public Undertakings had recommended that certain broad guidelines and criteria for correlating the expenditure on publicity to the total sales/revenue etc. for specific groups of undertakings should be laid down after a detailed study by some specialized agency. The need for laying down such guidelines becomes all the more important in view of the fact that during the years 1974-75 to 1976-77, seven undertakings accounted for about 62 per cent of the total expenditure of Rs. 963.48 lakhs on advertisement and publicity by 100 undertakings.”

25. The Government have furnished the following reply:—

“On the suggestion of the COPU (68-69), the question of laying down criteria and guidelines for expenditure on advertisement and publicity was remitted for examination to the Expert Committee which was set up on the Committee's recommendation. The Expert Committee after examining all aspects of the matter came to the conclusion that it was not possible to evolve any

practical guidelines for expenditure on PR and advertisement as the needs of undertakings vary considerably depending upon their size, nature of activities and problems. Such needs may also vary from time to time for the same undertaking.

For control over expenditure on publicity, the Government had issued instructions that Managements should undertake a review of the effectiveness of their publicity media campaigns once a quarter at the level of the Management and annually by the Board of Directors. As mentioned in the earlier reply (Paragraph 8) a study of 147 enterprises has revealed that the publicity expenditure as a percentage of turn-over may not be unreasonable."

[BPE O.M. No. 2(36)/78—BPE (GM-I) dt. 19-12-78]

26. The Committee totally disagree that no guidelines could be evolved to regulate the publicity. If only the annual review of the efficacy of publicity measures ordered to be made by the Boards of Management of Public Enterprises as early as 1969 has been meaningful and the administrative Ministries have also watched the outcome of such reviews it should have been possible to lay down suitable guidelines depending on the experience gained so far. The Committee require that the Ministries should in consultation with the BPE and DAVP start an exercise afresh in this direction.

H. Annual Reports to be made more informative

Recommendation [Sl. Nos. 12 and 15(3)—Paragraph Nos. 38 and 41(3)]

27. Suggesting that the Annual Reports of Public Enterprises should bring out relevant information on Publicity the Committee recommended:—

"The Committee require that the public undertakings should mention in their annual reports the amount spent with explanatory notes and the extent to which they have implemented the Government's policies and instructions issued by the administrative Ministries in this regard. The administrative Ministries on their part should also keep a closer watch to ensure that Government's policies are followed by the undertakings in letter and in spirit.

The ratio of annual expenditure on advertisement/publicity to the annual income of the undertaking should be clearly indicated."

28. In reply the Government have stated as follows:—

"On the recommendations of the Committee on Public Undertakings (1968-69) in their 47th Report on PR and Publicity Government had issued instructions to the public enterprises that they should show in their accounts, the expenditure on PR publi-

city as a separate item. The Government has again reiterated these instructions to ensure that all undertakings follow these instructions. (Appendix I)"

29. The Committee wish to reiterate their earlier recommendation as in their view it is not enough if the expenditure on publicity is shown as a distinct item in the Annual Accounts of Public Enterprises. It is also equally necessary to give suitable explanatory notes and to indicate the ratio of the expenditure to revenue in order to show how far the expenditure conform to the norms and guidelines laid down by Government from time to time. Further it is necessary that the results of annual review of the effectiveness of publicity through its working results and profit and loss account by the Boards of Management should be obtained by the Administrative Ministries and critically examined to apply promptly the correctives wherever necessary.

I. Donations by the Public Undertakings

Recommendation (Sl. Nos. 13 and 14—Paragraph Nos. 39 and 40)

30. Dealing with donations made by a number of Public Enterprises for various purposes the Committee observed as follows:—

"While the Committee note that the public undertakings are making handsome donations for purposes of relief for natural calamities such as the Andhra Cyclone, they disapprove of the practice of making donations to political parties for political purposes. For example, a sum of Rs. 10,000 was spent for advertising in souvenirs issued by A.I.C.C., Chandigarh in 1975 by the Bongaigaon Refinery and Petro-Chemicals Ltd. This is highly improper and illegal and responsibility should be fixed for taking action under advice to this Committee. The Ministry of Company Affairs should also be informed. Many other Public Undertakings have also spent on advertisements in Souvenirs. Similar action should be taken against those Public Undertakings after enquiries without fail. The Committee also find that one or two undertakings have not specified the names of the parties to whom the donations have been given. The reasons are not difficult to understand. However, the Committee require that requisite information should be furnished in details within a month of the presentation of the Report.

The Committee deprecate contributions by National Textiles Corporation (M.P.) towards customary charity to Cloth Merchants Association. The Committee does not approve giving of donation by New India Assurance Co. and Garden Reach Shipbuilders and Engineers Ltd. The Public Undertakings have not given names of the parties to whom the donations were made and withheld this information deliberately."

31. In reply the Government stated as under:—

“The observations of the Committee have been brought to the notice of all the administrative Ministries and the Public Sector Enterprises.

The specific recommendation of the Committee relating to the sum of Rs. 10,000 spent for advertising in Souvenirs issued by A.I.C.C. Chandigarh in 1975 by the Bongaigaon Refinery and Petro-Chemicals Ltd. has also been brought to the notice of the concerned administrative Ministry *i.e.* Ministry of Petroleum & Chemicals *vide* BPE U.O. No. BPE (I&R)/12(i)/78 dated 31st May, 1978. A copy of this communication has also been sent to the Deptt. of Company Affairs.

As regards furnishing of details in respect of undertakings who had not specified the names of the parties to whom the donations had been given, it is submitted that the necessary details have already been furnished to the Committee within a month of the presentation of Report *Vide* BPE O.M. No. 2(36)/78-BPE (GM—I) dated 17th May, 1978.”

These details are given below.

GARDEN REACH SHIPBUILDERS AND ENGINEERS LTD.

Accounts : Donation and Subscription : 1974-75 Subscription for Membership with Associations and Subscription for Journals paid in 1974-75

	Rs.
1. Chary Publications	62
2. Indian Pump Manufacturers Association	1250
3. Indian Standard Institution (Cal. Branch)	1000
4. Indo-German Chamber of Commerce	500
5. National Safety Council	250
6. Association of Indian Engineering Industry	10000
7. The Institution of Production Engineer (Sal. Sec.)	36
8. Indian Roads Congress	650
9. Calcutta Productivity Council	1000

10. National Council of Applied Economic Research	2000
11. All India Management Association	2500
12. Indian Foundry Association	300
13. Indian Engineering Association (Subscription to four Divisions)	1000
14. Subscription for various Journals and periodicals	4900
	25448

A/c Donation and Subscription—1975-76

(In lakhs of Rupees)

1. Jagadiah Memorial Science Talent Search Scholarship for 2 years	0.20
2. Donation to Regional Engineering College, Rourkela	0.01
3. National Maritime Day Celebration Committee	0.01
4. Association of Indian Engineering Industry : Membership Fees	0.20
5. Subscription and Membership fees for Indian Institute of Industrial Engineering and Indian Standard Institution	0.20
6. Other Membership fees paid (Details in Appendix II)	0.22
7. Subscription for Journals, periodicals etc. (Details in Appendix II)	0.20
	1.043

A/c Donation 1976-77

International cadet class (sailing) for 10th world competition	Rs. 6,000
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THE NEW INDIA ASSURANCE COMPANY LTD.

Donations for the year 1975

<i>Indian :</i>	Rs.
Himachal Earthquake Relief Samiti	2,500.00
Indian Cancer Society	2,000.00
Bal Bhavan, Madras	750.00
Bombay Citizens' Gujarat Flood Relief Committee	51,256.88
Society of St. Ursula	5,000.00
Prime Minister's National Relief Fund	1,00,000.00
Maharashtra State Anti-T.B. Assn.	2,500.00
TOTAL	Rs. 1,64,006.88

<i>Foreign :</i>	Rs.
National Traffic Day 1975, Bharain	2,028.00
Hindu Samaj Building Fund, Bangkok	3,955.00
General Insurance Association Bldg., Bangkok	11,865.00
Building Fund-KELAB BHARAT (Bharat Club)—Kuala Lumpur	16,900.00
TOTAL	34,748.00
GRAND TOTAL (Indian & Foreign)	Rs. 1,1,93,654.83

THE NEW INDIA ASSURANCE COMPANY LIMITED

Donations for the year 1976

Indian :

Particulars	Amount
	Rs.
1. Shree Sabarkantha Arogya Mandal	2,000
2. The Rachnatmak Karya Samiti	2,000
3. Tuberculosis Association of India	500
4. The National Association for the Blind	60,000
5. Railway Women's Club	501
TOTAL DONATIONS	65,001

Foreign :

NIL

32. The Committee would like to be apprised of the exact nature of action take in the case of those Public Undertakings who spent on advertisements in Souvenir issued by A.I.C.C. The Committee would also very much like to know immediately whether responsibility has been fixed on individual officers and action taken against them for this act which the Committee understand is also punishable under Law.

J. Increasing use of Government Owned Mass Media

[Recommendation (Sl. No. 15(1)—Paragraph 41(1)]

33. In the context of the need to increasingly utilize the Government controlled mass media for publicity the Committee observed:—

“That it will be obligatory on the Public Sector Undertakings to spend at least 30 per cent of their actual advertising and publicity budget through Government owned mass media viz. All

India Radio and Door Darshan. This should be gradually increased to 50 per cent within next three years."

34. The Government furnished the following reply:—

"The Government agree with the Committee that the Public enterprises should make greater use of the Radio and TV, the Govt. owned media. They are, however, of the view that prescribing a fixed percentage would result in depriving the Managements of their powers of discretion in evolving effective publicity strategies and plans through use of appropriate media.

A large number of public enterprises produce basic industrial goods and machinery, equipment and intermediate industrial goods and components, the promotion of which cannot be done through Radio and TV. There are some enterprises producing and selling consumer goods like bread, drugs, cloth, photo films, cameras, TV sets, watches, bulbs. The Radio and TV are among the various other media that they employ for product promotion and publicity. Expenditure to the extent envisaged by the Committee may not be feasible because of the diverse character of the target audiences, the nature of the message to be conveyed, and certain inherent limitations of the media.

The Government has, however, advised the Managements of Public Enterprises that they should make increasing use of the Government owned media wherever possible, in preference to other media, keeping in mind the cost effectiveness (Appendix III)."

[BPE O.M. No. 2(36)/78—BPE (GM-I) dt. 19-12-78]

35. The Committee had earlier in this Report pointed out how publicity is more effective on Radio, which has reached even remotest areas of the country than on other media. The Committee would insist that the advice of the Government to the Public Undertakings to make increasing use of the Government owned media is actually followed by positive action in that direction by the Undertakings. To ensure this, there should be a proper monitoring cell in the Bureau of Public Enterprises to call for information from each Public Undertaking in regard to the extent of utilisation of Government owned media in a particular year in comparison with the corresponding position during the last two years and for taking suitable measures to see that there is gradual advancement in each case towards achievement of the target of 30 per cent (to increase further to 50 per cent) suggested by the Committee.

NEW DELHI;
March 13, 1979
Phaiguna 22, 1990 (S)

JYOTIRMOY BOSU,
Chairman,
Committee on Public Undertakings.

APPENDIX I

(Vide reply to recommendations at S. No. 12275(13) para 28.)

Copy of O.M. No.: BPE/|GL-042|78BPE (I&R)12(1)|78
dated 18th December, 1978

from Bureau of Public Enterprises to all Ministries/Departments of
Government of India

OFFICE MEMORANDUM

SUBJECT.—*The expenditure on Publicity|Advertisements to be shown as a
distinct item in Profit and Loss Account in Annual Reports.*

1. The Committee on Public Undertakings (1968-69) (Fourth Lok Sabha) in their 47th Report recommended that the expenditure on Public Relations and Publicity should be shown separately in the annual accounts of the public undertakings. The Government had accepted this recommendation and issued instructions that the total expenditure on Public Relations and Publicity in the public undertakings should be shown separately in the Profit and Loss Accounts of the Public Undertakings *vide* O.M. No. BPE(1)/113 Adv. (F)/70 dt. 26th August, 1970 and O.M. No. BPE (I&R) 29(69) dt. 17th November, 1969 (Annexure).

2. The Committee on Public Undertakings (1977-78) (Sixth Lok Sabha) in their 4th Report on "Extraordinarily High Expenditure on Publicity by Public Undertakings" have again reiterated that the expenditure on publicity/advertisements should be clearly brought out in the Annual Reports. (A copy of their recommendations is enclosed.

3. Ministry of Industry, etc. are requested to bring the contents of this O.M. to the notice of the public undertakings under their administrative control for necessary action.

Sd/-

V. G. KESARY
Joint Director.

To

All Ministries/Departments of
Government of India.

Copy to :

1. Public sector enterprises.
2. Controller and Auditor General of India.
3. Integrated Financial Advisors.
4. Secretary, Standing Conference of Public Enterprises, 36,
Janpath, Chandernagore Bldg., New Delhi—110001.
5. Heads of Divisions of BPE.

Annexure to Appendix I

Copy of the recommendations of the Committee on Public Undertakings in its 47th Report (4th Lok Sabha) 1968-69 on Public Relations and Publicity in Public Undertakings and Government reply thereon.

Recommendations (Serial No. 11 Para 3.12)

The Committee further recommend that the expenditure on public relations and publicity should be shown separately in the accounts of the public undertakings. The expenditure on staff or establishment deployed in the undertaking for this work should also be shown distinctly.

Reply of Government

Government accept the recommendations. Total expenditure on public relations and publicity and expenditure on staff and establishment in the public undertakings will be shown as a note to the profit and loss account of the undertakings.

[No. BPE (I&R)/29/69 dated 17th November, 1969]

PUBLIC RELATIONS AND PUBLICITY IN PUBLIC UNDERTAKINGS—EXPENDITURE ON

The Committee on Public Undertakings in its 47th Report on public relations and publicity in public undertakings has observed as under:—

“The Committee further recommend that expenditure on public relations and publicity should be shown separately in the accounts of the public undertakings. The expenditure on staff or establishment employed in the undertakings for this work should be shown distinctly.”

This recommendation has been accepted by the Government.

The expenses incurred on public relations and publicity during the year may be indicated as a note to be appended to the profit and loss account. This note should indicate details of expenditure on staff/establishment, payment to consultants and any other major item of expenditure.

The Ministry of Industrial Development etc. are requested to bring the contents of this O.M. to the notice of the public undertakings under their administrative control for necessary action.

[No. BPE/1(113)/Adv.(F)70 dated 26th August, 1970]

APPENDIX II

(Vide reply to recommendations at S. Nos. 13 & 14 page 18)

GARDEN REACH SHIPBUILDERS AND ENGINEERS LTD.

A. Other Membership fees paid in 1975-76.

	Rs. 7000 (Incl. Entrance fee.)
1. Conveyor Equipment Manufacturers' Association of India	
2. Indian Road Congress	650
3. Indian Institute of Metals	600
4. Calcutta Management Association	900
5. Institution of Production Engineers	357
6. Indian Institute of Welding	400
7. National Safety Council	750
8. Engineering Export Promotion Council	1500
9. All India Management Association	2000
10. AIEI Divisional Secretarial Services	750
11. Indian Foundry Association	600
12. Indian Pump Manufacturers Association	1250
13. National Council of Applied Economic Research	2000
14. Calcutta Productivity Council	1000
15. Institute of Engineers (India)	400
16. Indo German Chambers of Commerce	1000
17. Indian Association of Materials Management	350
	<hr/> Rs. 21507 <hr/>

B. List of Journals and Periodicals for which Subscriptions were paid in 1975-76

	Rs.
1. Time	190
2. Economist	542

3. Asia	138
4. Public Enterprise Recorder	220
5. World Telex	550
6. International Shipping & Shipbuilding Directory	500
7. Shipping World & Shipbuilder	400
8. Sea Trade	800
9. Indian Shipping & Shipbuilding	100
10. Fair Play—International	500
11. Engineering & Metals Review	200
12. Eastern Economist	600
13. Company News & Notes	100
14. Weekly Bulletin of Industrial Liaisons etc.	200
15. Indian Register of Shipping	1000
16. AIEI West Asian Digest	100
17. Times of India	200
18. Indian Welding Journal	100
19. Cherry Publications	100
20. Economic Scene and Journal of Industry & Trade	100
21. Electrical India	100
22. Company News and Notes, Capital & Decision	160
23. Daily Shipping Information	130
24. Labour Law Journal and Lok Udyog Journal	100
25. Business Environment	940
26. IRD/ILD Subscription to AIEI	1000
27. Calcutta Exchange Gazette & Daily Advertiser	110
28. Indian Journal of Engineers	130
29. Indian Trade Journal	580
30. Power	480
31. Motor Ship	307
32. Labour Welfare & Industrial Relation	375
33. Various other Journals	9496

APPENDIX III

[*Vide* reply to recommendation at S. No. 15(1), para 34]

Copy of O.M. No. BPN/GL-041/78/BPL(I&R)/12(1)78 dated 18th
December, 1978

From Bureau of Public Enterprises to all Ministries/Departments of
Government of India

Office Memorandum

Subject:—Use of Government owned mass media—All India Radio and
Door Darshan by Public Enterprises for their Publicity.

1. The Committee on Public Undertakings (1977-78) (Sixth Lok Sabha) in their 4th Report on "Extraordinarily High Expenditure on Publicity by Public Undertakings" have recommended that the public undertakings should spend 50 per cent of their advertising and publicity budget through Government owned mass media, e.g. All India Radio and Door Darshan. Copy of the Committee's recommendations is given overleaf.

2. The Government are of the view that prescribing fixed percentage would be impracticable due to the widely varying nature of the activities of the public enterprises and their publicity needs. The Ministry of Industry, etc. are requested to impress upon the Managements of the public enterprises under their administrative control that wherever possible they should make increasing use of the Government media in preference to others.

V. G. KESARY,
Joint Director.

To

All Ministries/Departments of
Government of India.

Copy to :

- (1) Public Sector Enterprises.
- (2) Comptroller and Auditor General of India.
- (3) Integrated Financial Advisors.
- (4) Secretary, Standing Conference of Public Enterprises, 36, Janpath, Chanderlok Bldg., New Delhi—110001.
- (5) Heads of Divisions of BPE.

APPENDIX IV

(Vide para 4 of Introduction)

Analysis of action taken by Government on the recommendation contained in the Fourth Report of the Committee on Public Undertakings (Sixth Lok Sabha)

I.	Total number of recommendations made	15
II.	Recommendations that have been accepted by Government (<i>vide</i> recommendations at S. Nos. 7, 13 and 14)	3
	Percentage to total	20%
III.	Recommendations which the Committee do not desire to pursue in view of Government's reply [<i>vide</i> recommendations at S. Nos. 1 and 15(1)]	2
	Percentage to total	13.3%
IV.	Recommendations in respect of which replies of Government have not been accepted by the Committee [<i>vide</i> recommendations at S. Nos. 2, 3, 4, 5, 6, 10, 11, 12 and 15(3)]	8
	Percentage to total	53.4%
V.	Recommendations in respect of which final replies of Government are still awaited [<i>vide</i> recommendations at S. Nos. 8, 9 and 15(2)].	2
	Percentage to total	13.3%

GMGIPMRND—LS II—4387 LS—27-3-79—1379.